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Master Degree Project in Knowledge-based Entrepreneurship

Keep it Soft, Cool & Certain

A multiple case study of Swedish and Dutch startups

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1. Introduction

The first section entails an introduction of the thesis and begins with a description of entrepreneurship as an economic driving force in society followed by the role of social capital and human capital in entrepreneurship. Thereafter the research question and purpose of the thesis is presented.

Entrepreneurship enables people to pursue and realize their dreams and does not care about religion, gender, skin color, social class or nationality. It is a powerful force that creates economic and social mobility (Spinelli and Adams, 2012).

Entrepreneurial research shows that the emergence of entrepreneurship increases economic growth (Glaeser, Kerr and Ponzetto, 2010, Wennekers and Thurik, 1999, Audretsch, Keilbach and Lehmann, 2007) and contributes to an area's success (Glaeser, Kerr and Ponzetto, 2010) this is partially due to their capability to create more jobs (van Praag and Versloot, 2007, Glaeser, Kerr and Ponzetto, 2010).

The role and importance of social capital for the survival and success of entrepreneurship and new ventures has been widely debated by many (Larson, 1991, Maurer and Ebers, 2006, Partanen et al., 2008). Social capital has been defined by many different researchers and can be described as the investment in social relations with expected returns in the marketplace (Lin, 2001). There are many aspects that compose social capital, one of these, that focus on the internal activities of an organization, is internal social capital. Internal social capital can be defined as the organizational value, which is formed based on the relationships between its members in order to cooperate, share information and coordinate collective activities (Sanchez-Famoso, Mesada and Iturralde, 2014). According to Payne et al. (2011), social capital has the potential of helping researchers comprehend management and organizational phenomena by working as a multi level lens providing theoretical perspective. Social capital is a widely

recognized force in explaining the probability, survival and success of new business ventures and has therefore also attracted attention of policymakers, who aim to promote entrepreneurial activity as a strategy to improve economic performance in their area (Audretsch, Aldridge and Sanders, 2011). For this research, when mentioning success, the indicators are profitability and growth of financial performance within a startup (Unger et al. 341-358).

Human capital and its role in entrepreneurship has also been a subject of discussion for researchers (Gimeno et al., 1997, Blanchflower and Oswald, 1998, Bosma et. al, 2002 and Florin, Lubtakin and Schultze, 2003). It is defined as the skills and knowledge that individuals acquire through investments in education, on-the-job training, and other types of experience (Unger et al., 2011). The resource of human capital has also proven to have positive impact on new ventures (Davidsson and Honig, 2003, Florin, Lubtakin, Schultze, 2003) and through recent research significant relationship between human capital and the success of a business has been shown (Unger et al., 2011). Previous research has also show that new ventures founded by individuals with a large amount of human capital are more likely to achieve higher growth due to their unique capabilities (Colombo and Grilli, 2005).

Seeing the role internal social capital and human capital play in the success of new ventures, it is crucial that founders and entrepreneurs have great leadership and managerial skills and techniques in order to retain these in the most efficient way. However, in most cases entrepreneurs behind these new ventures offers lower wages. This can of course create a sense of uncertainty within the organization thus creating less sense job security (van Praag and Versloot, 2007). When referring to uncertainty, it does not necessarily have to be linked with financial resources, but with the progress and performance of the startup. Despite the wide coverage of these concepts in previous research there is a lack of academic research of how this phenomenon are managed in early startups when resources are scarce and uncertainties high. The aim of this thesis is therefore to investigate how human capital and internal social capital are managed and sustained in early startups, linking to differences and similarities between Dutch and Swedish start ups.

Social and human capital has major impact on the overall performance of various aspects in the startup process of a new venture and business in general. Cuevas-Rodriguez, Cabello-Medina and Carmona-Lavado (2013) find that social capital facilitates product innovation and Unger et. al showed, in their study from 2011, that human capital significantly influences and affect the success of an entrepreneurship. Even though the research has extensively covered the importance and effects that social and human capital have on entrepreneurship and startups there is lack of research and information on how these concepts are managed within a company or startup.

The literature is inadequate when it comes to analysis and insights on how founders and managers manage and sustain human and social capital after these resources has been attracted and achieved in the company. Many startups and new ventures struggle with accessing resources in general (Brush et al. 2001) and financial resources in particular (Shane and Cable, 2002) along with other problems such as bad product-market fit, failure to focus or structural issues (Feinleib, 2011). This often induce having to operate their daily activities during the constant presence of uncertainty. Due to this uncertainty surrounding startups, along with the lack of financial resources, new ventures can have a hard time creating incentives for promising, potential recruits and employees. New ventures and startups often do not have equal possibilities to offer (future) employees the same financial compensation, security and/or benefits as the established, older companies have due to liabilities of newness in the new venture (Singh, Tucker and House, 1986), making it challenging and hard to access initial resources (Brush et al. 2001). In a new business venture, it might be more likely that concepts such as "inspiration", "motivation", "risk", "drive", "excitement" and "enthusiasm" give incentives for employees to join and stay within a given startup rather than financial compensation.

Despite all the potential in the idea and innovation of the entrepreneur and their new ventures, uncertainty has been linked as an existent factor that revolves around every entrepreneur. However, there seems to be a lack of research as to how this linkage between human and social capital and the uncertainty of the early startup is managed inside the early startup (Brüderl and

Preisendörfer, 1998). Little is known about how the entrepreneur manages these factors in order to push forward and reach that level of success (Hall, Daneke and Lenox, 2010).

Due to this existing research gap the aim of this master thesis will be to examine and investigate how founders and managers within new venture manage and sustain human and social capital in the early processes of an entrepreneurship. Furthermore, examine what factors, techniques and tools founders and managers use in order to retain employees and staff within the startup. Thus, hopefully fill the research gap identified connected to these concepts, through data and analysis, helping future entrepreneurs and practitioners. Further on, provide insights and in-depth understanding of the processes, behaviors and patterns related to this phenomena as well as increasing the comprehension of how to successfully manage social and human capital in early startups and thus answering the research question:

"*How do early startups manage and sustain human and social capital in the presence of uncertainty?*"

This master thesis is divided into seven sections including the introduction. Following the introduction is the theoretical framework, followed by the methodology, then the empirical findings and the analysis. After the analysis there is a discussion section and finally, a conclusion along with suggestions for further research.

2. Theoretical Framework

The second section presents the theoretical material related to this thesis. It provides the reader with explanation of the connections between entrepreneurship and the concerned topics touched upon in this thesis.

In this study the terms entrepreneurship(s), new venture(s) and startup(s) will be used equivalently as appellation for a company in the early stages of its establishment. That is, a business that has high growth potential (Ireland, 2017) and has not yet found its product and/or market fit and has not yet begun to scale (Hall, 2011).

Social capital and human capital are both closely connected to the concept of networks (Kwon, 2009) and researchers has frequently demonstrated the social connections between entrepreneurship and network structures (Casson and Della Giusta, 2007). Therefore, network as a concept will also be further explored in order to provide clarity of the relations and connections between entrepreneurship, networks and social and human capital.

In this first section, the relevance of the different concepts covered will be analyzed in relation to entrepreneurship, mentioning and pointing out the importance of them. Furthermore, the concepts will be reviewed and explored in regards to the existing research and backing it up with relevant literature and further emphasize the role the concepts play in startups, and how they are crucial to the competitive advantage, survival and success of a business.

In the second section, the concepts are formed and described in depth, to form the connections between these and how they are linked in conjunction for the sake of this analysis.

2.1. Network and Entrepreneurship

Networks has continuously proven to have a positive effect on the emergence and success of startups (Davidsson and Honig, 2003, Elfring and Hulsink, 2003). Networks helps entrepreneurs to obtain resources cheaper and access scarce resources (Witt, 2004) and has been acknowledged as "one of the most powerful assets that anybody can possess" as it provides access to information, knowledge and capital as well as connections to additional networks (Elfring and Hulsink, 2003). A well-developed network with high quality of both weak and strong tie can provide multiple advantages to a startup (Elfring and Hulsink, 2003).

A network is defined as a structure connecting different actors, both formal and informal, through weak and strong ties. This definition is derived from various sources aiming to explain the concept of network related to entrepreneurship (Birley, 1985, Elfring and Hulsink, 2003, Witt, 2004). Strong ties can be explained by the concept of "bonding" within networks which in turn can be described by the notion of coming together to support the collective needs of the group. Weak ties can be explained by "bridging", creating bridges between networks by allowing for different groups to share and exchange information. (Putnam, 2000)

The notion of network is closely connected to social capital as the theories entail the same structures in the phenomena of social relations. Network commence from the relations between individuals that is made up of sets of weak and strong ties between nodes, social capital is described as something inherent in the structure of relations between actors (Williams and Durrance, 2008)

2.2. Social Capital and Entrepreneurship

Social capital has been a thoroughly debated subject within the entrepreneurial research (Payne et al., 2011, Casson and Della Giusta, 2007, Davidsson and Honig, 2003, Maurer and Ebers, 2006, Partanen et al., 2008). The impact of social capital on different elements of the entrepreneurships has been investigated showing that it improves stimulation and advancement

of new ideas (De Carolis and Saparito, 2006) creation of new ventures (Aldrich and Zimmer, 1986) as well as improvement in terms of survival and success of a venture (Maurer and Ebers, 2006).

Apart from the general agreement that social capital stems from social relations (Portes, 1998) many different interpretations of the concept has been made. Adler and Kwon (2007) explained the phenomena as 'good-will that is engendered by the fabric of social relations and that can be mobilized to facilitate action'. This definition emphasizes the features and advantages of social capital as a tool that can be utilized in order to increase the probability of success of a startup.

