

Expanding Entrepreneurial Teams in Design Driven Finnish Startups: Challenges and Opportunities

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Abstract

Objectives: The purpose of this study is to explore challenges and opportunities of Finnish design driven startups expanding the entrepreneurial team. Key people from four design driven ventures in the capital area of Helsinki were interviewed to determine success factors in their process of adding new team members.

The study looks into characteristics of entrepreneurs in general versus design entrepreneurs as well as required skillsets of team members. The reasoning of design entrepreneurs when hiring new team members are divided into two categories: resource-seeking behavior and the manifestation of interpersonal attraction.

Methodology: The theoretical part of the study is based on the existing body of knowledge available in literature on general entrepreneurial traits, design entrepreneurs and team skillsets required for a successful venture. A qualitative research approach was selected as the research method for this study. The empirical part of the research was conducted as a case study and explores the hiring process in four design driven startups through semi-structured interviews.

Results: The case study found that new members were assessed according to functional skills, social capital and interpersonal compatibility; interpersonal attraction or chemistry was found to weigh more heavily. The key findings of this study are the essential role that networks and intuition have in design entrepreneurial team expansion. One of the findings of this study was the importance of internships and mentorships used to both temporarily alleviate pressure on the current team and to identify new members with an excellent fit to the company in terms of skills and personality. Furthermore there is a limited amount of understanding and prior knowledge about new member addition processes in design entrepreneurial teams.

Keywords New member addition, team expansion, design entrepreneurship, design intensive startup

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1. INTRODUCTION

1.1 Background

With recent success stories such as Rovio and Supercell leading the way, numerous tech startups are entering the scene and getting international attention and support through events like the annual SLUSH conference. However, Finland also has a flourishing design driven startup scene particularly in the suburban area of the capital of Helsinki (Tötterman, 2008). Helsinki was also the World Design Capital in 2012, which drew some much needed attention and support to the design scene, particularly in Helsinki (Frilander, 2015).

Salimäki & Gabrielsson (2005) found that the main difference between successful companies and unsuccessful companies seems to be management and that in general the opportunities for design are currently not adequately exploited. Very little can be found in existing literature on how design driven startups form their teams (Tötterman, 2008) and whether or not they have different practices in doing so from the general understanding of best practice. This study will look into the role of new member addition in successful small design driven startups in Finland by conducting four case studies in order to get first hand information of the experience and viewpoint of the entrepreneurs themselves and some of the people they employ. It is important to understand how the teams are formed as well as the reasoning behind it so as to achieve greater understanding of the needs of small design companies and the best practices from successful entrepreneurs. The aim is to provide new entrepreneurs and companies with benchmarks on important factors to consider when adding new members.

1.2 Research gap

This study explores the process of entrepreneurial team formation in designer led startups with a focus on new member addition in terms of hiring new individuals. While research on entrepreneurship and the formation of their teams at the early stages has been conducted quite thoroughly, the research has mainly been focused on

entrepreneurs in general (Drucker, 1985; Forbes et al. 2006; Kawasaki, 2004; Tötterman, 2008). By looking at research on new ventures in Finland it seems that a growing number of academic studies that have been conducted in different academic fields and literature are on the IT and technology sector.

Entrepreneurial teams have been found to play an important role in new ventures and given the lack of concrete guidance through research (Forbes et al, 2006), the scope of this study has been limited to study new member addition through hiring. The adding of a new member is a critical and common development in evolving team-based ventures that materially alters the available human capital and potentially also changes the culture and direction of the new venture (ibid). Therefore it can be argued that understanding why new members are added to a new venture is important.

As can be seen in academic literature the mindset of design, business and engineering professionals is different (Kawasaki, 2004) therefore implying that there may also be a difference in the way that the discipline affects an entrepreneurs way of making decisions when forming a team. The review of existing literature has identified a gap in how successful design driven startups in particular form their teams. Not understanding the practices and needs of these startups makes it difficult for organizations and the government to provide the right kind of support to the industry. By identifying best practices in successful design driven startups guidelines can be provided to new entrepreneurs in the industry as an aid when looking at the first hires. This gap will be addressed through the research objectives and questions that are addressed next in this study.

1.2.1 Research objectives

In order to tackle the above-described problem and gap, this study has identified the following more detailed research objectives for the study:

1. Review existing literature on characteristics of adding new members

2. Examine how a company can manage the team forming in terms of new member addition in the early phase of the startup

1.2.2 Research problem and questions

In order to structure the research this study is built around the following research problem:

- What considerations should the founding team or entrepreneur of small Finnish design driven startups take when adding new members to the venture?

To better answer the research problem three additional research questions have been formulated. The questions that will be addressed are:

- How have successful design driven entrepreneurs in Finland added new members to their teams after venture creation?
- How do designer entrepreneurs identify the skills needed for the new venture?
- How should startups prepare for the future expansion of the core team?

1.4 Definitions

As previously mentioned this study focuses on new member addition to a designer driven venture through hiring. The definitions provided here aim to give the reader a better understanding of what central terms will be used and how they are understood in the context of this study.

1.4.1 Design driven startups

For the purpose of this study a design driven startup is defined as a company producing and marketing consumer products that contain a substantial design element, design is therefore referred to as what trained and educated designers do (Salimäki & Gabrielsson, 2005). Traditionally design in general has maintained a big distinction between itself and business as design is usually employed as a service in most situations

(Conley, 2004). As design and its competences are being recognized more as having a broad range of applications and value in building business the perception and role of design is evolving rapidly (Tötterman, 2008). In this study design driven startups refer to a company that is driven partly or completely by a design entrepreneur.

1.4.2 Design Entrepreneur

The design entrepreneur plays a central role in this study. For the context of this study design entrepreneurs will be defined as individuals who are founders of a new venture and have formal training in the design field. The role of the designer has changed in recent years from mostly solitary artists to multi-skilled individuals working in product development teams (Veinola, 2009), as is the case of the design entrepreneurs in this study.

1.4.3 Entrepreneurial teams

This study follows Ensley et al. (1998) definition of entrepreneurial teams, who combine Kamm, Shuman, Seeger and Nuricks (1990) definition of entrepreneurial teams as "two or more individuals who jointly establish a firm in which they have a financial interest" (p. 7) and Ensley & Banks (1992) and Gartner et al. (1994) extension of this definition to include those individuals who have direct influence on strategic choice.

Therefore for the purposes of this study, an individual who meets these three criteria: (1) jointly established, (2) has a financial interest and, (3) has direct influence on strategic choice - is considered part of the entrepreneurial team. Entrepreneurial founder teams are defined here as group of individuals that set out to found a new venture.

This study will focus on new member addition at a later stage, after the venture has already been founded by the founding team and not on the addition of individuals to the entrepreneurial team before setting up the venture. The entrepreneurial team plus individuals hired to the new venture will therefore form the new team, also referred to as expanding of the entrepreneurial team.

1.5 Structure of the study

The following diagram provides an overview into the structure of the study.

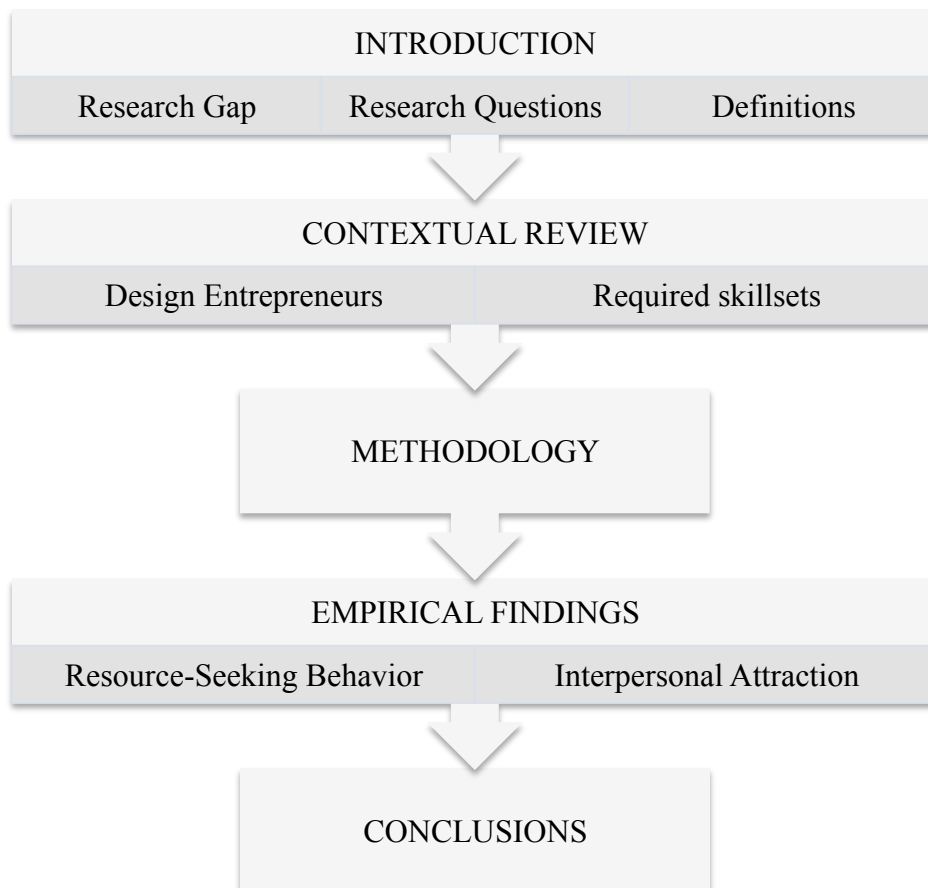


Figure 1 Structure for this study

2. LITERATURE REVIEW

To give a more holistic view of the subject, the individual skillsets of entrepreneurs in general are reviewed; the skills and characteristics are viewed as important for this study because it is assumed that entrepreneurs have a big influence on the decisions made in the new venture. By looking at entrepreneurial traits in general we can attempt to identify similarities and differences between entrepreneurs in general and design entrepreneurs, so as to find what makes design entrepreneurs special. Skillsets and key components needed in turning a startup into a successful venture will be discussed next. The study will not discuss the role of investors or finance and therefore they have not been included here.

2.1 Required skillsets in entrepreneurs

As Tötterman (2008) states, the entrepreneur plays a central role in entrepreneurship and it is therefore not surprising that the personality traits of entrepreneurs have been researched and discussed in depth in academic literature. The research consists of findings of entrepreneurial traits in general.

There are several lists of desirable attributes that an entrepreneur should embody, generally recognizing the same traits. Timmons et al. (2010, pp 9) lists the following as core attributes: commitment and determination, leadership, opportunity obsession, tolerance of risk, ambiguity and uncertainty, creativity, self-reliance and adaptability, motivation to excel and courage.

As Wasserman (2012, p.40-41) found, the founders understanding of the startup's industry can make a big difference in future challenges as specific knowledge of an industry can help avoid potentially fatal problems. Although many founders start a business in an industry they have little experience of, thinking that it will provide them with the benefit of fresh ideas, Wassermann points out that the advantages of ignorance are often overshadowed by the disadvantages of inexperience. When the entrepreneur has experience from previously working for another startup it increases their tacit

knowledge about entrepreneurship in general and recognizing an opportunity in addition to increasing the likelihood of success with the new venture (ibid).

When founding a company the entrepreneur needs to master many different critical functions from product development to sales and marketing, finance to human resources, as well as how they function on their own versus as a part of the bigger picture (Wasserman, 2012).

