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Abstract

The 'unicorn' phenomenon has been changing the startup industry during the past few years in tremendous ways as the amount of these private companies valued over one billion dollars has been increasing rapidly since the term was launched in 2013. As their amount has been increasing, the knowledge about how these unicorn companies' function has become more comprehensive, and the startup world has come even closer to people. However, big rises do not come without big falls, and that is why this thesis concentrates on identifying the uncertainties and problems these unicorn companies are facing.

This study has been created by interviewing experts on the field of startups and unicorns, which leads the reader to find the magic behind the valuation, economical bubbles and many other issues that are affecting unicorn companies in the present world. The private economy has achieved a trend position, which makes the startup industry and its success something people are willing to strive for. The hot question is: which companies survive through all this and what is their secret?

In order to offer a full experience of this study, the reader will be taken down the path to understand some basic theories that are related to unicorn companies. Some issues like the Network effect are crucial factors that have been affecting companies becoming unicorns for a long time, and that is why this kind of issues have been covered in this study, too. Also, the relationship between unicorn companies and Born Globals is addressed, and questions like 'Is a unicorn company always a Born Global?' are answered during this research. The presentation of these theories brings the reader closer to the topic of finding out what are the exact stumbling blocks unicorns face and possibly, how to avoid them.

Take a glance of what you should know about unicorns before considering them to be enormous, unbeatable companies. Find ways to block the trouble while making a startup journey that is aiming high, and keep in mind, that if something seems too good to be true, it probably is not. All of this and the reasons behind it you will learn when opening the cover of this research. Have fun.

Key words	Unicorns, startups, valuation, Born Globals, Quick internationalization
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**UNIVERSITY
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**THIS IS NOT A FAIRYTALE:
UNCERTAINTIES FACED BY UNICORN
COMPANIES**

Master's Thesis
in International Business

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The originality of this thesis has been checked in accordance with the University of Turku quality assurance system using the Turnitin OriginalityCheck service.

Table of contents

1	INTRODUCTION.....	7
1.1	Background of the topic	7
1.2	Purpose and structure of the study	9
2	THEORIES TO UNDERSTAND UNICORNS' ATTRIBUTES.....	12
2.1	Unicorns' characteristics and perspectives compared to other companies.	13
2.2	Paths of unicorn companies	17
2.3	General network theory and its role in internationalization	24
2.4	Network effect	27
2.5	Theories of rapidly internationalizing companies.....	29
2.5.1	Born Globals	29
2.5.2	International new ventures	32
2.6	How are these theories related to each other and to unicorns' problems?..	34
3	METHODOLOGY.....	39
3.1	Methods.....	39
3.1.1	Reasoning the chosen methods	39
3.1.2	Operationalization table	40
3.2	Research context	41
3.3	Data collection	43
3.4	Data analysis.....	45
3.5	Evaluation of the study	46
4	FINDINGS	51
4.1	Presentation of the interviewees	51
4.2	Findings from interviews.....	52
4.2.1	Attributes of startups	53
4.2.2	Valuation and structure of unicorns	56

4.2.3	Privacy vs. Publicity.....	59
4.2.4	Problems and uncertainties faced by unicorn companies	60
5	DISCUSSION	67
5.1	General attributes of unicorn companies & how are they related to other quickly internationalizing companies.....	67
5.1.1	Paths of unicorn companies	67
5.1.2	Network effect.....	71
5.1.3	General network theory.....	72
5.1.4	Theories of rapidly internationalizing companies.....	73
5.2	The influence of unicorn attributes towards problems and uncertainties that unicorn companies are facing.....	76
5.2.1	Valuation and structure	76
5.2.2	The private economy.....	78
5.2.3	Technology bubble.....	79
6	CONCLUSIONS	82
6.1	Reflection on research questions.....	82
6.2	Theoretical implications	83
6.3	Managerial implications	86
6.4	Limitations and suggestions for future research topics.....	87
6.5	Epilogue.....	88
7	SUMMARY	89
8	REFERENCES.....	90
9	APPENDICES	97
9.1	Appendix 1: Interview frame used with Snellman.....	97
9.2	Appendix 2: interview frame used with Kivimäki, Lehmuskoski and Hätönen	98
9.3	Appendix: interview frame used with Mäkeläinen.....	99

List of Figures

Figure 1 How venture capital industry works	8
Figure 2 Key attributes that differentiate rapid-growth firms from slow-growth firms	16
Figure 3 WeWork's historical results	20
Figure 4 Development of private funding in 2004-2015	22
Figure 5 Possible paths of unicorn companies.....	24
Figure 6 The network model.....	26
Figure 7 Framework of influences on a Born Global	30
Figure 8 Model of a maturing Born Global company.....	31
Figure 9 Necessary and Sufficient elements for sustainable international new ventures	33
Figure 10 Relationship of unicorn companies concerning the introduced theories...	36
Figure 11 The six phases of the J curve	54
Figure 12 Updated version of possible paths of unicorn companies	85

List of Tables

Table 1 Operationalization table	41
Table 2 Reasoning the chosen interviewees	44

1 INTRODUCTION

1.1 Background of the topic

A unicorn represents a rare, almost mythical creature that is surrounded by legends and rumors. In the beginning of the decade 2010 the unicorns came to conquer also the business world, and it looks like they came to stay. The mythical creature became a part of world economics, and since then it has been evolving.

The concept ‘unicorn’ might be unknown for the majority, which is not a surprise because it is actually very new. It was introduced by the capital investor Aileen Lee in 2013 and it is generally known to describe companies which are worth over one billion dollars but are still privately owned (Kauppalehti 2015a). Unicorn companies have been described as highly valued, young and innovative companies that tend to be funded by venture capitalists (Gornall & Strebulaev 2020, 142). There cannot be found a one official, scientific description for what is a unicorn company, because the description of a unicorn company varies in scientific articles and in other resources related to unicorns. However, the aspect of a unicorn company being a privately-owned company that is valued at over one billion dollars is used relatively common when it comes to articles that talk about unicorns. That is why this paper presents the description of unicorn companies that is supported by Gornall and Strebulaev (2020). They defined a unicorn company as a private company with a reported valuation of over one billion dollars. Also, Fan (2016) supports this definition of unicorn companies. Only a company that includes all these features of a unicorn company can be said to be unicorn companies in this study, as a company that has only one or some of the attributes does not fill the framework of a unicorn company that is relatively often given in the previous literature. In some articles the concept is described to include only the information technology companies, which actually is the field where many unicorns operate, but in this paper a unicorn is considered as a term which includes all the private companies valued over one billion dollars, despite their field. Also, some of the references assume that the term unicorn could describe both privately and publicly valued companies. This will also be taken into account in the parts where this kind of references have been used. For example, Aileen Lee herself describes the unicorn as a more than one-billion-dollar publicly or privately valued software company that is based in the United States in ten years after emerging. However, because in most definitions of a unicorn it is stated that they are privately owned, it is the description to be used mainly on this article (see e.g. CB Insights 2017; Fan 2016, 583; Hawtin 2016; Simon 2016, 12.) In conclusion, the description of a unicorn company that is used in this study is “a privately-owned company with a reported valuation of over one billion dollars”.

At the end of 2013 there were almost 40 unicorns all over the world and the amount has been increasing since. From Finland have emerged two unicorns during the present century, Rovio and Supercell. (Kauppalehti 2015a; Fan 2016, 583.) As unicorns are so big that they are able to affect different industries and because there is no other term that describes this kind of companies from their privacy and valuation point of view, it is beneficial to describe the term ‘unicorn’ (e.g. Fan 2016).

As the total valuation of unicorn companies is already over 700 billion dollars, the interest in venture capital as a source of funding has increased enormously (Gornall & Strebulaev 2020, 121). Venture capital is a term that is used to describe investments in highly speculative business, often technology firms at an early stage (Fan 2016, 590). The role of venture capital funding is described in the figure below. It can be seen how private investors have an important role in the success of businesses that are not public, and concluded from this, venture funds are crucial factors among unicorn companies, too. Numerous venture capitalists will not consider investing in a startup if it does not have the potential to become a unicorn (Zimmerman 2016).

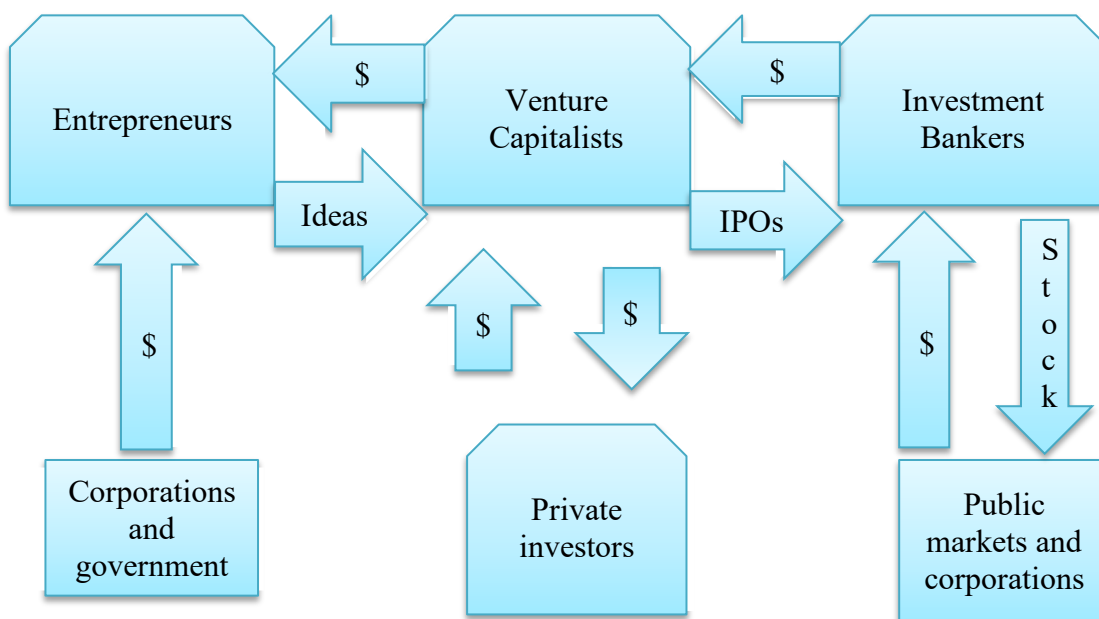


Figure 1 How venture capital industry works (Zider 2000, 135)

Unicorns usually share some similar attributes, so it is important to investigate these attributes to help understand the unicorns’ nature. According to Lee (2013) one of the most important attributes of a unicorn company, according to her definition that includes both private and public companies, is the network effect. The network effect means that

a company increases its value by the number of users it has on its platform and the social networks between the users. As nowadays the internet has found its way into every place in the world, applications that exploit social networks have increased greatly in number. (Aggarwal & Yu 2012, 142.) An example of a unicorn that is exploiting the network effect would be Airbnb.

As unicorn companies are dependent on private investments, venture funding has an important role in the growth of a company in order to become a unicorn. Venture capital refers to the money that is invested by institutions or wealthy individuals in companies that are in a state of development. These investments are made in order to achieve the highest possible profit. Also, venture funds tend to invest in small to medium-sized companies that have high growth potential, such as companies that are on their way to become unicorns. (Jovovic, Jovovic & Cvetkovic 2016.) The business valuation of unicorn companies is calculated by their acquired investment capital and the share of stocks in investment capital (Lee & Kuan-Chung 2020, 3).

1.2 Purpose and structure of the study

Unicorns are a relatively seldom researched topic in scientific literature. This is why their different aspects, like the exponential growth curve and their relationship with other theories, are not studied that much either. Because unicorns can grow quickly and their possibilities to affect the whole world can be so sizable, it is important to know what the target areas of a unicorn are and why is it so. As managerial implications, this kind of information can be useful to someone who is willing to start a new company, to investors that want to know more about the possible moves of the unicorn companies, or simply to someone who is interested in knowing more about this relatively new phenomenon. Their different aspects are even more unknown to scientific literature than the unicorn phenomena in general, so this study concentrates on aspects of unicorn companies that are studied scarcely in scientific literature. This is why unicorns are such an interesting object of study, thus justifying the choice of this topic.

The main purpose of this research is to give the reader insights about the problems western unicorn companies might face after reaching their maturity as a unicorn. Also, the aspect of operating in global business and studying if some company characteristics tend to lead unicorn companies into specific problems are highlighted. First the possible problems and uncertainties are studied and afterwards the relationship of company characteristics and these problems is clarified. Also, the attributes of unicorns are described in order to understand why unicorns make certain choices. The chosen theories will be discussed along the study and they have an important role when it comes to analyzing all the gathered information.

The main research question of this study is *what type of uncertainties and problems western unicorns are facing during their time as a unicorn.*

The secondary research questions are:

- What are the general attributes of unicorn companies?
- How do these attributes influence the problems and uncertainties that unicorn companies are facing?

By answering these questions this study can provide helpful information about the problems faced by western unicorns. Within the main research question this study prefers to focus on western unicorn companies, even though there are many unicorns also on the eastern part of the world. This decision was made based on the difficulty of receiving enough information in an understandable language about these eastern companies.

