DIGITAL ENTREPRENEURSHIP IN FINLAND – A NARRATIVE OF A FINNISH DIGITAL ENTREPRENEUR

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1 Introduction

The word digitalization is almost banal. It is repeated everywhere. Yet, Finland and the western world cannot survive without electricity and digital systems. They are part of everyday life, administration, healthcare, entertainment, tourism, business – everything. People use digital services, maybe without thinking that someone needs to create and develop them and to produce the contents in them. Therefore, there has to be companies that work in the field of digitalization. Consequently, there are digital entrepreneurs in every developed country.

Globalization and the enormous development of information and communication technology (ICT) has created a major transformation in world economy. This advancement of information communication technology and business innovations of the ICT field have created a new economy that has various names, for instance post-industrial economy, knowledge economy, on-line economy, innovation economy, and digital economy. (Cohen & DeLong & Zysman 2000; Pohjola 2002; Hafzieh & Akhavan & Eshraghian 2011.)

Organization for Economic Cooperation and Development (OECD) has officially announced that digital economy is a novel way to practice business and it is capable of change economy and social environment. It is a new economic, political, and social system in an intelligent space. The rapid progress of ICT has an impact on world economy as it makes regional enterprises more global. Digital economy liberalizes and reduces trade barriers. (Carley 1999; Sung 2009.) Therefore, it is vital to study digital entrepreneurship in order to understand and cultivate it. This conference paper sheds in a pilot phase study a light on digital entrepreneurship in Finland. This study combines theoretical and statistical information on digital entrepreneurship in Finland and Europe with a narrative of a Finnish digital entrepreneur. The research question of this inquiry is

How does a Finnish digital entrepreneur characterize and manifest his entrepreneurship in comparison to data?

The framework used for the analysis is Digital Entrepreneurship Monitor. It is collected and published by the project Growth of European Union (2016) in order to stimulate and cultivate digital entrepreneurship. The monitor creates a knowledge base and offers a monitoring mechanism to investigate key trends of digital entrepreneurship. The central statistics comparing digital entrepreneurship in Europe and in Finland are 1) Digital knowledge base and ICT Market 2) Digital business environment 3) Access to finance 4) Digital skills and e-leadership 5) Entrepreneurial environment. The framework used for the analysis is Digital Entrepreneurship Monitor. It is collected and published by the project Growth of European Union (2016) in order to stimulate and cultivate digital entrepreneurship. The monitor creates a knowledge base and offers a monitoring mechanism to investigate key trends of digital entrepreneurship. The central statistics comparing digital entrepreneurship in Europe and in Finland are 1) Digital knowledge base and ICT Market 2) Digital business environment 3) Access to finance 4) Digital skills and
2 Digital entrepreneurship

The concept digital entrepreneurship has two characteristics: digitalization and entrepreneurship. In the early literature of entrepreneurship Cantillon (1755) emphasized that the entrepreneur always takes a risk when he buys at one price and sells at an uncertain price. There are also researchers that suggest that entrepreneurship includes not only the risk-taking behavior but the pursuit of opportunity (Ireland, Reutzel, and Webb 2005). Venkatraman and Shane (2000) examine how entrepreneurs discover, evaluate, and exploit opportunities in order to create products and services for the future. All this goes for digital entrepreneurship, too.

Consequently, the academic entrepreneurship research has studied the supply-side and the demand-side of self-employment. The supply aspect focuses on the traits and characteristics of an entrepreneur and the demand aspect concentrates on the environment of the entrepreneur, such as the market or the economic surrounding the entrepreneur (Thornton 1999). Change and creativity are also present in entrepreneurship. Drucker (1986) suggests that entrepreneurs are constantly looking for change that is utilized as an opportunity. Entrepreneurship changes also the society, institutions, markets and competition. According to Schumpeter (1934) entrepreneurship is creative destruction. He writes that entrepreneurs create new industries and digital entrepreneurship is one them, indeed.

