

Discussions:

The Helsinki Spring: an essay on entrepreneurship and cultural change

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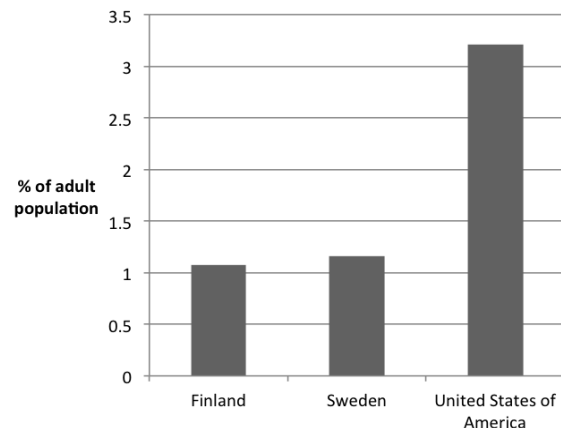
It's called the Helsinki Spring – a sudden flourishing of Silicon Valley -style entrepreneurial aspiration on Finland's frigid soil. Students and young people all over Finland are setting up entrepreneurship societies, forming startups, developing business plans and pitching for funding from angel investors. Instead of partying and drinking, they write code and prepare presentations. Instead of organizing protests and demonstrations, they talk at seminars and dream of changing the world through innovations. The media reports about their activities enthusiastically. Political and business leaders are ecstatic.

The above is of course an image constructed in the media. The true extent of the startup craze that began around 2010 is still hard to gauge. But since January 2010, at least ten student entrepreneurship societies have sprung up¹, 688 companies have been added to an index of Finnish startups², and at least two dozen startups have obtained significant funding from international investors. Moreover, startups have entered the public agenda in a big way. In 2011, the Party Secretary of the Social Democratic Party Mikael Jungner called the Helsinki Spring a "revolution". The purpose of this short essay is to examine what kind of a revolution it is. In terms of subject matter and approach, the essay plunges into a chasm between entrepreneurship studies and cultural critique.

The Finnish Paradox

High growth aspiration entrepreneurial firms, colloquially known as startups, are companies characterized by, among other things, owner-managers, innovativeness and high growth ambition (Autio, 2009). The owner-managers are typically highly capable individuals, possessing advanced business or technical skills and significant social capital. Startups are typically innovative in the sense that they seek to create something novel rather than optimize an existing business model. This is also reflected in their growth targets: a typical aim is that initial capital should be recouped tenfold or more in a matter of 2–10 years. Startup business is a hit business: the vast majority of startups fail, but the ones that succeed create sufficient profits for the investors to justify the failures. Failure is considered normal and part of

Figure 1. Entrepreneurs with growth ambition



the career path of an entrepreneur (Blank & Dorf, 2012).

Successful startups can have a significant impact on the surrounding society (Ministry of Finance, 2012). They deliver a disproportionately large economic impact in terms of jobs and economic growth. Startups can help restructure existing industries or make them obsolete. They can open up entirely new markets for other companies to address. They can also influence daily life through new technologies and services, and reshape institutions through new practices and efficiencies. Policy makers in Finland as in many other countries today consider startups vital for the competitiveness and rejuvenation of the national economy (Valtonen & Sylvänne, 2011).

Historically, Finland is not a hotbed of startups. From 2001 to 2010, on average 1.1 per cent of the population were involved in early-stage entrepreneurial activities with growth ambition.³ This is a significantly smaller percentage than in

¹ Aaltoes, BoostTurku, HankenES, JES, JoensuuES, LaureaES, LUTES, MetropoliaES, OuluSES, and Stream Tampere ES

² <http://www.arcticstartup.com/companies>

³ The figures in this paragraph were calculated from Global Entrepreneurship Monitor (2001–2010) indicators by multiplying Total early-stage entrepreneurial activity (TEA) by Growth Expectation early-stage Entrepreneurial Activity: Relative Prevalence (GE). TEA measures the percentage of 18-64-year-olds who are either nascent entrepreneurs or owner-managers of a new business, while GE measures the percentage of TEA who expect to employ at least five employees five years from now. For detailed definitions, see

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leading startup nations such as the United States, where the figure is 3.2 per cent (Figure 1). It is also slightly below all other Nordic countries, which have institutional characteristics similar to Finland. This “startup deficiency” became a topic of public discussion in Finland in the 2000s. But the reasons behind it have confounded policy makers.