Unicorns are studied in scientific magazines, but the peer reviewed literature about unicorns is not extensive, probably because of the novelty of the term. However, many magazines have noted the unicorn phenomena and consequently many internet articles concentrated in unicorns can be found. Especially magazines specialized on technology have noticed the unicorn companies and written articles about them. For example, the original article about unicorns by Aileen Lee that is used and referred to many times in this study originates from *Techcrunch*, a magazine that specializes on startup and technology news. This study uses some generally known theories in order to understand the characteristics of unicorns. The theories are chosen by their usability in the case of unicorns and the research problems have been studied according to these theories all along this thesis. The use of these theories is justifiable because of their qualities to offer new information about unicorn companies when combining the theories with the information this study offers.

In order to understand how unicorn companies differ from other concepts of fast internationalization, like Born Globals and international new ventures, chapter 2.5 will concentrate on describing the attributes of different concepts on internationalization. In the discussion part of this study the attributes of unicorn companies and other concepts will be compared. By doing this, the term “unicorn” will get a more solid definition and it is clarified how unicorn companies differ from other similar concepts. The research problem itself creates value for the study on unicorns if it can be answered properly. Also, the importance of path dependence in the life of a unicorn is studied. These topics can be considered as the theoretical implications of the study.

This study aims to find out the most general problems and uncertainties that unicorn companies are facing, of course under the limitations of the existing knowledge. Unicorn companies might be interested in having researched information about the possible stumbling blocks in being a unicorn in order to keep themselves away from the problems that, in the worst-case scenario, could ruin their entire business. In addition to offering

updated and possibly even new information about unicorn companies to unicorns, one purpose is to offer this knowledge also for companies without the unicorn status. The aim is to create a research that offers information about unicorns also for smaller operators that are willing to learn something new about the unicorn phenomena. The kind of aspects that were mentioned on the previous sentences can be described as the managerial implications of this study. This paper will also try to clarify the difference between the unicorn company concept and other similar concepts, for example Born Globals. This is how the definition of unicorn companies can be clarified and the specialty of the term is justified. By doing this the theoretical implication of this study is defined. All of these questions are very crucial when concerning unicorns and also current in global economy, because the world economy has greatly changed during recent centuries and unicorns are a relatively new phenomena in the world economy.

2 THEORIES TO UNDERSTAND UNICORNS' ATTRIBUTES

This chapter concentrates on the theoretical side of unicorns and their nature. In order to answer the research questions, this study explores two chosen areas of theory that are suitable for studying unicorns and their problems in the most effective way. The aim of this chapter is to offer an understandable theoretical background for studying the main research question, rather than concentrate very deeply on the theories themselves. In this paper these theories are studied as deeply as needed in order to understand their relationship with the unicorn companies. The theories used describe and explain unicorns and their actions. Theories were chosen based on the themes of this study, which are unicorns' attributes, startups and networks. In addition, the unicorns' attributes are separated into different sub-categories, such as valuation and questions of staying private. However, this chapter that concentrates on theory is going to focus on the main themes of the study. This chapter starts with a description of unicorns' characteristics and of the perspectives of unicorn companies compared to other companies. Its aim is to offer knowledge from the specific point of view of unicorns and to understand how they differ from other companies with their perspectives of their field. Then, the relationship between path dependence and unicorns is studied. After this, the network effect, networks in general and their role in internationalization are studied due to the relation between unicorns and networks and the importance of the network effect in many unicorns' business models and their internationalization. As said in the introduction of this study, the network effect is a phenomenon that has been utilized by many unicorns. After this the study is going to continue with theories of rapidly internationalizing companies, mostly concentrating on the theory side of Born Globals and international new ventures. This aspect is chosen because of the nature of unicorns, which often makes unicorns internationalize very quickly. The reasoning behind each chosen theory is explained in the beginning of each chapter. These theories can then be later compared with the usual characteristics of unicorns, that are described in chapter 2.1, to derive conclusions of the nature of unicorns.

As there are so many types of unicorns and so many different success stories, the reasons why some unicorns end up failing is also a very wide area of study, and that is why this study concentrates on just a few theories that are considered to have a crucial meaning in the understanding of unicorn companies. Issues like timing, entry modes on international markets, and cultural differences are interesting issues to study when it comes to unicorns, as they can affect unicorn companies in a variety of ways. Also, the question about the fast growth of unicorns is generally seen as a positive factor as it can be noted earlier in this study.

2.1 Unicorns' characteristics and perspectives compared to other companies

The amount of unicorn companies has been increasing during recent years, and the reason assumed to cause this is the technology wave that allows more affordable data connections, that affects positively the creation of different applications. Unicorns tend to be global companies and their products and services are scalable. (Simon 2016, 13-18.) According to the sample given by Simon (2016, 19) unicorn companies tend to originate mostly from the US and Asia, even though Simon's sample was tilted towards Europe. Simon (2016) states that Europe has missed the newest mobile wave, and as a result of this there are not as many technology companies emerging from Europe nowadays as in the US and Asia. Simon equates unicorn companies as technology companies, so this means that there are less unicorns in the EU than in the US and Asia. The number of unicorn companies is growing in China faster than in any other nation (Jinzhi & Carrick 2019, 3371).

One attribute that makes unicorn companies special in comparison to companies that are valued publicly is that the valuation of unicorn companies is not based on their financial performance. The valuation comes from investors that do funding on the company. (Gornall & Strebulaev 2020, 120-121.) The startup owners have to be able to convince the possible investors and acquirers about the potential the company and its business idea have. During recent years, the opportunities for startups to get funding have increased enormously. As angel investors, crowdfunding platforms and venture capital have entered the scene, startups have now better chances to get funding while staying private. (Herciu 2017, 63.) Also, companies that have access to internal equity financing and that operate on the high-technology field are more likely to stay private (Aslan & Kumar 2011, 491). As unicorn companies often tend to be technology-driven startups that seek private funding, it can be concluded that these factors have influenced the increase of the number of unicorns.

One very important factor in business is the network the company has. As international networks ease the collaboration with partners from abroad it is an important asset for unicorn companies that are willing to increase globally (Liu 2017, 57-58.) In addition to benefits of networks in general, the network effect has increased in significance, as the internet has generated the trend of applications utilizing social networks, searches, and auctions. Services including the network effect depend on the number of users in the application, which is where the network effect happens (Aggarwal & Yu, 2012). According to Simon (2016, 18), the network effect is something that unicorn businesses are often based on.

Going public is a choice for a unicorn to make, and it can be part of the growth process, even though by doing it the unicorn loses its status as a unicorn company. Nowadays it is

easier than ever before to stay private as the entry barriers for establishing a company are relatively low and because the amount of capital in the private industry has become so large. Companies can stay private even though they are running losses, as they have the ability to achieve funding. (Kenney & Zysman 2019, 36, 43.) Many startups are afraid that if they go public, they will become so called ‘dinosaurs’, a type of company that is slowly and terminally declining. This might happen because of the decrease in innovation caused by regulations after going public. However, it is inevitable that at some point a unicorn will be pressured towards becoming listed. (Fenwick & Vermeulen 2015, 596, 618-621.)

Unicorns that operate on the consumer-oriented fields have been the most valuable ones when summed together. In spite of this, enterprise-oriented companies have reached the highest value on average and have been giving a higher return on private investment than consumer-oriented companies. (Simon 2016, 14; Lee 2013.) This information can be used when studying the internationalization of unicorns, because it gives a hint of the possible direction of unicorns’ internationalization preferences. The four biggest business models that are seen on the unicorn field are (Simon 2016, 14; Lee 2013):

- Consumer e-commerce
- Consumer audience
- Enterprise software
- Using software as a service.

Consumer e-commerce means the consumer is paying for the services, and consumer audience means that the service is free for the consumer and the profit comes from leads or advertisement. Enterprise software includes companies that are paying for larger scale software. Enterprise software includes companies that are paying for larger scale software and using software as a service stands for cloud-based software that users pay for. According to Simon (2016, 18) unicorns are often IT-based startups that are exploiting the opportunities that the mobile wave is offering. The mobile wave is something that might affect companies’ interests on internationalization at the moment, including unicorns. Mobile wave describes the situation of device capability and network intelligence increase, which aids more advanced multimedia applications to spread wider in the markets. China has been taking this into account in recent years, and some of the companies who have been concentrating on the business opportunities the mobile wave has offered are already on their way to pass the magical one-billion-dollar valuation. For example, in 2016 OnePlus, which operates on the manufacturing field of mobile phones, was on its way to do so. (Simon 2016, 13–17.)

Unicorns’ impact on the world economy has made other business areas grow too, for example, in the case of Airbnb. At least in San Francisco, where Airbnb has become actively used, the amount of money used has increased also in other business fields. It has

happened because the travelers who come to San Francisco are willing to use the money they saved on their hotel booking with Airbnb. Nevertheless, the hotel industry is still strong in San Francisco, which means that the visitors that choose Airbnb as their accommodation are just an addition to the traditional tourism. (HR & A Advisors 2012, 34.) This is a situation where both consumers and entrepreneurs benefit from the business acts of a unicorn. However, unicorns can also cause trouble in business fields, as Uber did among taxi drivers that were unsatisfied with the new application that threatened to take their jobs (Peer Production 2015). Unicorns can affect also other surprising areas of business. Because of the size of unicorns, the need of infrastructure and services that serve the unicorns has grown, which on the other hand benefits again other industries (Fan 2016, 602). Unicorns' impact on the world industry is enormous, and they should not be underestimated just because they are not publicly listed.

Human capital is said to be crucial in order for a company to achieve the unicorn status. Entrepreneurs who have unique capabilities in developing innovation and ability to manage high-growth startups have a huge impact on the success of unicorns at least within Chinese unicorns. (Jinzi & Carrick 2019, 3382.) The majority of unicorn founders consist of a small group of people, usually about three co-founders per company. The founders are also on average more than 30-years old with a co-working history. The education of the founders is usually quite high, and the majority of unicorn founders have studied in selective universities. (Lee 2013.) However, these characteristics are based on Lee's observations and are just examples of the way the unicorn companies are structured, so it cannot be generalized as a theoretical fact of the structure of unicorns.

According to Simon (2016,13) unicorns tend to have a dominant growth model. Fast growth is often considered as an indication for success and market acceptance (Barringer, Jones & Neubaum 2005, 664). Barringer, Jones and Neubaum (2005) composed a figure that describes the key attributes that differentiate fast-growth companies from slow-growth companies. The most significant attributes are described in the figure on the next page. Firm attributes, founder characteristics, business practices and HRM practices are opened up in the case of rapid-growth firms. As it can be seen from the figure, many characteristics of a rapid-growth firm are similar to the attributes of a unicorn company. For example, prior industry experience, college education and adding unique value are all attributes that have been discussed earlier in this chapter and are related with unicorn companies.

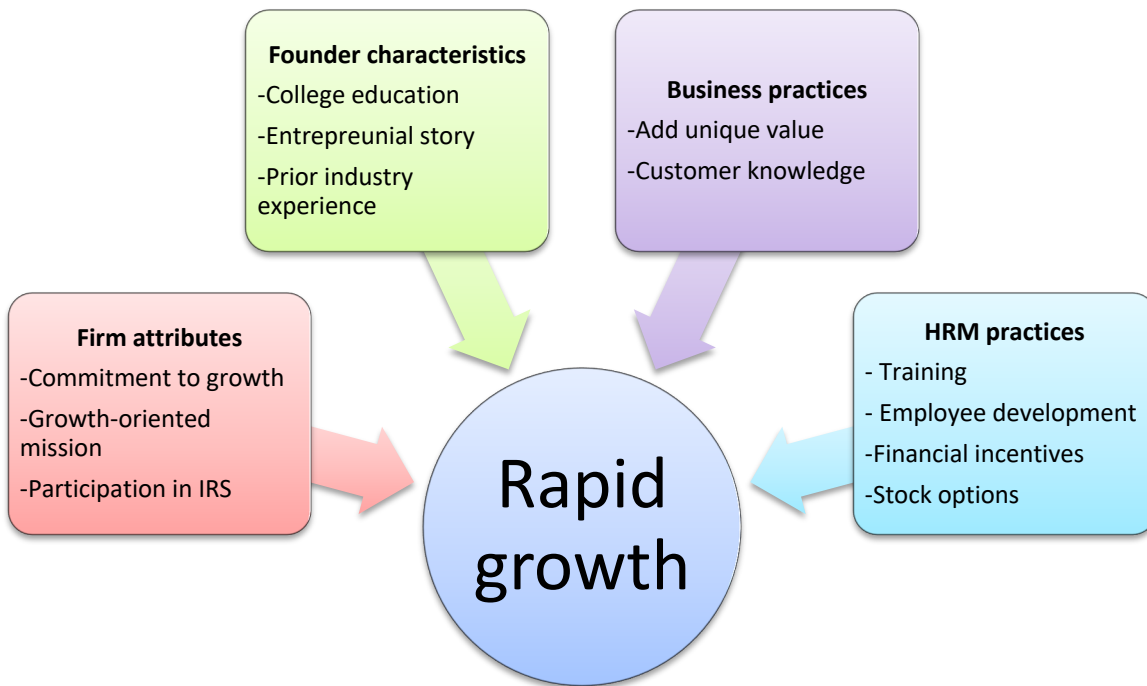


Figure 2 Key attributes that differentiate rapid-growth firms from slow-growth firms
(After Barringer et al. 2005, 683)

Also, unicorns are known for their high speed of growth, which is exponential, not linear as it tends to be in normal companies. When a non-unicorn company would have been very satisfied with a 100% increase by year, a unicorn company can grow thousands of percentage points per year (Kauppalehti 2015b). Their growth does not follow the normal growth curve that the companies usually obey, but it is exponential (Kauppalehti 2015a). In the last few decades venture capitalists have had a significant role in the development of technology ventures and their growth. Usually the entrepreneurs who are starting with their business have limited capital sources, so venture capitalists fill their needs of the capital needed for increasing the growth of the company. Venture capitalists do not only help the company financially, but also by connecting them with key factors on the field, for example, management talent, something a starting company may not have. (Dutta & Folta, 2016, 39–40).

