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Startup ecosystem in Finland

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<p>The ultimate objective of this thesis is to gain insight and knowledge of the startup ecosystem in Finland. The secondary aim is to clarify the question regarding the entrepreneurial environment and activities of Finnish startups in comparison with their Nordic neighbours. Eventually, the feasible recommendations are drawn for Finnish entrepreneurs and policy makers in order to encourage entrepreneurship and improve the quality of the startup ecosystem in Finland.</p> <p>In this paper, the research method is qualitative in nature which is a combination of primary and secondary data collection methods in which the material was gathered from academic literature, internet articles, and by interviewing board members of startups and accelerating organisations in Finland. The outcome data was then analysed, synthesized with issue findings, and processed to generate research findings.</p> <p>The result of the study indicates that Finnish startups' ecosystem is strongly emerging, particularly in gaming, technology and healthcare sectors. Nonetheless, the startup ecosystem in Finland is quite young and majority of startups are in small scale, struggling to reach global market. Successful stories such as Rovio, Kiosked and Supercell are just the tip of the iceberg. Certainly, in order to keep pace with the Nordic leader Sweden in terms of startup ecosystem, Finland needs to attract more foreign investments, talents and promote the willingness of late growth stage investors to take risks.</p>	
Keywords	Startup, ecosystem, Nordic countries, entrepreneurship, venture capital, global growth, technology, investment, funding, startup life cycle

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1 Introduction

1.1 Topic inspiration and formation

I have developed my interest towards startups and their dynamic, innovative, flexible culture since I was in the first year of university in Finland. Back in my country, Vietnam, the startup scene few years ago was still very poor. I had no idea what a startup company was and I am certain that until now many people including young adults in Vietnam still have no idea what a startup is.

I have been studying in Finland for 3.5 years and since the start been taking part in entrepreneur projects and innovation seminars. These always excites, enough so that I want to work for a startup in the future and I want to have my own business. Furthermore, due to the explosion of internet, I am exposed with more news of successful stories from young startups in Silicon Valley as well as Nordic countries. I often asked myself a question “how can they do that” and “why can’t I do that?”.

During summer of 2014 I got a 6-month internship in Hub13 Oy, a startup company which offers co-working spaces, facilitates collaborations between startups to create innovations, and fosters entrepreneurs with mentoring and acceleration services. I was extremely eager to see how startups operate from the view of an insider, not from simulation projects at school or best-seller books which everyone is praising. Being part of day-to-day business I realized all my assumptions of startups and entrepreneurs were wrong. There was so much more to explore and to experience. About a year ago it was time I picked my thesis topic. I chose startups in Finland, but it was said to be too broad by my supervisor. However, with my hands on experience and knowledge at that time, I did not believe I had enough understanding to move on with the topic. Thus, I left school for 1 semester to do my internship in Shark Punch Oy, a tech startup whose main product is a games distribution platform to connect game developers and game enthusiasts from all over the world. I was lucky enough to land a full-time job there after the internship and at the same time continue with my thesis with the help of my bosses who are CEO and co-founders of the company.

1.2 Research background

1.2.1 Research question and objective

The research question:

How does the Finnish startup ecosystem compare to its Nordic neighbours?

Sub questions:

- What is startup life cycle?
- Why do startups fail?
- How is the startup ecosystem in Finland?
- What values do startups create to Finnish economy?
- How is the startup ecosystem in the Nordic region?
- What are the advantage and disadvantage of starting a business in Finland?
- What could Finland learn from other Nordic countries?

The intent of this study is to understand the startup ecosystem in Finland, its pros and cons, then provide recommendations what Finnish startups and government could learn from their Nordic neighbours in order to increase the success of launching a new business in Finland and expand their business to global market.

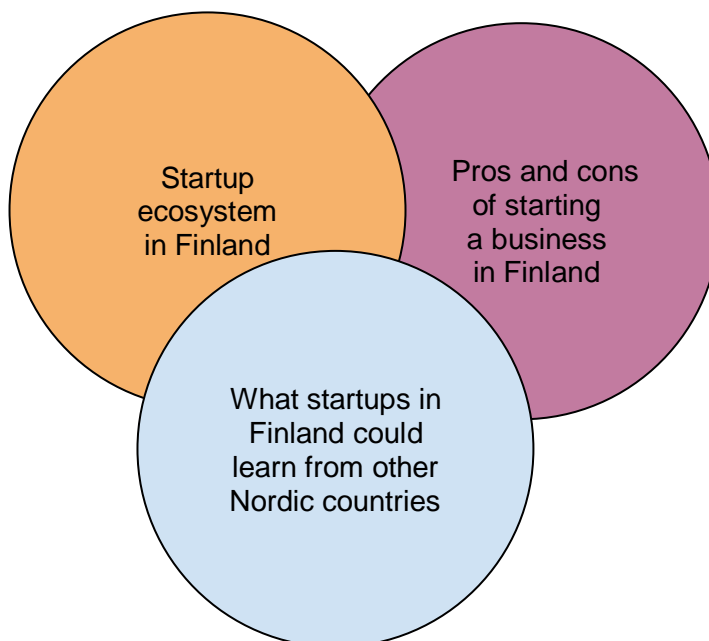


Figure 1: Thesis focus

As can be seen, the figure 1 illustrates thesis research areas and thesis focus.

1.2.2 Research approach

The approach of this research would be qualitative. The main reason is that the research requires deep and insight knowledge of unstructured problems – the startup scene within Nordic countries and what Finnish startups could learn from its Nordic neighbours. Nevertheless, in order to understand the pros and cons of starting a business in Finland, entrepreneurs' viewpoint on why they chose Finland to start their business and problems occurred in daily operations, qualitative method will be the most effective. The ultimate question which the research reaches to solve is: how does the Finnish startup ecosystem compare to its Nordic neighbours?

For the purpose of gaining the quantitative data, individual interviews were conducted with six interviewees who are CEO's, co-founders of startups in Finland, or providing consulting services for Finnish startups. The interview was carried out in November, 2016 and interviewees were:

- Harri Manninen: COO, co-founder of Shark Punch Oy. With experience as a board member for different 7 startup companies based in Finland, he has both unique insight and access into the area of how startup operates in Finland in terms of cash management, administration and venture capital investment.
- Jiri Kupiainen: starting to work for a startup when he was 16. With his 16-year experience at the heart of the Finnish games business, working as an engineer, producer, Disney VP, and startup founder. His current company Shark Punch Oy raised a \$1.2m seed stage led by London Venture Partners in 2014. He flies all over the world looking for venture capitalists and operating his company at the same time. He has a logical, analytic mind of startup ecosystem in Finland and Sweden, particularly in terms of venture capital.
- Julio Tiusanen: CEO & co-founder of Platonics, a startup based in Espoo, Finland, whose product is 3D printers for architects demanding the highest performance with the most user friendly experience. He has been in the startup scene for couple of years by working for startups and founding his own company. He experiences the struggles and difficulties of starting own business in Finland and also is aware of the startup ecosystem in Finland and Nordics.
- Mohammed Shabbir: serial entrepreneur with 8 companies so far. At the moment, he is the CEO and founder of GO-International, a Helsinki based matchmaking and business development service provider for value-driven startups that want to expand and go global.

- Mika Perttula: senior external consultant for Nokia; at the moment, CEO, Co-founder at Flioz Ltd., a FinTech company providing mobile software applications for investors. He has been in software service, product development consultant over the long run since 2003. He is extremely experienced with legislations, laws and how to operate a company in Finland. Been working with and consulting many startups gives him a broad view of startup ecosystem and struggles leading to startup failures.
- Oskari Kettunen: managing partner of Reaktor Ventures, a Helsinki based venture capital organisation which invested in 31 companies across the globe. He has a unique insight and access into the area of venture capital landscape and strategic management startups need to go global.

1.2.3 Expected outcomes

The expected outcomes of this research:

- A clear theoretical framework of different theories related to the research question & objectives
- A synthesis of the theories and primary research from which recommendations shall be drawn
- A comparison between expected outcomes and research results
- A complete version of the thesis itself

1.2.4 Research limitations

In this chapter, three limitations of the thesis will be discussed:

- The first limitation is researcher's access to data. The researcher does not speak Finnish or understand Finnish, thus the ability to explore available data from internet, books or services in Finland is limited.
- Another notable limitation is sample size and the questionnaire, as it targets a fairly limited group and not all expected interviewees cooperated in provide answers. Despite of efforts, researcher could not reach to people having startups in Sweden, Denmark, Norway and Iceland or in charge of Tekes, Slush, Arcticstartup who are startup consultants and government authorities to give a broader view of the topic. Moreover, it is nearly impossible

to evaluate what factors have influenced to respondents' answers, their feelings and attitude or even experience towards the topic.

- This startup thesis is mostly based on researchers' personal experience, advices from supervisor at working place, and previous research by others. Even though the researcher has experience with startups over long period of time, has had a close look at startups during their rise and fall, the researcher could not grasp a holistic picture of startups in Finland and Nordic countries. As such, the intention and direction, or even assumption of outcome, lead to limitations.

1.2.5 Reliability and validity

The ultimate purpose of a scientific work is to obtain knowledge. For a thesis to meet reliability and credibility requirements, forethoughts and attention have to be considered. Glenn mentions in his handbook of Research Methods: "Validity cannot exist without reliability" (Glenn, J. 2010). In the research, the internal validity will be assured to be genuine. The researcher will use different data collection methods include secondary research and in-depth interviews. In addition to that an audit trail will be developed through the study by implementing of clear description of the research steps-by-steps from the research problem, research plan development, data collection, and data analysis.

According to Robson (2002, p.385-453), there are four major threats to reliability:

- Subject or participant error: survey or interview in different time may not produce the same results. Neutral time when interviewees are not busy or stressful is preferable.
- Subject or participant bias: interviewees do not reflect their own opinions in responding but reflect what their bosses want instead. Care in analysis and maintaining anonymity of respondents is advised.
- Observer error: different ways of interview may lead to different answers; structured interview schedule is suggested to avoid this threat.
- Observer bias: this threat is due to multiple ways to interpret replies (Robson, 2002).

This study implements the qualitative method via interviews and secondary material collected. Thus, in order to avoid bias and ensure reliability of the research, the researcher takes careful consideration in forming the questions and selecting a suitable time and venue at interviewees' convenience. Also, the researcher is confident that all information acquired will be valid and can be verified.

