Podcast title: Adventures in Entrepreneurship Law
Episode: How to cope with startup culture?
Podcast guest: Elina Lappalainen, Business Journalist, Helsingin Sanomat.
Length of recording: 33 minutes and 31 seconds

Transcription notes:
N1: Narrator 1
N2: Narrator 2
N3: Narrator 3
Host 1: Petra Hietanen-Kunwald
Host 2: Moritz Scherleitner
Episode guest: Elina Lappalainen

Other information about the text:

[text] = a sounds or not transcribed parts are written with square brackets e.g. [laughs] or [interview paused due to a phone call]

[recording starts]

N1: Aalto University podcast.

[Intro music]

N2: In the Adventures in Entrepreneurship Law podcast series, Petra Hietanen-Kunwald and Kalle Airo from Aalto University explore business law from an entrepreneurial point of view with expert guests. In some episodes their co-host is Moritz Scherleitner. The podcast content is meant for education and is not intended to constitute legal advice.

N3: How to cope with start-up culture? Our guest is Elina Lappalainen, Business Journalist, Helsingin Sanomat. Entrepreneurship Law with Petra and Kalle. "Culture eats strategy for breakfast." It's a famous quote by Peter Drucker. In this episode, Petra and Moritz talk with Elina Lappalainen about start-ups and start-up culture. We learn from Elina what a start-up culture is, what problems may arise in a start-up environment, and how these problems may be prevented. We also explore the role of media, and how start-ups should communicate and interact with them.

Petra Hietanen-Kunwald: Peter Drucker, a famous management consultant and writer, once said that culture eats strategy for breakfast. And he didn't mean that strategy is not important for start-ups. What he meant was that culture might be a more powerful and more important way to success. Today we talk about start-up culture with Elina Lappalainen. Hello.

Elina Lappalainen: Hi! Nice to meet you.

Petra: Nice to meet you. Elina is a business journalist from Helsingin Sanomat. Elina, what can you tell us about you?

Elina: Well, I have been a business journalist since 2009-2010, and covered start-ups, growth companies, and technology more than ten years. At the moment, I work in Helsingin Sanomat new business brand called HS Visio. That's kind of edgier, and we have our own voice for analysing these issues, like technology, start-ups, and growth companies but also investing in other business areas. It has been quite a journey with these Finnish business success stories. I have seen, since the day one, all our unicorns, like Supercell, Rovio, Smartly, Oura, Varjo — all the famous names that come from Finland. So, there have been lots of learnings, and I have also had the job to dig deeper and sometimes investigate problems that are often caused by the culture. This is very important.

Petra: This is a good topic for you.

Elina: Yes.

Moritz Scherleitner: So, Elina, why is entrepreneurship important to you?

Elina: First of all, for me, it's important because I'm a gamer and a geek girl, and I started to become interested in technology from that point. Personal view, being excited on all the digital. But then, there are deeper, societal reasons why entrepreneurship is important. First, there is technology. We are living in an age where things like new materials, that are replacing fossils, are very critical. We have the energy crisis, and technology can bring new solutions for energy problems. We need more solutions for proteins to replace animal-based food. So, these new technologies are important for us all. And that's what I'm excited about.
But then, there is the business and economic growth reason. These are the companies that are creating value to Finland; they are creating jobs, they are creating taxes, they are creating economic growth to fund the welfare state that we have. Those reasons, from being a geek to broader, national benefit, — I think all those reasons apply.

Moritz: What are some positive aspects of the start-up culture?

Elina: Sometimes I envy start-up people who have the bravery, the strength to take this leap. From outside, it looks like something that is very fun and exciting. So, the independence, the low hierarchy, the freedom to do things very ambitiously. They set the bar in an international level. It's very exciting. And it creates places where people can feel that they are doing a purposeful job, they are changing the world, they are solving the problems. And it gives empowerment to the people. That's one of the most interesting aspects, I think, in the start-up culture. It creates excitement and this drive.

Petra: And ambition and so on. So, it's nourishing by itself, isn't it?