Scholars have continuously provided evidence of the value of social relations in multiple stages of an organization. One of these stages is stimulation of new ideas (De Carolis and Saparito, 2006) or product innovation (Cuevas-Rodriguez, Cabello-Medina and Carmona-Lavado, 2013). In turn, innovation is an important activity in a venture as it affects the competitiveness of firms and accounts for a major part of long-term economic growth (Rickne and McKelvey, 2013).

Cuevas-Rodriguez, Cabello-Medina and Carmona-Lavado (2013) look at the relative influence of social capital on radical innovation in a study from 2013 and they find that internal social capital, i.e. high quality linkages among individuals or groups within the organization, lead to higher levels of radical product innovations. Innovation activities is especially crucial in new ventures as innovation is means of surviving in a continuously changing environment and it is the only way to convert change into opportunity (Drucker, 1985), again, emphasizing the importance of high levels of social capital in a startup.

In addition to stimulating new ideas and product innovation researchers has also found that social capital increases the ability to accumulate financial resources in the growth stages of a firm (prior to an IPO) (Florin, Lubatkin and Schulze, 2003). Financial resources are usually hard to access for new startups as there tend to be uncertainties such as information asymmetry (Shane and Cable, 2002) and lack of legitimacy (Zimmermann and Zeitz, 2002). Therefore, having an

extensive social capital in order to accumulate financial resources is most valuable.

Internal social capital has been identified as a key asset for developing innovation capabilities, defining it as an organizational value, which is formed based on the relationship between its members in order to cooperate (Sanchez-Famoso, Mesada and Iturralde, 2014). Furthermore, internal social capital does not only facilitate product innovation (Cuevas-Rodriguez, Cabello-Medina and Carmona-Lavado, 2013) and access of financial resources (Florin, Lubatkin and Schulze, 2003) but also increases the performance in startups related to sales and profitability (Davidsson and Honig, 2003). Davidsson and Honig (2003) performed a longitudinal empirical study where the outcome once again emphasizes the importance of social capital and the authors advise entrepreneurs to develop and promote networks in general and interfirm relations in particular. The results in the study shows that both weak and strong ties, i.e. bridging and bonding relations, have positive effect on several parts of the startup process such as probability of entry, predicting successful exploitation, first sales and/or profitability.

There are several authors that have investigated underlying explanations to the outcomes that the phenomena social capital show in relation to entrepreneurial activities (Burt, 1997, Yli-Renko et. al, 2001, Adler and Kwon, 2002) and what is implied to be the key, in accordance to Wu (2008) and touched upon by previous researcher (Burt, 1997, Yli-Renko, Autio & Sapienza 2001, Lin, 2001, Adler and Kwon, 2002) is information sharing, which seems to play a mediating role in relationships between actors. The scholar's results from the study was cohesive with many of the previous research studies on the field, showing that information is one of the main benefits of social capital and that information sharing contributes to the overall performance of the firm (Wu, 2008). The results found by Wu (2008) produced a model (see Figure 1) showing the relationship between social capital and competitiveness improvement with information sharing as the mediator.
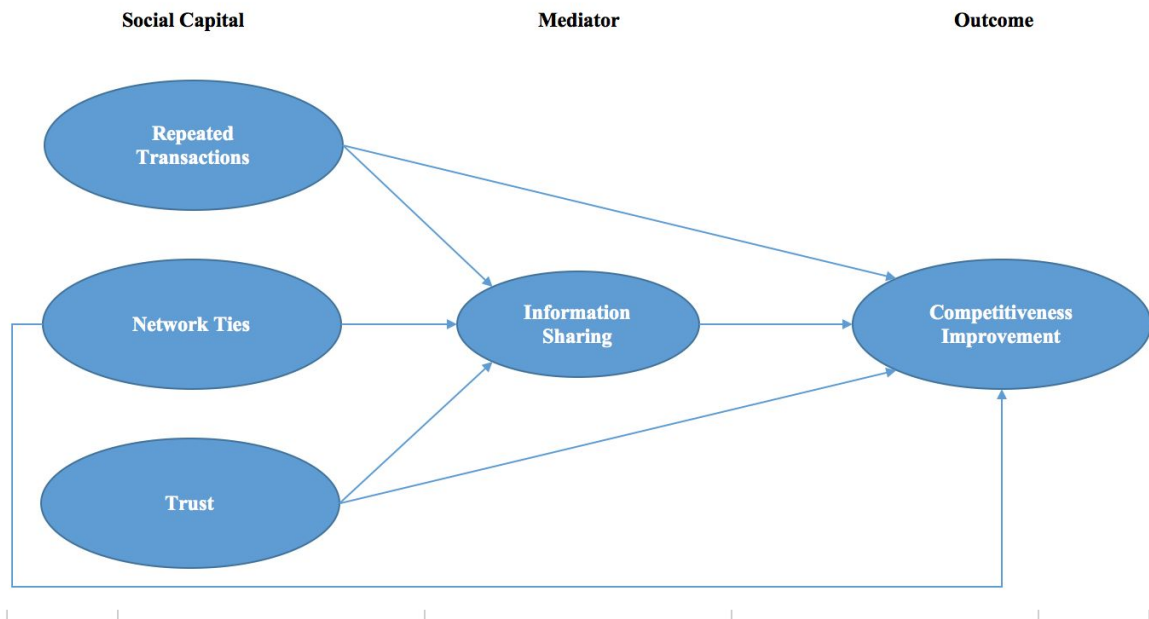
Figure 1: Social capital and competitiveness improvement with information sharing as the mediator, adopted from Wu (2008).

The model shows three empirically related dimensions of social capital; repeated transactions, network ties and trust that are linked both directly and indirectly, through information sharing, to competitiveness improvement (Wu, 2008).

The facilitation of flowing of information is made possible due to the social ties and can for example provide individuals and organizations with opportunity and choices not otherwise available. For example, an organization can through social ties localize and recruit an asset in form of an otherwise unrecognized individual. (Lin, 2001)

2.3. Human Capital and Entrepreneurship

Human capital, which involve the individuals that compose a company, derive from their education, training or expertise, these resources can play a key role in the value creation of a business (Gimeno et al., 1997) as well as overall performance (Blanchflower and Oswald, 1998, Bosma et. al, 2002, Florin, Lubtakin and Schultze, 2003) and is particularly important for new

ventures as it increases the firm's ability to accumulate financial resources in its growth stages (prior to an IPO) (Florin, Lubatkin and Schultze, 2003). Research has also shown that certain human capital traits have been linked with the survivor of small business and startups (Bates, 1990). Moreover, human capital has gained increasing economic importance, the acquisition of people with acquired abilities, education, work experience and skills, is linked with most of the progress of modern economy (Schultz, 1993).

According to Marimuthu, Arokiasamy and Ismail (2009) the relevance of human capital within startups seems to play a crucial role not only in the survival of the new venture, but it is also linked with some fundamentals of economics and the performance of the firm. The understanding of human capital and its influences on a firm have to be broaden pass sustainability and growth. Bringing in workforce with valuable assets in an organization can create greater performance of the firm, which paves the ways for greater achievement through innovativeness and creativity (Marimuthu, Arokiasamy and Ismail, 2009).

Taking into account what was previously stated, human capital is composed of many different variables and the composition of these is what makes it valuable for an entrepreneurship. They play a role in the creativity and innovativeness of the business which can create the significant competitive advantage that has been mentioned above. Therefore, human capital is a crucial part of a venture and can be the decisive factor of the survival of the venture as well as the long term competitiveness and success.

2.4. Swedish vs. Dutch Entrepreneurship

Sweden has long been a nation of startups, five percent of Swedish adults are involved in starting new ventures, and almost six percent have invested in a business (Zubascu, 2016). The Swedish entrepreneurship has had been at a relatively high level since the beginning of 2000 (SOU 2016:72). But Sweden is not the only country in Europe with a big startup scene. The startup scene in The Netherlands is considered one of the most prominent in Europe (Egusa and Cohen, 2017). Since the mid 1980s the increase in startups has been especially high in the Netherlands

(Wennekers and Thurik, 1999) and they moved into the entrepreneurial economy in the 1990s as one of the first European countries to do so (Audretsch et al. 2002). Between the years 2010 and 2015 approximately 1,5 million new startups with one to nine employees were founded in the Netherlands (CBS).

Furthermore there are existing differences in laws and regulations such as different possibilities to get tax reduction when offering stock options to employees. From the 1st of January 2012 The Netherlands abolished tax reduction for stock options (SOU 2016:23) and therefore, startups cannot freely provide their employees with company shares without facing adverse tax consequences, demotivating the Dutch startups greatly in doing so (Mol, 2015). Additionally in Sweden the use of stock options for incentive purposes are more widely used in larger companies and the interest from small ventures are low (SOU 2016:23).

Due to these nations' high level of start ups (Wennekers and Thurik, 1999 and Zubascu, 2016) and the differences in the two nation's laws, locations and regulations, it is interesting to look at the differences and similarities between these locations when it comes to managing and sustaining human and social capital under the presence of uncertainty.

2.5. Literature Review

In order to provide a sustainable theoretical background of the concepts; network, social capital and human capital, previous literature on the matters will be outlined in these next sections. These overviews of the concepts as covered in literature will provide further insights on their affect and importance on and for a new venture and its entrepreneur(s) in the startup process.

