

MAPPING THE NEW NORDIC REGION'S START-UP ENTERPRISES FROM THE PERSPECTIVE OF LEADERSHIP CHARACTERISTICS, MINDSET, AND SKILLS: THE RELEVANCE OF SOFT SKILLS IN SHAPING ENTREPRENEURIAL ECOSYSTEMS.

Lili Ermezei^{*a}

a Moholy-Nagy University of Art and Design Budapest, Hungary

* ermezei@mome.hu

DOI: 10.63442/VYDP7492

KEYWORDS | START-UP LEADERSHIP, INNOVATION COMPETENCE, SOFT SKILLS, ORGANIZATIONAL VIABILITY, ENTREPRENEURSHIP, DEVELOPMENT TOOL, ENTREPRENEURIAL ECOSYSTEM

ABSTRACT | This short paper expands the discussion on what cultivates a successful entrepreneurial ecosystem, outlining the importance of personal competencies such as soft skills and leadership dynamics. The increased appearance of high-value start-ups in the Nordic region demonstrates the impact of these ecosystems. The author argues that cultivating personal skills and leadership qualities is as pivotal to their success as the economic frameworks within which start-ups operate. Adding these competencies to well-grounded ecosystems may determine startups' sustainable, future-oriented success stories.

The paper aims to provide an overview of a research study on the role of leadership in high-growth start-up success, with a specific focus on 'unicorn' companies in the 'New Nordic' region (Denmark, Finland, Iceland, Norway, Sweden, and Estonia). Leadership in start-ups is identified as a crucial factor for performance. Yet, there is a lack of focused research on leadership within rapidly scaling ventures, such as unicorns – privately held start-ups valued at over one billion dollars. The paper will bridge this gap by examining entrepreneurial leadership, which merges leadership and entrepreneurship research. The study will explore the unique leadership attributes, psychological flexibility, identity, and resilience that predict entrepreneurial satisfaction and contribute to the success of unicorn start-ups.

The research emphasizes that existing studies on entrepreneurial ecosystems do not fully capture the transition from start-up to unicorn status, especially outside of Silicon Valley. This analysis calls for a more detailed understanding of the Nordic ecosystem's components and how they contribute to unicorn success compared to other regions, highlighting the impressive per capita rate of New Nordic unicorns.

1. Introduction: Start-up Leadership and Unicorn Start-ups

Start-ups are a vital component of the global economy, representing an ecosystem value that exceeds \$7.6 trillion, overshadowing the individual GDP of many G7 countries (GSER, 2023). Despite the high number of start-up inceptions, their success rate remains modest. Leadership significantly affects start-ups' performance (Swiercz & Lydon, 2002); however, despite the amount of research on leadership in the start-up environment, there is little focus on the rapidly scaled-up ventures and their underlying leadership phenomena. The proposed study offers a new perspective on this. Understanding the factors of success and conceptualizing learnings is essential for developing the future of scale-up businesses.

Entrepreneurial leadership is a newly developed theory in leadership research because it provides insights into the intricate processes of leadership associated with establishing and expanding new ventures. The theory has emerged from two different academic fields: leadership and entrepreneurship research. Despite abundant research, scholars cannot agree upon a common definition of entrepreneurial leadership (Leitch & Volery, 2017). Given these gaps, exploring the founders' and founding teams' perceptions and interpretations of their leadership while involved in entrepreneurship ventures appears to be an important research topic. Psychological flexibility, entrepreneurial self-identity, and resilience are linked to entrepreneurs' satisfaction and performance (Van Hugten et al., 2021).

This short paper will delve into the geographical, social, and cultural dimensions underpinning high-growth entrepreneurship from the perspective of entrepreneurial ecosystems to enhance our understanding. Additionally, the researcher will propose incorporating certain soft skills and mental frameworks that may play a pivotal role in the success of business growth. These include *entrepreneurial leadership attributes, psychological flexibility, identity, and resilience*.

