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Being a High-Growth Startup Founder as a New Social Risk in Finland

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Abstract: Finland is experiencing a startup boom. Startups are innovative young companies aimed at rapid revenue growth. Unfortunately, most of them fail within the first years, leaving their founders without a job and possibly in debt. Previous research did not yet establish how the founders fare after founding their company. This study explores whether founding a high-growth startup constitutes a new social risk, that is, a work situation in a postindustrial society that lowers the founder's welfare. This study analyzes data collected in interviews with founders and experts and in participant observations. In an innovative approach, this study explores the difficulties of high-growth startup founders from the time of founding their companies on. Findings show that founders experience social isolation and financial and health problems from the moment of founding their startups. This decline in welfare is limited to founders who were not in precarious situations when founding their companies. Findings enhance our understanding of high-growth startups and of new social risks. Discussions on positive economic effects of the startup boom should also consider the negative effects on the founders' welfare.

Keywords: *Labor Market, Self-Employment, Entrepreneur, Welfare, Social Policy, Health, Debt, Burnout, Income*

Introduction

Finland is experiencing a startup boom. Startups are innovative young companies aiming for rapid revenue growth, ideally becoming multimillion-euro ventures within a few years (Maliranta, Pajarinen, and Rouvinen 2018; Richter, Jackson, and Schildhauer 2018). Some well-known startups that became multimillion-euro ventures include Airbnb, Facebook, Twitter, and Skype (Fortune 2016). In this article, such companies are called "high-growth startups" to clearly separate them from young companies with low-growth goals that are also often called startups (Daunfeldt, Johansson, and Halvarsson 2015). Currently, one in five young companies worldwide is a high-growth startup, with the share slightly increasing over time (Global Entrepreneurship Monitor, n.d.).

However, the reality does not always align the high-reaching aims. Previous research showed that half of all young companies fail within the first 2.5 years and more follow afterwards (Cressy 2006). Of the companies that keep operating, only some break even and very few ever reach the status of a multimillion-euro venture. Thus, the startup boom has two very different faces: a small minority of millionaires and a large majority who see their companies fail and often accrue debt. Therefore, founding a high-growth startup can hold many risks (Carroll 2017).

COMMON GROUND

The Finnish startup boom has several characteristics that exacerbate the risks associated with founding a high-growth startup. First, the Finnish boom is comparatively young, having only started around 2010—which is several decades later than the boom in many other countries (Lehdonvirta 2013; Startup Genome 2020). This Finnish boom was initiated and driven by university students who bought into the startup culture of Silicon Valley (Koskinen 2021; Lehdonvirta 2013). The startup culture of Silicon Valley presents work as playing and resisting the corporate world, prefers learning-by-doing over formal education, and encourages individuals to seek innovation while accepting risks (Egan-Wyer, Muhr, and Rehn 2018; Koskinen 2021). Yet, having this culture, instead of entrepreneurial experience, as the driving factor can lead to increased company failures. Previous research shows that entrepreneurial experience is by far the strongest predictor for the success of new businesses (Rotefoss and Kolvereid 2005).

Second, the adoption of the startup culture led to a cultural clash in Finland: The founders value risk and rapid change, while funding institutions value risk-avoidance and stability. Consequently, the funding opportunities for high-growth startups in Finland are still underdeveloped and insufficient (Koskinen 2021). The lack of sufficient external funding means that founders cannot easily shift their financial business risks to third parties, leaving themselves bearing the risk. Therefore, the Finnish startup boom is likely to produce many founders who are personally affected negatively.

Previous research did not yet show how founding a high-growth startup affects its founders. It shows that business failure may cause financial difficulties and emotional distress to business owners (Shepherd, Wiklund, and Haynie 2009; Ucbasaran et al. 2019). High-growth startup failure probably has stronger negative consequences because businesses with high-growth ambitions take particularly high financial risks (Mason and Brown 2013). Moreover, entrepreneurs with high expectations perceive business failures as particularly disappointing (Khelil 2016). Unfortunately, previous research did not yet study these effects. Research does not typically study high-growth startup founders separately, but groups them together with other founders (e.g., Halvorsen and Morrow-Howell 2017; Von Bonsdorff et al. 2019). The few extant studies on high-growth startups focus on the companies, while neglecting the founders' lives (e.g., Lehdonvirta 2013; Wallin, Still, and Henttonen 2016). Moreover, studies on business failure focus on the time after the failure, while neglecting the time before (e.g., Khelil 2016; Walsh and Cunningham 2016). Yet, Finnish founders experience the cultural clash and insufficient infrastructure already before their business fails. This article helps fill these lacunae. It explores how high-growth startup founders fare from the moment they first found their company.

The article uses the concept of new social risks to structure its exploration. New social risks are situations that may lower the financial, social, or health-related welfare of working individuals in postindustrial societies (Bonoli 2007; Rovny 2014). They differ from the traditional social risks of industrialized societies in that they do not keep individuals from working for pay, as, for example, illness does. Instead, they occur among individuals who are integrated into the labor market (Taylor-Gooby 2004). High-growth startups develop in postindustrial societies, and they can lead their founders—who are working—into insecure situations that include financial difficulties and emotional distress (Shepherd, Wiklund, and Haynie 2009; Ucbasaran et al. 2019). Thus, a founder's situation has many commonalities with new social risks. These commonalities allow for structuring the analysis around the concept of new social risks—thereby determining whether the founder's situation is indeed such a risk or just resembles one. This insight is important for researchers and policymakers in welfare states who seek to understand the social effects of labor market change and the need for intervention (Taylor-Gooby 2004). Because Finland is a strong welfare state, insight on new social risks is especially important for Finnish policymakers (Komp-Leukkunen 2018).