Davidson and Vaast (2010) have investigated digital entrepreneurship. According to them entrepreneurship in digital economy are characterized by three interrelated types of entrepreneurship that create opportunities: 1) Business entrepreneurship 2) Knowledge entrepreneurship, and 3) Institutional entrepreneurship. They state that digital entrepreneurship is also sociomaterial. This concept comes from actor-network theory presented by Latour (2005). This theory draws attention to the interaction between human and material actors. In digital entrepreneurship there is the digital dimension and entrepreneurial human actor that are combined in action.

Business entrepreneurship in digital economy means digital venture creation and generating a financial profit. E-commerce enterprises, such as Amazon.com, are typical examples of this field. They have digitized their business process of retail sales and developed a competitive advantage in that way. Knowledge entrepreneurship means that persons use their intellectual capital to become knowledge entrepreneurs and in that way create personal and community wealth. For instance, Arianna Huffington is a knowledge entrepreneur. Institutional entrepreneurship is about creating new institutions or transforming old ones. These institutions, e.g. Google, produce legitimacy for the new firms and entrepreneurs and establish new technology, standards, and digital innovations. (Davidson and Vaast 2010, 2 – 4.)

Hafzieh, Akhavan, and Eshraghian (2011, 269) discuss the difference between traditional and digital entrepreneurship in their literature review. Firstly, like previously described also by Davidson and Vaast (2010) the business models are different. Secondly, the digital entrepreneur markets his services in another way because the service product itself is a marketing factor. Thirdly, the workplace of a digital venture can be virtual and the teams do not necessarily have to be located physically. (Waker 2006.)

3 The European digital entrepreneurship monitor

One of the aims of the European Union is to enhance entrepreneurship in order to cultivate the European economy. Therefore, it has established a project called Growth that concerns internal market, industry, entrepreneurship and SMEs. It informs about current trends, projects, companies, possibilities, and finance. One of the subprojects is called Watify. It stimulates digital entrepreneurship and publishes entrepreneurial stories on digital entrepreneurs. In Watify there is a web site called Digital Entrepreneurship Monitor to give all the facts and figures on European digital entrepreneurship. (Europa 2016.)

The main themes of European digital entrepreneurship are 1) Digital knowledge base and ICT Market 2) Digital business environment 3) Access to finance 4) Entrepreneurial culture 5) Digital skills and e-leadership. As can be seen these titles include knowledge entrepreneurship, market, environment, culture, transformation, and start-up like described in the previous literature review chapter of this conference paper. This monitor is used as a framework when the narrative of a Finnish digital entrepreneur is analyzed to create understanding on it. It is based on large quantitative analysis and visualizes the core indicators and compares various European countries and their digital development and entrepreneurship. (Monitor European Commission 2016.)

4 Research methods

This study combines the theoretical discussion on digital entrepreneurship with a European quantitative statistical monitor data and a qualitative nar-
narrative of a Finnish digital entrepreneur whose pseudonym here is Johan. One can argue if it is scientifically correct to combine quantitative data from the monitor and qualitative narrative data. Quantitative and qualitative research traditions utilize methodologies that are typical of them. Dzusec and Abraham (1993, 75) argue that different methods and paradigms have a consistent objective, scope, and nature of inquiry. The discrepancies between quantitative and qualitative researchers exist because both groups have operationalized their strategies in different ways to reach the same goals, not necessarily for any other reason. Pragmatic researchers (Sechrest and Sidani 1995; Onwuegbuzie & Leech 2007, 385) utilize both quantitative and qualitative information or techniques in the same research and combine the strength of both methods.

4.2 Data analysis methods

To use analysis of narrative to investigate the story of a Finnish digital entrepreneur was a natural choice. This study gains access to Johan’s narrative on his digital entrepreneurship in Finnish and European context and gives the floor to him. He is given the chance to speak out. In narratives people tell what is relevant to them and imitate action (mimesis). It is a representation of the life in a narrative the way the informants see it. It does not have to be true but make sense. Verisimilitude is used to measure the inner truth of a narrative (Bruner 1986).

The researcher understands the material in his or her own way. Narratives become discursive actions where informants, researchers and readers interact. They create and share the same Lebenswelt, life-world together from a social constructivist perspective. Narratives can be described as interpretative templates (Husserl 1936; Gergen & Gergen 2006, 118; Czarniawska 2004, 117; Riessman 2008, 4; Boje 2011, 1; Czarniawska 2012, 759).