On the surface, many factors suggest that Finland should be a great place for startups (Stenholm et al., 2012). The primary education system is world renown. Higher education functions well and produces high-quality graduates especially in the STEM disciplines (science, technology, engineering, mathematics). Labour costs and healthcare costs are low compared to Silicon Valley. The government actively supports high growth ambition ventures with subsidies, incentives and international promotion. The country is a world leader in per-capita R&D investment and home to leading technology clusters in mobile communications and forestry. Yet startups are few and far between. This dissonance between potential and reality has been described by entrepreneurship scholar Erkkö Autio as the “Finnish paradox” (Autio, 2009).

Objective: Cultural change

Given that Finland’s institutional characteristics seem favorable to startups, many commentators have sought answers to the paradox in Finnish culture (Ministry of Finance, 2012). A frequently cited suspect is lack of respect for entrepreneurs in Finnish culture: that Finns are suspicious and envious of anyone showing entrepreneurial initiative. Taneli Tikka, a well-known Finnish serial startup entrepreneur, recounts illustrating young people’s attitudes towards entrepreneurs to Prime Minister Mari Kiviniemi with a photo of a teenage girl giving the finger. Such contempt would naturally give pause to anyone considering launching a business. However, there is a problem with this explanation: survey data suggests that Finns actually afford more respect to successful entrepreneurs than do Swedes or Americans, not less (Xavier et al., 2013; Stenholm et al., 2012).

The apparent contradiction between the attitudes experienced by entrepreneurs like Tikka and the data gathered through survey studies may reflect a multiplicity of understandings regarding entrepreneurship. People responding to surveys may associate entrepreneurship with conventional, low risk, low growth businesses, such as accountant’s offices and hair salons. These businesses are afforded a high level of respect in Finland. But high growth aspiration ventures, like the startups founded by Tikka, are perhaps considered more dubious. One reason for this might be that the startup mode of economic activity is unfamiliar to Finns. By the standards of traditional Finnish economic life, an entrepreneur with two previous bankruptcies is clearly untrustworthy. But by Silicon Valley standards, he or she is said to be experienced. Funders and partners who support startups are expected to be aware of the significant risks involved, and to be making an informed decision in accepting the risks as the price of rapid growth potential. In Finland, startup entrepreneurs’ reputation may also be unduly tarnished by superficial similarities

to 1980s property speculators, some of whom ended up in prison.

Thanks to the cultural phenomenon referred to as the Helsinki Spring, public perceptions regarding high-aspiration startup entrepreneurship may now be changing. A handful of startup success stories have received much positive attention in the media during the past couple of years. Rovio Mobile, the company that developed Angry Birds, the most successful mobile game of all time, has become a household name, and several others are close behind. This is not the first time startups are receiving positive attention, but the magnitude of their presence in the public sphere may be unprecedented. While it is perhaps too early to evaluate actual effects, there is legitimate hope among entrepreneurs like Tikka that launching a startup would finally be turning into a socially viable career option for bright young people — not something to be ashamed of, as it perhaps was, but something that parents, girlfriends and boyfriends would understand and even respect.

Some commentators credit the emergence of respected role models in the public eye with setting the student startup movement in motion, and thus launching the Helsinki Spring. But Ville Miettinen, another well-known serial entrepreneur whom I interviewed for this essay, claims the opposite: that activists in the budding student startup movement promoted the role models to the media, and thus started Finland’s startup craze by design.