2.5.1. Social Capital

Not only have social capital proven to have positive effect on entrepreneurial activity, its importance has also been investigated in a number of other areas such as families, youth behavior problem, schooling and education, public health, community life, democracy and

governance and more (Adler and Kwon, 2002). All the while the flowing of discussions through various levels and the different potentials and meanings that the research on social capital has provided has created complexity of the concept as well as multiple divergence in perspectives, definitions and interpretations (Lin, 2001).

In order to provide clarity to some of the notions and approaches in relation to the concept the following section will present literature on the social capital but focus on the internal aspects and the major researches that streams from this particular field.

The approach to social capital is straightforward and clear, it can be described as "investment in social relations with expected returns in the marketplace" (Lin, 2001). This definition is consistent with other interpretations made by various scholars such as Coleman, 1990, Nahapiet and Ghoshal (1998), Adler and Kwon (2002) and Payne et al. (2011).

The structure of social capital has provided a major development of the capital theory in general and the neo-capital theory in particular (Lin, 2001) as social capital is captured through social relations (Nahapiet and Ghoshal, 1998, Baron and Markman, 2000, De Carolis and Saparito, 2006, Gedajlovic et al. 2013) as opposed to other capital that is captured through individual actors (Lin, 2001). Individuals engage in interactions and networking in order to produce profits (Lin, Cook and Burt, 2001) and thereby creating a collective good that exists within the social formation (Coleman, 1990, Adler and Kwon, 2002)

As previously established by earlier scholars (Coleman, 1990, Putnam, 2000, Adler and Kwon 2002, Cuevas-Rodriguez, Cabello-Medina and Carmona-Lavado, 2013) social capital theory can be looked at from two different theoretical perspectives and has as such been divided into two different forms of integration, internal (or bonding or exclusive) social capital and external (or bridging or inclusive) social capital (Adler and Kwon 2002, Putnam 2000). These forms of social capital aim to explain the differences in linkages between, with and among actors and there is value in these concepts as they are identified by their function (Coleman, 1990). These concepts

will be further explained in the section that follows.

As mentioned previously, internal social capital refers to bonding within networks and between members of the organization, the networks are inward looking and tend to reinforce exclusive identities (Putnam 2000). According to Adler and Kwon (2002) bonding puts focus on collective actors' internal characteristics. The value of internal social capital can be demonstrated through Coleman's work in Foundations of Social Theory (1990) and Putnam's work in Bowling Alone: *The Collapse and Revival of American Community (*2000). Putnam (2000) describes internal networks as networks with strong in-group loyalty and that are useful for reinforcing specific reciprocity as well as mobilizing solidarity. Coleman (1990) explains that the level of quality of the relations between the actors within the organization differentiate between different social structures and that trustworthiness within the group as well as established social norms and closeness of connections determine the productivity of the social structure. Hence, the higher the levels of the features mentioned, the higher productivity within networks.

Several studies exist that state the importance and effects of internal social capital, and has been shown to be critical to the development of innovation (Sanchez-Famoso, Mesada and Iturralde, 2014). According to Sanchez-Famoso, Mesada and Iturralde, 2014, from the internal startup perspective, internal social capital is concerned with the relationship across all organization levels, and social relationships facilitate knowledge exchange by reducing uncertainty about the organizational functions and enabling knowledge sharing within the organization.

Adler and Kwon (2002) defines external social capital as a concept that "focuses primarily on social capital as a resource that inheres in the social network tying a focal actor to other actors". External social capital is also known as bridging (Putnam, 2000) and shows the connections that exist between different network structures. External social capital is outward looking and connect people across distinct social gaps (Putnam 2000).

According to Putnam (2000) the value of external network lies within that that it is useful for

linkage to assets outside the internal network as well as for the dispersion of information. For example, external network more often provides weak ties with distant acquaintances that are more valuable than strong ties, when in search for a job (Putnam, 2000). Furthermore, external network and bridging can generate more extensive identities as well as higher levels of cooperation (Putnam, 2000)

In conclusion, both of these concepts describe a form of social capital that are very valuable in the process of new venture creation where networks play a crucial role in the performance probability of the entrepreneurship (Davidsson and Honig, 2003, Maurer and Ebers, 2006) In business and in general, internal capital creates strong ties through bonding within networks and are good for *getting by* and external capital create weak ties by creating bridges between networks and are good for *getting ahead* (Putnam, 2000).

2.5.2. Human Capital

Human capital is defined as the skills and knowledge that individuals acquire through investments in education, on-the-job training, and other types of experience (Unger et al., 2011). According to Becker (2008) Schooling, a computer training course, expenditures on medical care, and lectures on the virtues of punctuality and honesty are also capital, this is so because they raise earnings, improve health, or add to a person's good habits over much of his lifetime. Therefore, education, training and health are the most important investments in human capital (Becker, 2008).

Human Capital Theory argues that firms with higher human capital should better be able to plan, solve problems, and respond to the challenges imposed by the environment in which they operate (Florin, Lubatkin, and Schulze, 2003). The contribution of human capital in startups is considered to directly affect the achievement of a sustainable competitive advantage. Furthermore, studies show that more attention should be devoted to team composition and to the added value in terms of human capital of new team members (De Cleyn, Braet and Klofsten,

2014).

2.5.3. Role of Uncertainty in Entrepreneurship

As McMullen and Shepherd mentions in their study "Entrepreneurial Action and the Role of Uncertainty" from 2006, the actions that entrepreneurs take and the activities in which they engage with their new ventures and innovations, are unknown. Meaning that the future cannot be predicted, especially when the results are expected to not be instantaneous. This uncertainty becomes greater by the level of novelty that the entrepreneur is presenting (Amabile, 1997, Smith and DiGregorio, 2002). As it can be perceived, uncertainty constitutes a conceptual cornerstone for most theories of the entrepreneur (McMullen and Shepherd, 2006).

In terms of management of a venture, it is known that most of the business decision making takes place under conditions of uncertainties. There are factors such as, non anticipatable events in a firm's environment, that makes it impossible for the outcomes of many decisions to be certain. (Alvarez and Barney, 2005) Uncertainty is characteristic of large number of decisions that have important economic consequences, including decisions about exploiting new and untested technologies and market opportunities by entrepreneurs (Alvarez and Barney, 2005).

3. Methodology

The third section presents and describes the methodological approach for this master thesis. This section entails the chosen frameworks and strategy for the research as well as justification for not practicing the alternative.

3.1. Method

In an effort to contribute to the research on this subject, this master thesis aims to investigate how entrepreneurs cope with uncertainty connected to human and social capital in the startup phases. In order to provide clarity and a comprehensive view of the research, a case study was used for the scope of this thesis. A case study design is a widely used method for business research (Dul and Hak, 2007, Bryman and Bell, 2011, Crowe et al., 2011, Yin, 2013) and are useful when there is need for an in-depth and multifaceted understanding of an issue, event or phenomenon of interest, in its natural real-life context (Crowe et al., 2011).

When conducting a case study there is detailed exploration of a specific case that can either be a community, organization or a person (Bryman and Bell, 2011). The case study designs are chosen for this business research for several reasons; since the aim of this study is to gather in-depth knowledge about the concepts of social and human capital connected to uncertainty in an existing new venture, the case study design approach seems to fit the purpose of this research. Furthermore, the purpose is to acquire understanding on multiple levels of the problem investigated which can be performed using the case study approach.

In order to analyze the chosen phenomenon in early startups, an extension of the case study design were used; a multiple-case study. The multiple-case study design has become more common in management research and grant possibilities for analyzing different sectors as well as different companies in the same context which sets the stage for a comparative design (Bryman

and Bell, 2011). This facilitates the analytic process in this study of the various new ventures in different industries as well as in different locations.

Multiple-case study includes two or more observations of the same phenomenon, and it is known to produce a theory of higher quality (Lewis-Beck, Bryman and Liao, 2004). The reasons being are that this is the perfect research design for a comparative analysis and since this study analyzes multiple startups and multiple industries, it allows for analysis of each case individually with its uniqueness as well as similarities across cases, making it possible to see the differences and similarities. This provides the possibility to create a general model if the situations presents itself to be fit, or display and conclude the differences which can be adjusted in order to apply each model according to the industry in which was studied here (Bryman and Bell, 2011). Furthermore, a comparative design is the superior choice in order to be able to analyze social phenomenon, which fits the nature of this research.

According to Douven (2016) there are analyses where uncertainty in the cause of the phenomenon exists, but a logical explanation can be concluded. In this research, there are concepts that can be derived from this phenomenon such as passion, inspirations, leadership skills and positivism from the founders or managers in order to keep moving the venture forward. Keeping the human and social capital motivated and with drive to not lose focus and minimize concerns that can affect the performance. Removing or minimizing doubt as much as possible. Abductive research concerns itself with deducing the best possible explanation based on the set of observations made in order to redact the most likely conclusion (Douven, 2016). Therefore, the abductive method was chosen for this research, providing the possibility of multiple explanations for the phenomenon investigated, with uncertainties being the factor that plays a major role in the involvement of managing and sustaining social and human capital, due to the early stage phase in which the startups, that will be analyzed, find themselves in.

According to Bryman and Bell (2011) in a multiple-case study which then is followed by a comparative analysis, both quantitative and qualitative research is applicable. However, because

of the nature of the phenomenon investigated, a more intimate analysis is needed, with deeper understanding of the subjects. A quantitative analysis involves analyzing data from general questions and surveys provided to a set of subjects, empirical data that cannot be analyzed in depth when it comes to analyzing more subjective concepts the more superior research is a qualitative analysis (Bryman and Bell, 2011).Therefore a qualitative analysis was adopted in the scope of this research.