To explore high-growth startup founders from the perspective of new social risks, this study answers three research questions. First, in which ways does the welfare of high-growth startup founders decrease? This question takes inventory of how founding a high-growth startup may constitute a new social risk. Second, when does the founders' welfare decrease? This question separates decreased welfare caused by founding a high-growth startup from pre-existing low levels of welfare. Only the former is relevant for new social risks. Third, which social inequalities exist in the welfare decrease? A new social risk can play out differently for the people experiencing it, but it should not occur only among some social groups while being absent among others. The third question explores the extent and form of such inequalities.

To answer these questions, interviews with high-growth startup founders and experts, and participant observations were conducted in Finland. The Finnish capital, Helsinki, has one of the fastest growing high-growth startup scenes worldwide (Startup Genome 2020). Within Europe, Helsinki is already an established high-growth startup hub, being the location of Europe's largest startup conference and the largest startup hub in the Nordics (Finnish Business Angels Network 2018; Startup Genome 2020). Yet, the Finnish high-growth startup boom is still young, having only begun around 2010 (Lehdonvirta 2013). Consequently, various interviewees could recount developments throughout the entire boom period. Moreover, approximately 70% of all Finnish high-growth startups are located in the greater Helsinki region, as a member of the Helsinki municipal administration noted in an interview. Consequently, the interviewees have firsthand experience with most of the Finnish high-growth startup scene. These circumstances allow for portraying an encompassing picture of Finnish high-growth startup founders.

The Characteristics of High-Growth Startup Founders

High-growth startup founders differ considerably from other self-employed individuals. They aim for rapid revenue growth from the start of their company (Rasmussen and Tanev 2015). Other self-employed individuals may not have such a goal, or they may develop it at a later business stage (Von Bonsdorff et al. 2019). To facilitate early and high growth, the founders hire employees early on and in high number, they try to attract investments early on, or they take on debt. These behaviors give high-growth startups the potential for both higher gains and higher losses (Lehdonvirta 2013; Wallin, Still, and Henttonen 2016). Some founders are hubristic, meaning they are overconfident, proud, or arrogant. This trait helps them convince others of their business vision, persuading them to invest in the company or work for it. However, this trait can also lead to unfounded and rash business decisions, which ultimately speed up business failure (Sundermeier, Gersch, and Freiling 2020). Finnish founders experience a cultural clash when displaying such behavior because traditional Finnish culture values modesty and stability. This cultural clash can be experienced as a positive and welcome event, and it can be a reason for individuals to join the startup scene (Koskinen 2021).

High-growth startup founders have different reactions when their business fails. For some, business failure is particularly disappointing because of their high expectations (Khelil 2016). Others pursue serial entrepreneurship, where they found one company after another. They learn from each business they found, thereby increasing their chances for success over time (Lafuente et al. 2019; Rotefoss and Kolvereid 2005). This circumstance is important for Finland because the lure of the startup culture and the newness of the startup boom attract many founders with little or no entrepreneurial experience (Koskinen 2021; Vimma 2018). These individuals run a higher risk of business failure (Rotefoss and Kolvereid 2005). The founders' experience of the end of their business venture also depends on how the business ends. When it ends in a closure or bankruptcy, founders exhibit the strongest negative emotions. The emotional response is more moderate when founders receive a pay-off from selling the company or their patents (Khelil 2016; Wennberg and DeTienne 2014). The higher risk of high-growth startup failure in Finland entails that the founders also run a higher risk of experiencing strong negative emotions.

Previous research has shown that high-growth startup founders are often young men who work in a team (Steigertahl, Mauer, and Say 2018). In 2016, the average age of the Finnish startup founder was 26, which is the lowest age in the second wave of the European Startup Monitor. The majority of them were White Finnish men (Kollmann et al. 2016). The habit of co-founding is typical for company owners with employees, who choose self-employment out of opportunity rather than necessity (Bögenhold and Fachinger 2017; Von Bonsdorff et al. 2019).

Being a High-Growth Startup Founder as a New Social Risk

Individuals who found a high-growth startup have experiences that are typical of new social risks. These risks develop in postindustrial societies, such as that currently in Finland (Komp-Leukkunen 2018). Finland is a world-leading country in terms of digitalization, and high-growth startups predominantly work in the area of digital technologies (Maliranta, Pajarinen, and Rouvinen 2018; Organisation for Economic Co-Operation and Development 2019).

New social risks lead to a decline in welfare, which is a decline in a person's command over resources to consciously direct their living conditions. Such resources can be economic, social, or health-related (Rovny 2014; Erikson 1993). Previous research shows that business founders may experience financial difficulties while their business is still operating (Khelil 2016). This development can also be expected in Finland, where founders may invest their own capital into the company due to insufficient funding opportunities (Koskinen 2021). After a business failure, a founder's financial difficulties intensify (Dias and Teixeira 2017; Klimas et al. 2021). Moreover, founders may lose some of their social contacts and experience marital problems due to the stigma and negative emotions associated with business failure (Ucbasaran et al. 2019). We do not know how founders' health is affected because this issue has not yet been studied.

The new social risks concept requires that an insecure situation be the root cause of welfare decline (Bonoli 2005, 2007; Taylor-Gooby 2004). Therefore, persons experiencing a welfare decline prior to the insecure situation must be discarded from consideration. Previous research stresses the importance of studying the situation of young businesses over time to better understand causalities (Buschow 2010). For example, Jensen (2015) adopts this perspective to explore how challenges to small companies change as they mature. Studies on business failure also regularly adopt this perspective, assessing how the situation of business founders develops after their business failed (Amankwah-Amoah, Boso, and Antwi-Agyei 2016; Dias and Teixeira 2017; Klimas et al. 2021). Unfortunately, such studies failed to demonstrate how the founders' situations developed while operating their business. Considering the high financial and emotional involvement of high-growth startup founders, we can expect changes in their lives from the moment of founding their business onward.

The startup life-cycle model can be used to capture welfare decline. This model is commonly used within the high-growth startup scene (Marmer et al. 2012). It structures the ideal typical development of high-growth startups in six consecutive phases: discovery, which generates ideas; validation, which develops a viable product; efficiency, which starts production; scale, which increases production; profit maximization, which optimizes the business model; and renewal, which modifies products. Figure 1 illustrates the phases as a framework for analyzing high-growth startup founding as a social risk. The framework focuses especially on the first four phases, which are financially unstable, and adds an exit option.