Elina: Yes. And also, at its best, start-up culture can be very low-hierarchy. If there is still a small founder team, it's... Well, we all like to work with our friends. So, it's a small group of like-minded people. That's the stereotype, maybe. That's the benefit.

Petra: And that's also the power that drives the start-up. That there is a small hierarchy, that people work together, they have a common idea, isn't it?

Elina: Yes. Also, some pivoting can be very fast-paced. Sometimes, when people get frustrated in big corporations — for the bureaucracy or the slow pace of progress — then... At the same time, start-ups' timeline can be very timid. When the corporation does things in years, start-ups' pace can be... This can be done in months. For me, I don't have temper for waiting for so long. So, the start-up energy and the pace is...

Petra: Inspiring.

Elina: Yes, it is.

Petra: Elina, you have also investigated the downside of this culture. Maybe you have observed some problems and written about it very interesting articles. Can you tell us about this 'darker' side, maybe, of this culture?

Elina: Of course, we all would want to imagine that everything is nice, just puppies and unicorns, in the start-ups. That's not the case. So, I have done some investigative journalism about the problems that Finnish growth companies and start-ups have had. And I would divide them into three categories.
The more general-level cultural problems that might be typical in this what is called Silicon Valley or TechPro, or… Just very high-paced, very ambitious culture. And then, there is a level where the problems in the culture can escalate to legal problems, the level where the culture can be toxic: there can be sexual harassment, like the TechPro culture, where there can be harassment or discrimination based on different minority statuses, for example. And then, there are the worst-case scenarios: the situations where the start-ups don't follow any work laws. In Finland, for example. Or where there is actual discrimination that's legally problematic. Or even the exploitation of employees. So, the three categories all exist in Finnish start-up community. Of course, that's a problem, and we need to talk about it.

Petra: I think this is very interesting, because I'm interested in escalation of problems and how you can prevent them. So, this is very interesting, what you said. Let's say that a certain type of culture might lead to escalation of problems. On the legal side, it might turn into legal problems at some point. It might be relevant for investors, also. And then, there are even the worst-case scenarios where they really do no follow the law. If we talk about this, you investigated this lower category. What are the problems in the first one, and what do you think would then lead to the second stage? What's the risk there?

Elina: Well, if we take the more general level first, an example of problems in that level would be ICEYE, a company that I wrote about recently. They had young engineer founders who are very innovative, very professional in the space technology. But if you take two guys in their twenties, who have never had a job before, who have no experience of a company, building a culture, how it is to be an employee… And then, they have this vision and highly-ambitious idea. They start recruiting people from different countries, like them: engineers in their twenties, perhaps all male. It sums up to a culture where there might be 60 different

nationalities. "Hi, we have this multicultural team!" But they all are same age group, male, from similar background, and they all have sleepovers at their office. And they don't see the problem they are creating, that it's not inclusive. It's a place where you need to… They don't mind any work laws, like when to go home or what's a realistic acceptation for an employee, what's normal.

So, that can bring problems when people don't feel comfortable, when they get burnt out, when they feel that there is weak or bad culture. And they start leaving the company. If your key people leave, then you start having this high rotation. Of course, it creates a business problem: How do you build a growth company successfully, in the long term, if your people are leaving because they are burnt out or they don't feel comfortable? It's also a business risk.

Petra: Yes. So, what you say is that there is a different kind of normal, what is considered normal in this environment sometimes, which leads to this very inspiring environment but has also the problem that the owners might not be aware of what is normal for other people and within the legal society, and so on. That's kind of a sub-culture, maybe.

Elina: Exactly, yes. The Silicon Valley sub-culture that's neglecting the normal rules of work life.

Petra: Which then creates problems as you grow. Of course, you always need to comply with the law, but which creates problem as they grow and hire people. And then, of course, they would need some more processes than that to survive.

Elina: Yes. The growth pains are normal in the industry. It's difficult. And we have had the pandemic and situations where companies like ICEYE have gone from hundred people to five hundred people. During these two years of remote work and pandemic. So, there would be growth pains in creating processes, and needing to build the company structure and building the company culture anyway. But it has been extra difficult during this time.