A deductive research is not suitable for this analysis as very little is know about the phenomenon and it is an unexplored topic. Therefore, it would be highly difficult to construct a hypothesis (Bryman and Bell, 2011). The validity of a qualitative research is questioned when using deductive testing and it requires the formulation of hypothesis (Bitektine, 2008). Furthermore, it involves concepts and behaviors we are unaware of, where the phenomenon has been pinpointed and its existence is known, however, the methodologies or implications that play part in the process, if any exist, are not known. In the same manner an inductive approach would be unsuitable as well, for many inductive researches require specific approaches or traditions such as grounded theory (Thomas, 2006), which might be difficult to accomplished if the cases prove to have little correlation or a common conclusion cannot be constructed.

An exploratory research for this project is what was performed, since a qualitative analysis is being adopted, the exploratory stance aided in the testing and facilitated the relatively unstructured approach of this particular research process (Bryman and Bell, 2011).

In an effort to overcome challenges that can emerge when performing a case study as well as increase the quality of the theory, this thesis followed the structure and approach formulated by Eisenhart (1989) as well as Eisenhart and Graebner (2007). These two papers provide clear instructions for theory building, from identifying a research gap to analyzing the gathered data and writing a theory and covers opportunities as well as challenges that can be met when executing a case study.

3.2. Work process

This case study was performed by carrying out six interviews with equally many founders of a startup. The interviews was semi-structured where an interview-guide was used (see appendix A) as a guideline for support. The reason for conducting semi-structured interviews are that it is an open approach that provides the interviewee and the interviewer with a high level of flexibility (Bryman and Bell, 2011) and through the interview guideline it also makes sure that the essential subjects are covered at a satisfactory level.

The selection of cases for this study are a mix of startups in both the B2C category and the B2B category. The startups are between two and six years old since the business establishment and have at least four employees. The reason for these limitations are as follows. The choice of selecting startups that are between two to six years is due to the fact that an amplitude of startups is desirable in order to be able to see similarities and differences between younger startups and older startups. . Furthermore, older startups gives an indication of successful internal methods and processes due to their survival and hence provides justification and support for producing a framework of how human and social capital is managed and sustained in successful startups. However the startups can not be older than six years as they will soon pass the period of being considered a startup. The case startups that were chosen for the thesis have at least four employees in order to be considered having a founder with insights on the issue that are investigated in this thesis and thus are relevant to the study.

Additionally three of the case ventures in this study are Swedish, with Swedish founders established in Sweden while the other three of the ventures are Dutch, with Dutch founders established in the Netherlands. The purpose of this distinction is to investigate whether or not there are differences and similarities in the management and strategies of human and social capital in startups between these nations. Since there are differences in taxes, regulations and laws as well as opportunities to offer employees share or stock options between these two regions, different strategies might exist amid the startups and can be revealed through comparison.

Due to the nature of high tech intensity in the Netherlands, two of the three startups are high tech companies, with the remaining being service. Regarding the three Swedish startups on the other hand, two of the three subjects are in the service industry with the remaining in the manufacturing industry.

3.3. Data collection

The methodology and process of the data collection for this project will be presented in this section. Analyzing the process and unifying the data as one, can give an overall perspective of the analysis itself as well as the results.

The results are shown according to the geographical locations of the startups, both Swedish based startups and Dutch based startups were chosen based on their size, and by certain criteria such as years of the startup, size of the company. The Startups are also categorized by region with three startups in Sweden and three in the Netherlands for a total of six startups that have been interviewed in this qualitative analysis.

3.3.1. Data collecting process

The interviews with the startups took anywhere from 26-55 minutes with an average of 38 minutes. The data was collected from March 22 to April 24. All the interviews started with the interviewer introducing the title of the thesis and informing the interviewee the purpose and reason for the research. The interviews were open question giving the flowing of answers in a way that can be capture with emotions. As mentioned previously, the nature of a semi structured analysis provided a question guide for the interviews. Since a semi-structured interview approach is undertaken, the interviews were able to remain on topic and with relevant questions to the analysis, but the nature of the qualitative analysis also gave the interviewee the chance to speak freely, as it was. Many interviews were engaged with entrepreneurs and startup owner's speaking enthusiastically and perceived honesty to the question based on the friendly nature of the

encounters.

In order to keep the situation and environment of the interview flowing consistently, all interviews were voice recorded with the permission of the interviewees, in order to minimize distractions and interruptions of the interviews that could have been caused by taking notes. This also gave the opportunity of a more engaged interview, where it became easier to dive in, and fully appreciate the stories and explanations of the entrepreneurs about their venture and process. Voice recording the interviews provided more benefits as well, one of which was, that nothing that was said was missed, and the analysis process became highly thorough.

Every and each of the interviews started by introducing the topic and purpose behind the research, followed by the opening question of asking the mission and vision of the startup, which provided a sense of formality while learning more about the company. The interviews would most of the time, become more friendly and enthusiastic from the interviewees part when they were asked to tell about the growth process of the company and the early stages of the venture. Asking the interviewee to reminisce about the early stages of his/her company, surely gave a passionate and engaging conversation with many insights about the startup.

3.3.2. Analysis limitations and challenges

One the challenges that occurred in the hunt for startups to analyze and interview were the diversity of the startups in terms of industry, The Netherlands, a country known for its heavy on tech startups, engineering and hardware are among the strongest academic focuses available, and the Netherlands seems to be better prepared than any second-tier tech scene in the world (Egusa and Cohen, 2017). Due to this dominant tech industry, it was harder to obtain subjects outside the tech industry and observe other industries.

Another notable challenge faced, was to obtaining a more mature company, seasoned in years, with high number of employees and with a visible yearly growth in revenue. A company that has

many years or life, does not always mean it is big in terms of personal, and in a company with numerous employees does not necessarily have to be old. Therefore, the bigger the venture, the harder it was to obtain a meeting with the entrepreneur, due to this implication, many of the ventures interviewed are less than five years old with the biggest startup having 18 employees.

Furthermore, due to time restrictions only six case startups were able to be interviewed which provides limited insights to the phenomena investigated and general assumptions about the concepts are more difficult to make as supposed to if interviewing 12, 20 or 100 startups. This should be considered when looking at the result and findings.

3.3.3. Analysis process

In order to follow the abductive process for this research the process started by individually transcribing all the data that was voice recorded into a visual written format from each geographical location. The data from the Swedish locations was also translated into English. Once all the data was transcribed it was easier to collectively analyze and capture any similarities or differences between the individual case startups and between geographical comparisons. From that point coding was done and division of the data among the different emerging themes. The correlations within these geographical locations as well as the differences between the startups, number of employees, age, activities were able to be captured and processed.

4. Empirical Findings

The following section presents all of the case ventures subject to the interviews as well as the empirical findings gathered from the interviews with a founder from each startup. Three different main themes are extracted and presented below in an effort to display the most valuable and relevant data from the interviews as well as provide clarity for the reader. Furthermore, for each section the Swedish and Dutch startups will be presented separately in an effort to easier expose any differences or similarities between the two locations.

4.1. Case startups

Following are the case startups that were subject to the analysis, categorized by the startup alias name, geographical location and industry according. Proceeding is each startup individually, starting with the Swedish startup followed by the Dutch startups.

Startups	Geographical Location	Industry
Startup A	Sweden	Manufacturing
Startup B	Sweden	Service
Startup C	Sweden	Service
Startup D	Netherlands	Tech
Startup E	Netherlands	Tech
Startup F	Netherlands	Service

4.1.2. Swedish startups

Startup A is a Swedish business that was established in Stockholm in 2015. The startup is in the industry of business to business goods and manufacture and sell sugar free and protein enriched candy for resale. The interview was performed with the CEO and co-founder. Apart from the three founders, Startup A has four employees that work full time. Two of them are responsible for sales, one of them are working towards marketing and the fourth works with logistics and economy. The employees were either headhunted, recruited through personal networks or hired through a staffing agency.

Startup B is a Swedish business that was founded a small city in the vicinity of Gothenburg in 2011. The startup is a staffing agency that mainly works towards the construction industry. The two male founders are both 26 years old and each have a degree from Swedish gymnasiet with orientation trade and society, economy respectively. The startup has four employees that all work with construction and building and they were all recruited.

Startup C is a Swedish business founded in Gothenburg in 2013. The business is in the service sector and is a beauty salon that offer the customers different beauty treatments. The female founder of the business is 34 years old and has a vocational training in several areas in the field. Startup C has five employees that all have different fields of expertise. Startup C has had approximately 2 million SEK in turnover the last years.

4.1.3. Dutch startups

Startup D is categorized in the tech industry, it develops digital products for companies, established in 2012. The founder started the venture by seeking companies that needed digital products and seeking local freelancers to hire to the duration of the projects. After the first year, the startup moved to an established company and hired their first four full time employees, today the startup has 18 employees.

The founder of Startup E comes from a very successful internationally established company which he founded along with two other people, but went bankrupt in 2010 and dissolved. Startup E is a tech company established in the Netherlands dedicated to video games specifically related development and was established in 2014 with initially two employees he hired, today they are composed of eight employees and are growing positively.

Finally, Startup F, is a Dutch based startup, founded in 2007. They provide educational services to children and young adults, initially established as an in person service, but have pivoted to an educational service through their own digital platform. The are composed of nine employees, from tutors to teachers.

4.2. Routines & Relations

This first section of the findings presents the founders' approaches to risk and uncertainty in the startups in relation to how the founders manage and sustain human and social capital. Any strategies, plans, tools, routines and/or communication methods used in the ventures in effort to handle risk and uncertainty are presented below.