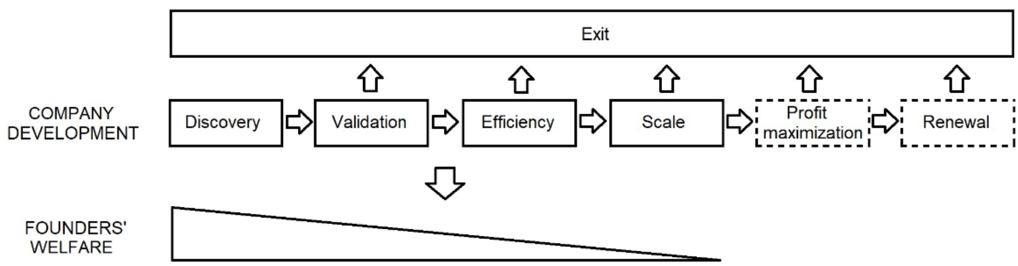

Figure 1: Framework for Analyzing High-Growth Startup Founding as a Social Risk
Source: Komp-Leukkunen

Previous research on new social risks underlined the role of social inequalities in these risks (Bonoli 2007). On the one hand, we expect a social inequality according to the employment situation: Everybody who is a high-growth startup founder should experience a welfare decline, whereas everybody else should not. On the other hand, inequalities in the founders' welfare decline should not be so strong that subgroups form, with some of them experiencing the welfare decline while others do not. In such a case, the specification of the new social risk would need to be recast (Bonoli 2007; Taylor-Gooby 2004).

Previous research shows that women are overrepresented among those experiencing new social risks because they may struggle to strike a work–life balance (Rovny 2014; Taylor-Gooby 2004). Also, poorly educated individuals may be overrepresented because of too few or obsolete skills. Yet, both social groups are underrepresented among high-growth startup founders. In 2016, only 15% of European startup founders were female (Kollmann et al. 2016). In Finland, the high-growth startup boom is driven by university students, meaning highly educated individuals (Lehdonvirta 2013). Moreover, a study on gender differences in a Finnish startup found that both male and female company members felt treated equally and respectfully (Pöllänen 2021). Nevertheless, the social inequalities may still persist. This study investigates whether social inequalities in welfare decline exist, exploring gender and educational inequalities, among other things.

Material and Methods

This study combines interviews with both high-growth startup founders and experts, along with participant observations. This combination of methods generates rich findings and allows for cross-validation, evening out the limitations of any single method. The methods were combined through theoretical sampling, which is a data collection process driven by the findings. In this process, data collection and analysis were carried out in several steps. Each step collected and analyzed new data, with the findings guiding the next step. Each step also helped bridge the largest current gap in knowledge. The data collection concluded when theoretical saturation was reached, that is when new steps rendered no additional insights (Glaser and Strauss 2006). This process is particularly useful for research topics about which little is known, such as whether being a high-growth startup founder constitutes a new social risk. It ensures that the phenomenon is captured in all its facets, including those that the rudimentary body of scientific knowledge had not previously covered. Figure 2 (see Appendix) shows the steps in the process of data collection.

In total, forty-two interviews were conducted. The interviewees were high-growth startup founders and employees, consultants and mentors to high-growth startups, researchers, and members of local and national governments and of funding agencies. Three interviewees were self-employed in low-growth companies. All combined, the interviewees had founded more than forty-five high-growth startups, worked for more than twenty high-growth startups, and worked with hundreds of high-growth startups. Many interviewees had already been active in the startup scene for years, being serial entrepreneurs and having taken on different roles. The combination of the different groups interviewed served several purposes. The high-growth startup founders provided in-depth information on their experiences. The consultants, mentors, members of governments, and funding agencies were asked about their observations to gain insight into a large number of startup founders' experiences and to assess the founders' experiences with policies, regulations, and institutions. Employees of high-growth startups and self-employed individuals in low-growth companies were interviewed to determine whether the startup founders' experiences were unique. All interviewees were asked to comment on the findings of each step of data analysis to ensure that the analyses reflect the stakeholders' perspectives. This approach ensures an unbiased interpretation.

The interviews took place between March 2018 and February 2019. The interviewees were recruited via their company websites, at startup networking events, snowballing, and a flyer. The flyer was posted on a noticeboard at a co-working space for startups after having gotten the permission from the co-working space organizers. It described the study, provided contact information for the researcher, and asked interested startup founders to contact the researcher. All interviewees were informed about the researcher and the study and gave their informed consent for participating in the study, which included the following characteristics: their participation was voluntary, they could refuse to answer any question, they could terminate the interview at any point, they could withdraw their consent for participating in the study at any time, they could demand to have their interview data deleted at any time, the information they provided would be anonymized regarding their person and their company, the information they provided would be used for scientific purposes only, they could ask for additional information about the researcher and the research project at any time, and they could receive a copy of the findings once the study was published. The interviews with high-growth startup founders and employees discussed development of the interviewee and their companies, the interviewee's welfare, and challenges and risks to the interviewees. The expert interviews discussed the interviewee, challenges, and risks to founders, and the study's findings. Following the interviewees' wishes, two interviews were conducted by phone, the rest were face-to-face. If the interviewees agreed, the interviews were audio recorded and transcribed. Otherwise, handwritten notes were taken.

Nine participant observations were carried out. Participant observation means that researchers put themselves into the position of their research subjects. The observations occurred at networking, pitching, and training events for startups. Eight events were attended as a participant to identify and recruit interviewees and to hear how the founders discussed their experiences outside of interview situations—which helps to identify how large an interviewer effect exists in the interviews. Also, one event was organized, where the study findings were presented to high-growth startup founders, their employees, and consultants. Their feedback was used to improve the interpretations. In all participant observations, the researcher identified themselves as a researcher and gave information on the study. Only events that were open to researchers were attended. The events were not audio- or video-recorded because it would have been impossible to obtain informed consent from all individuals that were present in the rooms. Table 2 (see Appendix) displays characteristics of the interviewees, data collections, and material collected.