2.2 Characteristics of design entrepreneurs

In his study of eight design entrepreneurs in Finland Tötterman (2008) found that the typical reasons for self employment was a choice of lifestyle, including a certain freedom and enjoyable way of working. The main challenges were seen to be related to limited experience and competences associated with entrepreneurship in addition to financial issues; however the more experienced design entrepreneurs were found to have more confidence in both design and business-related matters. Being a design entrepreneur can be seen as having to have a double personality implying that there is a need for a capacity to face both business- and design-related matters (Ibid). The assumption for this study will therefore be that design entrepreneurs are different from entrepreneurs in general due to the dual process role involving design.

Designers have a different way of thinking compared to representatives of other professions; designers thinking is generally characterized by leading the venture to new areas through creating and imagining what may be in the future consequently focusing on possibilities and opportunities ignoring solutions to current problems, while business-related thinking can be seen as more focused on protecting and utilizing current assets. (Rieple, 2004; Tötterman, 2008)

The creative entrepreneurs share five characteristics: a vision (a dream and the desire to bring the dream to life), focus (a fixation to succeed), finance (realization that success will be measured in financial terms), pride (both in themselves and in the idea) and finally a sense of urgency (Howkins, 2013). Designers in turn, are inherently creative and possess certain characteristics: open-mindedness, independence of mind, not being

afraid of change, a well-developed sense of humor, competitiveness and ambition (Howkins, 2013). As can be seen, the different lists have much in common and mostly differ in the wording used to describe the characteristics both entrepreneurs and designers, however Howkins (2013) seems to be the only one pointing out that designers have a well developed sense of humor, a factor not mentioned in the characteristics of entrepreneurs in general.

In his study Tötterman (2008) found that design entrepreneurs are generally open-minded and personal motivation is of high importance, as particularly creativity requires enthusiasm. Furthermore, respondents regarded themselves as passionate individuals with a drive for innovativeness and progression; variation was seen as important as respondents tended to get bored easily. As a result replication and routines were generally felt as unexciting and avoidable. However the majority of Töttermans interviewed design entrepreneurs had role models who were designers and entrepreneurs whom they compared their own entrepreneurial venture against, so even though routines may not be seen as appealing a certain type of replication of best practices and working routines were seen as positive in his study. This further argues the need for research on entrepreneurial practices in the design field, part of which this study of new member addition tries to fulfill.

According to Cooper & Press (2000) some have argued that designers often have an inability to understand the needs of industry, do not know how to present their skills effectively and have an antipathy to management, which limits success. It has been suggested that many Finnish design entrepreneurs are too scared to fail which in turn leads to risk awareness and a smaller chance of success (Mäkinen, 2009). As Tötterman (2008) found, Finnish design entrepreneurs usually possess adequate skills in terms of creativity and design while lacking in business competence in administration, marketing and organization of operations that may imply severe challenges for in terms of business development. Tötterman argued that design entrepreneurs are found to generally be against business growth preferring to purchase the required services via their networks instead of hiring more employees. The main objectives of design entrepreneurs were found to be personal professional satisfaction and earning a living from their work

without any further ambitions for large-scale business development. In other words the general assumption is that design entrepreneurs have a tendency to prioritize design aspects over financial values and business competence enhancement. Furthermore design entrepreneurs in general lack both competence and willingness for large-scale business and venture growth. (Ibid)

It is seen as important that design entrepreneurs plan their future endeavors by developing a business concept and long-term strategy to identify actions towards set goals (Tötterman, 2008). As Drucker (1985) points out, willingness to constantly learn, work hard and persistently, exercise self-discipline, adapt and apply the right policies and practices are all important factors in innovation and entrepreneurship, both key factors in design entrepreneurship.

Young designers are often seen to underestimate the role of the brand in the design process and in terms of marketing they often do not know how they want their product to be marketed and why (van den Winkel, 2012). Tötterman (2008) also found that design entrepreneurs feel that selling design is challenging.

For a design company to successfully grow and turn a profit overcoming the design chasm it needs to become a dragon with three heads representing three vital roles, art director, manager and investor (van den Winkel, 2012). In theory one person may have all three attributes, however in reality this is very rare. The reason for this is the difference in language and communication; management and finance speak a rather similar language through numbers and words, however the understanding between business and the art-director side is extremely difficult. The mindset needed for the different roles varies and is therefore difficult for one individual to possess (ibid). For any new design business, creating cohesion and knitting together these three necessarily different roles and functions is a difficult challenge and can be seen as the single most important difference determining success or failure (van den Winkel, 2012; Kawasaki, 2004; Wasserman, 2012). When the entrepreneur lacks one of the important skills mentioned previously, he or she risks failing to recognize the functions importance and

contribution to the company or alternatively spending valuable time learning about it (Wasserman, 2012 pp 39).

Skills needed for Entrepreneurship	Characteristics of Design Entrepreneurs	Characteristics of Designers
<ul style="list-style-type: none"> • Commitment and determination • Leadership • Opportunity obsession • Tolerance of risk, ambiguity and uncertainty, • Creativity • Self-reliance • Adaptability • Motivation to excel • Courage <p>Timmons et al. (2010, pp 9)</p>	<ul style="list-style-type: none"> • Capacity to face both business- and design-related matters • Lack both competence and willingness for large-scale business and venture growth <p>Tötterman (2008)</p>	<ul style="list-style-type: none"> • Open-mindedness • Independence of mind • Not being afraid of change • A well-developed sense of humor • Competitiveness • Ambition <p>Howkins (2013)</p>
<ul style="list-style-type: none"> • Understanding of the startup's industry • Master many different critical functions from product development to sales and marketing, finance to human resources, as well as how they function on their own versus as a part of the bigger picture <p>Wasserman (2012, p.40-41)</p>	<ul style="list-style-type: none"> • A vision (a dream and the desire to bring the dream to life) • Focus (a fixation to succeed) • Finance (realization that success will be measured in financial terms) • Pride (both in themselves and in the idea) • A sense of urgency <p>Howkins (2013)</p>	
<ul style="list-style-type: none"> • Willingness to constantly learn • Work hard and persistently • Exercise self-discipline • Adapt and • Apply the right policies and practices <p>Drucker (1985)</p>	<ul style="list-style-type: none"> • Inability to understand the needs of industry • Do not know how to present their skills effectively • Antipathy to management, which limits success <p>Cooper & Press (2000)</p>	

Figure 2 Comparison of skillsets and characteristics

2.3 Skillsets in a successful venture

According to Drucker (1985) successful innovators start small and above all simple. A critical ingredient for success is an entrepreneurial team (Timmons et al. 2010). Kawasaki (2004) also agrees to this testament, pointing out that it takes a team of talented individuals to make a venture work; the successful company is started and made successful by a minimum of two, often more, what you could call soul mates whose skills complement each other and who share the same mission. The different strengths serve as a counter balance and enable the team to take multiple aspects into account in order to answer what needs to be done and how, as well as any reasons why not. Design intensive success stories show that a key factor for success is also a multidisciplinary team consisting of highly qualified individuals working together to create new innovation (Salimäki & Korja, 2011). Research on management team process and performance has also increasingly recognized the importance of diversity in functional backgrounds, affiliations and assignments for team effectiveness (Bunderson & Sutcliffe, 2002). To build a successful team consisting of members from multiple disciplines requires strong individuals with confidence in their own skills and expertise together with the willingness to go beyond their comfort zone (Brown, 2009). Kawasaki (2004) adds that the skills of each team member should complement the others without too much overlap as to avoid redundancies.

Oviatt and McDougall (1995) identified seven characteristics commonly associated with the growth and survival of successful global start-ups that will be listed here. A global vision from inception is considered to be the most vital characteristic together with internationally experienced managers and a strong international business network. Preemptive technology or marketing should be exploited to successfully enter a foreign market and overcome indigenous firms with a more thorough understanding of the market. As success always attracts imitators the company needs to have a unique intangible asset such as tacit knowhow to sustain their advantage, especially with the relatively few resources that global start-ups have. By closely linking the product or service extensions to the original unique asset that provided the company with a

competitive advantage, the competition will be faced with a more difficult offering to beat. The final characteristic is a closely coordinated organization worldwide.

Although education and previous work experience is valuable there are several skills that a candidate may have learned elsewhere, through hobbies such as team sports or performing, that are important for working in a startup environment (Wasserman, 2012). As previously stated the quality of the team is fundamental to the company. Timmons et al. (2010) summarizes the most important aspects of the team into the following points: relevant experience and track record, motivation to excel, commitment, determination and persistence, tolerance of risk, ambiguity and uncertainty, creativity, adaptability, opportunity obsession, leadership and courage, team locus of control and communication. As is evident, many of the important aspects in forming a successful team are the same as the desirable traits in an entrepreneur and designer.

As doing international business requires excellent communication, the communication infrastructure must be more sophisticated than the domestic equivalent (ibid). The company can establish a network of loyalty through encouraging active participation of partners and customers to create a competitive edge (Brown, 2009).

For a company to be able to measure success later on, the starting point should be clear, this requires specified targets and criteria that can then be measured throughout the company's lifetime. Ek (1996) adds that the entrepreneur needs to be able to take a step back and welcome the input of others. Furthermore the product has to be designed in a way that it can be marketed successfully and priced at a premium (Dawton, 2011).

As Ensley et al. (1998) found, in an effort to understand the entrepreneurial team and its positive effect on new venture performance, team skill heterogeneity is regularly discussed in top management team research and is expected to exist in entrepreneurial firms. According to Bunderson & Sutcliffe (2002) researchers argue that by broadening the range of experience and expertise available to a team, functional diversity can promote team effectiveness. An entrepreneurial team with members possessing a

diverse range of skills should be better able to handle the many disparate and chaotic situations that new ventures have to face (Ensley et al, 1998; Eisenhart & Schoonhoven, 1990). This study assumes that this may also apply to the addition of new members to the venture. Little is known about what specific configurations of diverse skills work best, but it is clear from the anecdotal work that diverse skills lead to higher new venture performance (Bunderson & Sutcliffe, 2002; Ensley et al, 1998), however the optimal extent of heterogeneity within the team has not been identified. The two main types of heterogeneity that have been studied are demographic heterogeneity (that deals with demographic factors such as age and nationality) and skill heterogeneity (Ensley et al, 1998).

Heterogeneity is clearly linked to new venture performance, however some studies have found that diversity limits rather than enhances the performance of the company (ibid). Ensley et al. (1998) found in their study that the entrepreneurial team skill heterogeneity may negatively influence entrepreneurial firm growth, profitability and revenue; a potential explanation of the findings in the study was that functional, degree, or major differences in team members may cause conflicts and these conflicts can lead to problems with implementation of key decisions. Bunderson & Sutcliffe (2002) agree by stating that research has found that because functional diversity is associated with differences of opinion and perspective, functional differences can inhibit team process and/or effectiveness.

The effectiveness of the team members is influenced both by the physical and the psychological spaces of the company. The organizational ecosystem should encourage experimentation and ideas from all members. By articulating the overarching purpose and direction of the company, the need of the entrepreneur to constantly supervise the rest of the team is decreased and also builds trust within the team (Brown, 2009). For the optimum output of the team each individual should possess excellent cross-functional communication skills and high reciprocal understanding, as a cross-functional team requires high interdependence to function properly (Graff et al, 2011, pp.81).

According to Mannix & Neale (2005) information processing is the base for the positive effect of diverse teams, meaning that the diversity in the team increases both the range of perspectives within the team and increases the opportunities for knowledge sharing therefore improving the outcome in terms of quality and creativity.

“An innovation requires a long chain of actions and the diligence of an entire team to get results” (Toivanen, 2011).

As Howkins (2013) stated, the greatest growth is not in the creation of new products but in their distribution and sale. It is vital that the product is credibly communicated to the consumer, in addition to the innovative physical product itself, the way it is brought to the attention of the consumer also needs to be innovative (Mäkinen, 2009). The creative markets are increasingly dependent on logistics, retail and online networks (Howkins 2013). The geographical location of Finland implies that it may be important that there is someone in the company that has experience and responsibility of these actions.