1.3 Thesis structure

The study will be divided into 4 main chapters:

- Introduction of thesis framework and structure
- Startups in Finland (finding)
- The startup ecosystem in the Nordics in a nutshell
- Conclusion & recommendations for further researches

The first chapter is where the research strategy, thesis structure, and data collection techniques will be discussed and justified to implement in order to validate the result. Also, details on thesis questions and limitations occurring during the research finding process will be discussed.

The second chapter raises issues regarding startup ecosystem in Finland. All relevant theories related to the main topic will be reviewed here. Also, this chapter will attempt to explain the main finding of startups in Finland, find out about birth, the life, and why startups fail. Thus, this chapter is used as a source to generate the base material for the third chapter.

The third chapter will contain findings about the situation of startups in other Nordic countries while also explaining, discussing, and analysing their development. From that, suggestions will be drawn up for other startups within Finland to use as a reference point.

Finally, the conclusion part reviews the specific objectives of the study. In addition, the comparison between the expected outcome and research results will be discussed. Thus, the recommendations for further research will be drawn.

2 Startups in Finland

2.1 What is a startup company?

To better understand the following discussion, the meaning of certain terms that are often used in the whole study are discussed in this chapter:

Investopedia defines a startup as a company that is at the first stage of its operations. "These companies are often initially bankrolled by their entrepreneurial founders as they attempt to capitalize on developing a product or service for which they believe there is a demand". The companies also need additional funding from venture capitalists in order to maintain their sustainability in the long run (Investopedia, 2016).

Oxford Dictionaries defines start-up "a newly established business" (Oxford Dictionaries, 2015). According to Cambridge dictionary, start-up is "the act or process of starting or making something start" or more specific meaning is "business that has just been started" (Cambridge Dictionaries, 2015).

Kris Gopalakrishnan (2016), an American entrepreneur, defined a startup is any business within the first three years of its existence, employing 50 people or less, and having a revenue of \$10 million or less.

Nevertheless, from perspectives of economists and entrepreneurs, not every newly established company is a start-up. Eris Ries offers a simple decoding for the term "a start-up is a human institution designed to deliver a new product or service under conditions of extreme uncertainty" (Ries, 2011, p.8). Nonetheless, like any institution, a start-up is a set of activities taking place concurrently. Start-ups are different from most other businesses - large and small, because they exist under uncertainty regard to the customer, where other businesses have created market share and been selling to its customers already.

Silicon Valley serial entrepreneurs and academicians Steve Blank and Bob Dorf in their book "The Startup Owner's Manual" emphasize that startups are not a smaller version of a large company. They define startup as a temporary organization which seeks for a scalable, repeatable, and profitable business model (Blank & Dorf, 2012, p.xvii).

As can be seen, there are many definitions for a startup company. In practice, the researcher believes a startup is an early-stage company with a team of less than 50 people, searching for a profitable business model, for a new, innovative product or service. Many financiers also use the company's age as a determinant of whether the company is a startup or not. It should also be noted that not all startups are alike as there are multiple types of startups. Each of them has different goals and definitions of success. However, they all share common characteristics, especially business life cycle which is discussed further in the next chapter.

2.2 The startup life cycle

In the very similar way as every human being goes through life stages, startups go through phases that entrepreneurs should acknowledge in order to effectively guide their projects. In this thesis the author will introduce a popular model that is widely adopted in Finland among young entrepreneurs and universities, NewCo Factory, a business acceleration service model designed specifically for startups seeking international markets (Helsinki Times, 2013).

NewCo Factory, founded in 2013, is part of EnterpriseHelsinki and its growth services. EnterpriseHelsinki is a free-of-charge support program for people who desire to be entrepreneurs or are already starting a company (Helsinki Business Hub, 2013).

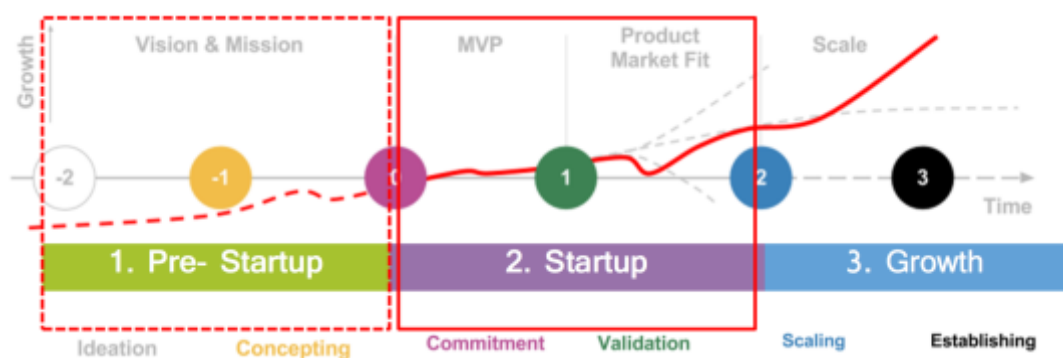


Figure 2: Startup development phases (NewCo Factory, 2015, p.6).

The figure above shows the startup development phase consists of three different stages:

- Pre-Startup (The Birth)

- Startup (The Life)
- Growth (or The Death)

2.2.1 The Birth

In the first phase of startup life cycle, pre-startup or so-called *the Birth*, includes *Ideation* and *Concepting*. At this phase, an entrepreneur's first task is to consider how he/she would like to change the world. This means, he or she will identify a problem, come up with a scalable idea or solution and see if the large target market, major potential users, consumers are interested in idea or not. At this step, founders should have a clear target, plan, estimated revenue and how to reach the target (NewCo Factory, 2015, p.7).

To understand the discussion in a broader aspect, psychology, the author attempts to discuss reasons why people start their own business. Every startup-minded individual has a different story of why he or she decided to take the entrepreneurial leap. Despite a numerous amount of different reasons for startups to be established, the new venture motivations can be mainly defined as two factors: pull and push. Pull factors are the desire for achievement and recognition, being self-reliance, the impulse for personal development or aspiration for creativity and artistry. On the other hand, negative impacts that push individuals into becoming entrepreneur are called as push factors. To be specific, they can be family pressure, sudden unemployment, job dissatisfaction, insufficient salary, or career limitations. (Bradberry, 2011, p.56-59). Bradberry claimed:

“Obstacles do not block the path; they are the path”.

Most of entrepreneurs took part in the interview with the author shared both push and pull reasons why they were eager to start their own business. The struggle is real.

- “I was highly dissatisfied with my previous job” (Tiusanen, 2016).
- “I'd like not to work in multinational company where you never recognize your boss among 5,000 people” (Shabbir, 2016).
- “I always ended up quitting most of my jobs because I didn't agree with the boss. So, the only way to get out of that situation is being the boss yourself” (Kupiainen, 2016).
- “My parents are entrepreneurs. I was raised in that environment, able to take risks and uncertainty, so maybe this is a big motivator for me to start my own companies” (Perttula, 2016).

2.2.2 The Life

Once entrepreneurs overcome the struggle with *the Birth*, he or she will move to transition period called *the Life* which goes through *Commitment* and *Validation*. Once the founder reaches to the commitment stage the company should have a qualified, skilful, and committed team to develop the service or product. After having a great team, you stick together and make the company grow.

However, life is not a fairy tale. There are real challenges in this stage which are mostly in daily operation and cash management that startups face every day. Silicon Valley serial-entrepreneur and academician, Steve Blank (2006, p.28) believed *Validation* is the most crucial step for the company because the service or product goes from being hypothetical solutions to hitting the real market and looking for the first clients ready to pay for it. Sales will be the only way to effectively measure whether the public validates your product or not. That also means cash to maintain the team and projects will be a big challenge in this step. In the early stage of business, the startup entrepreneurs may often do lots of work without being paid (Kuusela, 2013, p.19). Mohammed Shabbir (2016), co-founder of Hub13 added “Not everyone allows themselves to invest their time, accepts to have no income at first and jump into the same boat. That’s the biggest challenge”. Another defining factor affecting the success of startups in this stage is daily operation challenges: time management. Startup founders around the world keep Tweeting they are too busy or occupied 24/7, and since resources are limited they cannot hire many people, so they end up handling multi-tasks which is very tough. Shabbir also noted in the interview “I am too busy. I can’t have time to take care of myself, to eat lunches and breakfasts. It has become such a serious problem that last week I had to see doctor.”

2.2.3 The Growth or The Death

At this stage, there will be 2 scenarios - A or B:

- A: the company will overcome *Validation*, grow in a sustainable manner, keeping costs down, reaching out to international market or majority of domestic market, fight to get customers and offer great margins of benefit. If it can make this far it is likely that the business will be scalable and grow aggressively. Supercell, Rovio, Kiosked, Holvi, Frosmo and Upcloud are the highlights of successful Finnish startups at this stage.

Change % ▲	Company	S100 Index	Change	Index Rank	Category	Company Profiles	Business ID
1. (771%)	Silvermile	2115	+1872	8. (+492)	Games		2562700-2
2. (114%)	Hostaway	241	+128	541. (+379)	Travel		2726246-5
3. (98%)	Glog.com	923	+457	64. (+111)	Business Software		2388009-8
4. (81%)	Happo Solutions	188	+83	708. (+241)	Hardware and Devices		2514575-9
5. (74%)	Brimstone Interactive	259	+110	491. (+294)	Games		2610546-8
6. (72%)	MaaS Global	585	+244	121. (+163)	Travel		2685777-4
7. (68%)	Aplagon	220	+88	603. (+246)	Medical and Healthcare		2251305-0
8. (67%)	Smarty.io	1256	+501	43. (+39)	Business Software		2555760-6
9. (57%)	Super Analytics	341	+124	313. (+265)	Business Software		2450838-6
10. (57%)	Gapps	520	+190	152. (+143)	Business Software		2348291-1
11. (57%)	Fimmic	179	+64	741. (+174)	Medical and Healthcare		2534910-2
12. (56%)	Aava Mobile	953	+343	60. (+48)	Hardware and Devices		2260728-4
13. (56%)	Leadfeeder	1231	+443	45. (+34)	Business Software		2457101-9
14. (55%)	Silverskin	202	+72	650. (+194)	Business Software		2296092-6
15. (54%)	NordicEdu	362	+126	284. (+236)	Games		2427774-1
16. (53%)	Ahlera	189	+65	704. (+175)	Industrial Equipment		2240099-6
17. (53%)	RidenRent	161	+56	802. (+141)	Consumer Software		2718720-7
18. (50%)	AdLaunch	242	+81	538. (+213)	Business Software		2706637-6
19. (48%)	Oikari Solutions	233	+75	561. (+197)	Business Software		2435594-9
20. (48%)	UpCloud	1401	+454	34. (+22)	Business Software		2431560-5

Figure 3: Successful Finnish startups in the growth stage (Startup100, 2016).