A qualitative content analysis of the transcripts and notes was conducted, structuring information according to categories that emerged from the text itself (Mayring 2015). The coding occurred in three steps: first in which ways the founders' welfare decreases, then the timing of decreased and increased welfare, and finally, social inequalities in decreased and increased welfare. Incidents of increased welfare were included in the latter steps to obtain a clearer picture of welfare changes and differences. Sociodemographic characteristics such as age, nationality, and gender were coded as the interviewees themselves reported them.

Findings

Exploring the startup founders' economic, social, and health-related welfare is a challenging task. These founders preferred talking about the future over the present and past, about successes over failures, and about their companies over themselves. It was in this spirit that one founder inquired in the beginning of their interview whether we could change the interview topic to something "more sexy," such as the future success of their company. A similar picture emerged in a participant observation at an event on well-being and startups. In this event, only two out of nine presenters spoke about their own well-being, with one of them using it to introduce the services their company offered. All other presenters spoke about their companies only. This situation suggests the lack of an ongoing discourse about the startup founders' welfare. However, the founder's behavior in the interviews suggests that their welfare nevertheless is a relevant topic. Several founders who opened up about their personal experiences in the interviews displayed strong emotions, such as sadness, melancholia, and pensiveness. Moreover, several founders started to talk at length about their welfare once they decided to open up in the interview. Thus, their welfare appears to be a relevant topic that remains largely outside the public discourse.

The interviews with stakeholders confirmed this assessment: All stakeholders agreed that founders may experience a welfare decline, but they also agreed that dealing with such a development is not part of their work. A member of a national business funding agency explained that their sole interest was the net effect of high-growth startups on the economy and the labor market. A venture capitalist stated that their interest was the extant high-growth startups and future companies that may develop from them. An exception to this perspective were stakeholders that had previously founded a high-growth startup themselves. These individuals could draw on their own experiences as founders. However, they switched their perspective entirely to that of a startup founder when talking about the founders' experiences, without tying these experiences to their current activities as, for example, mentors or consultants. Consequently, the information on the founders' welfare obtained stems entirely from founders themselves.

Decreases in the Founders' Welfare

The Founders' Economic Welfare

Low income and the accumulation of debt diminished the founders' economic welfare. Young high-growth startups often generated no revenues and, therefore, no salary for founders. Thus, founders often lived off their savings, bank loans, or other jobs they had on the side. One founder stated:

> It was pretty hard, there were a couple of times I was f***ing broke, I couldn't pay for my rent or my food, but my passion to build the company was that I have loads of skills, based on experience and all that stuff. It was a very interesting time.

Yet, many interviewees criticized the approach of working on the side. They felt that it took up too much time and attention, thereby reducing the company's chances of succeeding.

If founders obtained grants or investments, they could pay themselves a salary. This was also the case if the company started to generate revenue. Still, the founders' salary was typically below the usual market salary and below what their employees received because any payment out of the company's budget brings it closer to failure. Founders accepted a lower salary to have a chance at a higher pay-off in the future. This pay-off can occur if the company becomes sizable, or if the founder sells the company or its patents. One interviewee who experienced such an exit had done some calculations on the sale proceeds: The salary they had received plus the sale proceeds was equivalent to a typical market salary. They explained: "I've had some decent pay outs, but nothing in the range of where it's worth it. I made what I would have made if I had been working in a regular job."

Income challenges became exacerbated when founders fell ill. In such situations, the companies experienced difficulties because founders shouldered most of the workload and responsibility. One founder commented that if they became ill, "it's a high risk in the beginning of the company. The company will suffer. If not permanently, it's gonna suffer for quite some, long time, and what's gonna happen to it, I don't know." As the company's performance suffered, the founders' income decreased. As self-employed individuals, founders were responsible for their own social insurance contributions according to Finnish law. However, they tended to underinsure and sometimes even forego social insurance. Consequently, some were left without sickness allowance.

Several founders reported that they had amassed debt, for example by taking out a bank loan or family loan, accepting payments from customers without delivering goods or not paying their employees' salaries. Due to Finnish debt-relief regulations, many such debts may be forgiven when a business fails. Still, founders did not always use this option because they were either unaware of it or felt responsible. They described feelings of responsibility as mainly extending toward their employees, but also toward their family members and customers, whom they did not want to suffer because of their business failure. One founder explained: "It's just next-level stress. It's not so much about owing the bank, but stress of owing the employees, the fact that we owe the customers as well, the fact that we owe our family as well; it's quite stressful." This founder had decided to voluntarily pay back a bank loan that could have been forgiven to make sure their credit score would not be affected. This score was important for securing loans for their next high-growth startup.

The Founders' Social Welfare

Social isolation lowered the founders' social welfare. Such isolation arose because of the founders' strong focus on future business success. It led many to work long hours, work weekends, and forego holidays. Their concern was that their company may only succeed if they dedicate all their time and energy to it. One founder described their time crunch in a telling metaphor:

> [Being a high-growth startup founder] is like being in a house that is entirely on fire. All you can do is find out which wall you should start working on first to prevent the whole house from collapsing. You cannot quench the fire, you can only control it. And after a couple of years, you can maybe not only control the fire on the one wall, but on the entire house. While it is still on fire. You get used to that.

Two founders stated that this behavior eradicated their personal life, leaving them without hobbies and with few friends. Several founders stated that their co-founders were among their closest friends, thereby merging their personal and work lives. One founder even explained that they postponed having children, so as not to divert any attention from their company.

Social isolation increased in times of illness. Some founders reported long-lasting illnesses, which led them to reduce their workload. During such periods, they felt like they did not belong to the startup community, which focuses on successes while paying less attention to periods of hardship. Consequently, they withdrew from their work network while recovering. Because most of their social network was in the startup scene, they were left with limited social contact. For example, one founder described that they had a burnout that left them feeling so misplaced in their social network that they developed social anxiety. Consequently, they drastically limited all social contacts.