The brand may be as valuable to the consumer as an artist’s signature (Toivanen, 1999). For creating a successful brand excellent design or high quality is not enough in today’s fiercely competitive marketplace. Many young designers underestimate the importance of the other factors involved, particularly the business aspect. The long and risky process of building a successful design brand includes several aspects including difficult management, patience for investors and a winning product (van den Winkel, 2012; Seristö, 2009).

External actors tend to value entrepreneurs who are reliable in terms of sticking to schedules and co-operative as well as flexible and dynamic experts to work with (Tötterman, 2008). Consequently the reputation of a brand can be seen as an intangible asset and strategically significant, therefore establishing and nurturing a good reputation is paramount to any company. The more faith the company’s trading partners and other interest groups have in terms of the company’s willingness and ability to fill in contractual voids in a reasonable and efficient manner, the lower the costs of transaction will be (Ainamo, 1996).

2.4 Choosing the team members

Even though new member addition to the team of a new venture has received little systematic study to date, team composition and its effects have been studied in research on top management teams (Bunderson & Sutcliffe, 2002; Forbes et al, 2006; Tötterman, 2008). As top management team composition has been found to impact organizational outcomes it can be argued that understanding team formation in new ventures is critical (Forbes et al, 2006).

As Oviatt & McDougall (1995) state “global start-ups must take great pains to recruit, train, and manage their human resources very effectively, and to use that resource for continual innovation.” When hiring new team members the founder faces at least two major trade-offs according to Wasserman (2012, pp224): “hiring generalists versus specialists and hiring inexperienced versus experienced people. What’s more the trade-offs shift as the startup gains resources and becomes more formalized.” If the wrong decision is therefore made at a key moment of the company’s evolution it may cause some significant problems either immediately or later on. Having a vision of where the company is going and what future skills and needs will become essential later on can be seen as important to have as a founder. It is therefore crucial that the entrepreneur also diagnoses and corrects any hiring mistakes as well as plan for any replacements that may be needed in the future; there should be a plan on how to move from a team of generalists to an increased number of specialists as the company evolves and grows over time (Wasserman, 2012).

As Vanaelst et al. (2006) point out in their study of team heterogeneity in entrepreneurial teams of academic spinouts, the key issue relating to team evolution is whether the people attracted into the new team bring a different experience and a way of looking at doing business to the startup. Although the study researched entrepreneurial founder teams the assumption is that this is also true for new member addition to new ventures. Muñoz-Bullon et al (2015) found that the more heterogeneous the resources

provided by the startup team are, the more effective the existing relationships among team members will also be.

The decision of who to hire comes with several difficult and important questions such as should the person have experience from larger corporations, does the candidate have experience in your field and the specific task you are hiring for? Vanaelst et al. (2006) concluded that the studied cases show that people attracted to the teams had different experience from the original team members, however they showed a comparable strategic orientation that lead to more cognitive homogeneity in the team.

Kawasaki (2004) found that entrepreneurs tend to have two types of reasoning when hiring: finding a candidate who lacks major weaknesses or finding a candidate who has major strengths. In the first case there is more likely also a lack of any major strengths and in the second the major strengths are often followed by major weaknesses as well. He suggests that the key is to hire the candidate with major strengths and then over time pinpoint what the weaknesses are and make sure to compensate for them with the strengths of the other team members. The team should consist of individuals with different major strengths to avoid redundancies, particularly at the early stages. (Ibid)

The key in hiring in a startup is for management and the entrepreneur to always hire people that are better than them (Kawasaki, 2004). Regardless of the amount of experience and background of the new hire, the person should always have enthusiasm and belief in what the company is doing, that way they will have a high motivation to go above and beyond what is needed; there is no room for individuals who will not give 100% and struggle to see where the company is going. (Ibid)

Looking at the individual orientation of the new members in the team Vanaelst et al. (2006) observed that the newcomers were also significantly innovation oriented and therefore reinforced the cognitive homogeneity of the team. The study found that this may be related to the fact that the founding team usually prefers to recruit those people whose way of looking at a business is very close to theirs. Another explanation that was recognized for the reinforcement of the cognitive homogeneity of the team, was that

newcomers are often recruited from the personal networks of people whose way of looking at a business is likely very similar.

The current team and its networks are often the best way to find good candidates to hire as their relationship serves as a reference to how the new person would fit within the organizations culture and the rest of the team (Wasserman, 2012). The entrepreneur has three concentric circles from where to find a candidate: the inner circle of people that the entrepreneur is in direct contact with and already has a relationship with, the middle circle consists of people met through mutual acquaintances, through indirect contact and networking or people met through a third person who made the introduction. People, or strangers, met through an impersonal search process without previously knowing one another or having some other individual in common make out the outer circle (Forbes et al, 2006; Wasserman, 2012). Both Ek (1996) and Forbes et al (2006) found that entrepreneurs tend to make the first recruit from the closest environment; they either hire someone whom they have personal experience from or who is recommended by a trusted source.

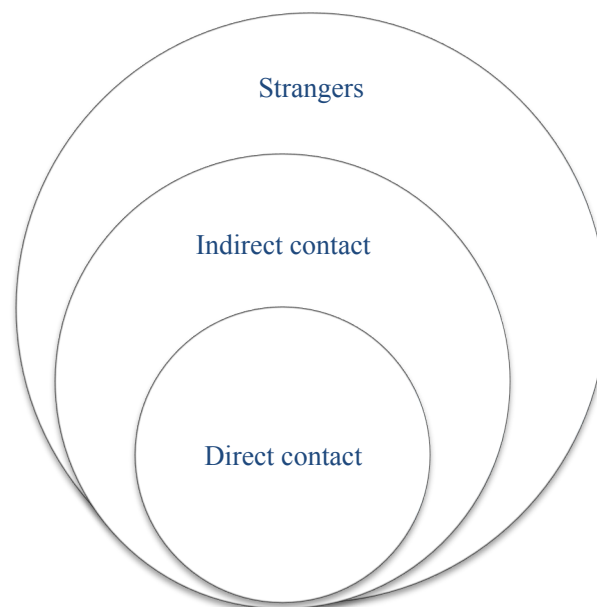


Figure 3 Three concentric circles from where to find a candidate, adapted from (Forbes et al, 2006; Wasserman, 2012)

The political model states that a critical dimension of the decision process concerns the team's internal power distribution in terms of how and the extent to which the selection decision is shared with the team. The selection is made on the basis of consensus, majority vote of the members or through authoritative action on the part of one or more leaders of the team. (Forbes et al, 2006)

According to Kawasaki (2004, pp103) a startup needs three types of people: first, kamikazes who are willing to work eighty hours a week to achieve success; second, implementers who come in behind the first group and turns its work into infrastructure; third, operators who are perfectly happy running the infrastructure. When looking for candidates it helps if the founder has contacts and social capital (referred to here as benefits from information and communication networks) that can be used. Besides recruiting purposes, these are useful for finding partners and investors as well as gaining access to outside resources (Wasserman, 2012). Therefore the networks and social capital of the candidate are also an important benefit for the company (ibid).

Bussgang (2010) also divides the needs into three different distinct stages and uses a metaphor to describe them: the jungle, dirt road and highway. The jungle stage is at the very beginning with chaotic organization and prior to achieving product-market fit, with a need for people who can find their way through this wild jungle of ambiguity. The dirt road symbolizes the stage when the company has developed some organizational maturity and initial product-market fit. At this time companies often hire people for a senior functional executive role to take over departments. In the last phase, the highway, the company needs someone who can optimize and scale the company.



Figure 4 Different types of people needed at distinct times (adapted from Kawasaki, 2004, pp103 and Bussgang, 2010)

During its life, the startup will have different needs in terms of recruiting and the capabilities of the employees. As Wasserman (2012) puts it, as the company matures employees may have a difficult time scaling at the same pace and therefore decisions that seemed ideal at first can prove to be disastrous at a later stage. To try to avoid some wrong decisions when hiring the entrepreneur should try to keep in mind how the company's growth and subsequent change will affect future needs as previously mentioned.

In a young and small company it can be seen as advisable to always hire people that you naturally like and connect with. Specifically the first hires are the ones that will lay the groundwork for the company culture and atmosphere (Kawasaki, 2004; Ek, 1996). Ek (1996) adds that before hiring any new member the entrepreneur should map out exactly what need is being taken care of: is it adding a specialist to grow the skillset of the team, someone to run basic tasks or someone to take over a part of the current tasks handled by the entrepreneur.

As Wasserman (2012) argues, when new members are added to the team they should be prepared for the challenges that may arise when integrating with the existing team that already has specific roles and culture. Teams easily develop informal routines, processes and shortcuts that may be hard for a new member to understand. As startup teams in particular spend long hours working closely together, compatible personalities may come to play a more important role than the actual professional skill sets of the individuals. The integration of new members is an interesting topic, however falls outside the scope of this study and will therefore not be discussed further.

Forbes et al (2006) points out that it should be noted that new member addition is not always a strategic choice and that it may sometimes occur against the wishes of the existing team as a result of criteria imposed by other forces such as institutions providing resources or powerful investors that both enable and constrain the nature and timing of a new venture teams work. As this institutional view is not found to be a central part of the literature on new venture team creation in this case, this study will

concentrate on new member addition within the framework of strategic choice acknowledging that it does not explain all member additions to new ventures. (Ibid)

This study has divided the underlying reasoning of the entrepreneur and team to add new members to the venture into two categories, resource-seeking and the manifestation of interpersonal attraction. The following diagram illustrates the main differences between the two approaches that will be explored further in the subsequent parts of this chapter.

Explanations for new member addition have been compiled into the following table:

	Resource- seeking	Interpersonal attraction
General explanation for new member addition	New member is added to enhance the team’s present or future inventory of resources.	New member is added in order to satisfy social psychological goals of existing team members.
Implied sequence of team actions	<p>Problemistic search</p> <p>Team identifies a resource problem and then undertakes a search for a new member intended to solve the problem.</p>	<p>Opportunistic search</p> <p>Team adds a member with whom it is already in contact without first identifying a problem or undertaking a search.</p>

Figure 5 Explanations for new member addition, adapted from Forbes et al. 2006 pp.232

At the early stages of a startup the key is to understaff and outsource; two of the main reasons for this are the cost of hiring someone and the unpleasant situation of having to fire someone if you overestimate the growth of the company’s revenues (Kawasaki, 2004). Hiring a new team member brings several costs beside the actual salary; insurance, workspace and equipment should be considered as well. When a team needs to be reduced in size it affects team motivation and morale as well as redistribution of tasks and areas of responsibility to the remaining members. That said, you should never outsource any strategic functions like sales and marketing as well as any research and development that the company needs at the early stage. (Kawasaki, 2004)

In some cases the entrepreneur has all the necessary skills, contacts and seed capital needed to start and run the business. However, at some point running things solo will no longer be efficient and have negative psychological effects such as excess stress and exhaustion that may negatively influence decision making; this is the time to look into hiring another person (Wasserman, 2012). The same can be said to apply to a team in a similar situation where there no longer is enough time to complete key tasks well enough. As Drucker (1985) mentions, the role of the entrepreneur naturally changes as the company develops and grows leading to a need to delegate some of the tasks to another team member.