4.2.1. Swedish startups

When it comes to uncertainty while managing and sustaining human capital Startup A, the manufacturing Stockholm based venture, does not have an amplified or pronounced strategy for keeping their employees within the venture instead there is rather a large amount of openness within the entrepreneurship. The reason for the absence of strategies in this matter is explained by the interviewee as he connects it to the lack of sense of uncertainty and insecurity amongst the staff and the founders due to consistently increasing sales numbers as well as frequently reaching appointed goals. Startup A's founders has weekly meetings together with all of the employees where the progress of the venture and actualities in the startup is presented and discussed.

"At the meetings that we have once a week, we present how the business is doing and show figures such as sales numbers and things like that and due to that given information and the great outlook for us right now it creates certainty, but actually the meetings are more for the purpose to make them [the employees] feel that it is fun and that they get to know what is happening in the business."
(Founder of Startup A)

Furthermore, the founder from Startup A addresses the characteristics of the employees and point out a connection between startups and risk-takers stating that the risk, hence the level of uncertainty and insecurity, might even be an appealing element to the employee.

"I think everyone feels some sense of uncertainty [when joining a startup] but if that is conditionally negative is dependent on the individual and whether they think that that [the risk] is enjoyable or if they find it tough. When we were hiring we were very clear and said to the recruited that it is under these specific premises that we are hiring you and this is what we believe you will be doing the next coming period but there are loads of things happening round the clock and things are changing and the responses we got [from our employees] is simply that they feel that it is exciting and fun."
(Founder of Startup A)

Similarly, to Startup A, Startup B does not have a declared business strategy for dealing with uncertainty and risk in order to manage and retain employees and staff members. But when talking to the founder interviewed for Startup B, there is mentioning of different actions and a continuous pursuit for improved terms and conditions for the employees within the venture. There is a willingness and a strive to provide more security and decrease uncertainty for the workers, this is done in Startup B by active involvement such as implementing collective agreements, promises of longer employments when possible by hiring just enough workers for the job and by organizing activities outside work.

> *"The relationships I have [with my employees] are very close and more personal than professional. Our work time and spare time float together and we can work at any time of the day or night and it is hard to separate spare time from work time."*
>
> (Founder of Startup B)

The matter of the manner of the relationships between the founders and employees in Startup A are also commented on by the founder of Startup A.

> *"My relationships with the employees are extremely personal, they're more like friends than members of our staff. We are sitting so close together and we do different activities (...) you see each other all the time."*
>
> (Founder of Startup A)

Startup C approach towards handling uncertainty in relation to her employees has been somewhat more planned compared to Startup A and Startup B. There have been regular individual meetings with the employees in the entrepreneurship where the founder has had deep and thorough discussions with her employees in order to make sure that they establish a close relationship and talk to them about uncertainties that they might have.

> *"I started these meetings because I wanted to build trust between me and the employees. (...) We talked about everything, the business, future goals and career possibilities for the employees along with private matters, if that is something that the employee wanted. (...) I found that this way I could learn about possible insecurities or uncertainties that the employee had or felt and that gave me a heads up and an opportunity to do something about the situation and prevent the employee from essentially leaving the business."*
>
> (Founder of Startup C)

When it comes to relationships within Startup C there has been both personal (close) and professional relationships over time. As some of the employees were already in the founder's personal network when they were hired those relationships were strong from the beginning and the relationships with the employees she hired that she did not previously knew have went from strictly professional to more personal and as the business has developed so has the relationships within the entrepreneurship and the founder now considered all of her relationships with her employees close.

4.2.2. Dutch startups

In terms of a clear strategy, startup D, does not have an established strategy for managing uncertainty within the human capital of the venture. However, they do have activities within the company that serves in addressing uncertainty, though, the main purpose of it is not managing uncertainty but to create a transparent environment in the startup to get the employees more involved in feeling that the business is theirs too as much as it is the actual owner.

> *"Truth is uncertainty is always there. Specially in this kind of business where we basically sell our times, we have to have the next project every time, so uncertainty is always there. However, we have never had a time where I couldn't pay the payroll, we have always been on the green zone, but I am aware of the risk, if ten people don't have work then that would be very costly. (...), even now that we have a lot of work, I am already thinking about the next projects. I try to provide security or the sense of security to the employee by trying to be as transparent as possible with the employees, I always show quarterly how we are doing, I think this is very important. I also weekly show what is in the pipeline"*
>
> (Founder of Startup D)

The founder or Startup E on the other hand explains this phenomenon of the sense of uncertainty

as a factor that is part of everyone that chooses to work for a startup, specially in the early stages. The founder explains how uncertainty can be felt even in the most mature and biggest companies in the world, but the uncertainty that comes from a startup is significantly higher, due to the potential of growth as well. Uncertainty does not always have to be a negative state of mind, specially when it comes to startups.

"You can't always think of uncertainty as a negative thing, because it is a state of mind that will always be there no matter what, nothing is really certain, in my previous startup we became huge, with offices in five different countries, and that ended up fading. People who choose to join startups have as much uncertainty that it can fail as well as uncertainty that it can become extremely successful. People here love what they do and they are highly involved in the decision of the company that it is more of a family that work. With smaller teams you have the chance to interact with everyone on a higher level and they know everything that is going on in the company as well as the power to influence its direction."

*(*Founder of Startup E)

Sharing the same idea of startup D, startup F manages uncertainty by being as open as possible with the employees, since they on a day to day basis can tell the progress of the startup with easily accessible digital tools. Due to the nature of their business, they have access to different tools that can give a pretty good overview of how the venture is doing and the progress it is making. The founder mentions this as a great management tool of uncertainty, since the employees are constantly aware of the progress of the startup, which then drives them into coming up with ideas that can drive the venture forward.

"In this business, where our customers are digital users. Knowing the progress of the company becomes quite accessible to everyone in the company. And whether is for good or bad knowing everything about the company removes uncertainty from the employees, because they know there is nothing hidden. A reason that has

> *minimized uncertainty is the fact that since our first major product, we have*
>
> *constantly been innovating and launching other children projects if you can put it*
>
> *that way, so along with everyone at the company, we know we are doing*
>
> *everything to drive the business forward."*

(Founder of Startup D)

4.3. Values & Incentives

The following section shows the findings related to the startups approaches to creating values and incentives for the employees. If and how different values and incentives influence and affect the management of, and efforts to sustain, human and social capital within the entrepreneurship.

4.3.1. Swedish startups

As stated in the previous section, Startup A uses weekly meetings with the whole staff to keep the employees constantly updated on the venture's activities. During these meetings the employees are provided with useful and prevailing information such as sales numbers, current development areas in the business and upcoming events. In addition to presenting the hard facts of the startup in terms of figures and numbers the meetings have an additional function. The founder of Startup A declares that the meetings also have a purpose of creating a sense of unity between the members of the staff.

> *"In the beginning when we were fewer it was easy to talk with everybody and*
>
> *everybody knew what every person did and what was going on. But now all of us*
>
> *have so much to do and a lot of individual tasks which means you don't know*
>
> *what the others are doing so we have this meeting each week where we inform*
>
> *each other what is going on this week and what we have done the previous week*
>
> *otherwise you just know and do your own thing without knowing the bigger*
>
> *picture of the business."*

(Founder of Startup A)

He further states that inspiration and commitment from the founders applied on the employees has in turn played a role in creating commitment with the employees to work hard for the cause and activities within the startup and that the founders use motivation and inspiration as a tool for managing, encouraging and sustaining their employees.

In Startup B inspiration and commitment and other soft values has also been very important for the venture in terms of aligning the employees and providing them with incentives to continue to stay within the business.

> *"For us it was important to provide our employees with a sense of flexibility as well as own responsibility. They do truly affect the entrepreneurship with their work and we could never compete with the big companies when it comes to money but there are huge advantages in the soft values, and that we are good at. (...)We are dependent on our employees, we have great faith in them and they in turn have great responsibilities towards us and the work they put into the business are partially in response to the inspiration that we bring about and contribute with as founders."*
> (Founder Startup B)

The founders of Startup B use soft values such as flexibility, responsibility and inspiration in their daily operations as a mean to motivate and retain their employees in the business. As an expositive example, the workers within startup B often had a time-limit or deadline for when a job should be finished. Instead of giving the employees strict schedules for when to work, take a break or go home they were given the privilege of deciding on their own when to come to work and how long to be there as long as the work was done by the deadline.

For Startup C inspiration and commitment have been crucial for the survival and performance of the business. The founder of Startup C states that it is very important for her to give the

employees the same feel that she has of commitment, joy, enthusiasm and responsibility in relation to the startup, as she believes that this ensures that they work hard, are thorough and ambitious and provide the best service for the customers.

> *"I really feel that I have been successful in motivating my employees to give their all at the workplace. I think I have, in a sense, projected my feelings for this business on them and that is both intentional and not because I live and breath this organization (...) I'm sure that my passion and fervor have been the reason why some of my employees not only have joined my business but also stayed with me through both good and bad times."*
>
> (Founder Startup C)

The founder of Startup C also provides an example when one of her employees were offered a position at another company. The firm where the employee was offered a place was not in the same industry as Startup C but it was an older, more established business. Essentially the employee turned the offer down in favor of continuing working at Startup C. The founder think that it was the passion for the business in addition to the close, personal relationship between them that kept the employee from leaving the business.

4.3.2. Dutch startups

The founder of Startup D, implemented the one on one strategy that it is done by Facebook. The founder found this strategy after a disappointing and very surprising event that occurred at the beginning stages of the startup, the incident motivated the founder into seeking strategies to know more about how the employee is feeling on a day to day basis as well as the overall feeling of each individual in the startup, in order to do anything possible to change that if it's perceived to be negative.