A feeling of disconnect also emerged when companies failed. Most founders claimed that they subscribed to the motto: "Never a failure, always a lesson." This motto encouraged them to learn from their mistakes to achieve bigger success in a subsequent high-growth startup. It is in this spirit that most failed founders expressed a sense of gratitude for the learning experience. Nonetheless, this statement often contradicted the founders' nonverbal communication: Many of them became upset, sad, melancholy, or even came close to tears. In their narrative, they pushed such emotions aside and focused on possible future success. While this behavior helped them carry on with their work, it also created difficulties. A founder whose company had failed, leaving them with a six-figure debt and burnout, explained that they feared a lack of support from their peers and mentors, perceiving their mentality as: "We support success and fledging businesses, but not bankruptcy." Therefore, they did not reach out for help. Instead, they avoided their previous business contacts and tried to resolve their problems by themselves. This approach brought them further difficulties because they lacked knowledge on what steps to take when experiencing a burnout and a business failure.

The Founders' Health-Related Welfare

Some founders reported psychological problems, especially burnout. Burnout is a psychological reaction to prolonged and intense stress. For the founders, it was a reaction to the demands of running their high-growth startup companies. Burnout creates lethargy and depression. Recovery demands a longer break from work and afterwards a reduced workload. This recovery phase brought about further financial difficulties for the founders and reduced their social contacts. One founder narrates:

> Mentally I got very ill. I went through a burnout after this [name of a high-growth startup], it took me three, four months, I couldn't, I was not really able to work. I was so tired at one day, after getting home from work, and I could not even talk to my girlfriend, I did not have the energy to say a word.

When the Founders' Welfare Decreases

The welfare of high-growth startup founders changed over time. The interviewees described two different developments: one of improvement and one of decline. Only two interviewees had experienced a welfare improvement. Both were migrants and had previously encountered difficulties with their residency permit and work permit. These difficulties had affected the rest of their lives, leading to spells of poverty, homelessness, and poor mental health. One interviewee described living in their car while running their company:

> In the winter, it was actually really cold this time, so I would run the engine of my car, to keep it warm, and then sleep, and switch it off. And when it gets colder, run the engine again, that's how I did it. There's a place in Aalto University, I would go there just to work and then get brushing my teeth, wash my back and get my computer.

These interviewees had already experienced such difficulties before founding a high-growth startup, and the company did not affect their legal situation or economic welfare. However, the company gave them hope and a sense of purpose, control, and identity. It served a function like the American dream, which instills the idea that you can work your way from rags to riches. Therewith, founding a high-growth startup did not constitute a new social risk for these individuals.

The second development is that of decline. The vast majority of interviewees displayed this pattern, which is typical of new social risks. Table 1 summarizes the welfare changes, utilizing the framework developed earlier. The label "none" means that the welfare change was not mentioned, "low" means that it was described as weak, "intermediate" means that it was described as being of intermediate intensity or—in the case of illness—having a single description of a strong intensity; and "high" means that several interviewees assigned it a strong intensity. In the first phase ("discovery"), the founders usually lacked income, which lowered their economic welfare. Yet, their social welfare remained unchanged. In fact, many founders in this phase were very outgoing and social, trying to build up business contacts. Only one founder reported decreased health-related welfare, experiencing burnout due to preexisting demands at this time.

The situation changed in the second and third phases ("validation" and "efficiency"), where the founders implemented their plans. They looked for funding, hired employees and produced goods and services. They may have paid themselves a small salary, which increased their economic welfare. However, they may also have taken out a loan to finance their company, which lowered their economic welfare. Management demands increased, which limited their social contacts and decreased their social welfare. This development continued in the fourth phase ("scale"), where founders increased production. They may have increased their salary, which increased their economic welfare. However, they may also have taken out additional loans to finance the growth, which decreased their economic welfare. The management demands increased further, thereby further reducing their social contacts. The situation only turned around in phases V and VI ("profit maximization" and "renewal"). The workload was still high, having negative social consequences. However, their income situation was stable and debts had been expunged.

Table 1: The Founders' Welfare by Company Development Phase

	Social Isolation	*Low Income*	*Debt*	*Illness*
Phase I: Discovery	Low	High	Low	Intermediate
Phase II: Validation	Intermediate	Intermediate	Intermediate	Low
Phase III: Efficiency	Intermediate	Intermediate	Intermediate	Low
Phase IV: Scale	High	Intermediate	High	Low
Phase V: Profit Maximization	Intermediate	None	None	Low
Phase VI: Renewal	Intermediate	None	None	Low
Exit: Sell Patent	None	None	Low	Low
Exit: Bankruptcy	High	High	High	Intermediate

Source: Komp-Leukkunen

If the founders exited by selling their patents or company, their social and financial welfare increased. However, only two high-growth startups had made it to the scaling stage, and few sold their companies or patents. Rather, most founders had exited through bankruptcy. They had dissolved their office, let their employees go, and settled their accounts with customers, suppliers, and investors. There was no income, and any remaining financial obligations may have converted into debt. These experiences may have burdened them so much that they withdrew from social contacts altogether and experienced burnout. Consequently, their social, economic, and health-related welfare was low.

Social Inequalities in Decreases in the Founders' Welfare

The welfare decrease upon founding a high-growth startup separated the founders from their employees. The employees felt that working in a high-growth startup was less secure than working in an established company, and it brought a slightly lower salary. However, they appreciated the diverse tasks, development opportunities, and flexibility that their jobs gave them. For example, one employee reported that they have had mental health problems, which required them to slow down their pace of life. Working in a startup allowed them to work at a more leisurely speed and to take breaks whenever their mental health required it. Overall, the employees of startups felt that their employment advanced their careers and their future employment opportunities.