- B: the startup cannot make it to the grow stage, declares bankruptcy or the business is at the grow stage but runs out of cash and failed at raising bigger growth funding rounds (NewCo Factory, 2015, p.11).

To give an illustration for the scenario B, Jiri Kupiainen (2016), CEO and co-founder of startup gaming platform Playfield, shared his personal experience: “It is something we kinda hit with Playfield that it was very hard to get the growth funding. In Finland, maybe it is too easy to get the seed funding for R&D instead of tax bonus or money straight to the bank, that’s why many companies after the R&D stage, don’t know what to do next when they need to grow but no one gives them more money”. The company ended up running out of cash and laid off most of the team.

2.2.4 Why do startups fail?

So far, this research has discussed reasons why starting a business, challenges in *the Life*, stories of success and stories of failure. The researcher will not go on the research with why startups succeed but why startups fail.

The hype of startup companies and all the speedy success stories might give an

unrealistic illustration of happy ending. In practice, the number of startups that succeed are just minority. Majority of this failure comes from financing aspects such as the lack of money to keep running the business in early stages or fail to establish themselves in the marketplace (Erin, 2014).

Two years ago, CB Insights conducted a survey with the participation of 101 start-up founders for the reasons why start-ups fail. The most popular reason, cited by 42% of the participants, is the “lack of market need for their product”. This means most of start-ups do not spend enough capital investment and time resource to perfect their product in R&D stage before making sure whether it is the wanted product in the market. The following reasons are “ran out of cash” (29%) and “not the right team” (23%) (CB Insights, 2014).

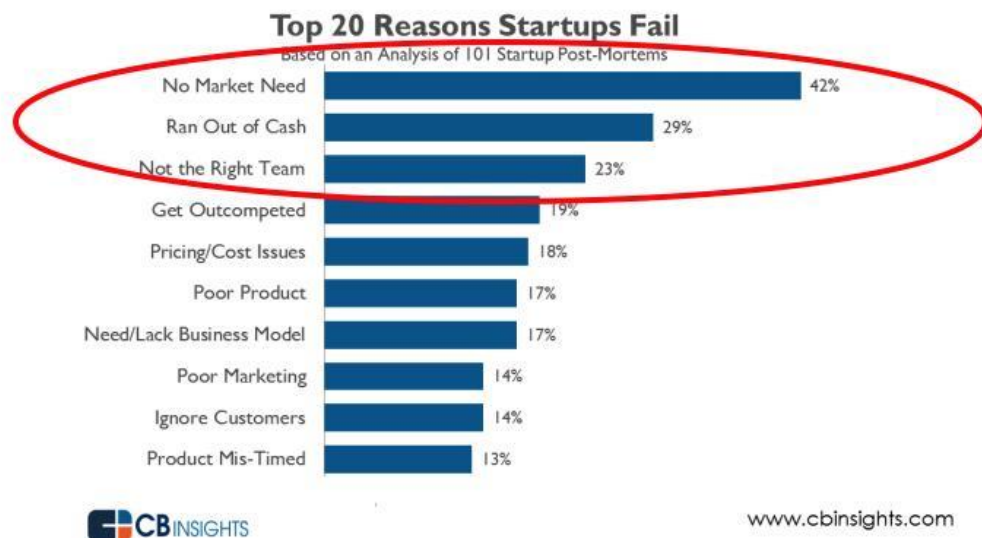


Figure 4: Top 20 reasons startups fail (CB Insights, 2014).

Diana Kander, a successful entrepreneur, member of Ewing Marion Kauffman Foundation, the largest Non-profit organization in the world shared the same view point with CB Insights: “Startups are about finding customers, not building products”. This means, no entrepreneur fails because they couldn’t build the product but they fail as no one wanted to buy what they built. (Kander, 2013, p.xv).

In Finland, there are several success stories where a company started from nothing and became globally successful such as Rovio, Supercell and Kiosked but they are

only the tip of the iceberg. From the interview conducted, Finnish CEOs shared their thoughts of top reasons why startups fail. The first reason is no market fit:

- Julio Tiusanen (2016) adds “I think one of the biggest reasons why startup fails, and it could be the root of all evils is that a company create a product that customers don’t want. It is difficult for Finnish engineers, mechanical engineers they like to develop things in isolation. I work a lot with engineers, I know they think like this: they like to create products but they don’t like to listen to customers because they think customers have no idea of products. I think so many companies fail as they are not flexible enough to listen to their customers. And what happens with the big companies like Nokia who created a product which customers didn’t want. Business leaders should spend more time to talk to their users, customers to find out the problems and try to fix them”.
- “No market fit. Understanding a market and being able to build products do not mean you can build products that the big part of market actually needs. It is the mistake we made with Playfield. We thought consumers must have problems finding games but actually they don’t. So even though we know the market well but we made wrong conclusion and built the wrong product” (Kupiainen, 2016).
- “They don’t address problems on the customer’s side very well. They don’t understand their customers and deliver bad products or wrong products which nobody wants. That makes them fail” (Perttula, 2016).

Besides, the interviewees agreed with the 2 other reasons in the CB Insights figure from their practical viewpoint:

- “People in the team do not believe in the idea” (Shabbir, 2016).
- “Co-founders don’t share the same vision. They have the same concept but when they start working together, their visions are not aligned; they can’t continue working together” (Shabbir, 2016).
- “Not enough funding. There is such a big gap of availability between seed money and growth money. So you get into the position where you think you have the fundamental for building a business because you can get the seed money so easily. But when you are actually doing it, you realize it is getting harder; there’s not much money left or available for growth” (Kupiainen, 2016).

2.3 The startup ecosystem in Finland

2.3.1 Definition of a startup ecosystem

Before digging deeper in the startup ecosystem in Finland, the researcher wants readers to grasp a general understanding of “ecosystem” and “startup ecosystem”. Nowadays throughout worldwide, fostering entrepreneurship plays a significant role as a primary component of economic development. “The predominant metaphor for fostering entrepreneurship as an economic development strategy is the entrepreneurship ecosystem” (Isenberg, 2014). In Harvard Business Review Press 2004, Lansiti & Levien (2004) stated the term ecosystem is becoming more and more commonly used, conceptualizing business networks in comparison to the original concept of biological ecosystems due to the similar characteristics of the two contexts.

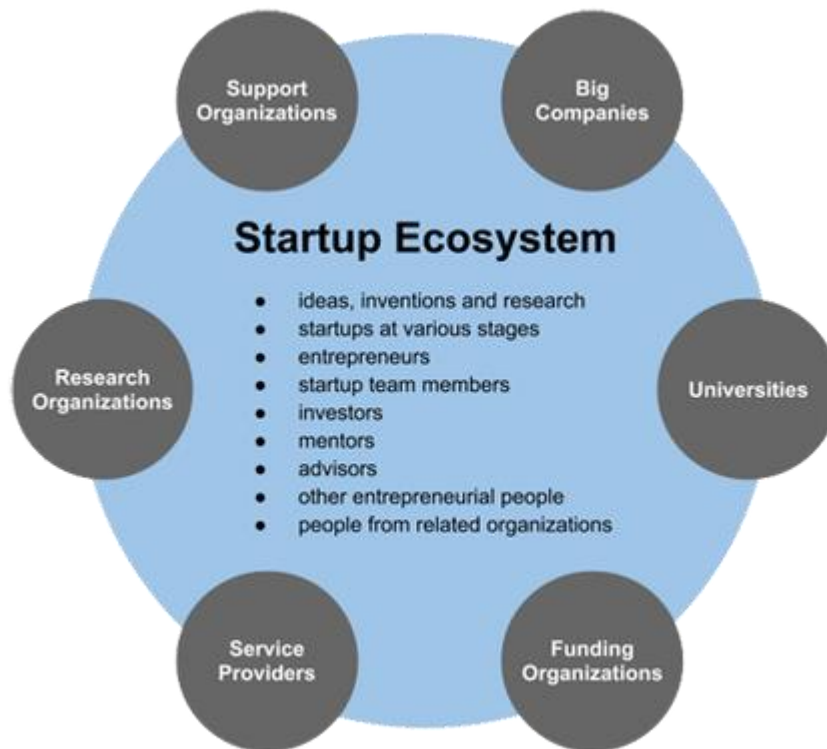


Figure 5: The startup ecosystem (Startup commons, 2016).

What about a startup ecosystem? According to Startup Commons (2016), a startup ecosystem consists of entrepreneurs, investors, employees, startup companies themselves in their various stages of life cycle, different organizations that all interact, cooperate to create an environment, a system to support the creation and existence of startup companies. Startup ecosystems are vital for the global economic future and the country's economy itself (The Global Startup Ecosystems Ranking, 2015, p.16).

2.3.2 What is it like in Finland?

Being one of the most innovative countries in the world according to Cornell University's Global Innovation Index, Finland is truly a promising land for start-ups. In chief, after the fall of Nokia, Belton (2015) in "Finnish phoenix: The start-ups rising from Nokia's ashes" stated "the sinking of Nokia has led to an explosion of start-ups, as a skilled workforce jumps ship and begin businesses".

In recent years, start-up activity in Finland has shown a gratifying signal and played a vital role in creating innovations, employments and economic renewals. It can be

clearly seen that there exists a steady rise in the number of startups in Finland, increasing from merely 200 in 2012 to 350 in 2013 (Korbet, 2015). Based on Startup100's research, in 2015 there are around 850 startups, working in a huge range of sectors and this number has continuously increased. With this in mind, Timo Ahopelto, one of the main players in the Finnish ecosystem shared his firm belief that Finland is on track to catch up with Israel (1,200 - 1,500 tech companies in 2015) in five years' time. Significantly, the startup boom across this country has attracted world attention, which accelerates acquisition process of Finnish best companies and brains. Facebook and Google; for example, bought many top Finnish startups in the first half of 2014. To give an illustration, Facebook bought a Finnish startup called Pryte which aims at allowing customers to use a mobile app without data plan (Belton, 2015). Likewise, in 2014 Japan's SoftBank paid \$1.5bn for a 5% stake in Supercell - a mobile game developer after the success of Clash of Clans and Hay Day (Belton, 2015).

In terms of contributions to the speciality and richness of Finnish startups, three key factors were pointed out. As regards the first, the developed entrepreneurship culture and highly supportive startup ecosystem are considered as one of the most favourable opportunities for Finnish startups to bloom. Stated by The Economist (2013), Finland has become much more market- and entrepreneur-friendly, which produces an impressive number of startups and growth-oriented businesses. According to Tekes, as Finland offers a good environment for competence-based entrepreneurship, it is highly recommended for Finland to specialize in this system to create more added value. Furthermore, the welfare system established to help and support startups is another key factor involving in the success of Finnish startup. That is to say, leading startup conferences namely Slush are often held to give startups a chance to meet investors, founders, executives, and media, learn new things and make businesses.