"I try to be very aware of people that are for some reason less happy, we also have one on ones with each employee, which we copied that from Facebook actually. So that came to be due to an incident that we had, where one of the first employees we had after some time left for another job abroad, but then when that person came back he went and joined the competitor. That was a big surprise to us, I didn't know what we did wrong, perhaps I didn't pick up signals that I should have, so we implemented the one on ones. It was a reason to ask and know the most I can about how the person feels, and if they are not happy in the company or doesn't like the project then they would tell me, but I had to offer the opportunity for them to do so, because some people won't tell you what's going on unless you ask them. Now I need to spend at least half an hour every now and then to ask employees how everything is going, and what can we do to make it better."

(Founder of Startup D)

In terms of value, the founder of Startup E mentions that the value for the employees relies on the family like environment and freedom within the startup. The employees more or less manage their own time and although there are clear tasks and deadlines. The Founder provides certain amenities, which gives the employee the chance to be more at ease. In combination with being able to manage their own time, the employees are provided with office keys and security codes, this allows the employees to come and leave the office at whatever time they see fit according to their work hours. This provides the employees the freedom to distract their mind with entertaining activities while being at the office if they feel the need, then proceed to leave at a later time to complete their working hours.

"I learned a lot from my previous venture, one of them is that productivity does not come from rigid hours and strict rules. People need to have the feeling that this is not work, although it is. They (the employees) all manage their own time but know very well the deadlines and tasks at hand. (…) Everyone here has access to the office and no one relies on anyone to come and go, yes, there are eight

hours of work everyone must complete, but these do not have to be all at once. If someone needs to have a relaxing moment they can play video games or have a laugh with each other then get back to the task at hand when they are ready."

(Founder of Startup E)

Startup F works closely with their customers. Since they are in the educational industry, they interact with the users to teach and provide feedback and help them learn, and the potential outcome can be a better educational future for the customers. The founder points to this factor as the reason behind the motivation of the employees. They also have frequent meeting with the employees, to discuss improvements of the platform, or suggestion in order to make the employees interact in a better and more efficient way.

"I think the biggest motivating factor for the employees is the customers and meaningful impact they can have for them. In other words, every employee is very aware of the power they have to change a customer's future"

(Founder of Startup F)

The employees work closely with the customers in such a manner that make them aware of the meaningful impact they can have over the customers. Often time, people that have chosen a path towards a specific profession, do so because it is something they are passionate about. However, when it comes to working in a company, employees also must have the right tools and a good environment in order to have an enjoyable and productive flow.

4.4. The startup factor

Presented below in the section that follows are the findings connected to the founder's degree of adoption of "the startup factor" as a mean for managing and sustaining human and social capital. That is, the use of the ability or power a startup holds in attracting and keeping employees within its business just for the sole reason of being a startup.

4.4.1. Swedish startups

The founder of Startup A describes the startup as an enticement for employees in itself as it has several characteristics that are attractive to many people in the labor market. The possibility to be a part of a process from the start and to be involved in the development of an organization along with the varieties in work activities is just some of the appeals that Startup A offer and the founder has experienced being strong influences in sustaining the human and social capital.

> *"The people we have hired were attracted by the fact that we are a startup and that there is a lot going on and the opportunity to be a part of something from an early stage."*
>
> (Founder of Startup A)

Moreover, the founder of Startup A describes the business venture as a place where a high level of different organizational activities takes place and the startup is during constant development with a lot of transformation and changes. According to the founder of Startup A this has a positive effect on the employees in the venture, who finds the changes and challenges exciting and fun.

As mentioned in the previous section the founders in Startup B incentivizes the employees by providing them with a lot of flexibility and possibility to make money fast. The employees in the startup are young and newly graduates that want to earn money quickly and value their freedom. Furthermore, the founder of Startup B also acknowledges the employee's recognition of the venture's potential and its future prospects and their possible involvement in it which could lead to more influence, higher salary or maybe even ownership in the venture.

> *"This is one of the greatest part about the startup, there is so much potential for both the business in itself and for the employees that can become more involved in many ways as the business develops."*

(Founder Startup B)

In Startup C, the founder receive appreciation from the employees in providing them with something else than the usual and common "office jobs". Pursuant to the founder, the startup environment and high level of new activities is a welcomed challenge for the employees and seem to be regarded high among the staff.

"I didn't want a common nine to five job where you do the same thing every day (...) that also holds for them [the employees] and they value their roles as they have a lot of freedom in how they divide their time and they get to be part of something new and exciting where there is rapid growth and not too many rules or routines but rather an open environment with many opportunities"

(Founder of Startup C)

4.4.2. Dutch startups

The founder of Startup D, reflects his belief that a team-family type structure that often time startups have due to their relatively small teams, play a big role in people finding joy and meaning. The founder mentions that employees do not seek the "big sale" but rather a sense of ownership, by getting the chance to take great involvement in both the idea and the development of every project.

"This is not a startup in the sense that you are going for this big sale… The biggest incentive is on the involvement part, to feel like you have a say in things, that you are involved in things, not just that you are coding but that you have a say and can influence the success of the product. Which was hard for me, it hard to let go of projects but is something that I have had to learn to give up and it's something that I still struggle with but it is also something that I strongly believe in. I believe that even though I am technically the owner, I believe that the

company is an entire team, I am just one of the people working here, so I really

hope people take ownership, even though they might not have the shares, they feel

that it is theirs."

(Founder of Startup D)

The founder of Startup E, has had another successful venture prior to his current company. The network he built during the period of his previous company, has helped him a lot in the new one. More importantly, the knowledge and reason behind his current business which is the same industry as his last one but in a different sector, is because he recognized the need for the service that he currently provides. This gives him a sort of appealing factor to the employees as he knows the business very well and is currently driving the venture forward through his previous contacts and getting new client through them, giving his employees a clear visual perspective of a good leader.

"The size in which my previous company grew, gave me a significant advantage

in this one. I always had trouble finding this type of service and when we would

find them it would not be a pleasant experience. So I knew this was a type of

business that was scars in the industry, that plus the network I acquired, put me at

an advantage. The employees see the big names in the industry coming to our

small offices, and they see the potential and progress of the company."

(Founder of Startup E)

Sharing the same 'close working team' and 'ownership' idea of Startup E, the founder of Startup F also expresses the essence of the business as being a unified team, everyone working closely together and constantly interacting with each other to share improvements or remove barriers they face in communication with their customers. This is done in order to gather ideas and see if they can come up with innovations that will help them and drive the business forward. The founder mentions that everyone has an openness of communication in the startup, and this has been incentivized and welcomed since the beginning. The benefits of that has been employees

that feel ownership of the startup which of course drives and motives them on an optimal way.

> *"Everyone pitches in, we are a unified team with big ideas that have and keep driving this forward. Everyone here gives suggestions all the time and we work through them together no matter what it is, some ideas might be more time consuming but we give a voice to everyone. This is the most important thing in a company, being a passionate hard working team who want to constantly see this company move forward like it is their own."*
>
> (Founder of Startup F)

5. Analysis

In this section of the thesis an analysis is made of the empirical findings gathered in section 5. The results will be examined and compared for analysis. The analysis will be made according to the themes in section four where the routines and relations will be first analyzed followed by values and incentives and finally the findings from the startup factor.

If "knowledge is power" there is no question, why human and social capital are highly treasured within businesses in general and entrepreneurship and startups in particular. In the uncertain, competitive and constantly changing environment that is the everyday life of new ventures and startups today, all advantages that can be gained are valuable.

Human and social capital has proven to be crucial factors in a business that wants to thrive and the importance of these elements are frequently and resolutely expressed by the case startups in question. However, how the ventures act, work and operate their daily business, in order to manage and sustain human and social capital within the company, both differs and coincide among the case startups. Therefore the similarities and differences in strategies in the case startups will be presented below, showing the uniqueness in each case as well as common denominators across cases. The themes in the empirical findings will be used as guidelines.

5.1. Routines & Relations

As Alvarez and Barney (2005) state, most of the business decision making takes place under conditions of uncertainties in the management of a venture. Despite this uncertainty that is constantly surrounding the startups and the effect that it can have on the employees, there are almost none of the case startups that have thorough thought out strategies for managing and sustaining their staff. Instead more focus is put into the meaningful present, on significant

activities very closely linked with the organization, a common goal and what is currently happening in the business. This seems to follow a fair logic as growth is high and developments happen quickly in the startups so there is little or no time for strategy planning and the issue of dealing with possible losses in human or social capital is less prioritized. However, some strategies, even though perhaps unintentional, are revealed in the startups through the findings.

Davidsson and Honig (2003) show in their study that networks have multiple positive effects on the success of startups, this is in line with what can be seen in all case startups. Close relationships with the employees are important as they, through a sense of obligation and will, prevent the employees from leaving the business for different reasons. In the Swedish startups personal and close relationships can be found in Startup A, Startup B and Startup C. The closeness between employer and employees are in most cases immediate as all of the case startups hire through their personal networks. The relations are also built and developed over time as close communication are practiced within all the Swedish startups and in both Startup A and Startup C this is done through, joint or individual, regular meetings. These meeting further strengthens the bond between founder(s) and employer(s) and create strong ties which in practice essentially works as a strategy for keeping the employees within the business. The same goes for the Dutch case startups where they make a priority to put the satisfaction of the employees first and foremost, going to tremendous length to make sure they have everything they need, but more importantly that they feel the company similar to a home and everyone in it as family. All the founders go to great length in searching for strategies to make sure all their employees are at ease.