2. Definition of the Unicorn

The unicorn status of start-ups is a topic of much discussion in the startup community. This figurative term is applied to businesses valued at a billion dollars in less than ten years. The phrase was coined in 2013 by venture capitalist Aileen Lee to describe these kinds of ventures' exceptional success and rarity. Since then, it has been a widely used term on the start-up scene, and academic discussions about unicorns have increased; however, unicorn start-up leadership has not been the main topic of these discussions (Audretsch et al., 2021; Bertoni et al., 2019; Dellermann et al., 2017; Kwon & Sorenson, 2021; Van Burg et al., 2020; Welter et al., 2017; Wurth et al., 2021). The only studies conducted regarding unicorn companies focus on cases in Silicon Valley. This highlights another gap in the current literature that the proposed research aims to fill: to bring a Nordic perspective to the unicorn start-up equation.

2.1 Unicorn Start-ups in the New Nordic Region

The Nordic countries, commonly referred to as the Nordics, are a group of countries in Northern Europe and the North Atlantic Ocean connected both geographically and culturally. It comprises the autonomous territories of Greenland, the Åland Islands, and the five countries of Denmark, Finland, Iceland, Norway, and Sweden. In 2015, Estonia's prime minister, Taavi Rivas, referred to the nation as a 'new Nordic country,' and the Nordic Council of Ministers (2022) frequently discussed Estonia's future as a Nordic nation. For these reasons, this paper will refer to the aforementioned Nordic nations and Estonia as the 'New Nordics.'

With less than 30 million inhabitants, the New Nordic region is home to many unicorn start-ups and accounts for the largest number per capita. The Nordic region saw record private equity and venture capital investment levels last year. BOLT, Skype, Rovio, Pipedrive, Wolt, Unity, Just Eat, Klarna, King, Trustpilot, Supercell, Aiven, iZettle, Transferwise, Tradeshift, and Bambora are some of the New Nordic region's unicorn companies. A 2021 Joint Research Centre of the European Commission Science for Policy report states that the number of scale-up businesses in the EU, particularly unicorns, lags behind the US and

China (Quas et al., 2021). Comparing the number of unicorn start-ups per capita is an effective way to evaluate a region's success in terms of scaled-up start-ups. According to this assessment, the New Nordic region has the highest number of unicorn start-ups per person. In the US, for instance, there are 963 unicorn companies and 332.4 million people (CB Insights, 2022) – that is, 2.89 unicorns for every million people. Compare this to Estonia's unicorns per capita. With a population of 1.32 million, Estonia has ten unicorn companies (Tallinn. ee, 2022). This means there are 7.57 unicorns per million people, more than twice the unicorn density of the US.

3. 'Entrepreneurial Topography' – An Ecosystem Review

Examining entrepreneurial success metrics, it becomes evident that high-valuation startups (unicorns) share many characteristics with their more commonplace entrepreneurship counterparts. Davidsson (2015) has emphasized the integral role of the broader startup landscape in driving economic growth and employment across various nations. The rapid emergence of unicorns in the New Nordic territories, including Finland and Estonia, underscores a dynamic entrepreneurial surge that current literature struggles to document in real-time, reflecting a rapidly evolving landscape where even the most up-to-date data lags behind the pace of development.

Entrepreneurial ecosystems are increasingly used to understand the supporting elements of fast-growing startups in certain areas. These ecosystems blend local culture, social connections, funding, educational institutions, and supportive economic policies to help innovation-driven businesses succeed. Academics, policymakers, and business experts agree that these ecosystems are vital to building strong economies fueled by entrepreneurial innovation. However, the research on how these ecosystems work is still in its early stages and lacks a solid, unified theory. Essentially, the term 'entrepreneurial ecosystem' covers various ideas about how entrepreneurship flourishes in different places without explaining how these tech entrepreneur groups sustain themselves over time.

The current body of literature on ecosystem research offers limited insights into the relationship between ecosystems and highly successful startups or unicorns. The existing metrics for assessing ecosystem research have yielded a significant understanding of the factors that contribute to a startup's initial survival. Nevertheless, they do not explain how a company goes from nothing to becoming a unicorn, especially when it comes to geographic areas other than the well-known Silicon Valley ecosystem (Civera et al., 2019; Dilli et al., 2018; Neumeyer & Santos, 2018; Neumeyer et al., 2019). For example, Autio et al.'s (2018) study thoroughly analyses the frameworks that support early-stage startups and differentiates between various stages of ecosystem growth. However, it does not delve into the specific frameworks or factors that elevate startups to unicorn status or address the New Nordic region.