The second key factor adding to the blooming startup ecosystem is the huge support from Finnish government. According to Jiri Kupiainen (2016), one of the crucial reasons is the support from Finnish government. It is a matter of fact that Finnish Government has generously invested a mountain of money in the new type of businesses. Tekes, the Finnish Funding Agency for Technology and Innovation soon realized the importance of startup phenomenon in Finland was said to be responsible for a huge amount of fund. "TEKES is actually pretty wonderful" said Jiri Kupiainen (2016).

Thirdly, it is the easy access to funding Finnish startups receive at the early stage of development. Based on the figures revealed by Finnish Business Angels Network (FiBAN) and the Finnish Venture Capital Association (FVCA), in 2015, there was 253 million euros - one of the highest in Europe invested in Finnish early-stage growth companies. In particular, most of the investments came from outside Finland and Finnish venture capital association, made up for 94 and 96 million euros respectively. In addition, Finnish business angels and other investment sources also poured a huge amount of money (more than 60 million euros) in start-ups. Most noticeably, FiBAN showed a significantly rising number in the investment from Finnish angels. In 2014, 200 Finnish angels invested 21 million euros in 238 startups, in comparison with 11 million euros in 164 startups in 2013 (FiBAN, 2016).

Especially, in light of the rising trend of mobile and clean-tech startups, the amount invested in these sectors made up for more than one-third of all Finnish angel investments. According to Tekes, €67 million have been funded to the game industry in 2004, accounting for 1.84% of the industry's turnover over that period. The relative share of Tekes support has decreased since 2013 due to the sharp increase in the Finnish game industry's turnover. However, 20% of Finnish game companies (2014) have received Tekes funding at least once during their life-span, and almost all of them was able to raise money from private investors. Tekes expects to attract more global game companies to base in Finland, as well as to see long-term development in Finnish game industry as whole (Tekes, 2015). Nevertheless, majority of financial assistance for startups exists in pre-seed or seed stages only. There is a need for growth investment since that's the only way startups can scale up and become globally recognised firms (Tekes, 2015).

2.3.3 Startup categories

There are startups in nearly every field, also in traditional industry. Especially, according to CEO Pekka Lundmark (Tekes, 2014, p.12), Finland has a favourable opportunity to become a forerunner of the Industrial Internet. Moreover, possessing a well-educated labour force and ICT skills as well as business leaders who have experience of the international market has brought an entirely competitive advantage for Finland to develop in technology sector. Understanding their strengths, many Finnish startups seized the opportunity and focused on technology sector. This area is also considered an apparent dominance of startups in Finland. Hence, there is no

doubt that Helsinki's Slush tech startup conference has increased sharply in the number of participants more than 3 times, from 300 to 1000 (Belton, 2015). Indeed, Finland currently hosts many active gaming startups; for instance, Rovio and Supercell. As reported by Neogames (2013, p.4-12), the Centre of Game Business, Research and Development in 2013, the amount of Finnish games startups has exploded, with 40 percent out of 150 companies active in the field in late 2012. The total projected turnover of the industry in 2012 is 250 million euros, almost three times as much as three years earlier. The total project turnover is expected to reach 1.49 billion euros.

While gaming startups stills comprises most high-level startups in Finland, other sectors including clean-tech, health, hardware and mobile are also doing noticeable well. The figure 6 below illustrates Finnish startups main sectors:

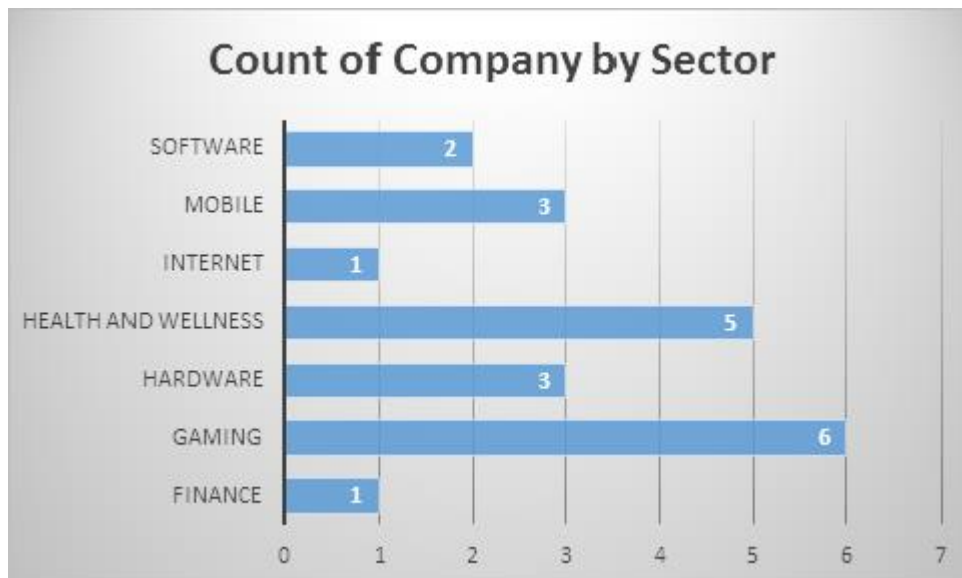


Figure 6: Illustration of Finnish startups by sectors (Weinglass, 2015).

In particular, with the need for digital health – an important sector for the country's economic growth, more and more enthusiastic young people want to start their business in this growing business sector with the hope to succeed in a constantly changing world based on the combination of huge funding, strong expertise IT and intense knowledge (Elena, 2014). Kenneth Salenius, founder of HealthSPA - the Finnish health and wellness startup cluster also highlighted the rising phenomenon of digital health (Elena, 2014).

2.3.4 Values created

In Finland there are 322 183 enterprises in total. 98.9% of these are micro & small companies that have 1 to 49 employees which fits into the author's description about "What is a startup company" discussed earlier in this research. Despite such a large proportion, these startups account only €131 billion, or 33.3%, to the sum of Finnish enterprises' total turnover while large companies humbly account for 2% of the pie but generate 45.3% (€178 millions) of total turnover (Yrittäjät, 2013, p.21).

Developments in the number of enterprises in Finland

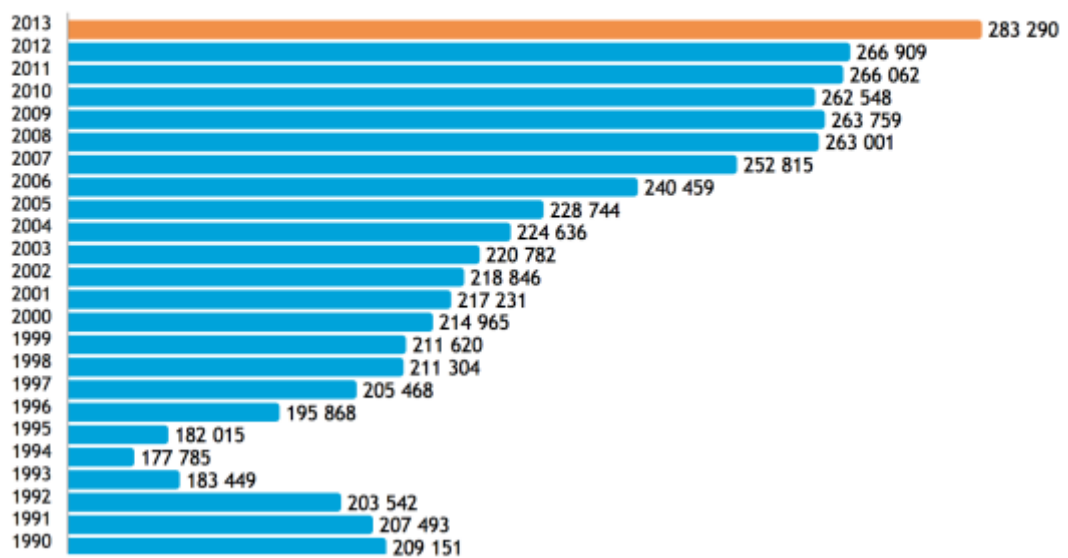


Figure 7: Developments in the number of enterprises in Finland period 1990-2013 (Yrittäjät, 2013, p.23).

Note that, the bar chart above displays 283 290 excluding the agriculture, forestry and fishing industries.

The turnover of enterprises in 2013

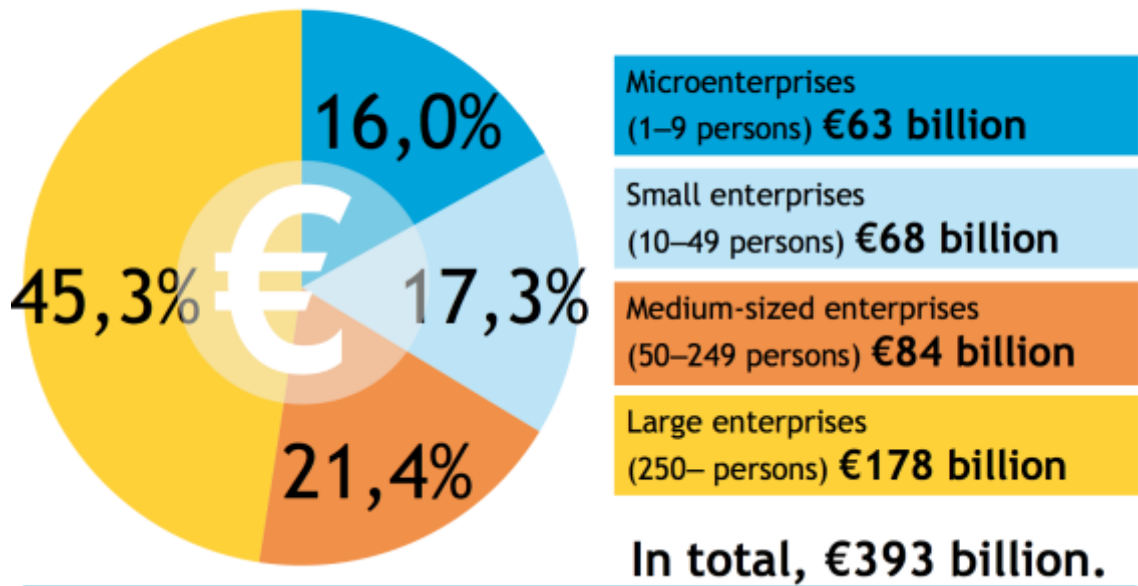


Figure 8: Turnover of Finnish enterprises in 2013 (Yrittäjät, 2013, p.25).