Until now this study has presented some of the most notable attributes of what makes a company a unicorn. According to what is said until now in this study, it could be summarized that a unicorn is a company that is valued for over one billion dollars, has an exponential growth curve, is valued by private investors, is privately owned, is scarce, is international, and often has a foreign-born owner. Even though many distinct attributes of unicorns have arisen until this point of this study, it is justifiable to define similar types of businesses, for example Born Globals, that also tend to concentrate on startups. By doing this the difference between unicorn companies and other companies that share similar kinds of attributes is confirmed.

2.2 Paths of unicorn companies

In order to understand what possible future possibilities unicorn companies have, it is essential to explore the paths that unicorn companies have taken according to current knowledge. A framework for the options of growth for a unicorn company does not exist yet, so there is a research gap within this topic. A framework of the possible paths for unicorn companies could clarify the options a unicorn company has in order to develop. This kind of frame could be built by studying the destinies of unicorns in global business and then generalizing them into paths that all together build a framework. However, in order to relate these paths with the theory of path dependence in general, the previous literature must be studied in advance. Only by doing this the growth path framework of unicorn companies can be scientifically approved.

There is previous literature about paths that companies choose and what are the consequences of the chosen paths. As Teece, Pisano and Shuen (1997) stated, companies tend to develop dynamic capabilities from their processes, paths and positions. These three factors have been recently applied to analyze the growth of startups (Jinzhì & Carrick 2019, 3373). The paths the company has previously chosen are affecting the company's present state, and the paths the company chooses in the future are strategic options for the company (Winter 2003). According to Carrick (2016, 1195) paths consist of past decisions and future possibilities that shape the route of where the company is able to go. The processes of the company depend a lot on the path it has taken to follow. The scope of R&D has proven to be a significant factor when choosing future paths. Also, partnerships have had a significant role when it comes to future path decision. This is because partnerships open new possibilities in many areas of business. (Carrick 2016, 1195-1202.) Getting funding from venture capitalists has often a big impact on the path decisions, which are strategic decisions of the company, among unicorns. It is also an important factor concerning the growth of unicorns. (Jinzhì & Carrick 2019, 3374.)

Such factors as cultural norms, state policies and regulations, social and cultural norms, institutional arrangements, and collective actions and conventions are crucial when framing economic processes. It is said that one of the most defining ideas of path dependence is that decisions that are made early matter more. Those decisions tend to determine a certain path. (Martin 2012, 182-185.) According to Martin (2012, 186) path dependence can be applied on many different phenomena consisting of cumulative change, and that is why it is also suitable for studying the paths that unicorn companies choose. In order to exploit the theory of paths and path dependence on unicorns, some examples from the unicorns must be provided. Based on the characteristics of unicorn companies that have arisen until now in this study and two examples of unicorns that lost their horns, there will be provided a framework of the most general paths that unicorn

companies are able to, or must, take. The examples of these unicorns that lost their position as unicorns are also provided because of the research topic of this study.

The companies that are used as examples are Groupon and WeWork. Both of them share the description of a unicorn company according to the definition made in this study, as both were private startups that were worth more than one billion dollars (Dutta, Caplan & Marcinko 2014, 230; Financial times 2019b.) Both companies lost their status as a unicorn company because of problems that unicorn companies tend to face, so they give a face to the troubles that unicorn companies are often dealing with.

Groupon is a company that provides offers by exploiting the network effect. The company was doubted about its valuation already in 2010, even though at the moment everything seemed going well in this young unicorn. (McMahan 2010.) Only three years after being founded, the company was ready to go public, even though Groupon was not yet profitable. However, the innovative business model and fast growth in revenue covered the other, not so attractive factors of the company. (Miller & Strawser 2016, 35.) On 2011 Groupon went public with an initial market capitalization of 13 billion dollars, even though there had been offers from corporates like Google and Yahoo! to acquire Groupon. Groupon needed constant funding, so as they did not want to be acquired, they decided to get listed. However, right after the IPO, Groupon's stock price started falling rapidly. (Dutta, Caplan & Marcinko 2014, 230.)

In the case of Groupon the main reason for the great fall was simply the investors' lack of faith on Groupon after investors became skeptical if the company could fulfill all the high expectations (Techcrunch 2016). However, there are reasons why Groupon's competitiveness is not on a very high level. In 2012 Groupon changed the core element of its business model, which meant changing from a model where deal coupons were available to use only if a chosen criterion was accomplished, for example deals that were usable only if 100 customers subscribe. The new business model on the other hand lets customers use their coupons anytime. The problem is that on the previous business model companies could concentrate on selling these coupons during off-peak periods, which was beneficial for their business during the time when they usually did not have much customers. The new model lets customers use their coupons also during peak periods, which on the other hand is not a good system for companies that would have their service used during peak periods in any case. Also, the fact that the business model is designed so that Groupon gets revenue only if the deal is on makes it important to have as many coupons as possible available for customers to use them anytime. (Harvard Business Review 2013.) The current business model that Groupon uses is not sustainable because the coupon deals are not very profitable anymore for the companies offering them. This system might sound like an easy way out from the economically hard times at Groupon, but in the long term it will most probably cause the end of Groupon. (Harvard Business Review 2013.)

However, Groupon was valued in 2015 at 4.9 billion dollars according to Fortune (2015). The case is that in 2010 when Groupon had its last round of private funding it was valued at 4.75 billion dollars, so the increase in value was only 0.15 billion dollars in five years, which is not enough for a high-growth start-up. The investors that had the biggest loss were the ones who got impressed by Groupon's growth story at the initial public offering, because when Groupon went public its value was 13 billion dollars, but shortly after, the value dropped in half and has no longer increased from that. However, Groupon is still growing, and the revenue was expected to grow 11% in 2015 according to Fortune (2015). In any case, this does not cover the fact that the company has reported a net income loss every year after becoming a public company which was said to continue because of the business model. Eventually, Groupon's brand got seriously damaged by the high hopes that fell very quickly (Fortune 2015).

Overall, Groupon is a great example to study the possible problems a unicorn might face. Techcrunch (2011) predicted already nine years ago the fall of Groupon because of its business model. According to Fortune (2015), many managers and investors at Groupon thought that it was too early for Groupon to go public. Maybe they were right, but we do not know what could have happened if the choice of going public was made later.

Groupon is definitely not the only unicorn that has fallen from the heights. Another very current case is the case of WeWork, a company that offers fully equipped office spaces for companies and individuals. The company operates by renting even complete buildings, chopping them into smaller sections and then renting them forward. The fact that WeWork is non-profitable but still succeeded to rise to a valuation of billions is something that is causing a true crisis in the company now when trying to go public. Apparently, the profit coming from the companies and individuals that are renting the offices from WeWork is not enough to cover the costs of the rental that WeWork is paying to the owner of the building. The ones who believe in WeWork's way of operating are saying that WeWork is a company with great vision, but for the critics it is just another overvalued startup. It is assumed that WeWork could eventually end up meeting its valuation, but it could take some time which the company cannot afford right now. The model of WeWork takes time to attract investors, and WeWork would need further investments on its business in order to become profitable at some point. (Financial times 2019a.)

WeWork is not the first company that is competing on the co-working space field. However, the thrive for success that the founder of WeWork, Adam Neumann, had, has attracted employees and investors to believe in his company. The issue that is making investors less trusting towards WeWork is, on top of the unprofitability, the way of management inside WeWork. Adam Neumann is known for being an unpredictable

manager, which on the other hand increases lack of trust towards WeWork among investors. (Financial times 2019b.)

With the capital WeWork has, it has been able to enter markets in Europe, Asia and Latin America. The investments that have been made in WeWork have had a crucial impact on the company's capital. (Financial times 2019b.) WeWork is a good example of a unicorn company that has achieved a high valuation while being weak in performance. Figure 3 presents the financial performance of WeWork from year 2018 to 2019. It can be seen that during most quarters the company has been making losses systematically during these two years. According to Crunchbase (2019) the kind of net loss WeWork had on the third quarter of 2019 could be accepted on a startup which is just starting its journey, but when a company of WeWork's size has this kind of net loss it means that there must be some operational weakness.

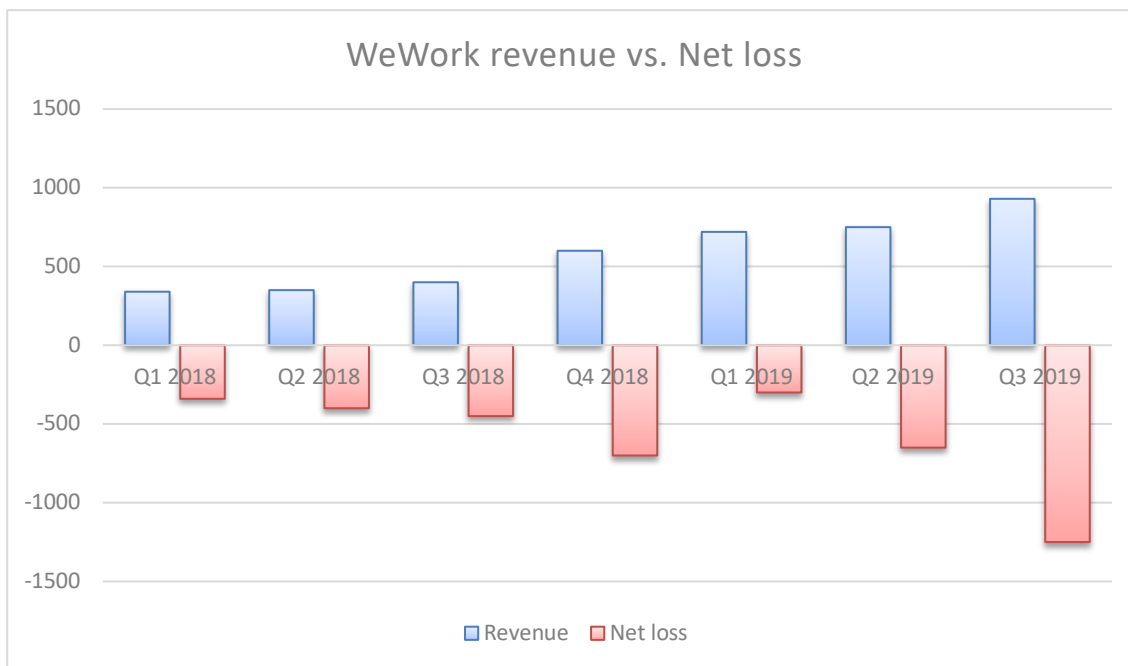


Figure 3 WeWork's historical results (after Crunchbase (2019), numbers are approximate)

According to Financial times (2019b), at the end of last year WeWork actually secretly filed paperwork to go public, and by going public the company will receive one extra shot of investments despite its previous problems with valuation. Those who believe in WeWork claim that going public and getting this round of investments by doing it would give WeWork the time and capital it needs in order to get its business profitable. However,

WeWork already withdrew from its initial public offering, because of the unsuccessful try to convince public-market investors about the business model of WeWork. In addition to the lack of trust of the business model, investors seemed to be concerned about the estimated economic downturn which might have serious consequences on WeWork. The company is still planning to become public at some point. (Al Jazeera 2019.)

Both Groupon and WeWork lost their unicorn status because of fall in value after their IPO. Also, both of them were not profitable before the IPO, and they seemed to have trouble with their business model. As Martin (2012, 182-185) stated, early decisions of the company can determine the path that is chosen by a company. The business model, being the core of the business, consists of early decisions, so it could be claimed that already when creating the business model, the future path can be determined. As both of these example companies had business models that did not perform very well, the companies eventually lost their status as unicorns. It is hard to say if these factors are actual trends in the unicorn scene as there are only two examples in this study that seem to have similar attributes in their story, but as it has been said in previous literature that companies must convince investors of the greatness of the company and that unicorns are valued according to their investors, it is likely that the valuation of these companies is often based on beliefs rather than on facts. (Herciu 2017, 63; Gornall & Strebulaev 2020, 120-121.) This could be concluded as a trend, as there is peer reviewed literature backing this statement, and by that it could be judged that overvaluation is a path option for unicorn companies.

As said before, another, and relatively common, way of losing the unicorn status is to become listed. Private companies can be prone to cyclicity of the business, and being public provides a permanent source of capital, which allows the company to grow. Being public also generates credibility. (Dai 2011.) Companies that have low information production costs, high needs on investment financing and high industry market-to-book ratios will more likely go public (Aslan & Kumar 2011, 489). Some unicorns might share these attributes, and by that make the decision of going public. For example, Airbnb, the unicorn that provides short-term rental rooms all around the world, has announced to expectedly become listed during the year 2020. (Financial Times 2019a.) In Airbnb's case the reason of going public has not been announced, but there are many speculations about the reasons behind the announcement. One reason could be that Airbnb wants to signal its will of becoming more transparent. Another reason is that Airbnb wants to appease its employees. Like many other startups, Airbnb uses stock options to tempt employees. In the US private equity funds tend to be obligated to liquidate its assets after the range of ten to twelve years, and because Airbnb was established on 2008, the time has already passed for the options that were given to the staff that has been at Airbnb since the beginning. By announcing that Airbnb is going public the company signals the employees

that they will finally be able to cash out publicly. (Financial times 2019a; Zimmerman 2016, 59.)