2.5 Resource-Seeking behavior

Resource-dependence view, as well as human and social capital theory, are the theoretical perspectives most closely related to resource-seeking behavior (Forbes et al, 2006). The focus of human and social capital theory is on how and why individuals, and by extension teams and organizations, use intangible assets to improve their prospective for success. The resource-dependence view in turn maintains that organizations seek to reduce the uncertainty associated with acquiring the necessary resources for success by asking what the most effective way for the organization can reduce uncertainty regarding access to critical external resources is. How the entrepreneurial team evolves over time can therefore be interpreted as a response to the changing resource needs of the company (ibid).

2.5.1 Experience

Knowledge and skills that are relevant to the entrepreneurial team formation consist of those that are seen as having potential to contribute to the economic output of the company, such as the education, industry experience and general management ability of the individual (Forbes et al. 2006). Muñoz-Bullon et al. (2015) continue on the same lines by adding that having team, industry and startup experience are deemed to influence the entrepreneurs' ability to profitably establish the venture in the market via the mobilization of team resources. It may be implied that that experience in other team members could have the same effect.

Whether a company should hire someone with vast experience and a proven track record or a more inexperienced young candidate with more energy and raw talent is a central question. The decision, according to Wasserman (2012) is often made by how much the company can afford at that time. In general, before the startup has raised capital and has few resources, it tends to hire relatively inexperienced candidates and then with the increase of resources the candidates work experience and prior seniority in the given role also increase (ibid). The research shows that a link between team resource inflow and profitable firm creation has been found to be much more fragile for startup teams with inexperienced members than for experienced startup teams (Muñoz-Bullon et al. 2015).

Human capital plays a vital role, and refers to the human knowledge and skills that can be converted into valuable economic outputs for the company, therefore an important question that human capital theorists ask is what the set of skills and knowledge is that will optimize the performance of the organization (Forbes et al, 2006).

Experienced individuals from larger companies often bring a vast network of contacts, human and social capital, therefore also adding credibility for a startup that they are associated with (Kawasaki, 2004; Wasserman, 2012). Wasserman (2012) adds that these individuals are also often more specialized and used to working in a formalized company and can therefore bring with them processes and systems that have proven effective in a company as well as hiring leverage as these individuals often have experience in hiring their own team. Stability is another benefit as a more experienced candidate will be able to scale with the company. However Kawasaki (2004) points out that more experienced candidates are often accustomed to the benefits of larger, well-established companies such as large teams to delegate to, secretaries and high-end equipment and offices that startups cannot afford. These individuals were also found to more often than not be very expensive hires, adding to the startups 'burn rate'. The culture and way of doing business of a startup may also take a lot of adjusting to, the entrepreneur should beware of what Kawasaki refers to as the 'big-company disease' which refers to a person who has already worked for one of the top-of-the-line, most lucrative, most prestigious firms; it's extremely unlikely that the person is right for a

bootstrapping startup. Wasserman (2012) adds that cultural control is a factor that can have unwanted effects when a more experienced person brings in their previously learned company culture and hires new members according to those preferences. However, this type of candidate may be very suitable at a later stage of the startup when the company is more established.

Candidates with experience from smaller companies and startups may be more of the generalist type according to Wasserman (2012). However, Muñoz-Bullon et al. (2015) argued that previous startup experience might not be sufficient to improve the ventures outcomes, as the experience may not be applicable to the new venture.

Wasserman (2012) describes the experienced person as a 'rock star' who is expected to contribute a lot of value from the start while inexperienced people are hoped to be 'rising stars' who will be able to master new skills and grow into their new roles in the company. A more inexperienced person can make up for lacking experience with more energy and willingness to learn and adapt, as they are not yet set in their ways. Not realizing the magnitude of tasks at hand may prove to be empowering and help achieve the seemingly impossible (ibid). Salary costs are also a perk when hiring an up and coming new talent and if the company is lucky they may 'hit the hiring jackpot' by finding this young talent if they turn out to be a key asset to the company (Kawasaki, 2004; Wasserman, 2012).

Whether the company should therefore hire an expert with a lot of experience or a more inexperienced individual is dependent on several points. What role the company is currently hiring for, the specific skillset and other attributes needed for it are naturally key factors. The main deciding factor as previously mentioned is money; if the company can afford an individual with strong relevant knowledge then it will and should always hire that candidate. (Kawasaki, 2004; Wasserman, 2012)

Wasserman (2012) found that the company has to map out what the needs are for each new hire, the choice lies between hiring a specialist for a specific task or a generalist that lacks the specific knowledge of the specialist but has the capability to move across

different tasks more effectively. The need is therefore dependent on both the stage of development of the company and the specific function. At the early stages startups tend to favor generalists as there are still several important uncertainties and the different functions need to be flexible and team members are often moved around from one task to another (ibid). Ideally the team should therefore consist of individuals that are specialists who can also function as generalists when the need arises.

Wasserman (2012) discusses the two types of teams that can be found in a startup: a team with overlapping roles versus division of labor. A team of specialists with very different skill sets is much easier to assign to specific tasks and roles. In contrast, when a team consists of members with similar backgrounds or generalists the division of roles is more complex and the tendency is to have overlapping roles. Both types of teams have their benefits and fit into different stages of the startup. However, as the company's needs change as it grows, the previous advantages can turn into a liability.

	Strengths	Weaknesses
Overlapping roles	<ul style="list-style-type: none"> • Offers flexibility appropriate to early-stage startups • Team members can pitch in wherever needed • Taps collective knowledge of all team members 	<ul style="list-style-type: none"> • Diffused responsibility may weaken incentives • Overloaded startups should be trying to minimize redundant responsibilities • May increase tension as founders step on each other's toes • As the startup evolves and becomes more differentiated, team members may resist having to focus on specific functions or areas, also increasing tension
Division of labor	<ul style="list-style-type: none"> • Enables assignment of titles, tasks, and responsibilities • Provides better accountability • In heterogeneous teams, enables the team to fit role assignments to founder strengths 	<ul style="list-style-type: none"> • May be hard to get individual functions to collaborate on crosscutting tasks • In homogeneous teams, may cause early, suboptimal role assignments • Failure to evolve can lead to disconnects between organizational structure and task demands

Figure 6 Strengths and weaknesses of overlapping roles versus division of labor (Wasserman, 2012, pp125)

2.5.2 Social Capital

The role of social capital in entrepreneurship has become an increasingly prominent topic in business literature (Light & Dana, 2013). Social capital concentrates on intangible assets that enable actors and organizations to access social resources that are embedded within some larger social context (Bourdieu, 1985). Since this larger social context can be considered as a network, social capital theory can therefore be seen as linked to network theory (Burt, 1992).

For any entrepreneur with a new and growing venture there is a need for independent and objective outside advice (Drucker, 1985). Research has shown that it is better to wander in and out of a variety of networks and be challenged by people with new and different ideas than to withdraw to oneself (ibid). Therefore in order to expand the innovation ecosystem of the company it is paramount to look outside. Knowledge networks should support inspiration and stimulate the emergence of new ideas; the outsider is one of the most powerful stimulants of creativity and can come in different forms such as a customer, expert, partner or new team member (Brown, 2009; Howkins, 2013; Wasserman, 2012). In addition to strategic management and determined innovation management, serendipity in the form of chance meetings and productive clashes play an important role in the innovation process as well (Inkinen, 2009). This study focuses on how these networks are used for finding and hiring a new team member. Oviatt & McDougall (1995) found in their study that a company's network can enable it to achieve worldwide presence even though it has very limited funds, as is often the case with startups, it can therefore be seen as recommendable that the startup leverage its strengths such as networks.

Ideas need management and benefit from small, flexible ecosystems with supporting entities and individuals that can help identify when an idea can or should be made into property and how this can be achieved (Howkins, 2013). One of the advantages of a small city such as Helsinki is the large-scale cooperation and favorable competition that can be observed (Bing, 2011).

Many design entrepreneurs appear to lack an extended business network to some extent and are not actively creating one making it more difficult to locate appropriate business partners and other vital connections such as individuals to add to the team (Tötterman, 2008). Using networks to find new candidates provides the entrepreneur with important references, checking references is an important part of creating a dream team as Kawasaki (2004) points out. He notes that unfortunately many startups tend to only check references after the decision to hire has already been made. He provides a list of suggested questions to present to subordinates, peers, superiors, customers as well as investors or board members that have a professional connection to the candidate.

Suggested Questions by Kawasaki

- How do you know this person? How long have you known him?
- What are your general impressions of him?
- How would you rank him against others in similar positions?
- What contributions has he made to the organization?
- How do others in the organization view him?
- What are his specific skills? What is he best/worst at?
- What are his communication and management styles?
- In what areas does he need improvement?
- Is he capable of functioning effectively in a small organization?
- How would you comment on his work ethic?
- Would you hire/work for/work with him again?
- Should I speak with anyone else about him?

Figure 7 Suggested Questions by Kawasaki (2004)

2.6 Manifestation of Interpersonal Attraction

Social identities provide a common source of attachment when forming teams (Muñoz-Bullon et al. 2015). Forbes et al (2006, pp231) finds that in contrast to the resource-seeking behavior of a teams search for resources through new member addition, there is a second explanation that new member addition is a consequence of an inherent human desire for interpersonal attraction and social connection.

Many entrepreneurs try to avoid any risks when it comes to the first hires and for that reason often find it easier to hire the first employees from their pool of family and friends (Wasserman, 2012; Muñoz-Bullon et al. 2015). The benefits of having a close personal relationship and experience, increases the likelihood of a good fit (Ek, 1996; Wasserman, 2012). According to similarity/attraction theory individuals are attracted to other similar individuals and consequently tend to form groups with people who share similar values, personality, backgrounds, education, approaches to problem solving and other identifiable characteristics (Forbes et al., 2006). Therefore a desire to preserve the existing atmosphere in the team, maintaining the views of founders and possibly keeping control over the company may be the drivers of identifying and adding members who are similar to the existing members (ibid). However as Wasserman (2012) points out, there may occur several negative side-effects such as avoiding discussing sensitive issues and potentially harming the social circle and friendship should these employees need to be let go later on. Ek (1996) adds that spending all hours of the day with the same person may also lead to issues as the line between work and leisure time becomes unclear. Wasserman (2012) refers to this dilemma as the 'playing-with-fire gap'. The motivations based on similarity that were discussed may or may not be aligned with the resource needs of the company (Forbes et al. 2006, pp231).

2.7 Managing the new team

When the company starts hiring its first employees it often also leads to the first steps of formalizing the organization. In order to create a job listing and the requirements the company needs to clarify the different roles or positions there are at the moment as well as future ones (Wasserman, 2012).

Multifunction and general management experience takes years to build up and is something that many entrepreneurs lack (Wasserman, 2012). According to Drucker (1996) there are four major areas in entrepreneurial management that require policies and practices. First of all the policies and practices should create an entrepreneurial climate that is receptive to innovation and views change as an opportunity rather than a threat. Secondly, in addition to systematic measurement or appraisal of the company's performance there should be built-in learning to improve performance. Thirdly, specific practices in reference to the company structure, staffing and management, compensation, incentives and rewards should be in place. Drucker (1996) also points out that there are some 'do not dos' that the management should be aware of.

Cooper & Press (1995, pp227) in turn recognize five key aspects of the management process:



Figure 8 Management process (Cooper & Press, 1995, pp227)

As previously mentioned, research shows that it is important that the team knows what the goals of the company are; therefore they should be set and communicated clearly and at an early stage to the whole team, ensuring that everyone is on the same page on what needs to be achieved in each specific task (Kawasaki, 2004; Wasserman, 2012).

The point of setting goals is also that they can be measured to track the progress. According to Wasserman (2010) establishing clear accountability for achievement of specific goals members take stronger ownership and are highly motivated to succeed at their task. Success should be followed by a reward and achievers within the company should be rewarded to ensure they stay motivated and communicate desired behavior to the rest of the team (Wassermann, 2012; Kawasaki, 2004). The entrepreneur needs to be a role model and lead by example by setting high moral and ethical standards (Kawasaki, 2004). The team also needs to know what tasks should be prioritized and which should be ignored so as to not waste any of the company's limited resources (Wassermann, 2012).