Regarding the employment outlook and jobs created, in 2014, a total of 28 806 new businesses were founded in Finland (Saarinen & Teivainen, 2015). With the growth trend of startups, attracting foreign investment to Finland, Finnish economy would generate 2 to 3 billion euros in added value each year, approximately more than 75,000 new jobs would be created by 2030 (Herlevi et al, 2016). This will pose a huge impact on Finnish labour market upcoming years.

Overall, startup activities and supports are swiftly increasing in Finland. Despite the fact of small contributing to Finnish total turnover by enterprises, startups bring enormous value to the economy and society in terms of creating thousands of new jobs, lowering unemployment rate. The Finnish Ministry of Employment is already undertaking actions in increasing the cooperation and support required to make Finland a better place for startups (Yrityskatsaus, 2015, p.45). Nonetheless, in order to become one of the top startup ecosystems, Finland needs to create more opportunities for entrepreneurs so that they can discover financiers and co-founders, and also increase large company co-operation with smaller companies should be increased (ArcticStartup, 2016a).

3 How does the Finnish startup ecosystem compare to its Nordic neighbours?

3.1 The Nordic startup ecosystem in a nutshell

The Nordic region, or Scandinavia, defined as Denmark, Iceland, Finland, Norway, and Sweden totals 27 million people in population, comprises only 4% of entire Europe (Elatab, 2012). Despite the small population, this region has high average startup rates, and the overall Nordic startup rate is on par with the USA, the biggest player in worldwide startup scene.

From Skype, Angry Birds, to Spotify, there is proof that you are interacting with technology born and bred in the Scandinavia on a daily basis. Startups are rising up more than ever in the North, thanks to the startup ecosystem includes growing community, increasing venture capital investment and governmental support.

3.1.1 Growing community

The five Nordic countries share cultural history for many generations, affinity, similarities in language and low-levels of border control. Moreover, as well-known to the rest of the world, the level of education across the general population in the Nordics is extremely high which plays a big part of what makes Scandinavians good at absorbing new technologies, starting businesses, and creating competition.

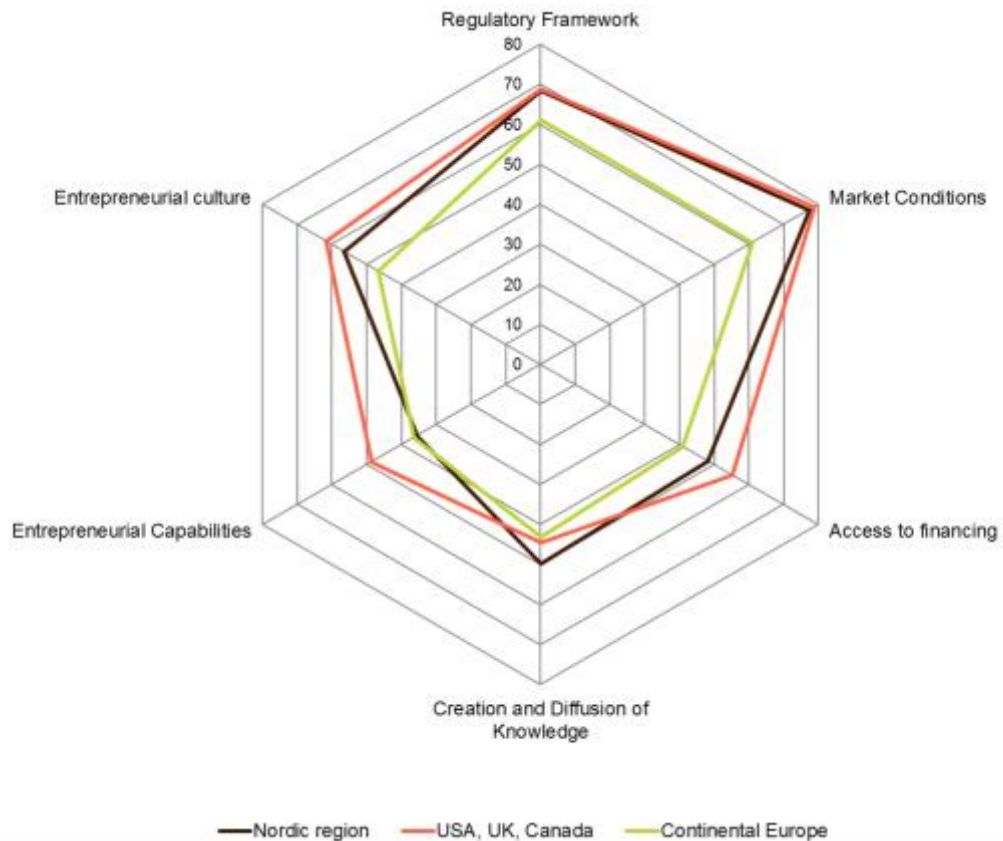


Figure 9: Entrepreneurship framework conditions across six policy areas (Nordic Growth Entrepreneurship Review, 2012, p.18).

The figure 9 above illustrates that the Nordic region generally offers the better and solid framework conditions for entrepreneurs in comparison to the whole Europe, yet a bit behind big players such as USA, UK and Canada.

Considering the Nordic countries in the study, Startup Heatmap Europe conducted a survey which evaluates the Nordic startup capital based on four vital elements: access to talent, quality of ecosystem, access to capital, and burn rate. Iceland seems to be out of the picture due to its incompetence in the Nordic community. From the following figure, it indicates that Stockholm is the startup capital of Scandinavia due to an excellent pool of talent, relative ease in obtaining capital and the quality of ecosystem. Also, Stockholm has become a cultural hub for startups, soaking up the prodigious engineering talent of neighbouring countries such as Estonia.

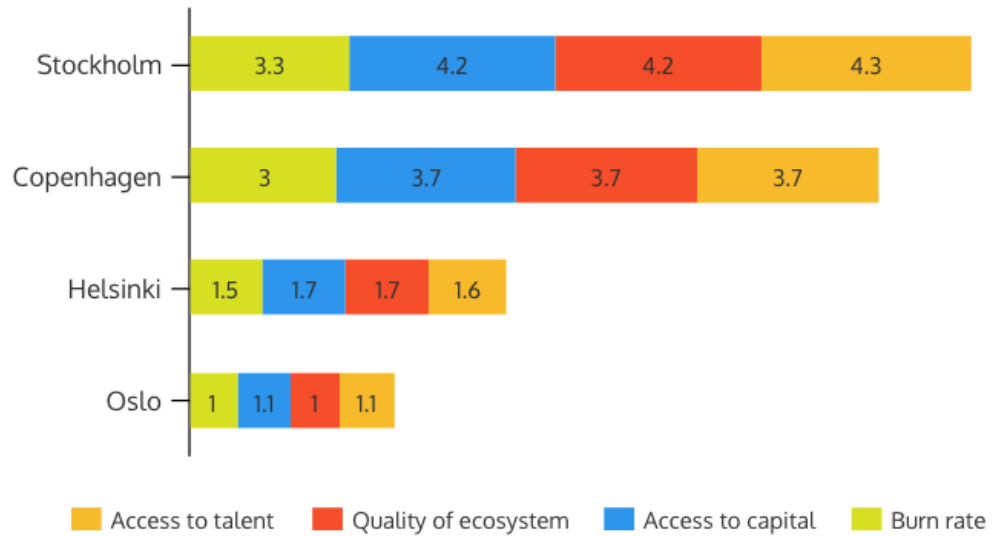


Figure 10: Four vital elements for an ideal startup location (Slush, 2016).

Regarding Norway's capital, the startup community there, particularly young generations across universities, is connecting to catch up with Finland and Sweden. StartupLab in Oslo, founded by some of the most successful entrepreneurs in Norway, is affiliated with the University of Oslo to help build and grow local talent. The startup lab also includes Founders Fund, an investment arm to support in-house startups (Kaplan, 2015).

For Iceland, the startup ecosystem only really began after the 2008 financial crash, when talented people who were laid off from the banks and big companies were left with few options but to start their own businesses. Compared to other Nordic neighbours, Iceland has a lot to learn but the community has started to make its move. Klak Innovit, based in capital and largest city of Iceland, Reykjavik, is the community building group linking together the Icelandic startup community. The startup hub is home to accelerator programs for Startup Reykjavik, including business and energy-focused programs (Kaplan, 2015).

There is an argument claiming that, the startup community in Finland is the most connected, integrated and advanced within the Nordics. According to Jiri Kupiainen (2016), Finnish ecosystem is stronger than Sweden since startups have become this movement in Finland. There must be a reason Slush is in Helsinki, not in Stockholm or Copenhagen. It is a massive difference to other Nordic countries.

- "In terms of how factors in ecosystem work together, Finland is the best among the Nordics. Stockholm, Sweden has a longer history. They have more angel capitals around but the community is not as whole, connected and supporting as Helsinki", Kettunen (2016) adds to agree.

In conclusion, the community of newly started business in Scandinavia is very strong. However, it differs among the area and each country has its own way to boost their own community to strengthen and support local ecosystems.

3.1.2 Accelerating venture capital investment

Scandinavian countries have enormously attracted venture capital investments by multiple standards of measurement. This means among 6 categories shown in figure 11 including best countries to start a company, global innovation index, global competitiveness index, to name a few, Nordic countries accounts for 43% percent of the top ten positions across each category, out-rating the rest of Europe (27%), Australia (15%), and North America (10%) (Elatab, 2012). Thus, it is correct to say the Nordics is a very attractive market for investments.

Rank	Best Countries To Start a Company ¹	Global Innovation Index ²	R&D as % of GDP ³	Researchers per 1000 employed ³	Global Competitiveness Index ⁴	Corruption Perceptions Index ⁵
1	Denmark	Iceland	Israel	Finland	Switzerland	Denmark
2	Canada	Sweden	Sweden	Iceland	Sweden	New Zealand
3	US	Hong Kong	Finland	Denmark	Singapore	Singapore
4	Sweden	Switzerland	United States	Sweden	US	Finland
5	New Zealand	Denmark	Denmark	Norway	Germany	Sweden
6	Ireland	Finland	Austria	Austria	Japan	Canada
7	Switzerland	Singapore	Iceland	United Kingdom	Finland	Netherlands
8	Norway	Netherlands	France	Estonia	Netherlands	Australia
9	Iceland	New Zealand	Belgium	Slovenia	Denmark	Switzerland
10	Netherlands	Norway	United Kingdom	Luxembourg	Canada	Norway

Figure 11: Measurement for venture capital investment attractiveness (Elatab, 2012).