Merges and acquisitions are important factors among growth companies (Kwon, Lim & Lee 2018, 1376). Both are often justified as consolidation of the companies' assets. As unicorns are big companies, the acquisitions and merges that are made with them can have a big impact on the acquirer. If the merge or acquisition is made by a public company, the unicorn will lose its position as a unicorn as soon as it becomes public because of the acquirer.

A unicorn company can choose to stay private, and thus continue being a unicorn. Critics of getting listed have stated that some companies rush to go public and by that to please the public shareholders, rather than to concentrate on their core business (Dai 2011). According to McKinsey and Company (2016) software companies are nowadays staying longer private and initial public offerings should be used as strategic levers to speed up growth. Figure 4 gives an insight of the increase of private funding during the last couple of years. Only companies with above a one-billion-dollar valuation are included in this figure. For 2004-2009 there was no data available about the private funding during those years and the data of 2015 was preliminary at the time the article was written. Also, companies that were acquired or bankrupt were not included on this figure.

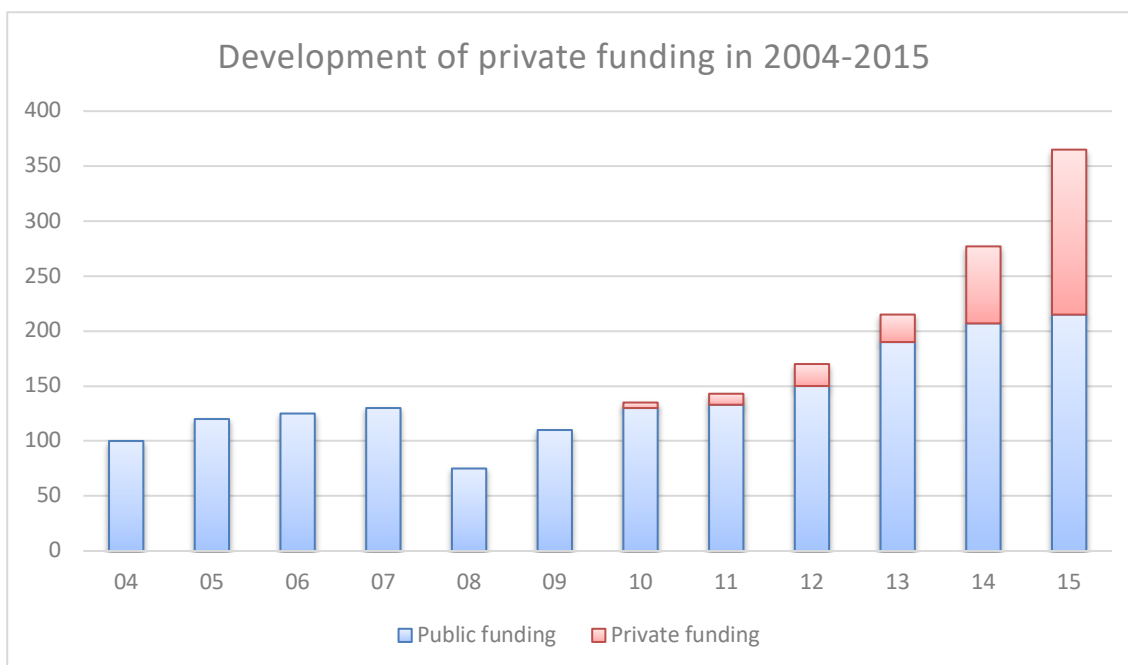


Figure 4 Development of private funding in 2004-2015 (McKinsey and Company 2016; CB insights 2016. Numbers approximate)

Many factors have influenced the development of private funding to its current point. The Jumpstart our Business Startups act, shortly JOBS, an act that had the aim of increasing access to capital for private companies by modifying the old regulations that focus on large businesses, passed into law in 2012. The aim was to give startups the opportunity to stay private longer. (Salzsieder & Cornell 2013, 18.) Also, the risks of increasing litigation costs and corporate failure rates encourage companies to stay private longer (Zimmerman 2016, 60). Nonetheless, it is expected that all companies are pressured towards going public at some point, as stated earlier in this study. The two factors that make it inevitable to go public are the increase in number of shareholders to the point where it is no longer allowed to stay private and the pressure of liquidity (McKinsey 2016.) Private companies also have less pressure to present short-term results than public companies (Zimmerman 2016, 59).

In order to stay private unicorns must start to figure out new strategies. Investors want their paybacks, so the unicorns might have to realize returns by doing merges and acquisitions. Later the unicorns would probably have to raise capital more prudently or by using alternative ways to rise capital, for example by venture debt. (McKinsey 2016.)

As the previous paragraphs have introduced some examples of further actions that unicorn companies take, the discussion about the relationships between the paths of unicorn companies and the theory of paths and path dependence is justified. Many times the path is determined by the early choices that are made, according to Martin (2012). The business model of a unicorn, that often is startup based, creates an environment where at least at some point the company is pressured towards going public (Fenwick & Vermeulen 2015, 596, 618-621). It is the reason for so many options what can happen after a unicorn goes public, and also for the various paths that can be taken in order to become public. As mergers and acquisitions are also an option of a choice for the unicorn company, they consist of a separate path, even though it often also means that the unicorn goes under a listed company and via that becomes public. In figure 5 the paths of unicorns are presented in a descriptive way in order to understand some of the options that unicorns have. The paths have been concluded from the unicorn characteristics that have come up during this study and the examples of Groupon and WeWork. Figure 5 demonstrates the possible paths of unicorn companies and also includes an estimate if the certain path leads generally to the fall of the company or does the path enable the company to grow even bigger.

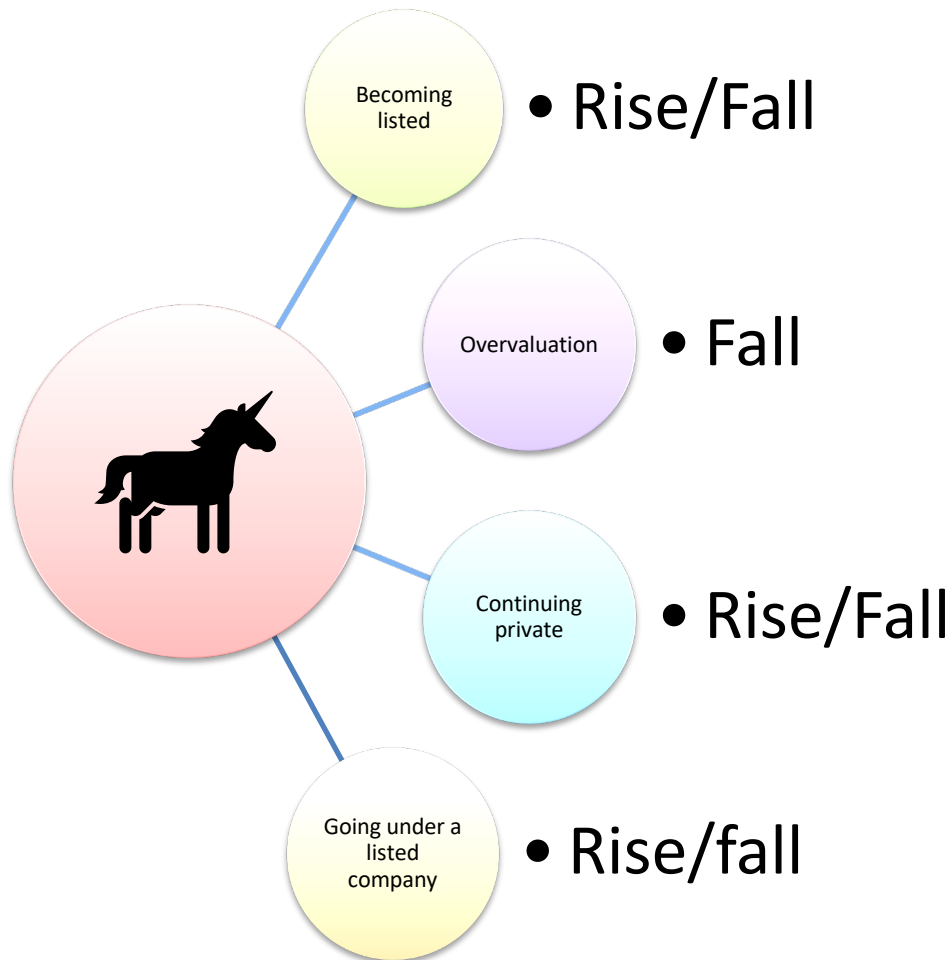


Figure 5 Possible paths of unicorn companies

The possible paths are derived from the options discussed previously on this chapter. Overvaluation is more likely to be a phenomenon that comes forward when going public, but because it is a big factor in whether a unicorn company rises or falls it was separated as its own pathway. Going under a listed company means that the unicorn company is, for example, acquired by a company that is already public. By this the unicorn loses its status as a unicorn company.

2.3 General network theory and its role in internationalization

According to Andersson and Wictor (2003, 266) networks of entrepreneurs are a critical asset when developing a Born Global. Networks can appear in many different ways, and they can be used, for example, for spreading information about the company or making contacts with pivotal actors on the field. Also, networks are important to startups, which unicorns often tend to be. (Andersson & Wictor 2003, 266.) For this reason, this study

will concentrate, in addition to network effects, which are a way of benefiting from networks, also on traditional network theory. As unicorns are related to Born Globals in this study, the relation between networks and unicorns is also justified. Also, according to Jenssen and Koenig (2002) the social networks of entrepreneurs are expected to influence success as networks give access to resources. The network theory, as used in this study, is defined as “a theory that perceives relationships in terms of nodes and ties, where the nodes are the individuals in a network and the ties are their relationships” (Roby 2014).

The networks that an entrepreneur of a company has play a big role in creating a quickly globalizing company. With a good network a company can increase its credence and by this probably appears more attractive to other actors in the field. (Andersson & Wictor 2003, 266–268.) Networking should be performed on the various hierarchical levels of the company in order to reach its maximum utility (Johanson & Mattsson 1988, 289).

Networks can be defined as “interlinked relationships both at the individual and the organization level”. This includes the relationships that exist between trading partners and the final customer. Networks can be seen as social capital, which is created by obligations, trust, and expectations. (Solberg & Durrieu 2006, 59.) In the network model it is assumed that companies as individuals are dependent on resources that other companies control. This is when the interest towards networking emerges, so that companies get the access to these resources they are not able to have in any other way. (Johanson & Mattsson 1988, 295.)

Now that networks have been discussed in general, it is time to move on to the theme of their international implications. As this thesis is written within the major of international business, the aspect of internationality must be strongly taken into account in the theoretical part of this study. Usually the domestic relationships tend to be stronger and more developed than the relationships in exporting (Johanson & Mattsson 1988, 290). However, good international networks, together with engagement to internationalize, help global marketing strategies to develop. In addition, they motivate companies to go more fearless towards international markets. Networks benefit the company by giving them access to trusted information, when the company can convert this given information into actions which are beneficial for the company itself. Networks are important to a company which is willing to internationalize, because only by having trustful information the right actions can be taken. (Solberg & Durrieu 2006, 61–62.) In internationalization this is emphasized because when doing actions abroad a company might face some problems it did not even consider being possible. This kind of problems can occur, for example, due to cultural differences or legislation in the foreign country. The number of networks abroad and the importance of them define the degree of internationalization of a company (Johanson & Mattsson 1988, 296).

The networks that the company has before internationalization might have an impact on the internationalization process of a company. Also, the internationalization characteristics of the market where the company operates influence the international networking process of the company. Generally, companies tend to internationalize first by entering markets close to the domestic country and using mainly agents instead of subsidiaries. (Johanson & Mattsson 1988, 296–298.)

There are different stages that describe the level of the companies' internationalization as individuals and also the internationalization level of the markets they are operating in. These stages are aggregated in the network model that explains the network degree of a company in the international business world. Figure 6 demonstrates this network model of internationalization.

Degree of Internationalization of the firm	Degree of internationalization of the market	
	Low	High
	Low	The Early Starter
High	The Lonely International	The International among Others

Figure 6 The network model (Johanson & Mattsson 1988, 298)

First there is the “early starter”, which means a company has a low level of internationalization as an individual and also the internationalization of the market is low. The “late starter” means that the markets are highly internationalized, but the company itself is not, and the “lonely international” is a company that is operating in a market with low development of internationalization, but which is highly internationalized itself.

Eventually, in a situation where both the markets and the company are highly internationalized, the external resources become more accessible. This is when a company becomes the “international among others”. In this case, the company has really good international networks and it has possibilities to reach third countries through its networks with another country. This situation happens only when networking is really advanced in both the markets and the company. (Johanson & Mattsson 1988, 298–305.)

However, networks alone cannot be considered as the explanation of international development of rapidly internationalizing firms. Networks are just tools that the entrepreneurs use to fulfill their global strategies. (Andersson & Wictor 2003, 266.) The growing of networks also never ends, because companies tend to use their current networks to have access to even better networks in the future. If two companies create a relationship in order to unite their powers against other competitors on the field, both of the companies can get great advantage of their merged networks. (Chetty & Patterson 2002, 72–73.)