Spigel (2017) proposes that entrepreneurial ecosystems can take on diverse configurations. These ecosystems consist of interlocking elements and institutions that support entrepreneurship and provide the necessary resources businesses need as they evolve. The characteristics of these ecosystems are sustained and multiplied through their interactions with one another. In environments where these elements are closely connected, there is a significant exchange among a supportive entrepreneurial culture, networks of entrepreneurs, employees, and investors, and robust public programs and organisations.

Relationships Among Ecosystem Attributes

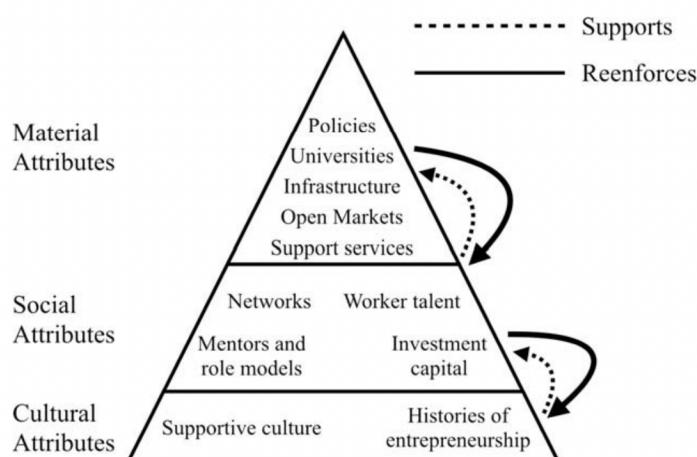


Figure 1. A Relational Approach to the Entrepreneurial Ecosystem Using Spigel's (2017) Model.

In Spigel's model, besides cultural, social, and material attributes, there might be relevance to introducing personal competencies or skills as additional attributes that contribute to entrepreneurial ecosystems. This paper seeks to expand on the existing notion of entrepreneurial ecosystems – comprising cultural perspectives, social networks, investment funds, academic institutions, and proactive economic policies that nurture innovation-driven enterprises. It intends to contribute to the dialogue by exploring how bringing certain mindsets and soft skills to the equation can further enhance these ecosystems. The following offers a review of soft skills such as entrepreneurial leadership competence, psychological flexibility, entrepreneurial self-identity, and resilience.

4. Entrepreneurial Leadership

Literature assessing entrepreneurial leadership in start-up environments found a connection to innovation behaviour and creativity. Entrepreneurial leaders are identified as the driving forces of creativity and innovation (Denti & Hemlin, 2012). Furthermore, this leadership approach influences organisational exploratory and exploitative innovation activities (Huang et al., 2014). Quantitative analysis outlined positive factors affecting entrepreneurial leadership in terms of efficiency and creativity at individual and team levels (Cai et al., 2018). As start-ups have changing life cycles, exploring leadership through different stages is essential. According to Swiercz and Lydon (2002), two sets of leadership competencies are crucial at various stages of the venture's growth: self-competencies and functional competencies.

Overall, Wise (2015) identified three significant leadership challenges associated with the start-up growth process. These are creating a vision, reaching optimal perseverance, and moving forward in the face of chaos. The suggested skills that aid in overcoming the difficulties include self-evaluation, coaching, and strategic thinking.

4.1 Psychological Flexibility

A person's ability to move toward what matters to them and cognitively control emotions that could otherwise hold them back is known as 'psychological flexibility.' Psychological flexibility is a key component of acceptance and commitment therapy, as outlined by Hayes et al. (2011). The following six skills are related to psychological flexibility from the perspective of acceptance and commitment therapy: 1) Acknowledging negative emotions and allowing them to pass through rather than running away from or fighting them; 2) Taking decisive action rather than procrastinating; 3) Defusion, the process of

disentangling ideas from feelings so that one can consider feelings objectively; 4) Mindfulness concerning maintaining attention on the here and now in the face of distracting, pessimistic thoughts; 5) Self-as-context refers to viewing things in a broader context, acknowledging that everyone makes mistakes and that you do not control everything; and 6) Values, which refers to having a strong sense of your values rather than being unsure of what you want (Rolffs et al., 2018).