Among the Nordic, Finland, Sweden and Denmark seem to be ahead in terms of capital raised. Significantly, as described in figure 12, Sweden leads by far with \$3.4 billion: more than three times the amount raised to Finnish startups, 2.8 times the total funding collected by Danish companies, and more than 4 times the combined amount

raised in Norway and Iceland. The driver behind this success is that Stockholm, ranked only after Silicon Valley, is the second largest birth place of technology companies worth more than 1 billion dollars, or so-called “unicorns”. In 2014, Mojang, Skype, Spotify, Klarna, King, Avito, iZettle, Tictail, TrueCaller, Magine, Wrapp and Soundcloud are a few examples of Swedish unicorns.



Figure 12: Capital raised among Scandinavian countries (Orizi, 2016).

Nonetheless, a study from the Nordic Web (2015) shows that, funding and venture capital investment for Scandinavian startups is largely relegated to the small-scale early stage, so-called “seed stage” which is indicated in the figure 13 below. As consequence, that leads to the most significant barrier to internationalise, and by extension, expand to global market.

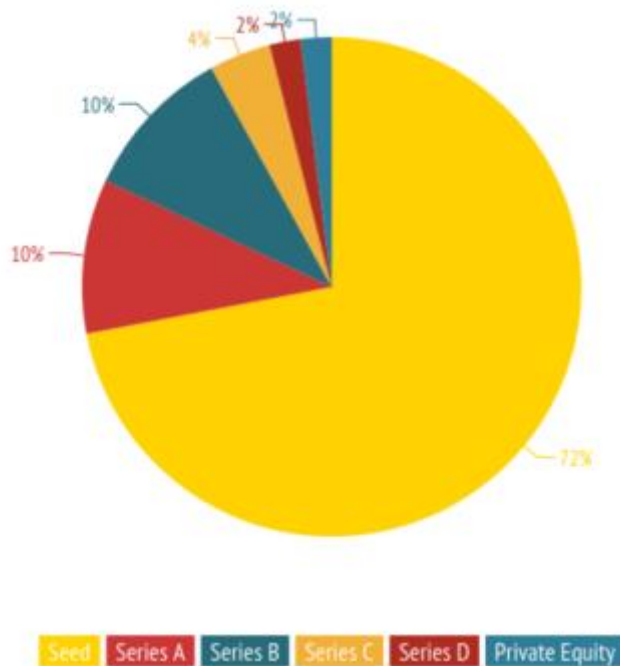


Figure 13: Percentage of investment by stage (Nordic Web, 2015).

Another challenge for Scandinavian new businesses is how they are able to attract foreign investment. The figure 13 shows that, among the Nordics, Iceland and Norway remains unattractive nations for foreign investment. Finland and Denmark share the similarity in this matter with about 20% of total funding coming from the US, 25% is domestic and the rest is from the EU. Standing out from the rest is Sweden with about 70% is US investment, 40% from the US. The reason behind this illustration is the lack of success stories, which are necessary in order to attract foreign investors. Obviously, some measurement must be undertaken in order to address this challenge and bring Nordic startups more visible and appealing to venture capitalists over the world.



Figure 14: The breakdown of where each Nordic country gets the fund from (Nordic Web, 2015).

In short, venture capitals in seed stage among the Nordics are relative high compared to the rest of EU. Nevertheless, Nordic region struggles with the ability to scale up thousands of startups into large global companies and attract foreign investment.

Sweden leads the Nordic region in terms of capital invested, foreign capital attracted and ability to scale.

3.1.3 Governmental support

In spite of living in the dark, without sunlight, for half of the year and paying high taxes, the Nordic countries consistently are on the top list ranking for quality of life and happiness (New York Times, 2016). A huge reason behind this is due to the social welfare programs in every country, ensuring Scandinavian citizens are taken care of. Thus, it is not surprised that the government plays a crucial role in the success of startups in these countries.

To be specific, in Sweden, thanks to a healthy economy since 1990s which keeps the national debt low, entrepreneurs feel comfortable starting a business in relatively stable inflation and a healthy banking system. Additionally, the Swedish government pays close attention to research and development which in 2009, 3.6% of its GDP, SEK 112 billion, was invested in R&D. In 2013, the amount was a bit lower 3.31%, in the same line with Finland's R&D expenditure (3.3%), Denmark (3.08%) and much higher than Norway & Ireland (1.8%) (World Bank, 2013). Obviously, the support from government for R&D and technology infrastructure fosters the innovation development, paves the way for the creation of million-worth startups like Skype, Spotify, Kiosked and Mojang.

Moreover, government's significant support also shows in its active role in offering plenty of public funding to accelerate startups. Finland is considered as the highlight in Nordic in terms of public funding with many programs such as Tekes, Sitra, Finpro, Finnvera, and EU-wide projects like Horizon 2020. Among mentioned programs, Tekes, a publicly funded organisation, is the most popular one with the largest amount of investment in startups and R&D projects, with involvement in about 60% of all innovation startups. For the record, Supercell and Rovio both raised funding from Tekes at the initial stage (Arcticstartup, 2016b). To support this idea, Oskari Kettunen (2016), managing partner of Reaktor Venture, a Helsinki based venture capital organization, confirmed the access to public funding in Helsinki is the most open and biggest within the Nordics.

Besides Finland, other Nordic countries also offer a wide range of public funding. For instance, in Sweden, back in 1990s, the government has even helped plant the seed

early, having offered citizens a tax break to buy a personal computer. Nowadays, Swedish government programs offer various seed fund programs, such as the “market validation” providing grants to startups to get their companies off the ground. There are also government-funded tech incubators that encourage innovation and entrepreneurship among Swedes. Meanwhile in Norway, the government plays an active role to support entrepreneurs with tax rebates, research grants, and also seed-stage and early-stage investments by Innovation Norge. The stream of public seed-stage funding seems to be growing by the minute. The scenario in Iceland is very inactive but in recent years, a few good changes such as tax incentives, reimbursement of R&D cost have been made to help newly established companies, particularly ones that are focused on the international market (Einargunnar, 2016).

In summary, entrepreneurship performance and ecosystem vary across the Scandinavian countries. Some of them perform much better than others in both startup and growth activities such as Sweden, Denmark and Finland. While the Nordic region is performing relatively well in terms of access to early stage venture capital compared to the EU average, the indicators for later stage capital including access to expansion stage venture capital and growth stage are not impressive. In general, again, Sweden outstands others in the Nordic region in terms of growth stage capital, the help from government and the ability to accelerate startups billion dollar companies such as Skype, Spotify, Mojang, King and Klarna.

3.2 Why Sweden is ahead?

As discussed in the previous chapter Sweden with its capital Stockholm in particular, have outpaced other Scandinavian nations with a mix of unique cultural traditions, strong startup community, foreign capital attraction, globally oriented startups, and smart government policies.

Why Sweden is ahead?

- High level of education, work life balance and social welfare like other Nordic countries
- Greater access to venture capital, not only in pre-seed and seed stage but in later growth stages

- Locally-led venture funding with an international outlook
- Solid infrastructure, R&D heavily invested by government
- Strong entrepreneurship among young individuals looking up to successful Swedes
- Nordic traits: independent, very pro-innovative, risk taker and daring
- A giant talent pool with ability to attract more foreign talents
- Flat organizations that encourage innovation and creativity in the workplace

To sum up, the startup scene in Sweden is booming, with rapidly growing number of new startups launched on daily basis due to the ability to access to venture capital, support from government and entrepreneur initials themselves. As more companies mature and gain success, this leads to a snowball effect, encouraging more eager entrepreneurs to join the hub. As a result, the startup ecosystem in Sweden is currently one of the most promising in the world which inspires the Nordic neighbours with the valuable lessons.

3.3 Recommendations for Finnish entrepreneurs and policy makers

- Focus on exploring more local money and late growth stage investors should be more willing to take risks to create more opportunities for startups in the long-run business development.
- Target market should be global as the domestic market is too small and competitive. The larger market size has positive effect since it will generate enough sales and revenues to cover initial costs and operating costs.
- Attract more foreign investment, especially from US, UK and potential Asian countries since the domestic investments are not enough. Finland needs more foreign investment to inject new capital in the ecosystem and solve the problem of lacking growth stage money.
- Focus on strategic and marketing aspects to promote startups in a global scale since in Finland, marketing is not paid enough attention. Entrepreneurs are pretty reserved and happy with where they are.
- Establish a Nordic Growth Entrepreneurship Partnership together with other Nordic neighbours, cooperate with strong private sectors with purpose of boosting up the ecosystem in Finland and the whole Nordic region.

- Engage universities across Finland firmly to create a strong entrepreneurship ecosystem among the next generations.
- Develop better understanding of serial entrepreneurs to enhance the capacity building in entrepreneurial growth firms and ability to upscale firms.
- Continue focusing on the gaming root to become the most recognised nation for games industry.
- Reduce the barriers for foreign talents by minimizing paperwork procedure since at the present the paperwork is still lengthy and complex which creates barriers to attract foreign labour.
- Reduce tax imposed on young startups and entrepreneurs to encourage people to take more risk

4 Conclusion

4.1 Conclusion

The startup scene in Finland is blooming with the birth of thousands of startups in technology, healthcare, and especially the gaming industry. There are successful stories of Finnish startups becoming million worth companies such as Rovio, Supercell and Kiosked. Nevertheless, these stories are just the tip of the iceberg. Majority of startups are in small scale struggling to reach out to global markets or fail before the growth stage. Finland's startup ecosystem is middling in the Nordics which is way better than Norway and Iceland but somehow in the same level with Denmark and behind Sweden. The reason for Sweden's throne in the North is due to its ability to access to venture capital at late growth stages, foreign capital investment and supporting government policies. Finland has a lot to learn from its Swedish neighbour in order to out-rate Sweden and become the next star in the North.

4.2 Suggestions for further research

Firstly, the study would be more objective if the researcher can have combination of interviewees from other Nordic countries beside Finland. The sample size of interviewees is Finnish startup CEOs and co-founders which creates a barrier for information collected in terms of other Nordic startups' view point.

Additionally, the researcher could not get a response from Tekes, Slush, or Arcticstartup to illustrate a better, broader and more objective outcome; the given information would be more integrated and in a professional way. Further researchers should keep those ideas in mind.

Thirdly, Finland is relatively good at adapting new technologies and ideas. Thus, the ecosystem will be moving and developing, the scene of startups and positions of Nordic countries will not be reliable in the years coming. Upcoming new data and information should be continuously researched and updated.