To ease the access to global business, there have emerged associations and organizations that give companies possible access to networks by formalizing the networking process. As networks are viewed as an important part of internationalization, this kind of support groups help companies reach networks by, for example, encouraging them to cooperate with each other. The creation of networks in this kind of formal way can develop companies' networks faster than they would evolve naturally. (Chetty & Patterson 2002, 73.)

2.4 Network effect

The network effect is the phenomena where the value of a service grows as more people use it (Doyle, 2011). According to Bhargava (2014) technology goods and especially the ones with a platform often exploit the network effect, and as unicorn companies tend to be technology related companies that often provide some kind of a platform, the network effect has also a relation to them. The rise of platforms has created possibilities to business and technological innovation to exploit from the network effect. If a company has low expansion costs or there is certainty of developer involvement on the business, the network effect can add value to the company. (Bhargava 2014). As many technology startups, which unicorns often are, have similar characteristics, it is understandable that there is a relationship between unicorn companies and network effects. Also, Simon (2016, 18) has stated that the unicorn companies' economics are often based on the network effect. However, it is important to understand that the network effect and general benefits of networking are two separate topics.

According to Bhargava (2014) networks that exploit network effects can be divided into two different groups, which are

- Direct and same-sided
- Indirect cross-sided.

For example, Skype is a platform that has one single network of users where all users have the same role, so it is a service that exploits direct and same-sided networks. On an

indirect and cross-sided network there are two separate networks where the other cares deeply about size of the cross-network. An example of this could be Uber, the app that offers rides, where the people who need a ride are on one side and the people who are providing these rides are on the other. When there is a two-sided network, it is possible to have both direct same-sided networks and indirect cross-sided networks. The borders between all these categories are often blurred. (Bhargava 2014.) An example of this would be an iPhone, that provides the consumers both same-sided network benefits by applications as WhatsApp and cross-sided indirect network benefits by providing a large variety of third-party applications.

The value of communication networks can be determined by laws that use different variables. Sarnoff's law states that the value of the broadcast network increases directly by the number of users in the network (Protocol 2013). Metcalfe's law on the other hand states that the value of a network increases by the square of the number of users the network has. However, this is true only when the users share similar outlooks or the same knowledge. (Law 2009.) Reed's law states that if there are n participants, the number of possible groups is 2^n . If all the groups are valued equally, the value of the network grows by 2^n . (Odlyzko & Tilly 2005.) Network effects can create a 'winner takes it all' -market by eating the margins of competitors, and they create barriers to exit for existing users and barriers to entry for competitors. (Andreessen Horowitz 2016.)

The network effect can be mistaken for virality and for assuming that virality and network effects are the same thing. However, they are not. Viral growth increases the speed of adoption, whereas network effects increase the value of the service as more users join the network. These two phenomena often happen simultaneously, but they are two separate phenomena. Also, it does not mean that a company which has a large scale would always have network effects. However, if the product or service that the company offers spreads naturally as a consequence of use, a network effect has been generated by virality. This kind of organic spreading is the source of success for example for Facebook, where the user does not get any value without the possibility to be connected to other users. (Andreessen Horowitz 2016.)

The network effect has an important role when considering for example mobile phone applications. When an application is used by more and more people, it can also influence more widely. This means that, for example, advertisement is very desired on these applications, and the bigger the demand, the higher the cost of an advertisement. This is a natural growth of value because the application can increase its profit by demanding higher cost for advertisement. The network effect is, however, only a part of the benefits a company can get by increasing its network in many different directions.

2.5 Theories of rapidly internationalizing companies

2.5.1 *Born Globals*

Unicorns' internationalization often happens in a blink of an eye, so it could be claimed that many of them are Born Globals. Born Globals are one of the most well-known company types that internationalize quickly, so it is an interesting theory to study in the case of unicorns. A Born Global company can be described as a company that quickly or right after founding desires to adopt a global approach in its operations and to apply knowledge-based resources on sales in many different countries. What makes Born Globals different from other companies is that their origins are international. (Knight & Cavusgil 2004.) In the 1980s, when globalization started taking notable steps on its development, also the markets started to go more international. That is when new styles of internationalization were born. Born Globals began to emerge especially in large countries with big domestic markets instead of countries with small domestic markets. (Cavusgil & Knight 2015, 3.)

Traditional internationalization models tend to be more stepwise or low-speed than the Born Global -theory, but in a constantly globalizing world the Born Global -theory has started to take place among the internationalization frameworks. Establishing a Born Global company is not just a decision, but the business idea must be of a kind that can be globalized. In addition to a globally functional business idea, a strategy must be set that suits these globalizing actions. Fortunately the trends that globalization has begun have eased the spreading of Born Global companies. The effects of globalization as a growing trend have been the decrease of trade barriers, technological development, and standardization. Especially the possibility to communicate easily even between long distances has been a big advancement in global business. The total amount of Born Global companies is increasing, even though many companies still focus on their domestic market when starting a new company. (Andersson & Wictor 2003, 249–268.)

One of the most important agents in Born Globals' development is the accessibility of intellectual capital. However, many other factors have also an impact on the development of a Born Global company, for example, the entrepreneur's skills, knowledge of markets in international fields, technological abilities, and collaboration. Also, the importance of intangible resources compared to tangible ones should be emphasized, because the intangible resources have been found out to be more valuable for a company and its development towards a Born Global. (Tabares, Alvarez & Urbano 2015, 154–161.) Born Globals tend to reduce their risks on internationalization by concentrating at the beginning in only one path of internationalization. This path goes either along the geographic dimension or the scope of operations, and when the chosen path and the expansion on it

does not benefit them anymore, they just change to another path of internationalization. (Hashai 2011, 996.)

Born Globals can be studied with a framework that points out the factors that affect a Born Global enterprise. Figure 7 demonstrates four powers that influence a Born Global, even though it is just a summarized version of all the forces that in reality are in play.

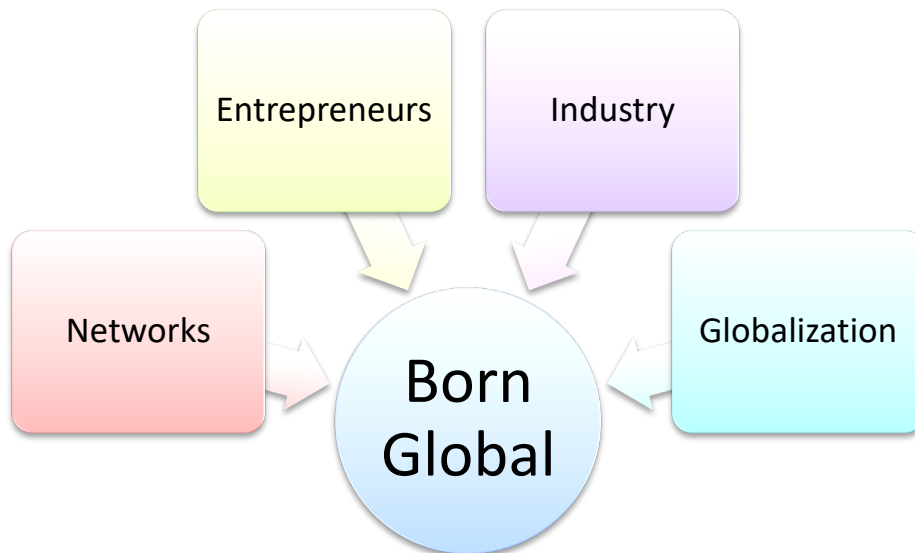


Figure 7 Framework of influences on a Born Global (Andersson & Wictor 2003, 254)

Born Global companies can be established and found in distinct industries, but in any case, the characteristics of the industry where the company is operating are still highly important in the process of internationalization. Born Global companies must have the intelligence about distinct industries, but nevertheless Born Globals do not feel like the structures would be set. (Andersson & Wictor 2003, 256–266.)

The entrepreneurs of a Born Global cannot be regarded as a certain group because of the variety of the characteristics of the entrepreneurs. However, one common factor among Born Global entrepreneurs that distinguishes them from other entrepreneurs is that the ones who are leaders in a Born Global have higher interest in doing business outside their domestic market. Often leaders of Born Globals have wide international experience gained in many different ways. A successful entrepreneur of a Born Global company should believe in global strategy, because without trust towards it, the entrepreneur cannot convince either the other operators or stakeholders that might affect the company's future. (Andersson & Wictor 2003, 265.) According to Liu (2017) the role of transnational

entrepreneurs is critical when carrying advanced technological knowledge that a company needs to develop into a Born Global.

Naturally the globalization is an important influence on a Born Global company. Even though the world is globalizing more all the time, countries still have differences between each other, and these differences can be used in segmentation. The differences are large enough to have variable segments, but usually small enough not to block the possible entrance to the market. (Andersson & Wictor 2003, 264.) This is naturally a beneficial situation for companies that are willing to internationalize themselves.

Born Globals tend to rely very heavily on distributors in order to get themselves on the global market. Also, the international social capital a transnational entrepreneur offers to a Born Global is a very crucial issue for a company to internationalize quickly. This is because of the international networks that ease the challenge of making collaborations with partners from abroad. This ability to collaborate more easily is something that speeds up the growth of a Born Global towards its maturity. Also, the ability to understand institutional complexity is very important so as to internationalize quickly. This kind of growth pattern that includes these factors in a company is denominated Growth by collaborative entry mode. Figure 8 will demonstrate how these actors are related and how they speed up the growth process of a Born Global towards its maturity. (Liu 2017, 57-58.)

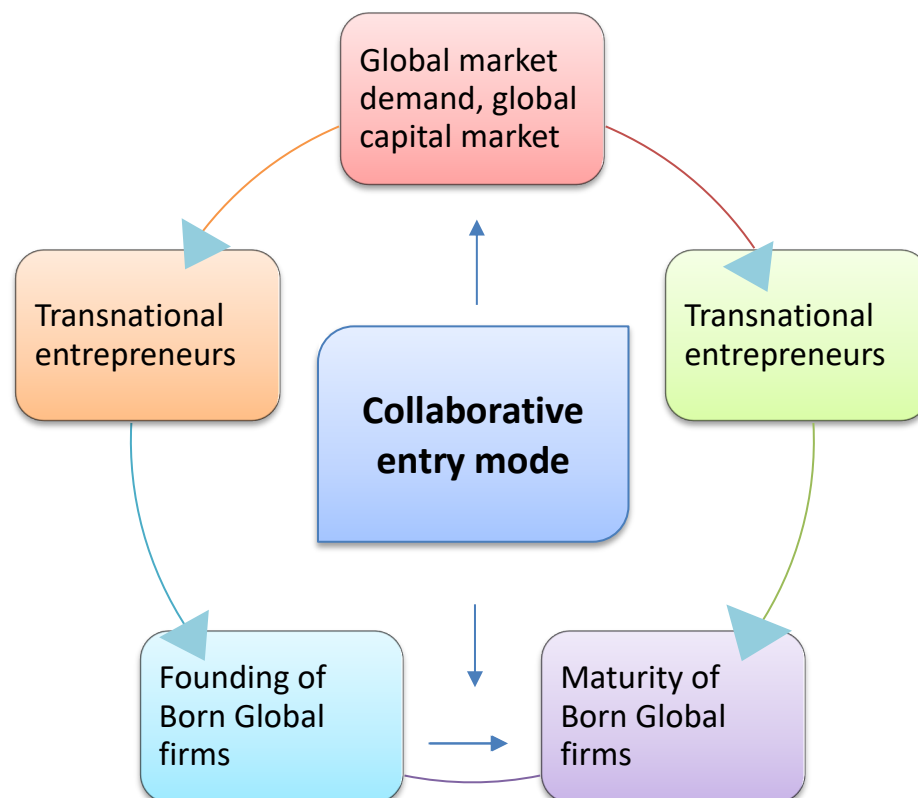


Figure 8 Model of a maturing Born Global company (Lin 2017)

Because unicorn companies are often young enterprises of a quickly globalizing nature, it is reasonable to reflect the Born Global phenomena and some theories related to it with the internationalization and growth of a unicorn. It is helpful to understand the differences and similarities of these two very similar company styles to understand how unicorns grow. To study the problems that unicorn companies are facing during their status as a unicorn, the understanding of how a company becomes a unicorn must also be clear. Then one comprehends how unicorns are structured and what kind of phases these companies have gone through before achieving the unicorn status. Understanding the structure of a unicorn company offers more details and alternatives about how a unicorn can destroy itself by, for example, understanding the weaknesses in the structure of a unicorn and its process of growth. This way even new possible threats can be found. However, it is essential to keep in mind that a unicorn is not automatically a Born Global, especially in Asian countries.

2.5.2 *International new ventures*

International new ventures are also an interesting company type and studying it in this paper could bring different aspects about quickly internationalizing companies, such as the unicorns. International new ventures are a type of startup that since its inception operates in multiple countries by sales or use of resources (McDougall & Oviatt, 1994). As unicorns were related to Born Globals in the previous chapter, there is no reason why a unicorn could not have a background in other quickly internationalizing company types, like international new ventures, too. There are two differences between Born Globals and international new ventures (INV). The first one is that many INVs are not truly global from the geographical aspect (Coviello 2015). The second is that there are many different forms of INV (McDougall & Oviatt 1994). Global startups are most likely continuing to export over time compared to other types of companies, and their export commitment is the fastest growing. The early internationalization also increases the company's growth opportunities. (Sleuwaegen & Onkelinx, 2014.)