And then, if you go to the second level, that would be the case of Swappie, for example. A similar case: two guys founding a company and then, maybe, being kind of blind to the culture that's happening in the company.

Again, if you hire, fast-paced, a lot of people, you can make wrong decisions in the recruiting. Then, those people can be creating some sub-cultures inside the company that you don't intend to. And if there are, let's say, some very masculine guys from Latino cultures, you need to have this cultural education on the rules in Scandinavian very equal, inclusive work environment. That you can't talk sexist things, you can't flirt in this way, you can't approach your female colleagues in that way, things like that. So, Swappie had that kind of issues. That led to a legal process. And if not taken seriously (educating your people, setting the standards), if you forget to repeatedly tell the people that these are our rules, these are our values, this is our culture, and have the common agreement on that, then it can lead to problems.

Petra: And these problems come mostly, or grow at least, when the start-up starts to be successful and hires a lot of people. Then, these different standards within the company, these problems accumulate. And this is probably... For the founders, it might come even as a surprise, that this doesn't work out.

Elina: Yes. And that's why I would... If I were a founder building a founder team, I would think, "Is my founder team diverse enough?" If I have four like-minded guys at the same age, from the same school, are we blind to some cultural problems? Do we hire people that are diverse? And then, it's different to just work as a group of founders. You all have the stakes in it, you are passionate about it. If you have ownership, you can do round hours. But then, it's different when you have employees, and if you have responsibilities for them. They can't have the same ownership. They don't get the similar kind of pay from it.

Petra: Yes, exactly. You recently also wrote about problems in a company that hired foreigners. So, are foreigners or immigrants... We'll have a lot of immigrants in the future, hopefully, in Finland who want to work here and contribute to the society. Are they more exposed than Finns to this kind of culture?

Elina: Yes, they are. It is something that we should talk more about. At the same time, we want to have foreign experts, we need to have foreign employees in our growth companies, and we are trying to attract them to move to Finland. So, we need to build workplaces that are actually inclusive of them, that are actually treating them well, so that they can flourish. I wrote a piece about the company called Rens. But it's not the only company that has similar problems. It was just more severe. In this case, the company is designing these trainers, shoes. And they started recruiting more Vietnamese as trainees, young people coming to Finland and needing a job. And they were exploiting their vulnerable position. They offered jobs with the pay of just hundreds. The pay was EUR 500-700 per month.

Petra: So, a very low salary.

Elina: Very low. Illegally low. And then, there were exploitations that they were promising, "If you work hard, you can get a permanent job, and then you can apply for a visa". That was the exploitation. That was actually legally problematic here. And discrimination. So, there are even companies like that, but that's very rare. More problematic is that the foreign employers who come here aren't aware of these work laws. They are not aware of collective agreements. They don't know what rights they have. There are these rules, this belongs to me, I have the right to this. So, when the start-ups have this Silicon-Valley-style culture, that "These rules don't apply to me", they are neglecting the standards, the employees don't have networks in Finland that would support them. They don't have the support network.

So, they are vulnerable when their income relies on that company. So, a lot of them work harder. They do longer hours. And they don't know their rights. So, start-ups should really educate people of their rights and be good employers to be able to attract the foreign workforce.

Petra: Exactly. So, it's often a lack of information on the one side. There is no access to information or a difficult access for foreigners who have no network. People who have lived here for a long time, they know people, and everybody is more or less aware of the legislation, the protection given under the law, bargaining agreements, collective agreements. For foreigners, this might be, or is in general, more difficult. So, it's a lack of

information, it's also a lack of access to information, and a lack of giving information or educating people from the side of the start-up.

Elina: Yes. As journalists, we love these stories: two young immigrants founded this cool shoe start-up in Finland. This nice 'Cinderella' story. But then, we also need to realise that not all the immigrant communities are nice to each other. There might be structures that lead to exploitation inside the community. Like in Nepalese restaurants, that's the most common example, or in the cleaning industry, you would suspect that there can be 'grey' workforce or problems. But you wouldn't suspect that in a high-technology start-up. But that also has some similarities, that people who come from abroad are more vulnerable.