The combination of strong ties in terms of close relationships and routines that entail open communication and transparency in the business seems to further sustain the human and social capital within the business as the employee(s) through these means evolve a strong sense of obligation towards the organization as it becomes clear that their performance and contribution has major impact in influencing the success of the startup. These determinants provide stimulation and hold of the employees.

Thus relationships with strong ties between the founder(s) and employees along with transparency in the startup has a lock in effect on the employees within the business and this holds for both Dutch and Swedish startups. As mentioned previously, almost every founder has mentioned behaving in a highly transparent manner towards their employees, working in a very open environment and providing extensive information to the employees related to the startups future plans, progress, turnover and more.

5.2. Values & Incentives

When it comes to values and incentives we can see a clear trend that manifests in the startups. In all the startups there are a heavier focus on soft values rather than material compensation when incentivizing employees. This means that the startups and founders are dependent on creating incentives that kindle a certain feeling with the employees, a value that cannot be quantified but that in the short and long-run all the same make them remain within the venture.

In line with what Singh, Tucker and House articulate, (1986) the case startups often face difficulty when competing with established, mature businesses, in terms of financial compensation, security and such for the employees, due to, amongst other things, limitation of the required resources. Thus, the founders in the case startups are forced to use and offer different means of reimbursement and benefits to sustain their human and social capital within the venture. As it is presented in the empirical findings, all of the case startups heavily rely on various soft values as an alternative to high salaries, bonuses of different kinds etcetera.

In all of the Swedish startups the founders use the concept of inspiration and motivation to some extent, as a mean to incentivize employees. Additionally, in startup A, the sense of unity among the participants in the venture as well as a sense of unity between the employees and the venture itself which works as an important force to establish and strengthen the feeling of influence and belonging with the employee(s). In Startup B flexibility and freedom are soft values that are features in the venture to incentivize the employees and provides them with less cause to leave

the business and take employment elsewhere. The nature of the employees at Startup B probably strengthen the effect of these incentives as they are relatively young and are likely to put high value in concept such as flexibility and freedom. In Startup C the concepts of inspiration, enthusiasm and joy have played a big role in the daily operations and are meaningful as a driving force for employees as well as making them feel highly involved in the startup and has further created a level of ambition that increases the success of the startup.

For the Dutch startups, the same can be seen from the data collected, all the founders have mentioned having different strategies that focus on the happiness of the employee, with trustworthy feeling put into perspective. Startup E, provides very flexible working hours and buys entertaining gadgets for their employees to use for relaxing and unwinding purposes. Startup D is constantly seeking engagement with the employees in order to perceive the way they feel by going on one-on-one walks in order to gain insight and develop improvements.

5.3. The Startup Factor

The startup factor seems to have an attracting and sustaining influence on the employees in the all the case startups. Employees value the characteristics that is held by a startup as a workplace and as an employer and are thereby incentivised and susceptible to stay within the businesses. Some of the startup features that retains the employees and are connected with the concept might only be perceived attributes of the startup but that still works as incentives due to the startup appellation and environment.

Some of the key factors identified from the interviews that is connected to the attributes of the startup and that seems to aid in the sustaining of the employees are; the possibility of rapid success (and being a part of that success), the advantages of working in small teams, ability to be actively involved in the development of the business and the level of freedom and flexibility in their work roles.

When it comes to the possibility of rapid success there seems to be a high belief, or at least high

hopes, in the startups that their business will become the new major game changer in each specific market. There is a longing and drive to be part of a success story and maybe create and become a massive success such as the multi-million businesses Facebook, Apple or Tesla which seems to be the kings of startups. The opportunity the employees identify of obtaining this rapid success and achieve the benefits from it seems to be a part of why the startups are successful in sustaining the employees within their businesses. Additionally the organizational environment is permeated by everyday work in small teams. This holds for all case startups and this factor also has sustaining effect on employees as they seem to value the strong bonds that are formed and the recognition that they get from this team structure. Furthermore, this can also be connected to the ability to be involved in the development of the business and the level of freedom and flexibility in their work roles. Due to the fact that the employees are working in small teams they are able to try on different roles in the business and are also often closely working with the management. Through these circumstances the employees have high possibility to impact the development of the business by affecting the decision-making in the startup by presenting their ideas, working at different levels of the startup and providing insights to management.

6. Discussion

In this section the findings and analysis is discussed further and connections to the literature are made. A closer look will be taken at the comparison between the Swedish and Dutch startups as well as the research implications.

6.1. Literature connections

As mentioned previously in this thesis, research on how founders and managers act and behave in order to manage and sustain human and social capital is very limited. Even so, through the findings gathered in this study, some connections can be made to the literature regarding the importance and effect of network, human capital and social capital as well as the discrepancy between the different locations studied that was presented in the second section of this thesis.

The theoretical framework started by presenting the relation between networks and entrepreneurship. As mentioned by Witt (2004), networks helps entrepreneurs to obtain resources cheaper and access scarce resources. This is supported from the results of this study as all of the case startups have used their network to access their human capital and to extend their social capital. They have accessed resources in a cheap way by utilizing their networks for the benefit of their venture. According to Elfring and Hulsink (2003) networks can also provide accessibility to information and connections to additional networks which seems to hold true for the case startups as well. From this study there is examples of exploited relationships in order to reach a coveted asset or an individual that in turn have been valuable to the startup.

As presented in findings some of the case startups uses the internal social capital as means to generate new ideas and innovations in the business. This is in line with what De Carolis and Saparito (2006) state, that the impact of social capital on entrepreneurships is demonstrated as it

improves stimulation and advancement of new ideas. Furthermore, in many of the case startups the social ties within the organization are used to extend the networks and easier get hold of additional resources which supports Lin (2001) statement that an organization can through social ties localize and recruit an asset in form of an otherwise unrecognized individual. Florin, Lubatkin and Schulze (2003) find that social capital increases the ability to accumulate financial resources in the growth stages of a firm which is supported by our findings in this study as well. The internal social capital in these cases have been a major part of accessing financial resources both through the performed work in the startups but also through additional ties that has been established through the already existing ties.

According to Marimuthu, Arokiasamy and Ismail (2009) a workforce with valuable assets in an organization can create greater performance of the firm which in turn can lead to greater achievement through innovation and creativity. This is connected to the human capital of the business and can be seen along some of the case startups in this study. A few of the employees in a number of the startups have valuable assets in terms of specific knowledge, education and such, that have increased the quality of the services or offers which in turn created better performance to the businesses.

6.2. Comparison of nations

An interesting factor that arose from this research is that although the managerial approaches of the startups were deemed as intuitive activities, as the founders revealed having no clear strategies for managing uncertainty, they all have many similarities in how the startup operates. From the results found and analysis made the Swedish and Dutch startups was identified as being more similar than they were different despite different regulations and entrepreneurial activity (SOU 2016:23, Zubascu, 2016, Egusa and Cohen, 2017).

To get a better overview of the comparison between these two geographical locations, a table has been created where the Swedish, S (ABC) and Dutch, D (DEF) startups have been placed to show their position, from high level to low level with medium level in between, in relation to the

concepts mentioned in the empirical findings and analysis. The letter **S** represents on which level the compounded Swedish startups lie and (ABC) shows the position of the individual Swedish startups. Likewise, the letter **D** represents on which level the compounded Dutch startups lie and (DEF) shows the position of the individual Dutch startups.

	High Level	Medium Level	Low Level
Close Relationships	S (ABC) (E) D	(DF)	
Transparency	(C) (DE) D	S (AB) (F)	
Soft Values	(B) (E)	S D (AC) (DF)	
Startup Factor	(BC) (DE) S D	(A) (F)	
Stock Options			S (ABC) D (DEF)

As can be seen from the table of comparison between the different case startups and their positioning they are all quite similar in their approaches to manage and sustain their human and social capital. The Swedish startups are consistent through all the cases, ABC, in having a high level of close relationships. The Dutch startups reach a relatively high, medium level of close relationships where startup E reach a high level and startups D and F lies on a medium level. For transparency the Dutch compounded force reaches a high level where startups D and E lies on the high level and startup F lies on a medium level. For the Swedish startups transparency stops at a medium level where both startup A and B lie despite startup C reaching a high level. When it comes to soft values both Dutch and Swedish startups reach a medium level where the case startups B and E have a high level and the remaining startups lie on a medium level. They are also similar in Startup Factor where both nations reach high level, having two cases respectively in high level, startups B and C as well as startup D and E and one each at medium level, startup A and F. None of the interviewed startups in either of the nations offered stock options to their

employees, thus ending up at the low level for all case startups.

As can be seen from the table and from the analysis made in the previous section the nations are quite similar in their approaches and behaviours related to managing and sustaining human and social capital. It is uncertain why this is so but one explanation of this similarity in behaviours, such as the transparency levels, strong ties and soft values, that exists in the ventures, could be that there is a common perception of how a startup should operate. Inspired by the internationally known successful startups such as UBER, Facebook and others and their approaches to human capital and social capital and the management of these, the tools and methods used could be adopted from these precursors and thus be an explanation of the similarities across cases. Another explanation could also be that the driving factor towards the mentioned similarities is due to the relatively small manageable teams, where intimate relationships are able to be built, more individual interaction is able to be accomplished and a complete unification of the entire team is more attainable. This work environment and the type of formation in the startups could perhaps also be an explanation of why the nations are alike in their approaches and behaviours. Additionally, even though there are national laws that differ and different regulations both Sweden and the Netherlands have relatively many resembling characteristics in terms of gross domestic product per capita, culture, religion, climate and such which might also be a major part of the similarities in approaches and behaviours and how startups manage and sustain human and social capital in these geographical areas.