INVs have the tendency of being new and experienced companies that are relatively small and foreign to the country they are entering. These characteristics have their downsides, as being a small company entering to the foreign country is not optimal in order to have enough resources, which makes the internationalization process hard. Being a new company also often means that the networks of the firm have not yet developed much, and the credibility of the company is under high scrutiny by stakeholders. (Zahra 2004).

To create a sustainable international new venture, there are some elements that the business must have. These elements are described in the figure below.

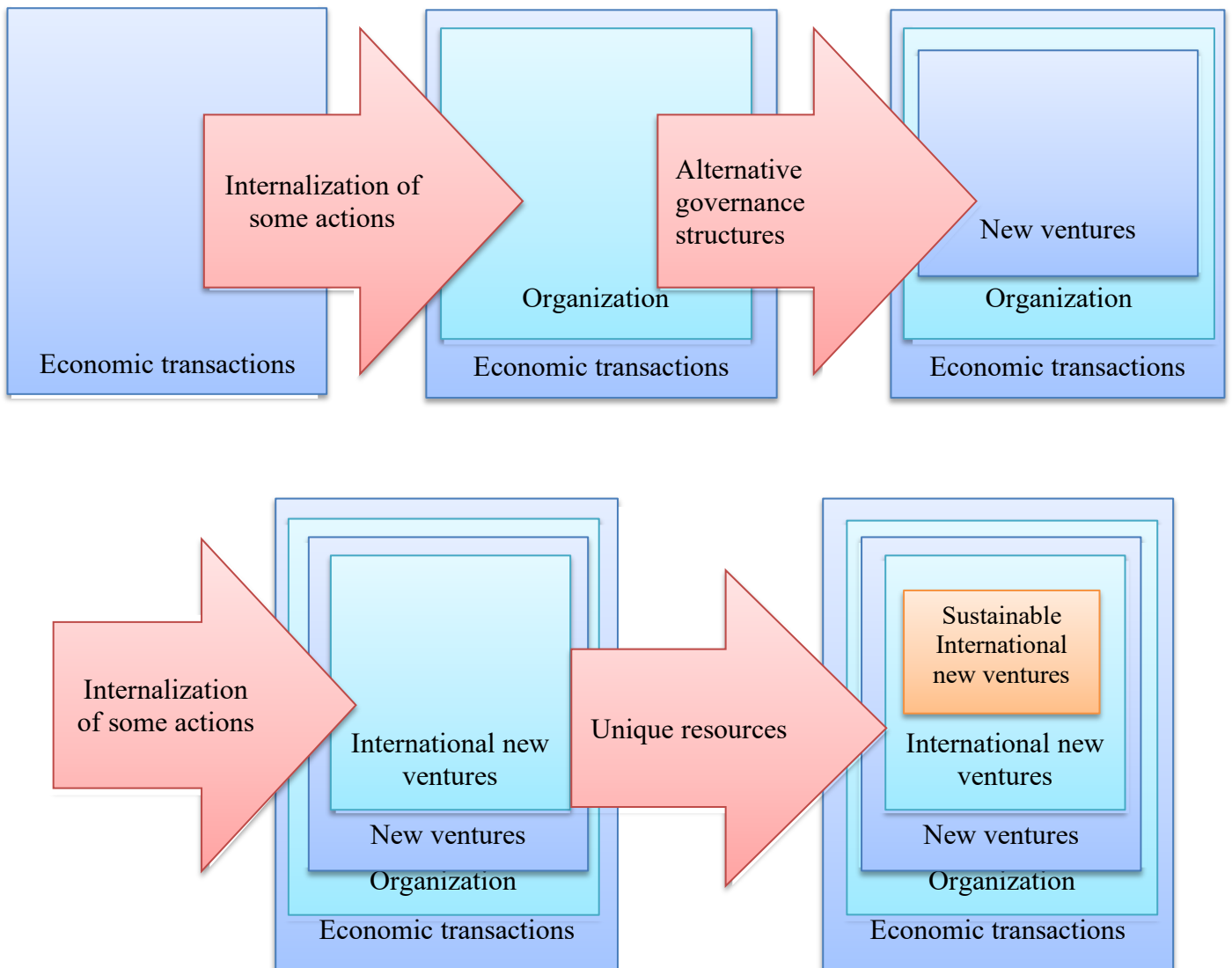


Figure 9 Necessary and Sufficient elements for sustainable international new ventures (McDougall & Oviatt 1994)

The basic elements of sustainable international new ventures are 1. Internalization of some transactions 2. Alternative governance structures 3. Foreign location advantage 4. Unique resources. The first element separates the transactions that happen in organizations by those that are governed by markets, and the second element distinguishes new ventures from established companies. The third element separates international new ventures from new ventures and the fourth one distinguishes the

sustainable new ventures from all international new ventures. (McDougall & Oviatt, 1994.)

The international new ventures can be divided into four different types, where each type has its own manners of doing international business. These international new venture types are (McDougall & Oviatt, 1994)

- Export/Import startup
- Multinational trader
- Geographically focused startup and
- Global startup.

The first two types of this list have only few activities that are coordinated across countries, primarily logistics. These two types are also known as new international market makers. They are concentrated on exporting and importing, the first type in just a few countries, the second one in a vast array of countries. The last two types on the list, on the other hand, have many activities that are coordinated across countries. (McDougall & Oviatt, 1994.)

It is not clear what is the difference between these four types when it comes to the question of probability of survival. Researchers have not been able to identify the survival rate of these types, so there is no evidence of one type being better than the other. Also, science knows very little about the survival rate of INVs compared to other new ventures. (Zahra 2004.) In addition to this, global startups have the highest rate of failure among startups. This is primarily caused by liability of newness rather than by added complexity associated with fast internationalization (Sleuwaegen & Onkelinx, 2014.) This brings the link to unicorn companies to the scene, as unicorns often operate as global startups.

2.6 How are these theories related to each other and to unicorns' problems?

The theories that have been studied in the previous chapters are all related to unicorns in some form. They were chosen by their ability to open up the questions about uncertainties and problems that are faced by unicorns, and in addition to this, these theories have explained many of the general characteristics of a unicorn company. In previous chapters it has been explained and rationalized how unicorn companies are related to the theories discussed. In addition to the links between unicorn companies and these theories, the theories have also bonds to each other. These links should be studied in order to give a solid base for their role behind unicorn companies. For example, INVs and networks have been tied together as it has been shown that the INV networks tend to increase in range and decrease in density over time. Also, important aspects of the network grew larger

while limits on the venture decreased. (Coviello 2006.) Networks tend to offer possibilities to INVs by providing financing, market access, referrals, distribution channels and contacts for both internal and external development (McDougall & Oviatt, 1994).

INVs, networks and path-dependency can also be tied together. According to Coviello (2006) a young INV's network is both intentionally managed and path-dependent at all the stages of early development. These stages are commercialization, growth and concept generation. Also, the network interactions of a young INV are dominated rather by economic networks than by social networks during the stages of early development. (Coviello 2006.)

When coming to the topic of how Born Globals and networks are related to each other, it has been stated that networks are very important among startups and that personal networks are the main networks for Born Globals. However, networks alone are not able to explain the internationalization process of Born Globals. (Andersson & Wictor 2003, 266.) Networks can also be used to overcome the limitations that explosive growth generates. Limitations like capabilities, resources, quality deterioration, knowledge, finance, and configuration can be tackled by business relationships with suppliers, distributors, customers, research institutes, licenses, complementary firms and subcontractors (Chetty & Campbell-Hunt 2003, 19).

As the framework of the possible paths of unicorn companies was made based on the characteristics of unicorns, there is a justified relationship between the path possibilities and the attributes of unicorn companies. As the early path decisions have a big impact on the direction and path of the company in the future, as stated earlier in this study, the unicorn companies that make a business plan that is able to have a very fast growth are tied up with path dependence. This is because the unicorn starts from almost scratch, and it must identify its business in order to be credible and to get funding. This is when it takes some crucial early stage decisions, that according to the path dependency theory have a big impact in the future path of the company.

However, to completely understand how all these theories are related to unicorns and their uncertainties, it is desirable to describe the relationships visually. In addition to the theories described earlier, there must be something that makes the unicorn company a unicorn. This is defined as the X-factor on Figure 10. Figure 10 gives a comprehensive visualization about the relationship between the chosen theories and the unicorn companies.

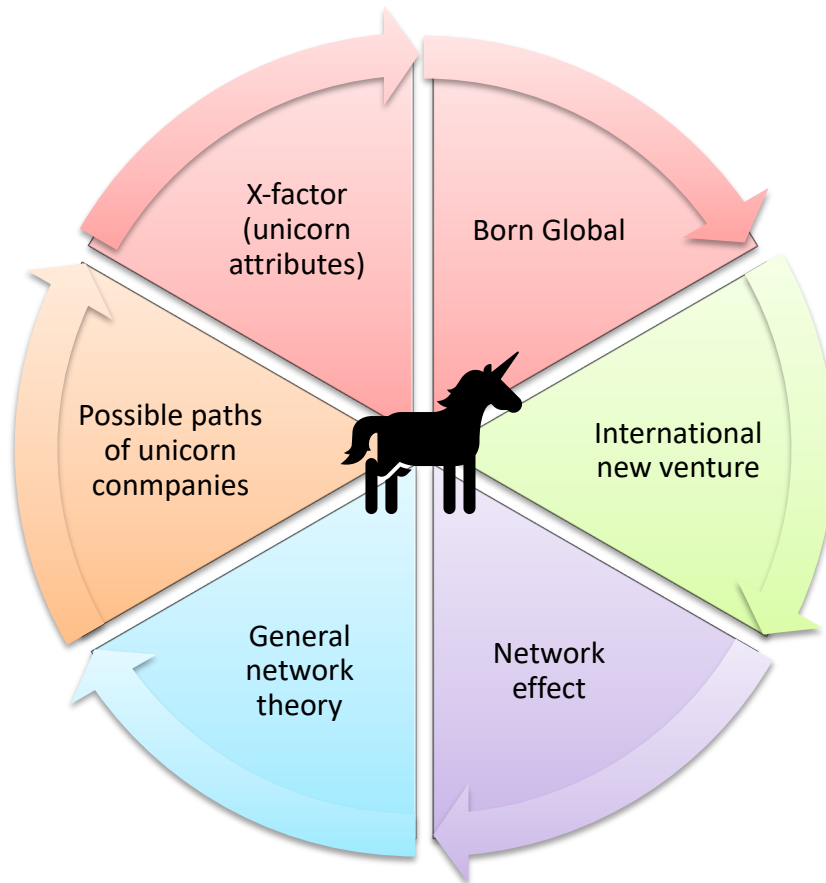


Figure 10 Relationship of unicorn companies concerning the introduced theories

The unicorn company as a concept is standing in the middle of the figure, and all these theories together build a unicorn company. The X-factor stands for the other characteristics that make a company a unicorn company. As stated earlier in this study, the characteristics that make a company a unicorn are

- valued for over one billion dollars
- exponentially grown
- valued by private investors
- privately owned
- exploiting network effect
- technology driven
- scarce
- international
- often owned by serial entrepreneurs.

If a company has just one of these features, it is not enough to achieve the unicorn status. These characteristics are the building blocks of a unicorn company, and combined

they create the X-factor of the unicorn. Some of the characteristics described above are apparently more significant than some of the others, according to previous literature. As Gornall and Strebulaev (2020) and Fan (2016) stated, the definition of a unicorn company is a private company with reported valuation of over one billion dollars. This definition is also used in other studies and articles, so it could be claimed to be the official description of the unicorn company. It means that being private and having a valuation of over one billion dollars is the core definition of the unicorn, and the other characteristics mentioned above enhance the definition of a unicorn company. However, the exponential growth is an important factor too, as constant fundraising growth has been stated as one of the main characteristics of a unicorn company (Lee & Kuan-Chung 2020, 9). This could be concluded so that fast growth is also if not part of the core definition, at least one of the main characteristics that makes a company a unicorn. The other factors, which are international, exploiting network effect, technology driven, scarce and often owned by serial entrepreneurs are rather descriptions of a unicorn than features that a company must have in order to be a unicorn. Even though these often are related to unicorn companies, a company does not have to exploit the network effect or be international in order to become a unicorn. This is concluded by the existing literature that emphasizes mostly on private ownership, valuation of more than one billion dollars by private investors and fast growth. More attributes will most probably arise later in this study as the gathered data is analyzed.

There is very little peer reviewed literature about the problems and uncertainties that unicorns are facing, especially after becoming unicorns. After doing lots of research, it can be concluded that there is no such study that would emphasize on the problems and uncertainties that unicorn companies face during their time as a unicorn. There are plenty of articles on magazines related to the field of technology that emphasize some of the problems unicorns are facing, but no peer reviewed studies concentrating on them. However, Fan (2016) used Uber as an example in her study about the regulations of unicorn companies, and from her example it can be concluded that Uber has faced problems because of its business that was in contradiction with the California state policy. This raises the question about unicorns being affected by the countries' policies. As unicorns are huge companies that might even have an affection in whole nations, the contradictions between country policies and unicorns are something worth studying (Fan 2016). In addition to this, chapter 2.1 and 2.2 revealed the attributes of overvaluation of unicorns, that in the end can lead to a disaster in the company. As the valuation of the unicorn companies can be based on just beliefs, this kind of incidents can happen. The valuation issues can be a topic that has ample information concerning the research question of this study.