The knowledge interest (Habermas 1976) of this paper is practical. It describes the collection and analysis process of digital entrepreneurship in Finland from an entrepreneurial perspective. It gives more insight on digital entrepreneurship and opens the mental map of the entrepreneur which brings more understanding in the phenomenon of digital entrepreneurship. Like stated, the results cannot be generalized as they are based on one narrative and the interpretations that the informant and the researcher do on basis of their understanding and theoretical sources.

To start the analysis process the collected and documented narrative material was read thoroughly to recognize elements from the framework and to conduct a thematic narrative content analysis according to the six categories of European Digital Entrepreneurship Monitor (Monitor European Union 2016). These categories are also present in scientific literature that discusses digital entrepreneurship.

5 Narrative of a Finnish digital entrepreneur in comparison to digital entrepreneurship monitor

Johan is a serial entrepreneur in his forties. He lives and is active in the capitol area in southern Finland. He is a Master of Science in Engineering and he has specialized in technical physics, system mathematics, and business strategies. He has been interested in computers ever since got his first microprocessor in the age of seven. He played a lot with computers and coded. He is a family man. Johan has had several startups but his leading company is found in 2011. Its turnover was almost 1.4 million euros in 2014 and the growth percent was 34.9 and net profit about 217 000 euros. The central products are software.
In the following the various categories of European digital entrepreneurship monitor are explained and described from the Finnish point of view. Johan’s narrative is told accordingly. It visualizes how Johan characterizes and manifests his digital entrepreneurship and what he thinks about it.

5.1 Digital knowledge base and ICT Market

In the European digital monitor digital knowledge base and ICT market refers to high-technology patents per million inhabitants. From 2006 to 2010 the index has decreased from more than 20 to 9.45. The average percentage of GDP is 4.31. Finland is number four in ranking after Liechtenstein, Sweden, and Switzerland. There are 21.96 high-technology patents per million inhabitant and the trend is growing. The ICT companies make 5.47% of Finnish GDP. (Monitor European Union 2016)

If ICT initiatives are studied digital entrepreneurship is a cornerstone in Finnish economy. There is the tradition from Nokia and the former employees of Nokia have started more than 300 of their own new companies. Yet, the total share enterprises’ total turnover from e-commerce has decreased from 20 to 18 from 2010 to 2013. (Initiatives – Countries Overview 2016)

Johan tells that his first digital startup came to exist almost by accident in 1999. An interesting thing in a person’s life becomes a firm and the person is suddenly an entrepreneur. When Johan started his enterprise he had been working for others and recognized his chance. There was a mobile hype in the society and the capitol area was full of young people with digital aspirations. Because there was an upswing in the economy, there were money and venture capitalists available. The company started growing and a sales person was hired.

In Johan’s opinion Finland and Scandinavia are doing well. In Finland people have a high education and it is typical that Finnish engineers want to develop. Johan says that the competition is world-wide.

It is not enough if you are talented but you need to be the best in the world. In the United States people work normally 12 hours a day. In Finland we do eight.

Johan says that Silicon Valley is number one area in the world because of its talent, entrepreneurship, encounters and spirit. Then there is the East Coast of the United States, New York City, and Berlin, Stockholm, and finally Helsinki in Europe.

Then there is the game world. But it is totally something else. It works in another way.

Consequently, Finland is somewhat a minor hub for digital and knowledge entrepreneurship. A market exists and it is international, too, like Johan says.

5.2 Digital business environment

The ease of doing digital business in Europe was 38.49 in 2012. It was better in 2011 but then the index decreased. The ratio of companies that utilize ERP or CRM systems 20.82 % and 17.11 %. Globally there are many countries that are ahead of Europe, such as India or Brazil. In Europe Central-Eastern European countries do well in the statistics. Finland does not seem to be an easy country to do digital business. The index is below European average, only 14. Yet there are more firms that have ERP (28 %) and CRM (27.43 %) systems in Finland. In that sense Finland is still advanced.