In the business setting, the term ‘emotional agility’ has been used frequently (David, 2016) and studied in the workplace domain (Brassey et al., 2019). My aim in using the term psychological flexibility is to follow the most recent work in business research and explore the multi-fold process behind the notion that it is by nature both emotional and cognitive. Van Hugten et al. (2021) identified psychological flexibility as a significant new predictor of entrepreneurs’ satisfaction. It is critical to comprehend entrepreneurs’ satisfaction as it can influence the caliber and success of their business endeavours (Bradley & Roberts, 2004; De Cock et al., 2020; Dijkhuizen et al., 2018; Kibler et al., 2019). Compared to their ‘unhappy’ counterparts, ‘happy’ entrepreneurs are likelier to persevere and outperform them (Stephan, 2018).

4.2 Entrepreneurial Self-Identity and Resilience

Entrepreneurial self-identity, or in other words, identity centrality, is found to be one of the more essential entrepreneurship concepts (Foo et al., 2014). As entrepreneurs identify very closely with their venture, anything limiting their roles and activities would take a toll and negatively affect their self-worth. Entrepreneurial passion (EP) is conceptualised by positive feelings from identity-meaning activities and executions performed by entrepreneurs (Cardon et al., 2009). As self-identity leads to self-verification, EP is typically highly correlated (Vignoles et al., 2006). Engaging in activities where entrepreneurs strongly believe in their ability to succeed can increase passion (Baum & Locke, 2004). Entrepreneurial resilience can be a measure of entrepreneurs’ performance in the early stages of their ventures. These early stages are often linked with a lack of resources (not only financial), and their reachable resources impact their viability (Blatt, 2009); hence, there is an increasing number of start-up accelerator programs and a growing number of start-ups attending them.

5. Conclusion

This paper aims to broaden the scholarly discussion about what makes a thriving entrepreneurial ecosystem – those supportive spaces comprising local culture, networks, funding, schools, and helpful government policies. It plans to show how important personal qualities and skills are for enhancing these ecosystems. These skills include leadership, psychological flexibility, and resilience. The many high-value startups in the New Nordic area highlight how powerful these ecosystems can be. The researcher suggests that nurturing the right personal skills is as crucial as setting up the economic environment for startups to flourish. Looking ahead, combining these individual strengths and strong ecosystems will help new businesses grow and reach their full potential, possibly becoming the next sustainable success stories in the start-up world.

References

Audretsch, D. B., Lehmann, E. E., & Schenkenhofer, J. (2021). A context-choice model of niche entrepreneurship. *Entrepreneurship Theory and Practice*, 45(5), 1276–1303.

<https://doi.org/10.1177/1042258720936042>

Baum, J. R., & Locke, E. A. (2004). The relationship of entrepreneurial traits, skill, and motivation to subsequent venture growth. *Journal of Applied Psychology*, 89(4), 587–598.

<https://doi.org/10.1037/0021-9010.89.4.587>

Bertoni, F., Colombo, M. G., & Quas, A. (2019). The role of governmental venture capital in the venture capital ecosystem: An organizational ecology perspective. *Entrepreneurship: Theory and Practice*, 43(3), 611–628. <https://doi.org/10.1177/1042258717735303>

Blatt, R. (2009). Resilience in entrepreneurial teams: Developing the capacity to pull through. *Frontiers of Entrepreneurship Research*, 29(11).

Bradley, D. E., & Roberts, J. A. (2004). Self-employment and job satisfaction: Investigating the role of self-efficacy, depression, and seniority. *Journal of Small Business Management*, 42(1), 37–58. <https://doi.org/10.1111/j.1540-627x.2004.00096.x>

Brassey, J., van Dam, N., & van Witteloostuijn, A. (2019). *Advancing authentic confidence through emotional flexibility: An evidence-based playbook of insights, practices and tools to shape your future*. Lulu Publishing. Retrieved April 2, 2024, from <https://advancingauthenticconfidence.com/>

Cardon, M. S., Wincent, J., Singh, J., & Drnovsek, M. (2009). The nature and experience of entrepreneurial passion. *Academy of Management Review*, 34(3), 511–532. <https://doi.org/10.5465/amr.2009.40633190>

Cai, W., Lysova, E., Khapova, S., & Bossink, B. (2018). Does entrepreneurial leadership foster creativity among employees and teams? The mediating role of creative efficacy beliefs. *Journal of Business and Psychology*, 34, 203–217. <https://doi.org/10.1007/s10869-018-9536-y>