Likewise, the welfare decrease separated founders of high-growth startups from founders of low-growth companies. The latter individuals reported smaller changes in their welfare because they had lower goals, made smaller investments, and continued activities they had carried out before. As a result, they experienced less of a change when founding their own companies. For example, a graphic designer narrated that they had worked for a company but got tired of the working climate. One day, they and a friend had decided to solve this problem by becoming self-employed. They rented a small, cheap office that was conveniently located and took many of their clients with them. They needed little equipment and few office supplies, and they could outsource most administration tasks. Thus, they were able to continue their work and maintain their income.

In contrast, the welfare decrease differed less markedly among high-growth startup founders. While social differences in the welfare decrease existed, they were not pronounced enough to create distinct subgroups of those experiencing and those not experiencing a decrease. Instead, the founders' characteristics led to variation in their experiences. The interviewees reported on the welfare effects of their employment status, family status, age, cohort, and citizenship. Table 2 lists these characteristics, their influences on welfare, and the mechanisms behind their influences.

The first characteristic is employment status. The interviewees agreed that it would be best if founders focused on their company only. As one founder put it: "You can't half-a*** it. That's what I'm trying to say: You can't be kind of in, kind of out; you actually need to focus on that and do everything you can." However, not all founders acted accordingly. Some were employed or self-employed during the first months or years. Most founders who chose this route quit their job once they acquired investments for their company, which allowed them to draw a salary. This approach ensured continuous income. One founder explained: "When I went to [work for] that company, my idea was maybe I'm there for a year, maybe two years, to see and then work on this [high-growth startup] idea on the side." Other founders were students. Finnish students receive financial aid, and some founders prolonged their studies to keep this aid. One founder who was also a student described their approach: "I'm also a student. And I'm milking that for everything I can." Moreover, many student founders joined student entrepreneurial societies, such as the renowned Aalto Entrepreneurial Society, which kept them socially involved.

Table 2: Social Inequalities in the Founders' Welfare

	Mechanism	*Influence on Welfare*			
		Social Isolation	*Low Income*	*Debt*	*Illness*
Characteristics That Increase Welfare					
Employment status: (Self-) employed	• Generates income	—	Less likely	—	—
Employment status: Student	• Facilitates social contacts • Student financial aid	Less likely	Less likely	—	—
Family status: Having family and children	• Creates social contacts • Responsibility lowers risk-taking	Less likely	Less likely	Less likely	—
Age: Older	• Negative life experience reduce risk-taking • Maintain lifestyle	—	Less likely	Less likely	—
Characteristics That Decrease Welfare					
Age: Young	• Lack of negative life experiences facilitates risk-taking	—	More likely	More likely	More likely
Cohort: Older	• Fewer grants and investors available	—	More likely	More likely	—
Citizenship: From non-EU country	• Family possibly separated • State support possible inaccessible	More likely	More likely	More likely	—

Source: Komp-Leukkunen

The second characteristic is family status. Founders who had children or were important contributors to the family income had a higher income and less debt. They felt responsible for their family and considered the financial implications of their actions more carefully, which made them less willing to take risks. One founder with children described choosing whether to use private savings for their company: "That last amount I'm putting aside for my kids. So, I need to think twice and find a way to get [an amount of money] from either investors or someone else." At the same time, families kept the founders socially involved in their family network and in society at large. For example, a founder whose partner just had a baby decided to cut back on his work to be able to spend time with his family: "This year I will have more. More time to take, to spend a few vacations and things like that….I just had our first boy in February. He's now five months."

The third characteristic is age. With age comes life experience, with periods of hardship for example. Because of such experiences, older founders treaded more carefully, considered the risks, and took precautions. Precautions can include accumulating savings or taking out pension insurance or disability insurance. Additionally, older founders had often already established themselves and were used to a certain lifestyle. They wanted to maintain this lifestyle, and therefore, paid special attention to their income and savings. Consequently, they often had a higher degree of economic welfare.

In contrast, younger founders had lower incomes, more health problems, and a greater willingness to take risks while foregoing precautions. The different perspectives of younger and older founders become obvious in their view on investing own capital. A founder in their 40s explained their philosophy about which ideas to turn into high-growth startups: “If it is hard to get funding for an idea, then it probably is a bad idea and one should not do it.” In contrast, a founder in their 20s stated: “If you truly believe in the project…, that’s maybe a no-brainer for you to put money in it. Of course there are maybe financial risks in it.” Additionally, younger founders argued that the social insurance system was deficient and unsuitable for their situation. They could handle their lives better on their own, for example through investments or future income from their business. If their company succeeded, they would be wealthy, which eliminated all financial concerns. One founder reflected on their decision to make minimal pension contributions:

> We don’t believe the system so much, that we believe it will still in 50 years be going. I think it is kind of a problem with many entrepreneurs, that we think in the future we are anyways going to have more money and we are going to be ready to pay our future, so it is always like believing for the future.

A venture capitalist perceived the change in behavior to occur in the mid-thirties.

The fourth characteristic is cohort membership. The cohorts are groups of founders who are active at the same time. In Finland, the older cohort were the pioneers of the startup scene who were active in the 1980s and 1990s. When they were active, only a few investors, grants, and support structures existed. Consequently, it was harder to secure funding and the financial risks were higher. One founder reported on his high-growth startup, which was active in the 1990s: He wanted to create a bonus system for hotel guests to solve a problem he saw in his job. To do this, he took a break from work and invested his own savings. When the company failed, he needed to find employment again. Looking back, he felt that his startup experience did not help him in his career progression and that self-financing a startup was a bad idea—although necessary at that historical point of time.

The fifth characteristic is citizenship. Overall, the startup scene is very inclusive and open to migrants. Migrants stream into high-growth startups because the working language is English and foreign qualifications are accepted. However, founders who did not have EU citizenship could experience difficulties. If their visa or work permit expired or they never had one, they were blocked from government grants and financial aid for businesses.