Johan admits that he has sometimes thought about emigrating abroad. There are very interesting projects going on in the world and there is a chance to earn more. Finland is a high tax country. Even though news agency Bloomberg states that Finland was the 14th best country to make business in the whole world this does not concern digital entrepreneurship.

If I did not have my family I could consider moving abroad. Often strong entrepreneur personalities, like Steve Jobs, do what they want and do not care about others.

Sometimes nothing interesting happens in Finland. The startup phase is interesting.

Thus, maybe the digital entrepreneurial climate is not inspiring unlike in Silicon Valley where talents run into each other under Californian sun. According to the statistics, the birth rate of e-commerce was about 11.71 % in 2010 which has decreased but is about the European level (Monitor – European Union 2016).

Taxpayers Union in Finland has published a table where corporate taxes are compared. Finns pay 20 % which is in the middle. Unearned income is taxed 30 – 34 % but all this goes for all entrepreneurs and Johan says that he does not work only for money, it is for the business. Thus, here comes the business entrepreneurship and orientation in (Veonmaksajat 2016).

In general the Finnish government has driven the politics of liberation and deregulation of entrepreneurship. Entrepreneurial spirit is enhanced and the top educations system produces qualified workers and innovators even if sometimes high educa-
tion can decrease willingness to self-employment. Yet, Johan would hope that Finland would be freer and quit universality of the collective agreements. He says that new types of companies of sharing economy, like Uber, would never have been started in Finland because of the laws and regulations. Finland is not very spontaneous.

“Unfortunately there are still some monopolistic or duopolistic companies or field in Finland, for instance within traffic companies. Lobbyists are effective.”

(Iniatives – Countries Overview 2016)

5.3 Access to finance

There are four parameters in the European Digital Entrepreneurship Monitor (2016) what comes to finance: the cost of tax compliance (7.67), total tax rate % (50.88), venture capital availability (3.12), and ease of raising money through local equity markets (4.05). The general index is 4.05. Finland is ranked as the thirteenth of most advanced country in the field of access to finance. The equivalent figures are tax compliance (9), total tax rate (40, 8), venture capital availability (4.27), and raising money through local equity market (4.38). The general index for Finland is 4.38. (Monitor – European Union 2016.)

Consequently, Finland is not the best but good. If one looks for information on finance there are many alternatives in Finland, like Digital Media Finland (2016) suggests. There are at least six various public organizations that finance startups and companies. They are ELY-keskus [Centre for Economic Development, Transport, and the Environment], Finnvera [official finance company owned by the Finnish state], Tekes [the Finnish Funding Agency for Innovation], Keksintösäätiö [Invention Foundation], Suomen Teollisuusfonditus [Industry Investment]. Then there are naturally venture capitalists and so called business angels, people well-off who want to help start-up-entrepreneurs if the idea is good enough to put in action.

Johan says that at the end of 1990’s when he was a young new entrepreneur there was more loose money than usual in the air because of the good economic situation. In his opinion there is always money if the idea is good. Still, Finland is not rich in capital in his opinion.

Many investors hate risks, too.

He criticizes Finnish millionaires that made a lot of money in big industries, such as Nokia at its great days.

Well, in the United States rich people do invest. In Finland many retire and play golf, say in tax-free Portugal. The money should be always reinvested.

Johan has invested himself in some start-ups and like said, he has several businesses himself.

Finland is doing well at the finance point even though it is not Silicon Valley where the big money moves. When I, the researcher, interviewed Russian immigrant entrepreneurs in Finland (Sandelin [now Anckar] 2014) some of them felt that the Finnish support systems make people lazy and they lose the sense of true business when they do not realize what it takes to earn money. Many of them never received a cent from the Finnish government.

5.4 Digital skills and e-leadership

Finland takes the fourth place in digital skills and e-leadership in the European Digital Entrepreneurship Monitor. The total percentage of Finnish people that have ICT specialist skills is 4.53 in 2010. This is not a surprise because of the top education system and amount of digital devices. The European equivalent is 3.21. It is of note that this curve has had a strong rising trend during the last five years. Digital skills and e-leadership have developed both in the European Union and Finland which is positive. (Monitor – European Union 2016.)