Civera, A., Meoli, M., & Vismara, S. (2019). Do academic spinoffs internationalize? *Journal of Technology Transfer*, 44(2), 381–403. <https://doi.org/10.1007/s10961-018-9683-3>

Davidsson, P. (2015). Entrepreneurial opportunities and the entrepreneurship nexus: A reconceptualization. *Journal of Business Venturing*, 30(5), 674–695. <https://doi.org/10.1016/j.jbusvent.2015.01.002>

De Cock, R., Denoo, L., & Clarysse, B. (2020). Surviving the emotional rollercoaster called entrepreneurship: The role of emotion regulation. *Journal of Business Venturing*, 35(2), 105936. <https://doi.org/10.1016/j.jbusvent.2019.04.004>

Dellermann, D., Lipusch, N., Ebel, P., Popp, K. M., & Leimeister, J. M. (2017). Finding the Unicorn: Predicting early-stage startup success through a hybrid intelligence method. In *International Conference on Information Systems (ICIS)*, Seoul, South Korea. <https://doi.org/10.2139/ssrn.3159123>

Denti, L., & Hemlin, S. (2012). Leadership and innovation in organisations: A systematic review of factors that mediate or moderate the relationship. *International Journal of Innovation Management*, 16(2), 1240007. <https://doi.org/10.1142/s1363919612400075>

Dijkhuizen, J., Gorgievski, M., van Veldhoven, M., & Schalk, R. (2018). Well-being, personal success, and business performance among entrepreneurs: A two-wave study. *Journal of Happiness Studies: An Interdisciplinary Forum on Subjective Well-Being*, 19(8), 2187–2204. <https://doi.org/10.1007/s10902-017-9914-6>

Dilli, S., Elert, N., & Herrmann, A. M. (2018). Varieties of entrepreneurship: Exploring the institutional foundations of different entrepreneurship types through ‘varieties-of-capitalism’ arguments. *Small Business Economics*, 51(2), 293–320. <https://doi.org/10.1007/s11187-018-0002-z>

Foo, M.-D., Murnieks, C. Y., & Chan, E. T. (2014). Feeling and thinking: The role of affect in entrepreneurial cognition. In J. R. Mitchell, R. K. Mitchell, & B. Randolph-Seng (Eds.), *Handbook of Entrepreneurial Cognition* (pp. 154–181). Edward Elgar Publishing, Inc. <https://doi.org/10.4337/9781781006597.00015>

Huang, S., Ding, D., & Chen, Z. (2014). Entrepreneurial leadership and performance in Chinese new ventures: A moderated mediation model of exploratory innovation, exploitative innovation and environmental dynamism. *Creativity and Innovation Management*, 23(4), 453–471.

<https://doi.org/10.1111/caim.12085>

Kempster, S., & Parry, K. (2011). Grounded theory and leadership research: A critical realist perspective. *The Leadership Quarterly*, 22(1), 106–120. <https://doi.org/10.1016/j.leaqua.2010.12.010>

Kibler, E., Wincent, J., Kautonen, T., Cacciotti, G., & Obschonka, M. (2019). Can prosocial motivation harm entrepreneurs' subjective well-being? *Journal of Business Venturing*, 34(4), 608–624.

<https://doi.org/10.1016/j.jbusvent.2018.10.003>

Kwon, D., & Sorenson, O. (2021). The Silicon Valley syndrome. *Entrepreneurship Theory and Practice*, 47(2), 344–368. <https://doi.org/10.1177/10422587211050892>

Leitch, C., & Volery, T. (2017). Entrepreneurial leadership: Insights and directions. *International Small Business Journal: Researching Entrepreneurship*, 35(2), 147–156. <https://doi.org/10.1177/0266242616681397>

Neumeyer, X., & Santos, S. C. (2018). Sustainable business models, venture typologies, and entrepreneurial ecosystems: A social network perspective. *Journal of Cleaner Production*, 172(4), 4565–4579.

<https://doi.org/10.1016/j.jclepro.2017.08.216>

Neumeyer, X., Santos, S. C., & Morris, M. H. (2019). Who is left out: Exploring social boundaries in entrepreneurial ecosystems. *Journal of Technology Transfer*, 44(2), 462–484.