7. Conclusion

In this section the research question will be answered through the themes extracted from the empirical findings. Managerial implications will be presented alongside a designed model for the purpose. Finally, a suggestion for further research will be presented.

7.1. How do early startups manage and sustain human and social capital in the presence of uncertainty?

The management of human and social capital in early startups under uncertainty is rather intuitive and does not follow specific strategies within the startups. The intuitive activities held in the startups to manage and sustain human and social capital seem to be analogous across startups and does not significantly differ between Swedish and Dutch startups, but rather follows the same patterns, methods and routines.

Three main factors have through this thesis been found to have high importance when it comes to managing and sustaining human and social capital under the presence of uncertainty in early startups and those are certainty, soft values and cool.

7.1.1. Routines & Relations → Certainty

This theme relates to the concept of certainty. By creating close relationships with the employees and practicing an open and transparent working environment, laying off employees can be avoided. This is due to the strong ties that are formed and the sense of purpose, obligation and influence that can be created for the employee(s) in relation to the survival, success and performance of the startup in question. The application of these two factors in the daily business in turn creates certainty both for the employee(s) and the founder(s) and are used in the startups to manage and sustain the human and social capital.

7.1.2. Values and Incentives → Soft values

This theme relates to the concept of soft values. In the startup there is a high focus and emphasis on soft values such as inspiration, motivation, commitment, flexibility, responsibility, enthusiasm joy and more. Since the startups have limited ability to match established businesses in financial compensation and such for the employees they seek competitive advantages elsewhere. This is why soft values are important and used in startups as they incentivize employees in a different way by providing the employees with opportunities that established and large businesses cannot.

7.1.3. The startup factor → Cool

This theme relates to the concept of "cool". The notion of working in a startup has a high factor of attraction to many employees. The ability for employees to work in a venture with small teams with a lot of responsibility at many different levels of the organization is highly valued and can be used as mean to manage and sustain human and social capital. The startups use this notion of being a young and trendy business with loads of potential to attract but also to keep employees within the business. Basically, one of the factors that prevent the employees within the venture to leave is the perceived level of coolness and potential of rapid success that the startup holds.

7.2. Managerial implications

To further demonstrate how founders and managers of startups can work in order to manage and sustain human and social capital in their business, a model is provided as well as further insights on the matter.

In short, the suggestion for founders and/or managers of early startups when it comes to managing and sustaining human and social capital in the presence of uncertainty, is to keep it soft, cool and certain. What is meant with this phrase is that the most important actions to take in

the startup related to the retention of human and social capital is first and foremost to handle uncertainty, create soft values and to keep the cool factor. The concept is visualized through the figure below.
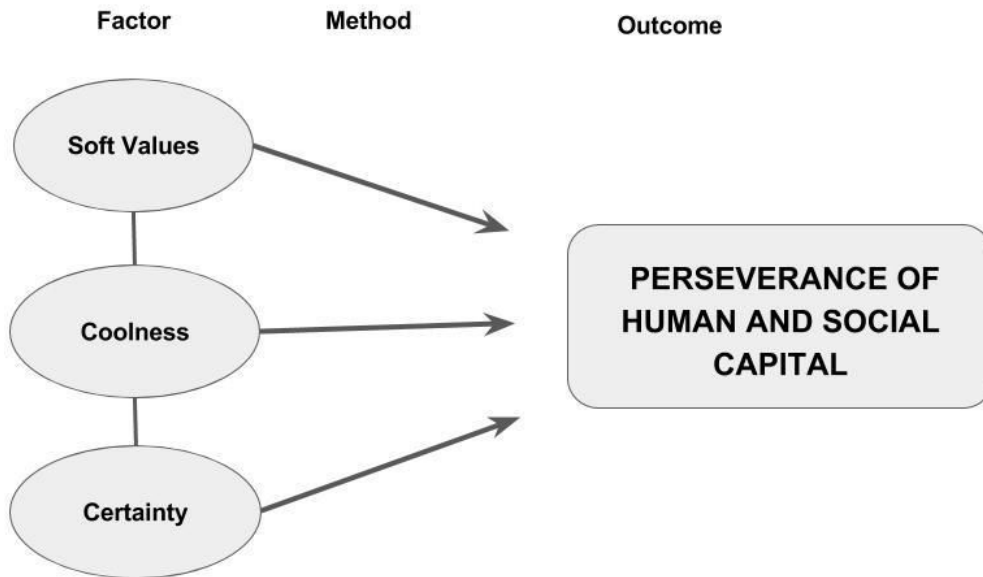
The arrows represent the methods used within each factor as means to sustain human and social capital.

Model of the factors used with different methods to create stability in capturing human and social capital within the early stages and processes of a startup

As can be seen the model consist of three categories. Those categories are soft values, coolness and certainty. The arrows represent the different methods that are used in relation to each category in order to obtain perseverance of human and social capital in the startup.

The methods founders and managers should apply and practise in order to achieve soft values, coolness and certainty and thus manage and sustain human and social capital will now be presented. In order to achieve certainty founders and managers should take care of relationships with employees and create strong ties and personal connections. This can be done through e.g. hiring employees within the personal network, having frequent individual meetings or arranging activities inside and outside work. Additionally, there should be an element of transparency which can be accomplished through open meetings, dialogues at and between all levels and teams, exposure of future plans as well as visible current progress. Founder and managers should

also apply soft values to a large extent as incentives for employees and as a competitive advantage towards established businesses in the competition of employees. This can be done by letting the founders be a source of inspiration and motivation that is transferred to the employees making them committed and ambitious. Furthermore, the startups can give them flexibility and freedom when it comes to how they manage and administer their work obligations as this can serve as incentives. Finally founder and managers should try to keep the cool factor of the startup for as long as possible as this is a smart choice to make the employees wanting to stay within the business even under circumstances or periods of uncertainty. This can be done by trying to keep the startup factor and "staying cool" for as long as possible. In order to do so the startups should try to avoid becoming too conform and rigid and rather be flexible with the ability to adapt and change to new circumstances, situations and possibilities. They should keep innovating and developing to be a front runner and keep working in small teams as this gives the feeling of a small and intimate work place with the possibility to work in different parts of the organization.

As the startups develop, grow and get more financially stable they will be less considered a startup and can to a greater extent rely on financial compensation and stability to manage and sustain employees and will thus move away from the model.

7.3. Research implications

This study has through the gathered findings, analysis and discussion contributed to the research with insights of how founders behave and act in order to manage and sustain human and social capital within their startups under the presence of uncertainty. Additionally, it has provided information of how Dutch and Swedish startups differ and are alike in relation to this phenomena. It has made connections with existing research and thus supported previous literature related to the subject investigated. Furthermore the thesis has provided managerial implications to founders and/or managers of startups through proposed methods that can be adopted in order to manage and sustain human and social capital within the new venture.

7.4. Future Research

Suggestions for future research can be drawn from this master thesis, three suggestions for further research have been listed below.

- Different perspective

This research analyzed how the founder and top managers manage social and human capital in the presence of uncertainty, focusing heavily on the internal team. Another suggestion for future research would be to analyze the same phenomenon, but from the perspective of the employees. Knowing the "other side of the story" might gain additional valuable insights. This research would have to also be a qualitative analysis as an intimate interview would be the optimal way to capture legitimate data, and gather information and knowledge of the employees thoughts and feelings and how they describe overcoming uncertainty, what incentivises them and why they choose to stay at a specific workplace or company. This could serve as a complement to the findings gathered from this research possibly further validate the results.

- Non-profit organizations

Our first suggestion entails performing a similar study but with non-profit or social entrepreneurships as subjects to the research. As non-profit organizations and social entrepreneurships can be perceived to have to operate during higher levels of uncertainty due to their dependency of, among other means, donations, charities and governmental funding. Thus the methods used to manage and sustain human and social capital might be more substantial or different to business startups which could be interesting to explore. This research could be done in the same manner as our study but with interviews with founder of the non-profit organizations and/or social entrepreneurships.

- Different countries

Our second suggestion is to look at other nations or geographical locations than investigated in this study and compare their approaches or methods for managing and sustaining human and social capital. As Sweden and the Netherlands are relatively similar in terms of GDP per capita,

culture, religion, climate, regulations and such the results might vary if looking at two countries with more extensive differences. One suggestion could be to perform the study in the same manner as our study but instead compare a country within the EU with a country outside the EU.

8. Appendix

8.1. Interview guideline

Introduction

Explain the research and motives.

We want to know about the main challenges and obstacles in the early startup process and how you did overcome them, in terms of keeping/managing/sustaining the employees within the company.

General information about company and startup process

- What are the company's mission and vision?
- How old is the company?
- How many employees do yo have?
- Educational background
- What type of employees (office/salesmen..?)
- How many employees did you start with?
- Can you describe the startup process of the company?

Challenges and Obstacles

- Describe the process of the company in terms of progress or growth.
- Did the starting employees receive shares of the company?
- How did you attract employees? → and what tools do you use in order to keep them?
- Where they part of your network?
- Do you find employees leaving the company a problem? → for what reasons do they leave? Competitors?
- What do you think are the most valuable incentives for employees? → Do you think you provide that for them?

Managing employees and the company

- How do you deal with uncertainty? Have you ever seen the team discouraged? If so how do you manage that?

- Do you find it easier to motivate employees over time?

- Can you explain the relationship you have with the employees or the organizational environment?

- Why do you think your employees chose to work at your company, and what would make someone want to join the team?

- How is your day to day interaction with the employees? What do you discuss?

- What kind of uncertainties did the company or the team have, throughout the company's life?

- What do the founder think is valuable for a startup in terms of managing/sustaining employees in the early processes of the entrepreneurship?

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