Johan is a good example on highly educated ICT expert and entrepreneur. He holds a Master of Science degree in Engineering from the best technical university of Finland and his closest colleagues belong to the same category. They follow the international development and market, discuss and show example. Naturally, it is another question if a talented and a skillful person has entrepreneurial mindset.

5.5 Entrepreneurial culture

Entrepreneurial culture was defined in the European Digital Entrepreneurship Monitor as willingness to self-employment. In the European Union the average willingness percentage to become self-employment is 36.05. If European people had all the means to become self-employed, the rate would be 81.49. In Finland the equivalent rates are 22.50 (willingness) and 77.60 (willingness if possible). De facto only 10% of Finnish people are self-employed (Monitor – European Union 2016; Yrittäjät [The Federation of Finnish Entrepreneurs 2016]).

Johan says that there is no such entrepreneurial tradition in Finland like in the United States. Still digital experts recognize their opportunity and start a business. They stick together and exchange opinions in dialogue. According to Johan a digital entrepreneur needs to be interested, willing to learn,
develop and work long days. The average prestige is not enough. An entrepreneur has to develop also resilience as an entrepreneur meets hardships necessarily.

The success is also about serendipity and good luck. I know many entrepreneurs that are bright and hard-working but they never succeed.

In Finland the trade unions are strong and social benefits good. If Finns get it all easily there is no push factor or motivation to entrepreneurship. Also the high education level of Finns does not correlate with self-employment rates. When a person studies a lot he/she might realize the risks better than an uneducated person. Finns can be also envious and regulations exist which is not an asset.

6 Discussion

This paper is a small opening in the discussion on digital entrepreneurship in Finland. It combined theoretical literature, statistics, and a narrative of a Finnish digital entrepreneur. This paper is a qualitative study with a narrative approach and a narrative thematic analysis. The narrative fills the criteria of verisimilitude, in other words seem true and internally logical. The collection process was documented, and the research is trustworthy as the findings are of significance. In constructivist oriented study the criteria for reliability and validity are then filled. The results cannot be generalized as the as the inquiry is qualitative and concern only the context of the study.

On the basis of the literature review, statistics, and the narrative of a Finnish digital entrepreneur can be stated that there is an active group of digital entrepreneurs in Finland. They are resourceful, well-educated with high intellectual and human capital. They look for and recognize opportunities, start up, invest, manage risks. They keep contact and network. Their actions are digital and international, too. Finland is somewhat a small hub for digital entrepreneurship. Consequently, Finnish digital entrepreneurship is business and knowledge based entrepreneurship. It is hard to say if it is institutional. There are famous services and brands but they are not world-wide institutions, like Nokia was in its best days. Finnish digital entrepreneurship can be sociomaterial as many contacts are online and international.

What comes to business environment, entrepreneurial culture, and financing, Finland has its pros and cons, just like any country. It is typical of Finnish business environment that it is regulated and relatively transparent. On the other hand entrepreneurs suffer from rules, bureaucracy, trade union lobbyists, hidden cartels or monopolies. The creativity is not in the first place.

There are many institutions and projects that provide both education and money to start-ups. On the other hand there is no old money or major capitals in small and relatively new country like Finland. Finnish investors are also careful and risk-averse and the rich people are not interested or used to let the money go around as a good capitalist environment suggests.

The entrepreneurial tradition and culture are not strong in Finland and the trade unions have succeeded in guaranteeing good conditions to employees so they see no need to start or run a business. Also the high education level makes people timorous. There are not the kind of creative encounters of entrepreneurs and investors like in Silicon Valley, California, because Finland is small and northern. Lately, young people have started showing more interest in entrepreneurship which gives hope. That should be encouraged and cultivated. Entrepreneurial narratives are needed to show the realistic picture of entrepreneurship to youth and people considering change of career or getting unemployed.

Some recommendations could be made, too. Maybe the Finnish government could go on with its aim to deregulate and free entrepreneurship. Enterprises could be taxed less in order to tempt more firms to Finland instead of them fleeing to Estonia or another more agile country. The culture of envy and power of the old-fashioned trade unions and their lobbyists should be ended and more positive news published in order to create culture of creativity in the country in economic trouble.

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