Petra: Yes. So, while it is not a very general problem, it's an important problem we need to talk more about. That's what you want to say.

Elina: Yes.

Moritz: So, we have been now talking quite much about the bad examples. But can you tell us what is in your view an ideal start-up culture? Are there some positive examples as well?

Elina: Yes, of course. There are lots of them. We have been writing, during the years, about the companies like Smartly, ad technology company that has been a success story. Also, an example of good leadership and systematic culture building. How they set up a culture book since day one. They have the organisation where even the CEO has to do the basic-level job once in a time to know the actual problems of their customers. And by his example, he is leading the company in a way that has created this positive environment. And I think one of the examples in that company was that while he was a young man in his twenties, he was able to empower his people and rise up. All the young people he hired, they got big roles, big shoes, they had lots of power to do what they felt wise. And in that, the low hierarchy in the company made in flourish eventually.

And then, companies like Supermetrics and RELEX can be good examples too. In a way, they treat very international workforce in a very positive way, very relaxed way, and take care of the international employees in a very fair way. If you think about the ownership structures, for example, it has become a standard in this kind of companies that everyone has shares. So, when there are exits, for example, when there is a possibility to sell some shares, everyone will win something. So, for example, when the games company Rovio had IPO, that was the family-owned company. The family owned the majority, and they cashed to IPO. It was an example of an unfair thing to do. But when Supercell sold the company, everyone had some shares. So, all of the employers were cashing it. The level of fairness and who is in in this growth, how it gets me involved — there is a difference of how to do things.

So, to summarise, the things or learnings from this would be to think about your founding team. Is it diverse? Who are the founders? What kind of culture are you creating by example? And then, the culture book. What are our values? What is our culture, and how are we creating it? In a concrete, daily level, how do we operate? And where is the culture seen? And then, having a toolbox, a really inclusive diversity toolbox, and educating people of these issues repeatedly. Those would be the founding stones of how to, since day one,

start thinking of building long-term success that has less growth pains when you start scaling up.

Petra: That's an important point, that you should start, from day one, to build this culture, not only when you hire the first employees. You need to think about it in the beginning.

Elina: It's not something that your human resources can then imply to a company. When you are already big, like 500 people, then you have problem, if you start thinking about the culture when you are in that level.

Moritz: How should a start-up take care of the relationships with media?

Elina: That is important, also, if you think about risk management. If a company has a bad culture, and if it leads to problems, then you have a brand risk. There is bad publicity. But you shouldn't think about it as something we need to hide. You need to think it differently. As journalists, we don't do companies' PR. We are not telling only the nice things. We are also the watch dogs. We have the responsibility to our audience and the role in society to take care of also the vulnerable people, that the foreign employees get their voice heard.

So, it's our task to also ask hard questions. That's the role of journalism. And some problems, there can be some conflicts between growth companies and journalism if that role is not understood. So, as important as it is to be inclusive and open in your own company culture, so that there wouldn't be any problems. Then, if you, in a way, end up having problems, the right way to handle the situation is, inside your company, to take this problem seriously, show that you are responding to the problems. You have a process to handle the issues. Then you take the right steps and try to repair the things. And towards journalism, you need to be also open and transparent, and show your responsibility.

Apologise if there is a need to, show what you are doing, and regain the trust, both from your employees and from the audience. So, I would take it very seriously if you hear some problems, and then not to take this very defensive and protective denial but to be humble and think what went wrong, how we can repair it, and how we communicate it openly and transparently, and show that we are trying out best.

Moritz: This has been a very exciting talk. So, what are the key takeaways of this?

Elina: I would say that the start-ups and growth companies can be very empowering, very inspiring places to work. There can be a very strong culture that leads to moonshot companies, to some unicorns that we, after ten years, look at as success stories, and I get to interview all these exciting founders. But there are also some problems that can be avoided if you take care of the culture since day one. And there are legal issues that can be avoided if you think how important part building a culture is to avoid is escalating to legal problems.

Moritz: Thank you very much!

Petra: Yes, thank you, Elina! It was very interesting.

Elina: Thank you!

[Outro music]

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