Miettinen is an important backer of the Aalto Entrepreneurship Society, Aaltoes for short. According to Miettinen, people around Aaltoes made a plan to raise startup success stories into the limelight in a positive way. The press didn’t find startups, startup people found the press. The activists’ explicitly stated aim was “cultural change”, understood as improving startup entrepreneurship’s image. When Miettinen sold his first startup, Hybrid Graphics, to an American company in 2006, reporting in the press was lukewarm: editors ignorant of the startup way lamented that another promising Finnish company was lost to America (Kauppinen, 2006; Alkio, 2008). According to Miettinen, the deal was actually a triumph for the Finnish economy: Hybrid’s new owners made it possible for the business to expand its reach and employ more people in Finland, while Miettinen and his partners were able to move on and launch another Finnish startup. To ensure better press in the future, Miettinen and likeminded others decided to educate the media.

Taking aim on the welfare state

In September 2011, people around Aaltoes conducted another “cultural change” operation. They invited Steve Blank, a Silicon Valley startup guru, to visit Finland. Blank is a retired serial entrepreneur and an influential figure in the U.S. startup scene. He teaches entrepreneurship at Stanford and Berkeley, and his books on the theory and practice of startup business are popular among entrepreneurs, investors

Xavier et al. (2013).

and students. Some described Blank's welcome in Finland as a "rockstar reception" (Leppänen, 2011), but royal reception might have been a more fitting term. Blank lectured to packed audiences, met top business leaders, was welcomed by Aalto University's President, talked to editors-in-chief of major media, and debated with political elite, including a cabinet minister. Blank also coined the term Helsinki Spring — an allusion to the simultaneously ongoing Arab Spring revolutions, where young people were overthrowing the old order with help from new information technologies.

Blank's advice to Finns was directed towards the question of how to solve the Finnish paradox: how to get the country to produce more startups. He devoted much of his attention to arguing that Finland's economic and structural factors are not really as supportive towards startups as the abstract numbers examined by scholars such as Autio suggest. In particular, he chastised Finnish investors for ignoring startups, and criticized the unwieldy institutions through which government attempts to promote startups (Leppänen, 2011). But another key part of Blank's message was about the cultural factors: the kind of culture that is needed to breed startup entrepreneurship.

Blank told his Finnish audiences that "to entrepreneurs belong obscene returns" (Heikka, 2010). To many Finns, the chasm between America's fabulously rich and desperately poor indeed seems obscene. Blank's implication is that Finns must become more accepting of such inequality if the country is to breed more high-growth entrepreneurs. There is some support for this notion among academics. Entrepreneurship scholar Gordon Murray (2011) identifies egalitarianism as one possible reason behind the Finnish paradox. He notes that Finns are much less accepting of extremes of income and wealth in society than Americans, and posits that such attitudes could cause discomfort to successful entrepreneurs and influence how budding entrepreneurs set their growth targets.

Must we therefore think that the Helsinki Spring is ultimately a revolution of American-style market liberalism over Nordic egalitarian liberalism? Finnish youth tend to lean towards egalitarian values over strictly individualistic thinking (Myllyniemi, 2010). But there is significant demographic and individual variation. Launching a startup is a grand display of individual initiative and taking responsibility for one's self. Are startup youth demanding similar self-reliance from others, too? Is becoming "American" the only way to solve the Finnish paradox?

After Blank's visit, Aalto Entrepreneurship Society wrote a Helsinki Spring manifesto that outlines how the Finnish society should be changed to promote startup entrepreneurship (Aaltoes, 2011). There is nothing specifically about income differences in the manifesto. But one of its tenets is that "Nanny culture destroys the killer instinct from the masses: Nanny culture and a governmental safety net do not encourage ambitious risk taking, but risk minimizing and optimizing for safe, medium successes." In other words, the manifesto seems to position the welfare state as an enemy of startup entrepreneurship.