Howkins (2013) and Timmons et al (2010), among others, agree that trust is key for the success of any team and that it is therefore an important factor that the leader is also perceived as trustworthy. It is suggested that the entrepreneur needs to be sure that adding a new team member will not dilute the idea or take it in an unwanted direction; meanwhile having some control over the company's future is an important motivational factor for the new member (Howkins, 2013). Oviatt & McDougall (1995) state that it is important that there is a close bond between managers, either in terms of a personal bond or a strong commitment to the company's goals. This may also apply to the other team members in a startup. The entrepreneur's behavior sets the standard for the rest of the team and benchmarks the level of honesty, integrity and ethics that are expected at the company. (Timmons et al. 2010)

A rapidly growing startup also means that the demands increase which may lead to problems as employees struggle to keep up with the quick pace (Wasserman, 2012). The challenge for management is to spot what tasks the team members can handle and when to reallocate crucial tasks within the team or hiring a more experienced person (ibid).

Ek (1996) specifies four points that the entrepreneur should keep in mind in a small company of five or less employees: create an atmosphere for constructive criticism, show respect for your employees and listen to their input, do not keep unnecessary secrets and foster a good team spirit by occasionally socializing outside the office.

Drucker (1985) points out that the company should set out to build a top management team before the company reaches the point where it must have one as great teams take time to put together. Kawasaki (2004, pp114) states that recruiting is an ongoing process with every day being a new contract between the employee and the startup.

The best ideas emerge when the whole team has the liberty to experiment without the bias of who or where the idea came from (Brown, 2009). According to Drucker (1985) the company structure with its compensation, rewards, incentives as well as personnel decisions and policies should reward the entrepreneurial behavior and under no circumstances penalize it.

3. METHODOLOGY

3.1 Qualitative research method

This study follows a qualitative research approach, which produces descriptive, interpretative data and focuses on analyzing concrete cases in their time-based and local particularity (Flick, 1998, 13). The research approach was considered as the most appropriate method since it focuses on building a deeper and more holistic understanding of the research topic.

3.1.1 Case study

The purpose of choosing a qualitative cases study method using interviews was to provide a close-up of how successful design driven entrepreneurs in Finland have added new members to their teams after venture creation, as well as how designer entrepreneurs identify the skills needed for the new venture (Silverman, 2005). This study has been conducted by interviewing key individuals from four design driven companies that were selected for this study on the basis of their relevance to the presented research questions, in other words this study applies theoretical sampling (Silverman, 2005).

The sample of this study consisted of small and medium sized design studios and companies founded within the past ten years and with 2-14 employees. The focus of the interviews was on the first six years of the business and first five employees that were added to the new venture. Each company was classified as above average in terms of commercial and community reputation in terms of awards, media coverage etc. A low level of formality characterized the management style of the companies selected for this study. The companies are all based in Helsinki, Finland and have a clear international presence and strong aspirations to become global players.

3.1.2 Interviews

Semi-structured interviews were used as the primary method of data collection from the case companies. The interviews were conducted during August and September 2014 in Helsinki, Finland. The lengths of the interviews varied from 60 to 120 minutes and were held in English, Swedish or Finnish. The interviews were all conducted in person and recorded with the permission of the interviewees before being typed out. As some of the respondents preferred to stay anonymous due to the sensitivity and subjective nature of some of the comments and opinions, all of the companies and individuals were kept anonymous and given pseudonyms. The interviewees were distinguished by their current role or position. One of the interviews was conducted with two respondents, Founders 1 and 2 from company B, due to the time constraints that the respondents had. The list of the interviewees and their companies can be found in Appendix 2.

A semi-structured interview approach with some open-ended questions was selected in order to leave room for unexpected findings. Preliminary interviews and discussions were devoted to identify critical points in how the entrepreneurial gap is experienced by key employees and the entrepreneur(s). The results of these interviews combined with a review of past studies were used as an opportunity to reform the questions for the remaining interviews and the focus on the team forming aspect in order to answer the research questions.

3.2 Limitations

The purpose of this section is to recognize and address some of the limitations that affect this study in terms of scope and results. It will identify limitations in terms of time, access, geography, social factors and selected industry.

This study focuses on the Finnish design industry as the field of empirical inquiry and human behavior in the process of new member addition in relation to entrepreneurship. Therefore, the results may not be applicable to other industries. The two main constraints of the study were those of time and access to companies relevant to the topic. The study is therefore limited to the national economic and industrial context of

Finland during 2014-2015. As the focus of this study was on small designer driven startups the central issues may not be fully applicable to larger and more established companies.

The entrepreneurs and employees of startups are pushed for time and although eager to help and share their experiences they have very limited time to give. All the companies in this study are Helsinki based and share characteristics set by the geographical location and the small size of the local market therefore the results of this study may not be entirely applicable to another geographical location. The qualitative nature of this study also sets limitations in terms as to any generalizations that should be based on the results.

As Forbes et al. (2006, pp235) point out, researchers must contend with the fact that different team members may offer different explanations for a members addition, even when they agree alternative explanations may be offered by third-party observers like investors and researchers. This is a result of the complex nature of new member addition where alternative explanations are not necessarily mutually exclusive and there are multiple motivations both on an individual and team level (ibid). The interviewees may have a social bias that results in responses that aim to make the respondents look good and therefore cause artificial, rational explanations to appear more intentional and strategic. The actual explanations may be more ad hoc, nepotistic or institutional. (Forbes et al, 2006) As the researcher of this study has a previous first- or secondhand connection to all the respondents it may have influenced the answers given by the interviewees. Furthermore as only one of the interviews and discussions was conducted in English the responses from all other interviewees have been translated from Swedish and Finnish by the researcher, which in turn may slightly have altered the literal meaning.

This study looks at new member addition to a designer driven venture, however it does not include new member addition to entrepreneurial teams founding a company.

4. RESEARCH APPROACH

This study uses a qualitative research strategy of interviewed-based case study to discover the reasoning of entrepreneurs behind new member addition to design driven new ventures. The research process is illustrated here.

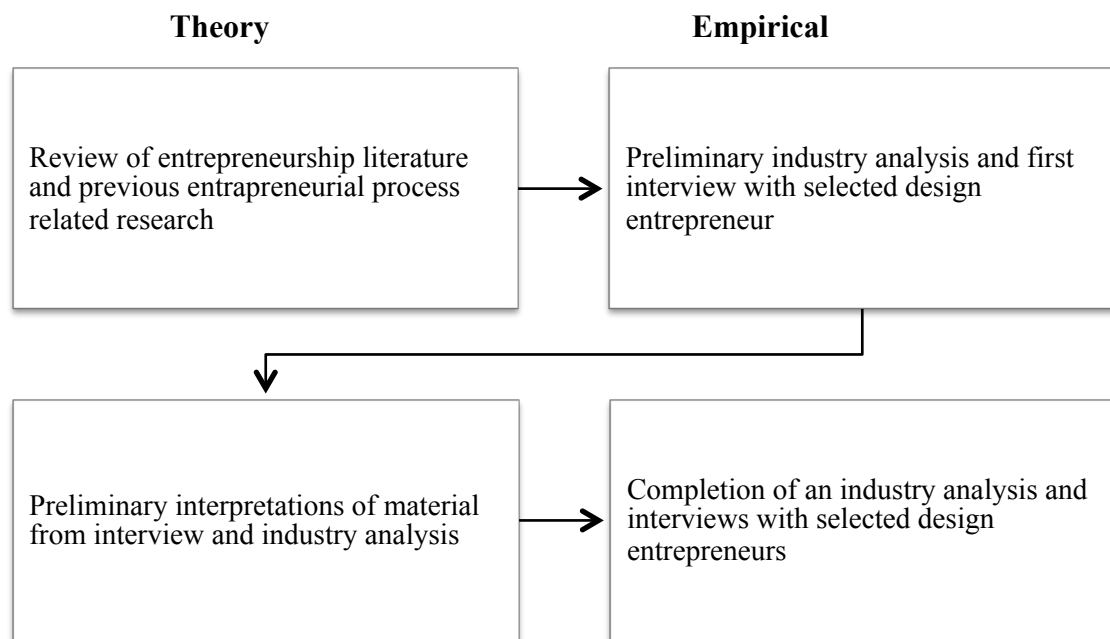


Figure 9 The research process adapted from Tötterman (2008)

4.1 Sampling

Due to the difficulties to gain access to appropriate case companies, personal contacts were used when identifying appropriate companies for this study. Theoretical sampling (Silverman, 2005) was used and four companies were identified and selected for the study by detecting individuals in the industry, such as peers from university and former colleagues, who then provided access to their respective networks. The companies were selected to align with company A and fulfill the following criteria:

- A startup company designing consumer products so that the case companies can be considered in the same field and can be assumed to face similar issues related to new member addition

- Presents a positive cash flow as it is considered to be a measurement of success and therefore it is assumed that the company has a functioning team
- Has hired individuals to join the team and hence has experience in new member addition
- Born global based in Helsinki, for geographical purposes so as to be accessible and to be seen as having international growth opportunities therefore requiring hiring of experienced individuals to fulfill the new needs of the company

Using the personal network made it possible to gain more information about the team, the individuals, as well as the company than would have perhaps been possible otherwise. A benefit to using peers and personal connections to do the sampling was that the interviewees were more open to the study and the researcher. Increased openness of the respondents, eliciting deeper insights and improving the trustworthiness of the study tend to be recognized benefits of using this method (Omar, 2014, pp47; Small, 2009, pp14). Each of the interviewees was contacted personally and provided the information of the purpose of the study. All interviews were conducted in person.

The interviewees were selected based on access as well as their role in the company; all are either founders or have a critical role within the company. The individuals represent both design and business giving the study a broader viewpoint. The interviewees were seen as having expert understanding in design driven startups and having experience with forming a teams for such companies.

4.2 Case companies

Company A is a private fashion/clothing company based in Helsinki and a growing presence in Europe and the US. The company was founded by three friends with backgrounds in business and design, the CEO and design director were the more active founders in the first three years. The company was founded in 2001 and currently employs 14 people. The former CEO of the company was interviewed for this study as he was considered to have an in depth understanding of the company's hiring

preferences. He has a background in business and has previous experience from the fashion industry.

Company B is a private creative consultancy founded in 2011 by two designers with extensive experience in the design industry. The company is based in Helsinki and has both local and international projects. They have recently hired a producer and have three experienced strategic partners who oversee the financial part of the business. Founder 1 is an award-winning designer who had a small fashion brand for a number of years and in addition to a degree in design also has an academic background in management. Founder 2 is an experienced designer and has worked for local design agencies as well as a designer freelancer

Company C is a private accessories company that was founded in 2005, the award-winning entrepreneur successfully ran the business by herself for years using interns before hiring full time team members. When the current team was hired they brought in a different kind of mindset in addition to functional skills. The team of five has been working together for the past two years and consists of the entrepreneur who is a designer and four business oriented team members. The person interviewed for this study was the Marketing & Sales manager.

Company D designs high-end items for the home such as furniture and tableware. The company was founded in 2007 and has recently hired its first employee with intentions to grow the team within a year as it focuses on international market growth. The award-winning entrepreneur has previously worked as a consultant before founding his own company.