The aim of this study is to find the attributes that are related to the uncertainties and problems that unicorn companies are facing. To find these attributes, the issues that cause

problems and uncertainties for unicorn companies must be found. By studying the relationship between the problems and uncertainties and the theories introduced in chapter 2 it could be possible, in the ideal situation, to find new descriptions for the X-factor, too. This study aims to create a theory concerning unicorn companies from the aspect of problems and uncertainties, in addition to the scarce peer reviewed literature that already exists. There is no peer reviewed literature that would be concentrating directly on the problems and uncertainties that unicorns are facing. Some peer reviewed articles, such as the one written by Gornall and Strebulaev (2020) that values unicorns with realistic measures, reveal grievances of unicorns, but they do not analyze thoroughly what are the consequences of the problems. By utilizing theories that are already known to be related to unicorn companies, it might be more likely to find new theoretical explanations that will answer the research question. The theories will be studied along with the information obtained from the empirical research, and by trying to find something new related to the theories that are explained in the case of unicorns, this research will get closer to new information about unicorns. Eventually, the aim is to bring new information to the literature about the behavior of unicorn companies and highlight their problems and difficulties, that may have a negative effect on these magical companies.

3 METHODOLOGY

In this study the interviews made with Supercell, Gorilla Capital, LionArch Capital Partners, Maki.vc, and Nexit Ventures are used as tools to understand better the possible pitfalls that a unicorn company might face. The interviews are used as informational sources for this study, and they will cover the research question. Also, it will be studied how the problems are solved, or if they can be solved at all. The interviewees were chosen from different professional areas in order to reach many different aspects for the problems unicorns are facing.

3.1 Methods

3.1.1 Reasoning the chosen methods

This study can be described as a qualitative research because it aims to understand the possible threats that might be faced by unicorns. Qualitative research as a term is described as an approach that seeks to find answers to the questions “how” and “what” so it is a suitable way for doing a research that aims to understand the phenomenon. (Gelling 2015). This research has been made to give the reader a wide knowledge of unicorns and their problems, but also to open up this still quite unknown term to the reader. The reason for having made this research in a qualitative way is that its purpose is to give readers understanding about this topic with comprehensive information.

A quantitative study is another way of making a research. A quantitative research collects and analyzes numerical data and makes and bases its findings on this information. A qualitative and quantitative way of research are often used simultaneously, because many researches use numbers in order to describe the studied phenomena. (Kridel 2010.) However, this is not the case in this study, where only qualitative ways are used to analyze the collected data. The decision of using only qualitative methods on this research was made because a numeric data about unicorns would not be as informative to find scientific contribution as the qualitative way, that describes the phenomena. In either case the theme of this study is a phenomenon that needs to be explained.

This research is done by interviewing parties that are believed to have specific information about unicorn companies. The parties were carefully chosen within the given possibilities. The aim was to have the possibility of interviewing distinct parties that have different aspects of viewing and operating with unicorns. This is the reason for having contacted investors, unicorn companies, successful startups and journalists to carry out the interviews for this study.

Through the interviews it is possible to acquire knowledge about the unicorn companies and the startup industry in general in a more practical level than just theoretically. Questions that are answered directly by a specialist give a more original and practical touch to the study and increase the probability of getting information that cannot be yet found in the literature. The aim is to receive data from the core operators on the startup scene so that the information could be attached to unicorns too.

The style of the interviews was semi-structured, which means the interviews were planned in advance, but if new questions came up during the interview they were also answered and the interview was flexible, not tied only to the questions made in advance (Elliot, Fairweather, Olsen & Pampaka, 2016). This style of interviewing was chosen because it leaves space for ideas that come up from conversations, enriching the results. Because the topic of this research is studied relatively scarcely, the probability of finding something new from the field of unicorns' problems and uncertainties might be bigger when giving the experts some flexibility to share their knowledge. The questions were intended to be set so that they would not lead the interviewee to the wrong directions. The questions were open and of a kind to which the interviewee cannot answer only with one word. The questions were also divided under themes, so the structure of the interview would flow naturally under each theme. The main point of the interviews was to arise discussion between the researcher and interviewee about the problems and uncertainties faced by unicorns. The questionnaire was edited according to the interests towards each interviewee, and all the questionnaires can be found on the appendix.

Before each interview it was asked from the interviewees to confirm that they allow the recording of the interview. Also, the interviewees were given the opportunity to refuse to answer any of the questions asked. The initial desire was to have the interviews held face-to-face, but the interviewees were heard on this issue. If the interviewee was not able to have a face-to-face meeting, they were given the option to be interviewed virtually.

3.1.2 Operationalization table

The operationalization table gives a visual image of the core ideas of this study. It is divided into the main research problem, research questions, theoretical background and themes. All of these are linked together by explaining how every research question is treated and what kind of theories are used when researching each one of them. This kind of visualizing helps to understand the links between theory, the research questions, the analytical themes and the interview questions. It also assists the researcher to see if the all these factors are properly represented in the study.

Table 1 Operationalization table

<i>Main research problem</i>	<i>Research questions</i>	<i>Theoretical background</i>	<i>Themes/analysis framework</i>
<i>What are the uncertainties and problems that western unicorns are facing during their time as a unicorn?</i>	What are the general attributes of unicorn companies and how are they related to other quickly internationalizing companies?	Network theory Theories of quickly internationalizing companies Path dependence	Unicorns' attributes, startups, networks, valuation, privacy vs. publicity
	How do these attributes influence the problems and uncertainties that unicorn companies are facing?	Network theory Unicorns' characteristics Path dependence	Paths of unicorns, Unicorns' attributes, valuation

As the table shows, the main research problem has been divided into two research questions that are studied by using the theories discussed in the previous chapter. All problems will be somehow discussed with the theories that were presented earlier on this study. The research questions also have themes that are studied in order to open the problem more comprehensively for the reader.

3.2 Research context

To understand better the characteristics of unicorn companies, five different professionals were interviewed for this study. The first interviewee was chosen from Supercell, which is a Finnish mobile game developer that distributes its games worldwide. As being the only former unicorn company that was interviewed for this study, it is justified to define Supercell more widely than the other companies that tend to concentrate on funding startups.

Established in 2010, the founders could not have guessed the huge success Supercell would achieve. (Supercell 2019.) Supercell is one of the two Finnish companies that have gained a valuation of over one billion dollars during this millennium, thus achieving the unicorn status (Kauppalehti 2015a). The company valuation grew from zero to five billion

dollars in three years, which makes it a phenomenal growth story even compared to other unicorns. Also, Supercell's goodwill has not been based only on expectations as its cashflow remains positive. (Kauppalehti 2015b.)

The core idea of game developer team building of Supercell is to build the teams as they would build a sports team, which means recruiting the best players on the field, giving them the environment they need and then just let them do their job as they want. Even the financial goals are secondary for the company, the main aim is to give the professionals all the space and possibilities they needed so as to create successful games. After some time, Supercell realized that actually hiring the best professionals would not guarantee success but having the best teams would. That is why Supercell is concentrating on having the best game developer teams. The whole company is divided in small cells that develop games together, and this has ended up with good results. (Supercell 2019.)

Supercell wants to create games that are suitable for almost anyone and that people will play for years. Supercell started with a business idea of planning games that would be available in many different platforms. The core was that the players could log in the game on whichever device. However, shortly after Supercell realized that making a cross-platform game does not give the player an optimal experience of the game, the company chose to concentrate more on one specific type of devices. This is when Supercell started to make games developed only for mobile devices. Afterwards as smartphones started to take over the market significantly, the product strategy specialized in developing games just for mobile phones. This decision was made in 2011, when it was not yet clear that smart phones would achieve the kind of status they have now, so it was a risk to concentrate only on mobile phones. However, Supercell was ready to take this risk. (Supercell 2019.)

The second interviewee is a representative of LionArch Capital Advisors Oy, an investment company. This company that concentrates on venture debt funding, which means that the investments are debt-shaped and they are made in venture firms. LionArch is a young company which is now still collecting funds, so it is not yet in the state of investing. At the moment LionArch is helping growth companies to receive funding and it is aiming to start operating in investing in 2021. (Hätönen, interview 29.11.2019.)

Gorilla Capital Management Oy was the third company that was interviewed for this study. Gorilla Capital Management is a venture capital fund company that invests in early stage companies. It concentrates its investments on technology companies that are trying to solve business problems by exploiting technology. The company consists of experienced investors with a background of serial entrepreneurship, and it has achieved three exits to international buyers. An exit Gorilla Capital Management typically invests in early stage companies that have not yet entered the market and that have not yet gathered much institutional money. (Gorilla Capital Management Oy 2020.)

Maki.vc was the fourth company interviewed for this research. Maki.vc is an early-stage venture capital enterprise, so it is similar to Gorilla Capital Management. It also concentrates its investments on technology and brand driven companies that are still on an early stage of their lives. Maki.vc is specially interested on investing in companies that are willing to challenge existing category norms. (Maki.vc 2020.)

The last company that was interviewed for this study was Nexit Ventures. Nexit Ventures is, according to its website, the oldest and most experienced venture capital fund in Finland. The company has done various exits and numerous contacts in the startup industry, so its expertise in this field is justified. The Nexit Ventures' team members have been involved in several successful high technology companies and world-class corporations, and the company has presence in both sides of the Atlantic Ocean. Because of its connections, Nexit Ventures has the possibility to bring value to the companies they are operating with. (Nexit Ventures Oy 2020.)

3.3 Data collection

The data was collected via interviews held with people considered as experts in the startup field. Because it is difficult to find interviewees who are only concentrated on unicorns, the scope was widened to experts on the startup field because unicorns are often generated from startups. In order to understand why these interviewees were chosen for this study, the table on the next page is provided.

Table 2 Reasoning the chosen interviewees

Company	Interviewee	Position of the interviewee	Key knowledge and relation to the study	What does the interviewee bring to this study?
Supercell	Janne Snellman	COO & CFO	Financial aspects of gaming industry, gaming industry in general	Perspective of a previous unicorn company, and its journey
LionArch	Jussi Hätönen	Managing partner	Funding of growth companies, banking industry	Knowledge from funding with experience in banking industry
Gorilla Capital	Petri Lehmuskoski	Managing partner	Startup boosting, angel investing, funding, entrepreneurship	Aspects of business angel and successful entrepreneur, startup characteristics
Maki.vc	Ilkka Kivimäki	Founding partner	Startups, entrepreneurship, venture capital funding for early-stage entrepreneurs	Knowledge of startup entrepreneurship and startup scene in general
Nexit ventures	Markku Mäkeläinen	Partner	Entry-level startups, experience in a previous unicorn (Facebook) VC funding	Experience from unicorn related fields, knowledge from working in a previous unicorn

The interviews were held face to face or then via video call or normal phone call. The way of interviewing was chosen according to the situation of the interviewer and the interviewee. The interviews were made as theme interviews, where the questions were divided into different themes, but the interview left space for free discussion, too. The questions were not absolutely the same for each interviewee, as the knowledge of the researcher about the topic increased while learning from the previous interviews. That is why the questions for the last interviewee were different compared to the first interviewee.

All interviews were recorded, and all interviewees confirmed that they were aware of the recording. Also, all interviewees were suggested by someone who had experience in

the startup field or with dealing with unicorn companies. These referees were university professors, journalists, and people who are experienced in venture funding and startups.

3.4 Data analysis

The aim of the data analysis is to clarify the collected data and, if possible, provide new information for the research topic. As the aim of operationalization is to bring real life and theory bounded together, the operationalization of the research questions was done to ensure that the empirical research was made based on theoretical framework behind the research problem (cf. Eskola & Suoranta 1998, 75). It is important that the researcher is able to identify the relevant data from all the gathered information. It is important to acknowledge that the researcher has a subjective approach when gathering the data because of the background knowledge and assumptions that the researcher has about the research topic. The researcher must minimize the affection of his/her own personal experiences or assumptions when gathering and interpreting the data for the study. In order to remain non-biased and minimize the affection of subjectivity, the researcher must identify his/her assumptions and use them as hypotheses that are most likely to be modified after the gathered information has been analyzed. (Eskola & Suoranta 1998, 19-21, 138.)

In order to sort the gathered data and turn it into a coherent, whole picture that resonates with the given theoretical framework, different steps must be taken (Gerson & Horowitz 2002, 216-217). This is why in this study the researcher first wrote down all the gathered data and then started to find ways to combine it with the theoretical framework given in this study. While doing this, the empirical data started to become sorted under different concepts and the study started to form its core factors and findings, while being related to the theories described earlier in this study. When this happens, according to Gerson & Horowitz (2002) the researcher is able to create more formal concepts and categories which are defined by moving back and forth within concepts and data. As a result, the study will eventually be able to offer categories that clarify the analysis, after which the interview material can be sorted into analytic groupings. At this point it is relevant to compare the defined theoretical background with the results that came from the analysis.

Thematic analysis was chosen to be the main method to analyze the empirical data in this research. It is important that the theoretical framework and the gathered data are in close interaction with each other when analyzing data through thematic organization (Eskola & Suoranta 1998, 176). This study uses thematic analysis to analyze the gathered data. The interviews were divided into themes and each theme was given a topic, so that the received answers from the interviews could be analyzed simultaneously. By doing

this, each theme can be researched thoroughly with different aspects provided by the interviewees. This prevents the loss of any aspect along the research, like it might happen when dividing the interviews according to interviewees.