Consequently, their financial welfare decreased. Moreover, their family members may have had difficulties in obtaining a visa and stayed in their home country. This situation weakened the founders' social inclusion, lowering their social welfare. One founder from a non-EU country spoke about his wife and children who were still living in their home country: "It's gonna be harder for her to move. So, unless we're really financially taken care of and she can take care of the kids here for the first part, it's not gonna probably happen." Because of this situation, he had not seen his wife and children for months, which led to marital tension. His wife urged him to stop pursuing his startup, but he refused. At the time of the interview, he was considering separation.

Discussion and Conclusions

Finland is currently experiencing a high-growth startup boom. This article explores the social consequences of the boom, asking whether being a high-growth startup founder constitutes a new social risk. It enhances our knowledge by considering high-growth startup founders separately from other self-employed individuals, focusing on individuals rather than companies, and observing founders from an early point in time.

The first research question explores ways in which the welfare of high-growth startup founders decreases. Findings show that such a decline indeed occurs: financial welfare declines because of low income and debt; social welfare declines because of limited leisure time and voluntary withdrawal from nonstartup social contacts; and health-related welfare declines because of psychological challenges. Thus, founding a high-growth startup impacts founders in a way that aligns with the concept of new social risks. Therefore, founding a high-growth startup should be added to the list of new social risks discussed.

The second research question asks when the founders' welfare decreases. The answer to this question helps to determine whether founding a high-growth startup is the root cause of welfare decline. Moreover, it highlights whether the decline starts when the company is founded—which indicates that founding the company is a new social risk—or when the business fails—which indicates that business failure is a new social risk. Findings show that for the majority of founders, the welfare decline indeed starts with founding the company. This development only differed for the migrant founders who already lived in a precarious situation before founding their high-growth startup. They do not experience a welfare decline because they start out at a low level of welfare. Hence, the welfare change over time resembles that of a new social risk only for those founders who do not live in precarity when starting their company.

The third research question concerns social inequalities in the welfare decrease. It draws on insights on social inequalities in new social risks. Mirroring this insight, the findings show that the founders of high-growth startups experience a welfare decline, whereas their employees and the founders of low-growth companies do not experience a comparable decline. This difference indicates that the new social risk is specific to the founders of high-growth startups. Findings also show that founders differ in how they experience the new social risk. However, the differences are not strong enough to separate them into subgroups of those experiencing and those not experiencing a social risk.

The findings advance contribute to our understanding of self-employment. The high-risk/high-reward approach of high-growth startup founders makes them stand out among the self-employed, and the finding that their situation constitutes a new social risk further stresses their unique character. Future research should consider keeping them separate from other self-employed individuals to create homogeneous groups. The founders' difficulties start with the founding of the company, not just with business failure, as previous studies have highlighted (e.g., Amankwah-Amoah, Boso, and Antwi-Agyei 2016; Dias and Teixeira 2017; Walsh and Cunningham 2016). Therefore, future research should further investigate how the founders' situation develops during the entire lifetime of their company. Here, health-related changes deserve special attention because they are still under-researched in an area that focuses on economic welfare and sometimes touches upon social welfare (e.g., Dias and Teixeira 2017; Singh, Corner, and Pavlovich 2007). One limitation of these explanations is that they only apply to those high-growth startup founders who chose self-employment out of opportunity (Von Bonsdorff et al. 2019). The few founders who are driven by necessity already experienced welfare decline before founding the company, which means that they did not assume a new social risk when establishing their enterprise. Future research may want to explore the exceptional situation and unusual experiences of these founders.

The findings also advance our understanding of new social risks. They identify founding a high-growth startup as a new social risk that has not yet been discussed. This finding indicates that the list of new social risks discussed until now is not complete (Bonoli 2005, 2007). In contrast to previous research on new social risks (e.g., Taylor-Gooby 2004), this study shows that the individuals most likely to experience new social risks are not always women with low education. In Finland, also males and university students are prone to experiencing a welfare decline upon founding a high-growth startup. This findings is in line with previous research that reported comparatively few gender inequalities in Finnish working lives and startups (Komp-Leukkunen 2018; Pöllänen 2021). Moreover, this study has revealed that additional sources of social inequalities need to be considered when discussion new social risks. Younger individuals are particularly likely to experience economic and health-related problems when founding a high-growth startup because of their inexperience. Future research may want to explore whether they are also disproportionally affected by other kinds of new social risks.

Practical implications arise for policymakers and advisers to high-growth startups. Policymakers facilitating the startup boom should consider that this boom brings about an increase in individuals experiencing new social risks. While the economic development benefits, the welfare of the founders suffers. This trade-off makes it more challenging to determine how welfare can be maximized in a Pareto efficient way. Governments need to consider that support for high-growth startups may increase welfare expenditures, for example for social assistance. Moreover, advisers to high-growth startups, such as mentors and consultants, may want to consider the founders' welfare in their activities. If the company they are advising is struggling, a welfare decline of its founder may be one reason. Thus, tools for improving the founders' welfare could be useful means for facilitating business development.

This study has some limitations. First, it studies only one country. This focus is useful for new social phenomena because it allows for a detailed account. Yet, it cannot determine just what findings are country-specific. This question is particularly interesting considering the lack of gender differences found, which may be specific to the Finnish context. Future research should clarify this point. Second, this study provides a first outline of the situation of high-growth startup founders from the moment of founding their companies on. This approach is serviceable for exploring this new topic. However, it does not explore all aspects of this topic. Further qualitative and quantitative research is needed to consolidate the narrative and to test theories and concepts. Third, the number of founders experiencing health-related problems was so low that the health-related development over time identified may not be robust. The identification of health-related problems after business failure aligns with previous research. Yet, it seems unlikely that health-related problems at earlier times are confined to the initial phase of business development. Further research needs to clarify whether they occur throughout the entire operational time of the business. Fourth, the data was collected in 2018 and 2019, which is before the COVID-19 pandemic. The pandemic affected companies. Therefore, it may also have affected how startup founders fare. If it did, it most likely increased the share of founders experiencing a new social risk. Future research is needed to test this suggestion.