5. EMPIRICAL FINDINGS

This chapter presents the results of the interviews conducted in the four case companies. The chapter follows the structure from the theoretical research by dividing the way in which required skillsets were added to companies into resource-seeking behavior and interpersonal attraction. Resource-seeking behavior will be further separated into social capital and experience. The main findings of this study are the role that networks and intuition, or what is referred to as a ‘gut feeling’, plays in the design entrepreneurs decision-making. The chapter will conclude with a section devoted to unnecessary hiring, as it was an additional finding from the conducted interviews.

5.1 Resource-Seeking Behavior in Case Companies

Resource-seeking behavior in the interviewed case companies is separated here into social capital and experience. Social capital includes the role of networks of individuals as a resource for the company, the different benefits of those networks are illustrated through quotations from the interviewees and touch upon subjects such as hiring of new members, key contacts within the industry and providing opportunities. The main finding was the use of networks in identifying and checking references of candidates. Experience deals with the experience level and functional skills of the individual as well as what the needs are in terms of experience for a successful company, as identified by the interviewees.

5.1.1 Experience

What the company needs in terms of functional skills and experience according to the interviewees, is clearly aligned with what earlier studies and the literature say about becoming a three-headed dragon (Kawasaki, 2004). The CEO from company A stated the following when asked what he considers a company needs in order to get started and function in its early days:

‘Three people, I’d say you need three people, that’s enough to get by in the first years. You need someone for sales and preferably marketing as

well that takes care of events and the like. You need a “mind master” who comes up with the idea, brand and designs the actual product. You also need someone who knows operations and production, someone who has contacts; ideally that person also does the financial side with invoices etc. Or then the sales person knows the finance. Of course it may be that the designer knows production or any other skills combo of the three and therefore one person can absorb two tasks. But I’d say three people.’

The Entrepreneur of company D had a similar opinion about the broad spectrum of skills needed in a new venture saying, “there is so much that has to be done that surely not one person has been able to do all that”. In company C the team members that were hired two years earlier have business backgrounds that were missing in the company before, when the skillset in the company was heavily design oriented.

“We’ve tried to develop systems and standards internally, when I started the business was very ‘organic’ and ad hoc. Because of the limited resources and the amount of things that need to get done this frees up more time. We need to have a strong foundation and everyone needs to know their task and place since every day is different and you get a lot of curve balls. Now that I’ve been taking care of my colleagues tasks as well for a little while I’ve noticed how different skills you need for her role; I don’t have the right skillsets for her job. It’s great that we all have our own strengths.”

Marketing & Sales manager from company C

The previous experience in terms of entrepreneurship was one of the reasons that the founders of company B gave as to why they decided to start a new venture together; having run their own companies and with experience from working for other companies in the design industry the founders recognized the different skillsets that were necessary for their new venture. They were asked to describe their current team and the roles within it.

‘There are three of us and then we have three strategic partners that joined us this fall by investing in the company and they now own a small share in the company. What they brought with them is a strong knowledge and experience in business and strategy. So they help us with the company’s strategy, vision, and deadlines and help us stick to them. We have weekly monitoring, which is a bit funny to us. The two of us have been building this company for three years now. We’ve both had personal careers as

entrepreneurs and have experience in running a company, dealing with vendors and suppliers and so on. Which all was done in a quite unorganized way. Now in this venture we have a much clearer structure and we know where we stand and how our finances are, we know our weekly balance. Once a month we have a bigger meeting where we sit down with everyone, including the investors. Like in any bigger company. We also have a very flat organization, but everyone has clear roles and tasks.’

Founder 1 of company B

All of the companies in the study agreed that before starting the hiring process they had a clear vision of what tasks the new team member would be in charge of and the role that they would have in the company. The role of the new individual was seen as always to take over a role that is currently overlooked by the existing team either due to time or knowledge constraints. The Marketing & Sales Manager of company C’s experience when joining the team echoes this, “I knew what my role was when I started but not all the detailed tasks that it entailed”.

Because company B runs a lot of projects at the same time and they overlap, they found it important that they found a producer to take over practical things such as correspondence and production details. These tasks were taking up a growing amount of time that in turn was time away from design, which made it clear that it needed to be dealt with. As Founder 1 from the company said “ it is important for the customers perception and trust for the company that all details are in order and handled on time. You have to be on top of things at all times.” Which was why they needed a new team member.

As previously mentioned, the companies had a clear understanding of what types of skills and personalities needed to be added to the company before starting the hiring process. Patience to find the perfect fit was seen as important as the following discussion between Founder 1 and 2 illustrates:

Founder 1 from company B: “What we have been doing for a while now is that we have been looking for a CEO for our company. We’ve been at it for 18 months already. We do both national and international cases.”

Founder 2: “People like this usually already have their own successful business, they are entrepreneurial.”

Founder 1: “We want a renaissance person, who writes, paints and so on. There aren’t many people like that.”

In the case of company C the entrepreneur successfully ran the business by herself for years. When the current team was hired they brought in a different kind of mindset in addition to functional skills.

“People with this (International Design Business Management) kind of training have a different kind of starting point and method for the thinking process and approach. Often in our case the entrepreneur, who is a designer, is really focused on the visual aspects and it can be good to bring in some functional aspects as well, we do have different viewpoints and it is a reason why we these days make all the decisions concerning the shops inventory together. We (the rest of the team) bring in a more commercial and practical side.”

Marketing & Sales Manager from Company C

She continued by adding that she felt that the company would benefit from an even deeper understanding of the business aspects of running a company as her role is more of a generalist at the moment and a more analytical and practical approach could be useful.

All of the case companies in this study were at a stage where they had already added or needed to add more experienced people to evolve. The current team at company C has been working together for the past two years and the Marketing & Sales Manager found that they are facing a gap in the teams skillset in terms of experience: “I do feel that there is room in our team for some higher level experience”.

Company A started off by hiring candidates they personally knew from before and who already had a proven track record in terms of relevant experience for the role they would play. Having used the first people that were hired for outsourced tasks before, the founders could be assured that the new people would fit into the company in terms of personality and also had proof that their skillset was a fit for what the company needed.

They also had the benefit of knowing that the new hires knew the company well from having previously worked together on numerous projects.

“We started off by hiring a textile engineer coming from a large Finnish textile company, who had a strong track record and knowledge of the industry. He jumped in as a “brainiac” to fill in all that we didn’t know about the industry. After that things started moving more rapidly and the company grew.”

CEO of company A

Because the company did not have the finances to pay a competitive salary but felt that it was important to ‘hook the new team members’ they gave a share in the company to those first employees. This was seen as a way to compensate for any loss in terms of salary and bonuses and to make everyone feel invested in the company for the long run.

“At that point we realized that we couldn’t afford to outsource the graphic side anymore, you know, our Internet site and shop, banners, catalogues etc. So we hired a graphic designer fulltime, who we had outsourced to and had taken care of all of our graphic design to that point. Again we were able to fill a critical gap.”

CEO of company A

Later on when the CEO realized that he couldn’t wear all the hats he was wearing he hired an experienced professional from abroad who came from a competitor, to take over some areas and bring even more contacts and knowledge of the international side of the business.

The entrepreneurial spirit was found to be desirable in new team members as well. The individuals could be seen as needing both general and specialist skills as in company C:

“You get to do all kinds of things, so you have to know more than your own task. Now that I’ve been taking care of my colleagues’ tasks as well for a little while I’ve noticed how different skills you need for her role, I

don't have the right skillsets for her job. It's great that we all have our own strengths.”

Marketing & Sales Manager from Company C

Company D recently hired a sales and marketing manager who worked for the ministry of foreign affairs, speaks 6 languages, is specialized in the north American and Asian markets with experience in internationalization and spending culture and business culture in those regions. The entrepreneur of the company felt that the hired person has to have experience and language skills for the markets that the company is going to. This was also the case in company C as can be found in the answer of the Marketing & Sales Managers description of the team.

“We are all quite international with work experience abroad and knowledge in different languages. This has been a big asset for example when dealing with our production, which is abroad in a country where my colleague has lived, the communication has been much easier and efficient. While I have experience and contacts to the Asian market.”

Three out of the four companies in the study said that they have used interns to temporarily alleviate the pressure on the team. Internships are seen as a cost effective solution and involve less risk for the company. All three companies that have used internships, currently have employees that started as interns and having proved that they were the right fit for the company both in terms of functional skills and a personal fit they were hired full time and now have important roles in the teams.

“One guy for example came to us on an internship and did such a great job that we ended up hiring him, he's been with us for six years. He was a young guy with no experience, straight from university and now he's an expert and super proud of being a part of the team. Finding a person like that is a real find, young enthusiastic guy who doesn't complain and works for a small salary. They give 110%. These are the people you need early on. I wouldn't recommend hiring a person (early on) who comes from a large corporation, expecting certain compensation and strict working hours, that just ain't going to work.”

CEO of company A

The producer at company B came to the company through a mentorship program. Having limited experience in the industry she wanted to add to her existing knowledge of the creative industry and see how the people in the industry work and how the companies function. She got the internship after a recommendation from one of the contacts of the creative directors at company B; having successfully completed the internship the company hired her full time as the producer, her current role.

“We both have a vast skillset or repertoire that we are now able to use. It is also required from anyone we hire, you need to be curious instead of afraid of unfamiliar things. You can’t panic.”

Founder 2 of company B

5.1.2 Social Capital

As the literature review suggested, networks can play a key role in entrepreneurship and therefore it was one of the topics discussed with the interviewed companies so as to ascertain whether or not they agreed on the role of social capital. All the interviewees stated that who you know in the industry could be vital for the success of your company.

Networks were also found to play an important role when looking for candidates to join the team. As the CEO of company A explained, “unless you have a product that is going to explode and take the market by storm, which is really rare, you need networks to have a chance at success.” Either the entrepreneurs should have personal contacts themselves or then they need to hire someone who has the necessary contacts to important people and business areas such as shops, producers etc. While further talking about the first few years of being in business the CEO of company A further clarified how important those networks are.

“You have to know the right people. Otherwise it’s quite a bold act. I’d never start a company in an industry that I don’t have experience from. You have to know the industry in my opinion.”

CEO of company A

The thoughts of the other companies were similar in terms of the need for a strong network and industry related experience. As Founder 1 of company B pointed out one of the key aspects of their company are the networks of the two founders: “Because of our experience in the field and our network in the creative industry we have a talent pool that isn’t confined to Finland.” She further explained that networks help choose the right partners and individuals for any aspect of the business that needs to be outsourced.

In reference to the relatively small circles in terms of people working in the industry the Marketing & Sales Manager from company C pointed out that “the circles in Finland are really small so you get to know the people in the industry”.

When checking references of candidates, contacts were also seen to play an important role as a trusted source for information on the qualities of the individual both in terms of functional skills and the personality match, which can be hard to ascertain without experience. Founder 1 of company B continued by adding: “Since we know the people in the industry we are good at scouting and trust our first impressions and instincts.” That said, not all of the entrepreneurs use their networks as much as they could, within the same company the founding partners of company B had very different responses to the use of contacts when checking references. Founder 1 stated that networks are important and that in her opinion they do use them a lot. Founder 2 had a different opinion on how often he uses networks: “Surprisingly seldom actually. I trust my own gut feeling more I think. I probably should have used them more. We were actually looking for a similar person with another company and would bounce candidates between us to help us find the perfect one.” In this case the founder with a pure design background said that he uses his instincts more while his colleague who has business skills in addition to being a designer said that she always checks references and uses contacts to find suitable candidates. This further argues that the entrepreneurs background influences the way of thinking as discussed in the literature review. However the funders both finished the discussion by agreeing that the best practice would be to always use any relevant contacts when looking for new team members and to always check references.