Lastly, this study can be used as a base for a wider research of the startup ecosystem in the Nordics and further research can give recommendations for Nordic startups in general.

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Appendices

Appendix 1: Interview questions to Finnish startups' entrepreneurs

1. What are your reasons for starting your own company? Why did you decide to start a company in Finland?

Julio: I was highly dissatisfied with my previous job. Also, I want to create a business with impact. I started my company in Finland because I had no other option. I live here, I like it here, my girlfriend lives here. If we move to another country, we would know absolutely no one.

Shabbir: The main reason I found my own company is that I saw the problems for internationalization in Finland. Here, it was not addressed right. For years, from 2009, I was working with the guys who internationalized Finland. They were working in a very bureaucratic, slow paced government way. I really felt that there is a need for entrepreneurs' speed to make things happen. The second reason is I'd like not to work in multinational company where you never recognize your boss among 5,000 people. Why not work with good team in a smaller scale where people are close to you, believe in the same concept as you do and build something different.

The last reason is that when you found your own company, you can work in Agile format to make quick decisions, make things really happen and you are your own boss. Somehow, startup is a lifestyle and for lifestyle, you need to be able to love you do.

The reason I started my businesses here in Finland because I happened to be in Finland. I have spent half of my life here. Finland is the starting point; we want to expand in a global scale.

Jiri: I think I always ended up quitting most of my jobs because I didn't agree with the boss. So, the only way to get out of that situation is being the boss yourself. Furthermore, having your own company will bring you more flexibility; you get to do more interesting things than working for a normal company.

Why in Finland? Well, when you were 17, born and living in Finland, that's kinda the easiest solution. To add up, in Finland, we have high level of education, good social

support system; working culture is pretty good; people are dependable; they don't hunt for other opportunities all the time, so I can say they are pretty loyal. Moreover, there is a good corporate support system, TEKES is actually pretty wonderful. And I think Finnish system, in bureaucratic point of view is good, in comparison with other countries. If you look at legislations and all paperwork in the US, they actually sending cheque by mail. In Finland, you can do everything online. It helps you focus on your main business than other minor stuff.

Mika: I always have the need and passion to do many things by myself, get things done and achieve many things. For instance, back in early 2000s, I was working for a company while I was having my own company at the same time and small projects going on and so on. My parents are entrepreneurs. I was raised in that environment, able to take risks and uncertainty, so maybe this is a big motivator for me to start my own companies.

Why Finland? From practical point of view, I live here, my co-founder lives here. We have a competent team around us. Also, we have our previous company here so we know how it works here, how to operate a company in Finland. We have some development in Thailand, target investors are in the US. However, the main market is in US, Asia and some big EU countries. In short, main activities are outside of Finland.

Harri: My dad is an entrepreneur, so was his dad. So, having something for my own is what I always wanted. I started my company here since I was born here, living here. Moreover, in Finland, you can be an entrepreneur in 1 hour. Things are pretty straight forward and not complex.

2. What kind of problems did you run into when first starting out? Can you provide some examples?

Julio: The biggest problem at the beginning was getting the funding. Other than that, I don't recall any other problems we had.

Shabbir: At first there was a lot of problems. I think early days, it was really tough to convince people to believe you, your ideas, join you as a team and maintain the team. You can't just have someone run into you and say "hey, I'll stick long, I believe in this

idea, I have commitments, let's make a team". Usually, to have an idea and form a team, it takes 2 years. Not everyone allows themselves to invest their time, accepts to have no income at first and jump into the same boat. That's the biggest challenge. You also needed to have a lot of capital - one of main problems too. And then another thing is to evolve the concept altogether since you think one thing but it is not exactly what it is supposed to be. The market tells you which direction to go. Additionally, usually on the starting point of a new business, you bring in new team members but you never worked with them before; you don't know their ability and competence and weakness.

Jiri: It has changed so much since it was 15 years ago when I started my first business. For today, I think TEKES is good but some of its process doesn't allow flexibility. They fund projects but projects naturally change a lot during its evolution. However, the way TEKES is set up is they agree to fund a certain project but when project changes, which is inevitable, you have to spend a lot of time filing papers that allow them to change projects. Meanwhile, in other countries like Canada, you just get a tax bonus, pretty much the same but you have more money to spend but you don't have to file reports to make it happen. The reason why it is like that in Finland is because of the EU, tax rates in a country basis.

In other Nordic countries, growth funding is more available than it is in Finland. Here, it is more focused on seed stage. It is something we kinda hit with Playfield that it was very hard to get the growth funding. In Finland, maybe it is too easy to get the seed funding for R&D instead of tax bonus or money straight to the bank, that's why many companies after the R&D stage, don't know what to do when they need to grow but no one gives them more money. Obviously, in Sweden, venture funds are more professional and much bigger, even local funds supporting companies like Spotify. Here, biggest startup is Supercell, in term of company size, it is not that big. It doesn't require much capital to get there either. In short, this is quite limits the kind of company you actually build in Finland.

Mika: I can say I have much experience in running a company previously, so I know the legislations, administrations in Finland, EU and the US. My co-founder is a CFO and an auditor so I have that side covered. Furthermore, we had the seed funding for the company. So, I didn't have many challenges. Another thing is, Finnish government is trying to reduce barriers of starting a new business. It is not too complex anymore.

Harri: It depends on the stage of startup but the 3 biggest challenges:

- Cash: do we have enough cash in the bank to operate and pay out salaries to people. This is what I always keep a close eye on
- Is there demand for what you are doing? Are customers willing to pay for our product/ service? You might have done market research, you might propose an idea but when you start working on it, talking to customer and actually selling, you realize they don't want this, they want something different. In my view point, this is really important, especially in early stage, to be agile to listen to customers.
- Hiring right people: it is very expensive to hire people in Finland. This is a big risk when you don't have a lot of capital to make mistakes

3. What are the 3 biggest problems you face in your daily operation? Which of the problems keep recurring?

Julio: Let's see. So many things to do, but too little time. Second is the fact that we are a hardware company located in Finland which the process of developing hardware is very slow. Most of manufacturers are located in China, so we have to wait a lot of time to get products here. For example, to add a new feature to our products, 3D printers, it can take 4 weeks but if our company is located in Shenzhen, the Silicon Valley of hardware in the world, it will take like 3 days. So you can see, the fact that we are located in Finland, it makes the hardware development very slow. Lastly, we would like to have more money to hire more people. I have very limited resources. I think this problem is for any startup.

To answer to your question about which problem keeps recurring, I would say too little time. Every day passes, this problem just gets bigger. More things to do and just too little time. I don't see a point in the future "I'm not that busy". I can only see myself getting busier and busier.

Shabbir: For me, the biggest problem in daily operation is time management and it keeps recurring. I am too busy; I can't have time to take care of myself, to eat lunches and breakfasts. It has become such a serious problem that last week I had to see

doctor for that. The second biggest problem could be team members' qualification and experience. You give tasks for people but you need to revise again and again. That's time-consuming and not really effective. Other than that, I can't think of the third problem right now.

Jiri: It is difficult to run a day to day business in Finland if you don't speak Finnish. It is changing and many services are offered in English but I think we could get a lot better companies if we can do everything in English.

Mika: First biggest problem will be time management. There's a lot to do, I have to prioritize when working in a big team. Next challenge will be finance and the business itself. We have to make decisions to address our own business problems, get customers, do proper marketing, create market share and so on, in order to keep finance balance. This challenge keeps recurring since we have limited resources and Finland is not too good at marketing, I must say.

Harri: The same as above

4. Based on your experience, what are the main reasons why startups fail?

Julio: I think one of the biggest reasons why startup fails, and it could be the root of all evils is that a company create a product that customers don't want. It is difficult for Finnish engineers, mechanical engineers they like to develop things in isolation. I work a lot with engineers, I know they think like this: they like to create products but they don't like to listen to customers because they think customers have no idea of products. I think so many companies fail as they are not flexible enough to listen to their customers. And what happens with the big companies like Nokia who created a product which customers didn't want. Business leaders should spend more time to talk to their users, customers to find out the problems and try to fix them.

Take this as an example: I was a part of startup accelerator, recently there was a company (name unknown) created a product called "location based messenger". They wasted so much time on it but eventually they didn't understand their customers; nobody wanted their product. Of course on the other hand, you should have the vision

and be creative since sometimes people don't know what they want. Keep the balance between creativity and reality.

Shabbir: The first reason will be they don't have a good team (experience, qualification). Second, people in the team do not believe in the idea. Third, the founders don't have a big vision. Fourth, it is always the finance problem. Next, the co-founders don't share the same vision. They have the same concept but when they start working together, their visions are not aligned; they can't continue working together. Last, you just burn out; you can't handle it. Being an entrepreneur is a 24/7 work, not just 9am to 5pm work.

In Hub13 itself, there was a company called Finnia. They had quite big team because they couldn't make enough sales; expenses were getting more expensive; they ran out of cash. That's why they failed. Another example is there was a company, one-man team who did everything himself. He failed because he thought he could handle everything but he needed a team to make it happen in the end of the day.

Jiri: It is going back to the funding situation right now when there is such a big gap of availability between seed money and growth money. So you get into the position where you think you have the fundamental for building a business because you can get the seed money so easily. But when you are actually doing it, you realize it is getting harder; there's not much money left or available for growth.

Another main reason startups fail is market fit. Understanding a market and being able to build products do not mean you can build products that the big part of market actually needs. It is the mistake we made with Playfield. We thought consumers must have problems finding games but actually they don't. So even though we know the market well but we made wrong conclusion and built the wrong product.

Mika: One of main reasons is they don't address problems on the customer's side very well. They don't understand their customers and deliver bad products or wrong products which nobody wants. That makes they fail.

Another reason lays on the team itself. The team are not good enough. Besides, the funding can be one of the main problems. Companies cannot get enough funding in

earlier basis to maintain the team and keep working on the product. Of courses there are many other reasons like timing, you're too early or too late but above is the top 3.

Harri: The reasons related to biggest challenges: cash, no demand for company's product and hiring right people

5. Do you think startups that failed could or should have done something differently to avoid failure?

Julio: Again, listen to your customers better, try to understand your business, its strength and its threats. Take my company as an example: we are running a business of creating and selling 3D printers for professionals. At the beginning, we had absolutely no market fit because we were trying to develop something that we wanted to create. However, we started to pay attention to users, modified, got more users for product testing, realized the difficulty to use 3D printer softwares and in the end, we found out the market for architectures. I don't know if we are going to succeed but I do know that we do listen to our customers better and better; we found problems and we will come up with the right solution.