This stance is nonsensical. People who are forced to rely

on the social safety net are by and large not potential startup entrepreneurs. Potential startup entrepreneurs are drawn off the course by more attractive job opportunities, not by meager social benefits. It is not the homeless people in Silicon Valley who found the startups. If anything, social safety nets encourage risk taking, because they cap the downside and help preserve human capital in case of failure.

The relative complacency of Finland's young elite during the 1990s and 2000s is better explained by the abundance of other opportunities that were associated with a higher social status than startup entrepreneurship. The role of Nokia cannot be underestimated here. One of the largest companies in the world at one point accounted for over a third of the market capitalization of the entire Helsinki Stock Exchange. In a country of only five million inhabitants, the world's largest mobile phone manufacturer commanded immense respect and consistently topped employer image surveys. As Nokia ballooned, it absorbed entire generations of skilled and ambitious young Finns. When I was an undergraduate student in the Helsinki University of Technology in early 2000s, it was common to pose the following question to graduating friends: "Are you going to look for a job, or go to Nokia?"

Nokia is also the biggest factor that can explain Finland's startup gap in relation to other Nordic countries, which lacked comparable giants. Another differentiating factor compared to other Nordic countries is economic history. Sweden and Denmark industrialized earlier, have a longer tradition of private investment in risky ventures, and possess a larger capital base. Differences to other Nordic countries are notably not explained by the presence or absence of social safety nets, as they all follow a similar welfare state model. Moreover, many of Finland's relative advantages as a startup country, such as a highly educated workforce and a cost-efficient healthcare system, are there because of the welfare state model, not in spite of it. Students and young people by and large recognize this (Myllyniemi, 2010), so it seems unlikely that Aaltoes would sincerely advocate an end to student allowances, or recommend the introduction of university tuition fees.

Solidarity in startup culture: a rose by any other name

Notwithstanding the rebuttal above, there may be some truth to the manifesto's claim that "Nanny culture destroys the killer instinct from the masses." Societies colored by egalitarian liberalism perhaps do lack some of the dog-eat-dog mentality and "killer instinct" of market-liberal Anglo-American society. Yet to many people, this heightened solidarity towards the fellow man is not a weakness, but a great achievement. Must Helsinki Spring be seen as a movement that opposes solidarity, and instead wants to turn us into "hungry" "killers", so that we may survive on the amoral wastes of the global marketplace?

This characterization is fortunately wrong. The first tenet of the Helsinki Spring manifesto is "Finland needs a pay-it-forward culture". This refers to the idea that in startup

culture, successful entrepreneurs are expected to invest their experience and a part of their newfound wealth into helping other startups off the ground (Blank & Dorf, 2012). In fact, everyone is expected to share their learnings and contacts, and support those who are going through rough times. Everyone also celebrates everyone else's successes. This means that sometimes entrepreneurs will end up helping their future competitors. But solidarity benefits each individual more than it hurts them, because it allows the entire community to thrive, and the individuals with it. According to Miettinen, this sense of shared purpose is something that the new Finnish startup scene excels in, even more than neighbours like Sweden. Miettinen believes that this will become an important source of competitive advantage for startups rooted in Finland.

Steve Blank would probably agree. He and other startup gurus like to remind entrepreneurs and policy makers that entrepreneurship happens in "ecosystems". Entrepreneurs need universities to train them, angel investors to guide them, venture capitalists to fund them, corporations and networks to take their innovations to the global market, and consumers to use, praise and criticize them. In a good ecosystem, a sense of shared purpose extends throughout. Individual actors will occasionally accept costs related to information sharing and turn down opportunities for individual short-term benefit to maintain the long-term viability of the ecosystem that sustains them.

Helsinki Spring's most revolutionary impact in Finland might thus turn out to be the revitalization an old economic wisdom: that good business is embedded in society. They may speak of pay-it-forward instead of solidarity, and of ecosystems instead of societies, but in their own clever ways, the Helsinki revolutionaries may be just as concerned with the common good as their predecessors.

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