5.2 Interpersonal Attraction

As discussed in the theoretical part of the study (Muñoz-Bullon et al. 2015), social identities provide a common source of attachment when forming teams. Interpersonal attraction was described as a result of teams searching for new members as an inherent human desire for interpersonal attraction and social connection (Forbes et al. 2006, pp231). As Wasserman (2012) argues, as startup teams in particular spend long hours working closely together, compatible personalities may come to play a more important role than the actual professional skill sets of the individuals. This was found to be the case in the responses of the interviewees as well.

One of the questions that the interviewees were asked was what an entrepreneur in their opinion needs to be in order to become successful. The answer of the Entrepreneur of company D summarized the responses quite well:

“Passion! Passion is essentially motivation. You need talent but mostly you just have to keep going, especially in the creative industry. You have to be ready to adapt, take feedback and make improvements until you get it right. The thing with being an entrepreneur is that it’s about growth and moving from one level to the next. There are many measures for this; it could be money or the revenue, the quality, and the network you create that come with this persistence.”

Passion was also seen as essential attribute to have in any new team member. “Especially in the beginning it’s important that the person has that passion, which doesn’t just think about the salary or the next bonus” as the Entrepreneur from company D put it. When asked what the most important factor is in hiring someone, all the companies were on the same page; chemistry between the existing team and a new member was seen as the key factor. The responses of the two founders of company B illustrate this clearly:

Founder 1: “Chemistry, it’s the most important thing that the chemistry between people works. It’s more important than say, what diploma you have or what you have on your CV. Of course you have to be able to do the tasks that we require but also working for us is a lot about learning by doing.” “I think it is about who we are as individuals. Regardless of who

sits down at the other end of the table we always discuss and explain everything in great detail. Communication is what we do”

Founder 2: “Through talking and communicating we get to move forward.”

Experience other than from a professional standpoint can be important to show the personality of an individual. The interviewees from companies A and B all mentioned that hobbies, interests and working experience that may not directly be seen as linked to the design industry can help to understand the personality of the new member as well as be a source of social skills that may prove valuable in the new venture.

“Someone once said to me that they would never hire someone who hadn’t worked at a bar. I thought that was a fun way to say it. When you work in a bar you learn how to relate and deal with difficult things. You learn how to survive difficult and stressful situations. But I would say that an entrepreneur has to have a lot of nerve, be brave and be willing to take and tolerate risk. Especially in Finland where entrepreneurship is difficult as hell, it actually doesn’t even make sense, it’s like the entrepreneur is a criminal.”

Founder 2 from company B

Creativity and the ability to think outside of the box were seen important traits in any member of the team. As Founder 2 of company B puts it, just because something has always been done in a certain way doesn’t mean that it should be done that way in the future, it’s about why is it done that way. “You can’t think that just because it hasn’t been done before we shouldn’t even try. But rather think if it is possible” Founder 2. “What we do is we start digging and find out why.” Founder 1. Both agree that any individual that joins this team has to have the same mentality as they do.

The interviews pointed out that the person that is chosen for the team should embody many of the same characteristics as an entrepreneur; this was a reoccurring theme in the answers provided by the interviewees.

“When we were looking for a producer we were looking for someone who links the two of us together but also challenges us, a bit of an office Nazi.

Someone who doesn't just do as their told but uses their own brain and wants to learn, that's when the person has to be able to tolerate bit of risk and a touch of the entrepreneurial spirit. When we were interviewing for the producer role some of the candidates overprized themselves, others weren't completely honest and seemed to be playing with us. We both (the founders) have a good way of reading people that we trust. Honesty is our principle, also with our clients. It saves everyone's time. We can afford it because of our personal brands."

Founder 1 of company B

As the Marketing & Sales Manager from company C pointed out, the team needs to have a strong foundation and "everyone in the team needs to know their task and place since every day is different and you get a lot of curve balls". She continued by pointing out that it is important to be able to adapt to a new situation as well as know the competencies of other teammates.

"Now that I've been taking care of my colleagues tasks as well for a little while I've noticed how different skills you need for her role. I don't have the right skillsets for her job"

Marketing & Sales Manager from company C

When asked if the team actively sets and discusses the vision Marketing & Sales Manager from company C answered:

"We seem to all have the same vision for the brand and experience it in the same way, we have the same goal, there are no differences in how we perceive the brand. We have had very few if any explicit discussions of the brand or customer; it might be because we have similar personalities and get along very well, we hang out a lot on our free time as well."

The CEO from company A described the early stages of the company and how the founders would get worried at times that they did not have the vision or mission written down. He explained that in true startup spirit they would go have a drink in a bar to try and write something down, failing every time. With time they would come to realize that the same sentences would keep appearing when they created webpages, catalogues and the like and that that the company had a clear identity. He felt that this came to be

because they all had the same perception of who they were as a company and where they wanted to take the company in the future, that their personalities also matched.

None of the interviewees in this study mentioned any greater difficulties caused by working with friends or becoming friends with colleagues and spending time together outside working hours.

“We all sit together in the same office and we have a relaxed atmosphere, I think that we work quite seamlessly together. What’s surprising is that there haven’t been any difficulties, what I mean is that it can be challenging when you are friends with your boss to discuss business. I’ve never felt that our friendship has been an obstacle when discussing work related matters.”

Marketing & Sales Manager from company C

It would seem that one of the keys is having a team that is similar enough in terms of sharing interests and being able to communicate clearly while having the needed variety of functional skills.

“We’re all about the same age, 27-35 years old. Our personalities are all quite different but still similar enough. We actually just discussed this at our team meeting and feel that our team is the reason for the current success, it’s a topnotch team and as I said we work seamlessly together. Everyone is dedicated, share a vision and passionate and want to see the brand excel.”

Marketing & Sales Manager of company C

5.4 Unnecessary hiring

It seems self evident that hiring should only be done when the company no longer can afford not to do so. However, all of the interviewees brought up the issue of unnecessary hiring that they feel goes on in many companies, particularly in the startup scene and therefore this issue is also brought up in this study.

‘We’ve tried to avoid hiring unnecessarily. I feel that it’s been a growing trend in Finnish companies to hire for the sake of growing, forgetting the

actual need in terms of workload. I find this worrying. Companies, especially in the gaming industry, like Supercell and Rovio seem to be unsure of how long their product will be sustainable and therefore constantly hire more people to milk every opportunity. It seems unlikely that they will get another hit that will sustain the size of the company. Organic growth is always the best way, hire someone who will fulfill a clear role and has the relevant experience to pull it off.”

CEO of company A

The Founders of company B brought up the same issue and said that they hire because they have to, not because it looks good or that the company is at an age when they should have staff. “You always hire to satisfy a need within the company. We don’t panic; we know where we are going. We wait for the right person. We absolutely do not settle, we want the right fit.” Founder 1

6. ANALYSIS AND DISCUSSION

This chapter presents the interpretations of the empirical material. The aim is to enhance the understanding of the entrepreneurial processes in new member addition in the given empirical context. The research question that will be answered here is: What considerations should the founding team or entrepreneur of small Finnish design driven startups take when adding new members to the venture? To better answer the question the chapter will be structured under the following three questions: How have successful design driven entrepreneurs in Finland added new members to their teams after venture creation? How do designer entrepreneurs identify the skills needed for the new venture? How should startups prepare for the future expansion of the core team?

How have successful design driven entrepreneurs in Finland added new members to their teams after venture creation? Successful design driven entrepreneurs in Finland have added new members to their teams after venture creation by combining resource-seeking behavior and interpersonal attraction. The candidates have been assessed according to their functional skills, social capital and social compatibility with the team, referred to as interpersonal attraction in this study.

The interviews clearly show that the entrepreneurs of this study do not evaluate the proposed new member based upon purely economic arguments, but also take more interpersonal aspects into account such as the ability of the individual to get along with the people and the fit of personalities of which the latter aspect seems to weigh more heavily than the economic arguments (Vanaelst et al.2006).

“Chemistry, it’s the most important thing that the chemistry between people works. It’s more important than say, what diploma you have or what you have on your CV. Of course you have to be able to do the tasks that we require but also working for us is a lot about learning by doing.”

Founder 1 from company B

The interviewees' statements also aligned with the literature (Kawasaki, 2004; Ek, 1996) on the argument that in a young and small company it can be seen as advisable to hire people that you naturally like and connect with, as specifically the first hires are the ones that will lay the groundwork for the company culture and atmosphere.

It was acknowledged in the theoretical part of this study that the philosophical structures of researchers do not necessarily apply to organizational actors, hence multiple theoretical explanations are not only potentially complementary but actually coexist as part of the same explanation as the concepts involved interact or overlap in ways that may not be evident in the corresponding academic theories (Forbes et al. 2006). This was found to be the case in all of the companies in this study as a combination of resource-seeking behavior and interpersonal attraction. Company A started off by hiring candidates they personally knew from before and who already had a proven track record in terms of relevant experience for the role they would play. Having used the first people that were hired for outsourced tasks beforehand, the founders could be assured that the new people would fit into the company in terms of personality and also had proof that their skillset was a fit for what the company needed. They also had the benefit of knowing that the new hires knew the company well from having previously worked together on numerous projects. All three companies that have used internships in this study currently have employees that started as interns and were hired full time having proved that they were the right fit for the company both in terms of functional skills and a personal fit and now have important roles.

Designers were found to often collaborate and use both personal and professional networks to find suitable candidates to add to the team. One of the advantages of a small city such as Helsinki is the large-scale cooperation and favorable competition that can be observed.

As Wasserman (2012) pointed out, while hiring friends and acquaintances may be preferred by most entrepreneurs, working long hours together and having a personal relationship with the team may cause some problems. Spending all hours of the day with the same people can also lead to issues as the line between work and leisure time

becomes unclear (Ek, 1996). Wasserman (2012) referred to this dilemma as the ‘playing-with-fire gap’. However the case companies in this study did not report any issues related working with friends or becoming friends with coworkers. The benefits of close relationships were found to be much more important than potential negatives. It still remains an issue to be aware of, then again as long as the team is aware of this possibility it should not be a source of much worry. If a problem occurs that cannot be overcome within reason, the person should be let go. How that should be done and what the consequences may be, were outside the scope of this study.

How do designer entrepreneurs identify the skills needed for the new venture?

The empirical study clarified that all of the case companies have clear roles and tasks according to the interviewees: “We also have a very flat organization, but everyone has clear roles and tasks” Founder 1 from company B. This enabled the companies to map out what the needs were in the company in terms of a new hire.

Wasserman (2012) suggested that there are two types of teams in a startup: a team with overlapping roles versus division of labor. A team of specialists with very different skill sets is much easier to assign to specific tasks and roles. In contrast, when a team consists of members with similar backgrounds or generalists the division of roles is more complex and the tendency is to have overlapping roles. It was therefore assumed that ideally the team should consist of individuals that are specialists who can also function as generalists when the need arises. This was also the perception and practice of the companies in the study. When a member of the team was unavailable someone else in the team had to have enough knowledge of that team member's role to be able to temporarily take over, as was the case in company C:

“You get to do all kinds of things, so you have to know more than your own task. Now that I’ve been taking care of my colleagues’ tasks as well for a little while I’ve noticed how different skills you need for her role, I don’t have the right skillsets for her job. It’s great that we all have our own strengths.”

Marketing & Sales Manager from Company C

The Entrepreneur of company D talked about his experience of being a sole entrepreneur and how he feels that it affects his hiring decisions, his answer also implies that experience is the main influencer of his intuition. It has also given him a better understanding of the different aspects of his business which is helpful when identifying particular areas that need to be taken over by a new team member, what the specific task will require and in the selection of the right candidate.