<https://doi.org/10.1007/s10961-018-9694-0>

Overall, J., & Wise, S. (2015). An S-curve model of the start-up life cycle through the lens of customer development. *The Journal of Private Equity*, 18(2), 23–34. <https://doi.org/10.3905/jpe.2015.18.2.023>

Rolffs, J. L., Rogge, R. D., & Wilson, K. G. (2018). Disentangling components of flexibility via the Hexaflex model: Development and validation of the Multidimensional Psychological Flexibility Inventory (MPFI). *Assessment*, 25(4), 458–482. <https://doi.org/10.1177/1073191116645905>

Spigel, B. (2017). The relational organization of entrepreneurial ecosystems. *Entrepreneurship Theory and Practice*, 41(1), 49–72. <https://doi.org/10.1111/etap.12167>

Swiercz, P., & Lydon, S. (2002). Entrepreneurial leadership in high-tech firms: A field study. *Leadership & Organization Development Journal*, 23(7), 380–389. <https://doi.org/10.1108/01437730210445810>

Stephan, U. (2018). Entrepreneurs' mental health and well-being: A review and research agenda. *Academy of Management Perspectives*, 32(3), 290–322. <https://doi.org/10.5465/amp.2017.0001>

Uy, M. A., Foo, M. D., & Song, Z. (2012). Joint effects of prior start-up experience and coping strategies on entrepreneurs' psychological well-being. *Journal of Business Venturing*, 28(5), 583–597.

<https://doi.org/10.1016/j.jbusvent.2012.04.003>

Van Burg, E., Cornelissen, J., Stam, W., & Jack, S. (2020). Advancing qualitative entrepreneurship research: Leveraging methodological plurality for achieving scholarly impact. *Entrepreneurship Theory and Practice*, 46(1), 3–20. <https://doi.org/10.1177/1042258720943051>

Van Hugten, J., El Hejazi, Z.-N., Brassey, J., Vanderstraeten, J., Cannaerts, N., Loots, E., Coreynen, W., & Van Witteloostuijn, A. (2021). What makes entrepreneurs happy? Psychological flexibility and entrepreneurs' satisfaction. *Journal of Business Venturing Insights*, 16. <https://doi.org/10.1016/j.jbvi.2021.e00263>

Vignoles, V. L., Gollledge, J., & Scabini, E. (2006). Beyond self-esteem: Influence of multiple motives on identity construction. *Journal of Personality and Social Psychology*, 90(2), 308–333. <https://doi.org/10.1037/0022-3514.90.2.308>

Welter, F., Baker, T., Audretsch, D., & Gartner, W. (2016). Everyday entrepreneurship—A call for entrepreneurship research to embrace entrepreneurial diversity. *Entrepreneurship Theory and Practice*, 41(3), 311–321. <https://doi.org/10.1111/etap.12258>

Wurth, B., Stam, E., & Spiegel, B. (2021). Toward an entrepreneurial ecosystem research program. *Entrepreneurship Theory and Practice*, 46(3), 104225872199894. <https://doi.org/10.1177/1042258721998948>

About the Author:

Lili Ermezei is a PhD candidate at Moholy-Nagy University of Art and Design Budapest and a Research Fellow at Future Potentials Observatory. Her research focuses on the mindsets and characteristics of founders and founding teams in Nordic Unicorn startups.

P / REFERENCES OF DESIGN

This contribution was presented at Cumulus Budapest 2024: P/References of Design conference, hosted by the Moholy-Nagy University of Art and Design Budapest, Hungary between May 15-17, 2024.

Conference Website

cumulusbudapest2024.mome.hu

Conference Tracks

Centres and Peripheries
Converging Bodies of Knowledge
Redefining Data Boundaries
Bridging Design and Economics
Speculative Perspectives
The Power of Immersion
The Future of Well-being
Taming Entropy: Systems Design for Climate and Change
Ways of Living Together
Cumulus PhD Network

Full Conference Proceedings

<https://cumulusbudapest2024.mome.hu/proceedings>

ISBN Volume 1: 978-952-7549-02-5 (PDF)

ISBN Volume 2: 978-952-7549-03-2 (PDF)

DOI Volume 1: <https://doi.org/10.63442/IZUP8898>

DOI Volume 2: <https://doi.org/10.63442/TADX4016>

Conference Organisers

Moholy-Nagy University of Art and Design Budapest (MOME)

mome.hu

Cumulus Association

cumulusassociation.org