It is somehow a chain: if a company doesn't understand their customers, they won't get enough sales, their product is not popular either has a good market share. Thus, they won't be able to get funding to develop their product in further stages

Shabbir: I had a few unsuccessful businesses which I try to leave them behind except Hub Helsinki. Whenever I walk into Hub Helsinki, I always know what I could have done better. The transformation of Hub Helsinki turns into Hub13.

Another solution for startups to avoid failure is that co-founders at the first step, should have set rules and agreements. I know it is difficult since in startups everything keeps changing all the time but at least a mutual agreement should be there in case some of the co-founders just back off and lead the whole team down.

Something startups could do is to have 6 months to 1 year burning out cash reserve as

at early stage, you won't be able to generate/ pay your employees with stable monthly incomes over very long period of time.

Jiri: This might sound not or bad. The employee protection is a good thing but you have to have the probation period seriously. One thing that happened to Playfield is that we didn't hire bad people but some people were not right at this point. Even though we had some doubts about it during the probation period, we didn't take it seriously. We didn't sit down, co-founders, to discuss if this is the right time to hire these people. When probation period ends, you are left in the position where someone might manage your team but it is such a big cost to let them go, so you just keep them around and hope things get better. In US, there's no such protection which of course it is bad for employees. On the other hand, it is more flexible and you can change people when it is time.

Mika: My advice: start developing your products from customers' perspective and make sure you have the budget over long run, enough to continue from the idea to customer research, collect data, learn from that and offer right products.

Harri: Listen to your customers, especially at early stage, and make the product which majority of the market wants.

Look at Pokemon Go as an example. There's so much demand for that game but the launch was a disaster, the service was down, nobody took care of customer service. Even the game itself is not very good itself but there's so much demand for it. So you can see, if there is a demand for what you're doing, all problems will start working out, you will have cash to operate and hire more people, etc.

6. Based on your experience, which city in Finland has the most active startup scene? Why do you think that?

Julio: I would have to say the Metropolitan area (Helsinki, Espoo, Vantaa). Particularly, Otaniemi is very vibrant, very encouraging entrepreneurship. I also heard the startup ecosystem in Turku is growing strongly. Besides, very few startups coming out from Oulu.

Shabbir: It is Helsinki for sure but Tampere, Oulu are doing quite good too. So, these are the three best cities with good startup scene since they have the largest population; they are the most active regions in Finland.

Jiri: Obviously it is Helsinki area. Turku, Tampere are emerging too. But nowadays, most of businesses are not location dependent so, we hope to see more companies all over in Finland.

Mika: Capital area (Helsinki, Vantaa, Espoo) is the most active since we have universities here and talented, competent people. Tampere, Oulu, Turku, Kuopio have something happening too. Many have come to the conclusion that Nokia has the influence on which areas to have innovation startups. The fact is the cities where Nokia was active earlier, when Nokia is gone, it left many talented people left behind.

Harri: Helsinki capital area, obviously.

7. If not Finland, which Nordic country would you start your business in? Why?

Julio: That's very subjective question. Maybe Stockholm because I like Stockholm a lot. It is a very cool city. More important than that, the startup ecosystem there is quite developed. A lot of unicorn companies are coming out of it. These companies have built the foundation for other startups to grow and become unicorns as well.

Shabbir: I think in the Nordics, Helsinki is the best for startups. However, I don't know much of startup scene in Sweden, Denmark, Iceland and Norway. It is very difficult to say but I know what's happening around via my networks, events, etc. As I know, Sweden has bigger VCs than Finland. We actually went through Swedish investors for the funding.

Jiri: It has to be Sweden, Malmö to be honest because the country has a lot consumer product experience. It is the country of IKEA. I like specifically Southern Sweden because it is geographically close to biggest EU markets. You are half an hour from

Copenhagen and from there you can drive to Germany in 2 hours. Berlin is more affordable, much much bigger. Once in Berlin, you get access to the whole German speaking market which is 5 times bigger than Nordic market. Even though flying to Berlin from Finland is 1.5 hour but it kinda feels Finland is remote while Denmark is next door; Southern Sweden is pretty much Denmark anyway.

Mika: It's such a tricky question. It depends but probably, with the industry we are working in, it could be Sweden or Denmark.

Harri: I would say Sweden because from what I've seen, in Sweden, there's a lot of talents there. Sweden is also able to attract foreign talents to their country too. If you look at the biggest consumer startups like Skype or Spotify, they are from Sweden. Moreover, it just feels like in that country, there's a lot of capital which enables startups to scale. And Swedes somehow knows how to combine marketing skills and the access to capital to scale. That's pretty impressive.

Oskari: In the view point of an investor, I would go to the Baltic area where the ecosystem is still forming, and potential for new investment. In the Nordic area, Stockholm, Copenhagen, there are a lot of capital supplies already. So it is not attractive.

8. Do you know anything about startups scene in the Nordics in general?

Julio: I only know a bit about Sweden as I've been in some startup events in Stockholm. Other than that, I do not really know how it is in the Nordics.

Shabbir: I would say yes but not much. I know biggest companies there, the biggest VCs. However, I'm missing specific data about the startup scene in Nordics.

Jiri: Obviously, Finland is gaming and health-tech focused. In Sweden, they are much better at consumer products. Norway is kinda isolated. They are just sitting there, being comfortable. Iceland is pretty interesting as they have strong gaming scene as well. They realized they are a small country in the middle of Atlantic, so they try to come up

with interesting new things. But unfortunately, the country is more than 300 thousands, smaller than Helsinki, so, that's not much that could happen there.

Mika: I know few researches about the Nordic startups, what companies are there but I'm not well aware of the startup scene there.

Harri: As I mentioned, startup ecosystem in Sweden is pretty impressive, in terms of marketing and venture capitals. In Denmark, there're a lot happening too. I don't know about Norway or Iceland.

Oskari: Nordic region is still a small one compared to West Coast or London area but the ecosystem here is pretty impressive. In terms of how factors in ecosystem work together, Finland is the best among the Nordics. Stockholm, Sweden has a longer history. They have more angel capitals around but the community is not as whole, connected and supporting as Helsinki. Local Slush in Stockholm and in Copenhagen can't be as big as the annual Slush in Helsinki

9. "Sweden Is a tech superstar from the north" and "Sweden became the startup capital of Europe" → What do you think about these articles? Do you think compare to Finland, Sweden is the better place for startups?

Julio: It could be. I'm not qualified enough to give such opinion. However, I would say in Finland, they do a lot of marketing; they have more capitals. In Finland, there is not enough infrastructure. It is a very young country which has very limited resources, very small population. Well, Sweden is a lot larger, more population; it is also a lot older country that never has gone through any war, etc. They have the possibility for startups to grow.

In the future, we will start our business first in the Nordics, to Europe (Germany, UK) and after that, to Asia (China).

Shabbir: 80% of Swedish economy is based on SMEs. My assumption is Finland is

better but again, I might be wrong. Pros of starting a business here in Finland is small country; there is a lot to scale, from the Government side as well. People are new to startup concept, so they are believing in it. On the other hand, cons is there're not enough investment for startups.

Jiri: In my opinion, Finnish ecosystem is stronger than Sweden since startups have become this "movement" in Finland. Slush is in Helsinki. It is a massive difference to other Nordic countries. We have everybody from EU, Asia, US flying to Helsinki for startup stuff, not to Stockholm. Furthermore, Finnish startups are building a bridge to connect Asia and EU. We have a lot of startups from China, Korea, Japan coming to Finland. EU now is kinda dying to be honest. Asia is becoming extremely significant in the near future. So, we are in better position compared with other Nordic neighbours to actually do something bigger.

Mika: It is believed that Sweden is always leading Finland, at least in marketing and venture capitals for startups. It is really hard to say. I hope this will change with the help of new generation.

Harri: In terms of better place for starting a business in gaming, Finland for sure is much better but in consumer market, Sweden is better. They are better in terms of creating products that succeed globally than us. Finland needs to take a closer look at this. Also, Sweden is the better place to access to venture capitals and to scale. In Finland, not many companies are at the growth stage where they can raise to series B or C. They are either acquired at that time or they fail.

Oskari: It is hard to disagree when you look at the real numbers of valuable companies in Sweden. So, yes, Sweden is ahead for the time being. Even the ecosystem in Finland is very impressive but it is very young still. It takes time for the ecosystem to mature. But in the future, Finland has many potentials to pass Sweden.

Regarding venture capital, in Stockholm, there are more successful raised A-round than in Helsinki due to more capital supplies

10. Pros and Cons of starting business in Finland & your suggestions what Finland needs to learn from other Nordics or other Nordics should learn from Finland

Shabbir: Pros of starting a business here is Finland is small country; there is a lot to scale, from the Government side as well. People are new to startup concept, so they are believing in it. On the other hand, cons is there're not enough investment for startups.

Jiri: Pros: in Finland, it is stable, reliable; things are straight forward and usually work.

Cons: location is a bit tricky. Even though we are closest to biggest Asian countries and cities, on the other hand, if you look at EU map, Finland is cut out. In addition, if you need to get people to move to Finland once you want to hire talented people, it is hard to convince them to do so as they have other options like Berlin, London. Helsinki needs to be more livable to attract people.

Mika: Pros: Finland is quite straight forward country in terms of administration. It is also stable in politics point of view. You never end up in the situation that some main policies could change and harm your business.

Cons: Finnish culture doesn't really encourage entrepreneurship. For example, you go to school, university to study. Once you graduate, you will look to working in some company. The fact is the startup scene has changed during the past years but there's still a lot to do, to speed up. Besides, there should be more funding available for startups since day 1. Government should play a bigger role on this.

Harri: Pros: it is easy to set up a business here. It takes an hour to fill the form. And once you pay out the required capital to the bank, you're ready to go. Second, it is great to be living in thriving startup community. There're free startup events of experienced entrepreneurs who you can ask, to get mentorship. In addition, the salary level is pretty lower than in the US, UK. When you're building a team, it doesn't require that much of capital. Lastly, the public funding in Finland is great, TEKES is great. I don't think other Nordic countries have that. In Sweden, the seed funding is mostly local, from families and friends.

Cons: Finland is still a pretty small country. If you're creating a product or service towards domestic market, it is not a big enough market to secure your business. Besides, finding good talents can be tough due to the immigration procedure, especially if you want to recruit people outside of EU, it takes a lot of time for paperwork.

Oskari: Pros: setting a company in Finland costs very little. TEKES fund is very attractive

Cons: if you want to hire foreign talents, the immigration process is lengthy. This should be improved.