Talented design entrepreneurs possess a sense for gaining relevant information from customers and their intended products as Tötterman (2008) points out, this ability also transfers into other aspects of entrepreneurship and is often referred to as having a gut feeling about something. The role of intuition was clear in the answer of the Entrepreneur of company D when asked what his dream team would consist of: “I can’t really say, I’ll know it when I see it, I rely so much on my intuition.” One of the main findings of this study is that intuition is seen as playing a significant part in the decision of who to hire as well as any other decisions that had to be made. Founder 1 of company B also discussed the role that intuition plays in company B: “Since we know the people in the industry we are good at scouting and trust our first impressions and instincts.” The role and manifestation of intuition in design entrepreneurship has not received much mention in academic literature.

How should startups prepare for the future expansion of the core team? Startups preparing for future expansion of the core team should start by assessing the roles and skills of the existing members and what those roles will be in the future, thereby identifying any shortcomings that should be rectified through adding a new member to the team.

Based on the literature (Kawasaki, 2004) and the empirical research regardless of the amount of experience and background of the new hire, the person should always have enthusiasm and belief in what the company is doing, resulting in a high motivation to go above and beyond what is needed; there is no room for individuals who will not give 110%, particularly at the early stages.

Understaffing and outsourcing are typical at the early stages of the startup (Kawasaki, 2004). Based on the experience of the entrepreneurs in this study this early stage should be seen as an opportunity to identify and try out individuals that later on may become good fulltime additions to the team when the timing is right. Internships and mentorships are a cost effective solution and involve less risk for the company and should be used to find potential full time hires as the internship provides the company with the opportunity to ensure the right fit for the company both in terms of functional skills and a personality fit.

This study found that networks and social capital play an important part in the success of design driven startups, hence they should be fostered and actively pursued by all members of the team. Networks are a good source for identifying new members and for checking references. New members need to bring in useful contacts to the company or alternatively be exceptionally good at creating them.

The future of Finnish brands lies outside the Finnish borders in the international markets, the important decision of how and where to expand should be taken with great care considering the limited resources often available to a small design company as suggested both in the theoretical research (Mäkinen, 2009) and in the answers of all interviewees. Taking this into account it is paramount that the entrepreneur has a team of capable individuals with different skill sets that support the decision-making, planning and execution of market expansion as well as has the ability to recognize the non-monetary assets such as networks and effectively utilize them when possible.

Every new addition should be seen as an essential addition to the team in terms of skills needed for the company. Unnecessary hiring and hiring the wrong candidate are extremely costly to a startup therefore the fit should be perfect, the team should not make the decision lightly.

“You always hire to satisfy a need within the company. We don’t panic; we know where we are going. We wait for the right person. We absolutely do not settle, we want the right fit.”

Founder 1 from company B

7. CONCLUSION

7.1 Summary

This study looked at the challenges and opportunities of Finnish design driven startups through a review the existing literature and by conducting interviews with four design driven ventures in the capital area of Helsinki. This study particularly explored the process of entrepreneurial team formation in designer led startups with a focus on new member addition in terms of hiring new individuals. The review of existing literature identified a gap in how successful design driven startups in particular form their teams. The study was built around the following research problem: What considerations should the founding team or entrepreneur of small Finnish design driven startups take when adding new members to the venture? In order to better answer the research problem three additional research questions were formulated:

1. How have successful design driven entrepreneurs in Finland added new members to their teams after venture creation?
2. How do designer entrepreneurs identify the skills needed for the new venture?
3. How should startups prepare for the future expansion of the core team?

Successful design driven entrepreneurs in Finland have added new members to their teams after venture creation by combining resource-seeking behavior and interpersonal attraction. The candidates were assessed according to their functional skills, social capital and social compatibility with the team, referred to as interpersonal attraction in this study. The interpersonal attraction or chemistry was found to weigh more heavily. Friendships between team members were not found to have a negative influence in contrast to suggestions by previous research. The companies used internships and mentorships as a tool to identify new members while networks were used both to identify and check references of candidates.

The empirical study clarified that in all of the case companies the team members have clear roles and tasks according to the interviewees; thereby enabling the companies to

map out what the needs were in the company in terms of adding a new member. The study confirmed that that ideally the team should consist of individuals that are specialists who can also function as generalists when the need arises. One of the main findings of this study is that intuition is seen as playing a significant part in the decision of who to hire as well as any other decisions that had to be made by the design entrepreneur. The role and manifestation of intuition in design entrepreneurship has not received much mention in academic literature.

Startups preparing for future expansion of the core team should start by assessing the roles and skills of the existing members and what their roles will be in the future, thereby identifying any shortcomings that should be rectified through adding a new member to the team. Based on the experience of the entrepreneurs in this study internships should be used at the early stage as an opportunity to identify and try out individuals that later on may become good fulltime additions to the team when the timing is right. This study found that networks and social capital play an important part in the success of design driven startups, hence they should be fostered and actively pursued by all members of the team.

7.2 Implications for design entrepreneurs

Design entrepreneurs who seek to expand of the core team of their startup need to start by identifying roles and skills of existing team members and determine what those roles will be in the future as well as what the needs of the company are expected to be, thereby identifying any shortcomings that should be rectified through new member addition. This study found that the team should ideally be multidisciplinary combining design and business skills.

Internships and mentorships are a cost effective solution and involve less risk for the company and should be used to find potential full time hires as the internship provides the company with the opportunity to ensure the right fit for the company both in terms of functional skills and a personality fit. By being aware of the strong influence of

intuition in hiring, design entrepreneurs should ensure that the functional skills of the new member also match the needs of the company.

As networks and social capital play an important part in the success of design driven startups they should be fostered and actively pursued. New members need to bring in useful contacts to the company or alternatively be exceptionally good at creating them. Every new addition should be seen as an essential addition to the team in terms of skills needed for the company.

7.3 Contributions of this study

As can be seen in academic literature the mindset of design, business and engineering professionals is different (Kawasaki, 2004) therefore implying that there may also be a difference in the way that the discipline affects an entrepreneurs way of making decisions when forming a team. This study confirmed this to be the case, the summarized findings will be presented here.

While research on entrepreneurship and the formation of their teams at the early stages has been conducted quite thoroughly, the research has mainly been focused on entrepreneurs in general (Drucker, 1985; Forbes et al. 2006; Kawasaki, 2004; Tötterman, 2008). This study has added to the particular line of work dealing with new member addition in design entrepreneurial teams in particular by making two specific contributions to the literature. The study clarified the existing state of knowledge by reviewing past empirical work and elaborated on the theoretical explanations that underlie it. The focus was on resource seeking and interpersonal attraction in hiring practices by design driven entrepreneurs. Second, by drawing on interviews with design entrepreneurial startups in the early stages of the team formation process, the study identified, illustrated, and clarified some specific aspects of team formation. There is no single explanation to new member addition as there are always several factors that influence the decision.

Understaffing and outsourcing are typical at the early stages of the startup according to Kawasaki (2004) and confirmed by the interviews conducted in this study, which found that understaffing and outsourcing are the norm and also recommended. One of the findings of this study was the importance of internships and mentorships used to both temporarily alleviate pressure on the current team and to identify new members with an excellent fit to the company in terms of skills and personality.

This study confirms and highlights the importance of networks in the success of startups both in terms of identifying candidates and in functioning as a source of checking references. The empirical research of study found that intuition plays an important role in the decision making of design entrepreneurs, also in terms of adding new members; however intuition was rarely mentioned in existing literature. Furthermore one of the unexpected findings were the strong opinions of design entrepreneurs against unnecessary hiring in startups.

7.4 Suggestions for further research

The timing and sequence of new member addition in startups is an area that could benefit from further research. Interviewing multiple respondents per new venture would also potentially give a broader perspective thereby improving the research.

In this study the entrepreneur(s) and existing team members completed the adding of new members without any outside pressure, such as from investors or institutions. How outside pressure influences new member addition could therefore prove an interesting and important topic for further research.

As this study was mainly focused on who the new member should be and why they should be added further research into how that individual is added to the team could also benefit from further research, as would the manner in which the new member is integrated into the existing team. As Vanaelst et al. (2006) points out, changes in the composition of the team have an impact on the different roles performed by the team members and when new members are added to the team, existing roles can be split up,

refined and performed by more people or new roles were identified and filled in by the additional team member. On the other hand when people leave the team their role is transferred to one or more of the remaining team members, what consequences this has for the remaining team and company would also benefit from further study.

A further potential research area could be whether or not there are different needs for design driven new ventures that are focused on the local market and born globals. Small and open economies (SMOPEC) are the source of most of Born Globals as their domestic markets are small in size and therefore force small companies serving marginal, niche markets to look for global opportunities in order to reach a critical mass and succeed (Myllymäki, 2010). One of the key features of Born Globals is that as a means to gain access to international markets they tend to rely upon both pre-existing and newly formed networks (Oviatt & McDougall 1995).

How design entrepreneurs overcome the design chasm is a further potential research topic. The design chasm is a gap that exists between the early adopters/opinion leaders and the main market caused by risk averseness in the main market caused by different expectations of visionaries and pragmatists (van den Winkel, 2012; Moore, 1999).

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APPENDICES

Appendix 1. Evolution of hiring decisions as the startup matures

Startup's stage of development	Relationships	Roles	Rewards
Startup	<ul style="list-style-type: none"> Personal networks of core founder are tapped to find loyal candidates who fit with the culture of the startup 	<ul style="list-style-type: none"> Generalists who cover multiple areas "Flat" structure that has many C-level employees with few report 	<ul style="list-style-type: none"> Low cash compensation High equity compensation Low gender gap Less vesting
Transition	<ul style="list-style-type: none"> Impersonal searches (e.g., newspaper ads, search firms) The networks (and weaker ties) of investors and other participants in the startup are leveraged 	<ul style="list-style-type: none"> "Players" transition to "coaches," as functional VPs are delegated the responsibility to run and hire their own teams Some early employees are usually unable to adapt to the changing needs of the company 	<ul style="list-style-type: none"> Moderate cash compensation Lower equity compensation Vesting equity stakes
Mature	<ul style="list-style-type: none"> Investor networks are tapped Executive search firms are hired 	<ul style="list-style-type: none"> The reporting structure is "pyramidal," with a few executives leveraged by many junior employees "Professional" executives from large-company backgrounds 	<ul style="list-style-type: none"> High cash compensation Employee stock options take the place of equity The gender gap emerges

(Wasserman, 2012, pp246)

Appendix 2. List of Interviews

Organization	Title	Date of interview	Duration of interview	Format of interview
Company A Private fashion/clothing company	Founder/ Former CEO	15.09.2014	90 min	Face to face, recorded
Company B Private creative consultancy	Founder / Creative director 1 Founder / Creative director 2	27.08.2014	80 min	Face to face, recorded
Company C Private accessories company	Marketing & Sales manager	19.08.2014	60 min	Face to face, recorded
Company D Private home ware design company	Entrepreneur	26.08.2014	120 min	Face to face, recorded

Discussion with	Title	Date
Ida Hakola	CEO of Vapaa Media, Young Entrepreneur of 2015	30.5.2015

Appendix 3. Interview Questions

What is the background and education of the entrepreneur(s)?

What is the role of the entrepreneur in your company?

Do you all sit in the same space?

What do you consider to be the key success factors for your company?

Have you outsourced any key parts of your business? If so what and why?

Do you lack any important resources?

What are your most important assets?

How important do you think the team is?

What do you find to be the most difficult task as a manager? How have you dealt with it?

How do you feel the industry is doing right now? How do you see the future?

Do you have a clear internationalization strategy?

What are your goals for the coming year? 5 years?

Describe your company's network

What role does networking and personal contacts play in your success? Why?

Are you part of a network (for designers)? If so, can you identify any benefits from it?

Can you describe your organizational culture?

What is your main market: domestic/foreign?

Appendix 4. Essential characteristics of an individual