Overall, this study elucidates the human side of the startup boom. In a new research approach, it focuses on high-growth startup founders and shifts the discussion topic from companies to founders. This shift reveals that founding a high-growth startup constitutes a new social risk for founders who are not in precarious situations when founding their companies. These individuals experience a welfare decline when their company is first established. Yet, this welfare decline is not part of an ongoing discourse in the startup scene. Researchers and practitioners should keep this in mind whenever the positive economic benefits of the startup boom are discussed.

Informed Consent

The author has obtained informed consent from all participants.

Conflict of Interest

The author declares that there is no conflict of interest.

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Appendix

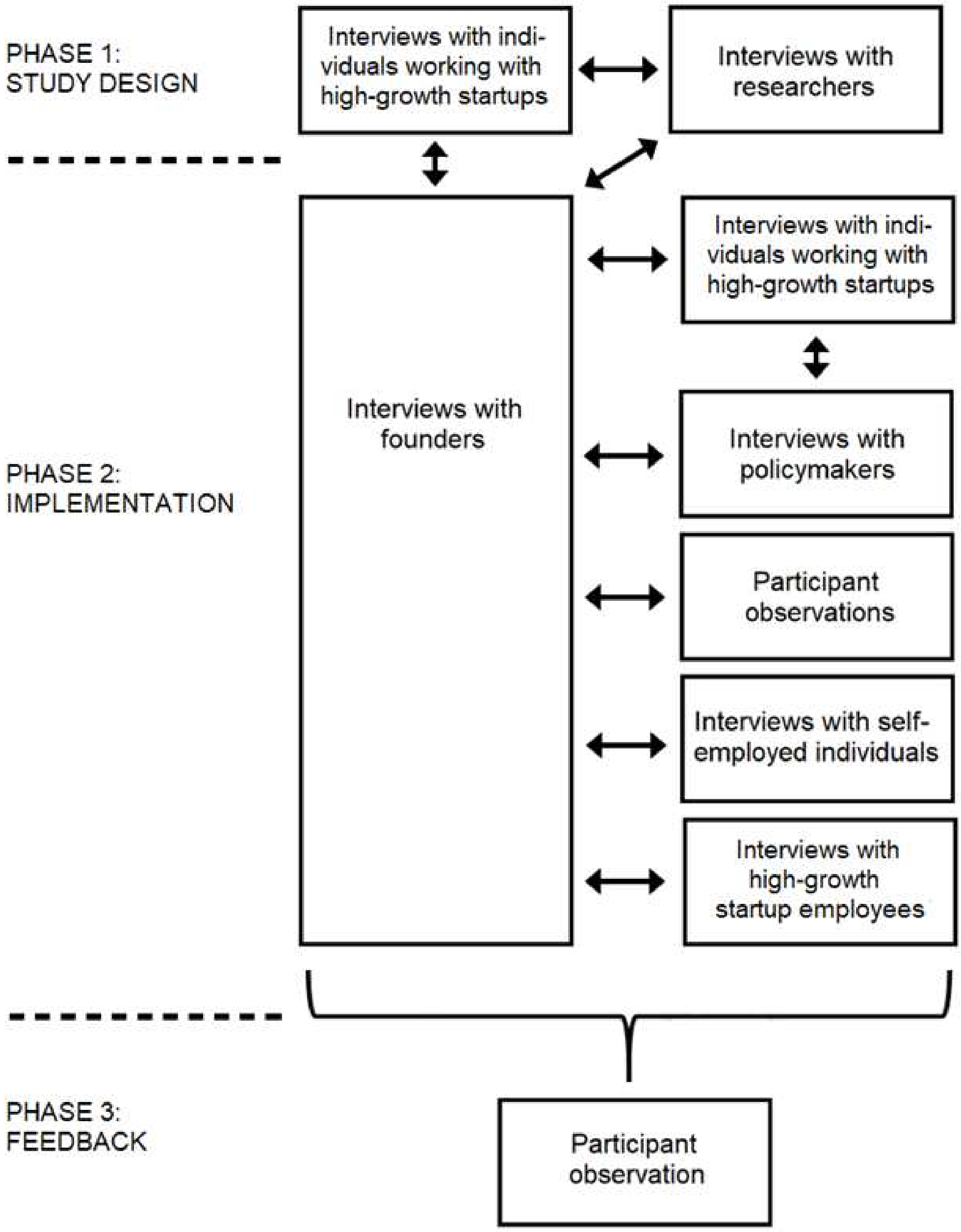

Figure 2: Steps in the Sampling Procedure

Source: Komp-Leukkunen

Table 2: Characteristics of the Interviewees and Participant Observations and of the Data Collected

	Participants				*Material*		
	No. of Men	*No. of Women*	*Relationship to Startup*		*How Interviewed*	*How Recorded*	*Amount of Material*
Interviews with…							
Researchers	2		Experts		Face-to-face	Notes taken	2 pages notes
Policymakers	1	1	Experts		1 face-to-face; 1 via phone	Notes taken	4 pages notes
Self-employed and entrepreneurs	2	1	Group for comparison		Face-to-face	Notes taken	5 pages notes
Startup employees	2	1	Employees		Face-to-face	Notes taken	4 pages notes
Startup founders	19	2	Founders, 3 also mentor high-growth startups		1 via phone; 20 face-to-face	8 notes taken; 13 recorded	12 pages notes; 11:15 hours recordings; 144 pages transcripts
Individuals working with high-growth startups	5	6	Venture capitalist, consultants, mentors, 2 are also startup founders		1 via phone; 10 face-to-face	7 notes taken; 4 recorded	21 pages notes; 3:23 hours recordings; 27 pages transcripts
Participant Observations							
2 demo days 1 match-making day 6 events for startups	ca. 50 ca. 100 ca. 250		Founders, startup employees, Venture Capitalists, Business Angels, policymakers, consultants, mentors		Does not apply	Notes taken	11 pages notes
Total							59 pages notes; 14:38 hours recordings; 171 pages transcripts

Source: Komp-Leukkunen