When the text is analyzed there are several tasks that must be done. This study was divided into themes by utilizing a framework provided by Ryan and Bernard (2003). According to Ryan and Bernard (2003) these tasks are 1. Discovering the themes and subthemes 2. Sieving the themes and choosing the best ones 3. Building hierarchies of themes and 4. Linking themes into theoretical models. In this research the themes and subthemes are discovered by studying the research questions and what kind of areas they cover. The result of the second task is conducted from this. The sieving of the themes that suit best this study is done ongoingly during the research, and the best themes and subthemes are left in the study after the final check. The fourth task is done by creating an operationalization table, which provides the link between theory and the chosen themes. The operationalization table, table 1 is presented on page 41. Themes can arise from the collected data, when an inductive approach is utilized, and the researcher's prior knowledge about the phenomena that the study is concentrating on, when a priori approach is utilized. The division of themes and subthemes can be made by asking how different parts of the text differ from each other. (Ryan – Bernard, 2003, 88-91.) In this study this method was used when separating themes from the subthemes, and the strength of the message related to this study was considered when doing this analysis. The framework provided by Ryan and Bernard (2003) was chosen because it offered a thorough way of analyzing the data in order to categorize different areas of the study into different themes. It helped clarifying the themes and understanding the relationship between each theme and the study itself.

In this study the themes were eventually decided and separated when all the data was gathered. This gave the researcher the opportunity to widen her knowledge about the research topic before deciding which themes the study aims to cover. The themes that came up from the theory were separated at an early phase so that the research had a direction where to go when starting to gather the empirical data. For this reason the theory-related themes were separated in advance.

3.5 Evaluation of the study

All the interviews were held in Finnish as only Finnish experts were interviewed for the study. As Finnish was the native language of all the interviewees and the researcher, the risk of having misunderstandings during the interview was decreased to a minimum. The information and the most valid points were gathered from the interviews by listening to the recordings made of each interview, and then translated into English. Of course, there

is always a risk of interpretative misunderstandings, but as the researchers English is fluent, this risk is decreased.

The credibility of this study is limited by the relatively scarce information that exists about unicorn companies. However, many of the interviewees brought points that the researcher would not have known to be related with the topic without the professionalism of the interviewees. This is how the credibility of the study increased, as the topic could be researched more widely than it was originally thought.

The initial aim in trustworthiness is to convince both the reader and the researcher that the study is not biased by any means and that the research is worth considering (Lincoln & Guba 1985, 291). For this reason this study is made based on the criteria of trustworthiness introduced by Lincoln and Guba (1985). These criteria of trustworthiness are suitable for qualitative research, so it is a natural choice for this study. These criteria consist of four different criteria that are each supposed to concentrate on a certain aspect of the study. These criteria are *credibility*, *transferability*, *dependability* and *confirmability*.

Credibility is taking the aspect of internal validity and it is the criteria that measures the truthfulness of the research and also how the study correlates with reality (Lincoln & Guba 1985; Pandey & Patnaik 2014.) The credibility of a study can be increased by high engagement to studying the backgrounds of the research targets and by establishing trusting relationships between the researcher and the targets. This can be done by evaluating the information gathered and putting effort to find if there are any biased parts within the information. Also, the information must be observed continuously in order to provide depth into the information. In addition, triangulation is a practice that can be used to increase the credibility of the gathered information. (Lincoln & Guba 1985, 301-305.)

There are four different ways to use triangulation, which are

- Data triangulation: use of different information sources
- Methods triangulation: use of different research methods
- Investigator triangulation: use of different investigators and
- Theoretical triangulation: use of different theories to study the data. (Denzin 1978; Pandey & Patnaik 2014, 5747–5748.)

In addition to this, it is beneficial to send the gathered information, interpretations and conclusions back to the informant so that it can be verified that the information in the study is credible and valid (Lincoln & Guba 1985, 314-315).

To meet the criteria of credibility, the background of each interviewee was studied by the researcher before each interview. By doing this, the questions asked during the interview should match the knowledge and expertise of the interviewee. In order to get familiarized with the background of the interviewees, the web pages of the companies the interviewees operate at the moment were studied and the LinkedIn-profiles of each

interviewee were checked and studied. Also, each choice of interviewee was based on suggestions made by university professors, field related journalists or venture fund specialists. This increases the credibility of the interviewees and the study in general. To prevent problems between the relation of the findings of the interviews and the theory explained earlier in this study, an operationalization table was provided. The operationalization table kept the study in line with its original aims and increased the consistency between theory and the interviews. The interviewees answered some similar questions, which means that some of the questions asked got many answers from experts. As various experts have given their answers to similar questions, there were some answers that were also relatively similar. This way the information gathered is more likely to be credible, as the answers given by various experts were similar to each other.

The second criterion of the criteria of trustworthiness is *transferability*, which evaluates how well the results and findings of the study can be applied to other contexts (Lincoln & Guba 1985, 291, 316). The transferability cannot be evaluated by the researcher, rather the researcher should provide the potential applier as much information about the background of the study as possible. This includes, for example, what was the criteria when choosing the research targets and information about how the study was conducted. According to Lincoln and Guba (1985) the responsibility of the researcher is to provide enough information to enable the transferability of the study.

The structure of this study provides a deep introduction of the theories related to the research questions alongside with the literature review. The aim was to explain the theories related as intelligibly as possible. Also, the relationship between the used theories and the data gathering was explained with the help of an operationalization table, so that the reader is able to always go back to the reasoning why the study is made the way it is. Since all the interviewees allowed the use of their full names and experience, this study is very transparent and gives the reader the possibility to look up for more information about the topic of this study. Through these aspects this study has taken into account the transferability and aims to enhance it. However, under anonymity this study could have been more credible, as interviews made anonymously give the interviewee the chance to open up about issues that he or she would not have wanted to say while being not anonymous. This can slightly reduce the transferability of the study.

The third criteria is *dependability*, which refers to the repeatability of the results of the study in other contexts and the level of influence the researcher and the research context has had on the research (Lincoln & Guba 1985, 300, 316-317). In other words, if the study would be repeated with the same methods, same context and same participants, the results would be similar in the case of dependability. This criterion can be used when estimating the reliability of the research. (Pandey & Patnaik 2014, 5750.) Interviews are considered generally as a relatively subjective method. The more unbiased and factual the interviews

are made, the more the objectivity of the study enhances (Lincoln & Guba 1985, 300, 316-317).

The methodology section of this study opens the topic of how the interviews were done and what was the context of the interviews. The questions for the interviews were made based on theoretical knowledge about the topic of unicorn companies in order for the questions to fulfill the criteria of dependability. The interviews were conducted as unbiased as possible, and the questions made for the interviewees were designed to be answered with full sentences. The theoretical framework was developed mostly before starting the interviews, but partly filled in after the interviews were made. This way the interviews were not too much influenced about the theoretical framework, but also helped to create it. Of course, there is a risk that the researcher has interpreted some answers from the interviewees based on her own interest because of the defective theoretical framework, which on the other hand decreases dependability. Also, the interests of the researcher might have led the interviewees to answer in a certain way in some of the questions. This might have happened because of the inexperience of the researcher of making this kind of research. This decreases the credibility of this study, but eventually, the questions were answered mainly according to the interests of the interviewees, so it could be claimed that the credibility of the study was not significantly harmed during the interviews.

Conformability, which is the fourth criterion of the Lincoln and Guba's (1985) criteria of trustworthiness, refers to a qualitative research just as objectivity refers to quantitative research. It means that the researcher must ensure as well as possible that the findings of the study are based on the ideas and experiences of the interviewees, rather than preferences and characteristics of the researcher herself. The criteria of *conformability* helps preventing the findings from being biased. (Pandey & Patnaik 2014, 5751.)

To establish *conformability*, there are some techniques that can be used. These techniques include audit trails and reflexivity. Audit trails are used to keep record of what was done in the investigation. Reflexivity on the other hand is an attitude that attends systematically to knowledge construction in order to affect the researcher in the steps of the research. To enhance reflexivity, the researcher can consider designing a research that includes various researchers, reporting the study perspectives, beliefs and values in manuscripts and other publications and develop a reflexive journal (Pandey & Patnaik 2014, 5752).

As this study was made by interviewing experts in their topic, it had to be ensured that these experts have the possibility to express themselves widely. By doing this the gathered information is more reliable and unbiased than it would be if the questions did not leave any space for deliberation. The structure on the interviews were made so that there is time and space left for opinions and aspects that come up during the interview. The aim was to give the interviewee the possibility to open all the aspects of his/her experiences

considering the given topic. Questions were made so that they could only be answered with full sentences, nor 'yes' or 'no'. The aim of the researcher was to make questions that could be answered widely, so that the interviews would be as beneficial for the research as possible. As audit trails have an important role in enhancing conformability, this was also taken into account in this study. The role of audit trailing was given to the essays that the researcher wrote every two weeks for the supervisors of the thesis group. Each essay had a given theme that covered the different divisions of the study. In these essays the researcher familiarized herself with the different divisions of making a thesis, as well as explained her situation within the given topic. This is how the researcher was aware of what she was doing and what kind of issues were important to concentrate in within each division. The reflexivity of the study on the other hand was ensured by choosing the interviewees from various backgrounds and by studying the topic of the research widely. The information was gathered from various sources, and the topic had been under the researcher's interest already for three years. Because of this, the information was also from a large time span. All in all, the conformability of this study was enhanced in various ways.

4 FINDINGS

4.1 Presentation of the interviewees

All together there were five representatives who were interviewed for this research. The person who represents the only previous unicorn company that took part in this study was Janne Snellman, the COO & CFO of Supercell. Snellman has been working at Supercell since 2010, so from the early days of the nowadays unicorn. Snellman has a long professional experience from similar positions as in Supercell, for example he operated as vice president in finance and administration for Digital Chocolate Ltd, a developer of applications and games for mobile phones, between 2004 and 2010.

Gorilla Capital was the second company that was interviewed for this research. The deputy of Gorilla Capital was Petri Lehmuskoski, who is a managing partner at Gorilla Capital. Petri's background is in entrepreneurship, as he established his first company while he was in high school. After those years he has founded many companies and sold two of them, and in 2008 he started as an angel investor. The companies Lehmuskoski has founded have faced fast growth, and his first company that was founded from scratch was valued by 120 million euros at the time of selling.

Jussi Hätönen from LionArch Capital Partners is operating as a managing partner for the company, and before LionArch he had gathered experience for nine years from the European Investment bank. Hätönen is a professional on investing in growth companies, and he has gathered vast knowledge about the startup industry. He is a so-called business angel, that looks for potential growth companies to invest in.

During his years in the European Investment Bank Hätönen was part of the team who built a venture debt fund that became the biggest in Europe. With its investments valued over one billion euros in one hundred companies the fund was operating massively all-around Europe. Thanks to this experience, Hätönen decided a bit more than a year ago to establish his own venture capital company, LionArch. LionArch has the same idea as the venture debt fund in the European Investment Bank, and the company is on the phase of gathering capital in order to offer debts to potential companies. In the meantime, LionArch is helping growth companies to have funds. The core knowledge of Hätönen concentrates on growth companies that have already proven that their business model is capable of gaining profit. At this point companies tend to already have some turnover and will of starting to scale.

The fourth company that was interviewed was Maki.vc. The representative for Maki.vc was Ilkka Kivimäki, who is the founding partner of Maki.vc. Kivimäki has a vast experience on entrepreneurship, as he has been operating in many different companies. He has operated as the chairman for Slush, which is an event that celebrates

entrepreneurship in its various ways. Slush has become an enormous international phenomenon and nowadays the events are organized in addition to Helsinki in Finland, also in many other countries around the world (Slush 2020). Kivimäki has gathered his experience from the technology industry by operating in many different technology-driven companies since 1992, and during recent years he has been frequently involved in the startup industry. As Slush has made him an expert in startups and the latest trends on the industry, he has also gathered experience from partner and chairman positions in many companies that operate on the startup field. Now as the position as an investor has come to the picture, he is able to use his knowledge to grow new success stories. However, Kivimäki states that at the moment he still has more experience about entrepreneurship than he has from investing, but that will be changing in the future.

The last interviewee for this study was Markku Mäkeläinen from Nexit Ventures. Before his career as a venture capitalist, Mäkeläinen gathered knowledge operating as a director in partnership solutions and operations and as a director in global growth and operator partnerships for Facebook, which is also a former unicorn company. He has also been consulting entry-level startups and he has been involved in many companies, which makes him an expert in entrepreneurship and startups. He has been involved with many companies that have become unicorns, and this makes him an expert when considering the lives of unicorn companies. The questions that were asked from Mäkeläinen differ a little bit from the questions asked from the other interviewees, as Mäkeläinen was the last interviewee and the researcher decided that with the knowledge she had collected on the topic she wanted to ask questions that would not get similar answers than in the previous interviews. That is why the questions that were presented for Mäkeläinen were not as wide as the questions that were presented to other interviewees. As the interviewer thought that her own knowledge about the research topic had increased during previous interviews, with Mäkeläinen she wanted to concentrate in some more specific areas that are related to the study and the research questions.

4.2 Findings from interviews

The findings of this study are analyzed by the themes provided in the operationalization table. The findings are separated into the attributes of startups, the valuation and structure of unicorns, the reasons behind staying private or going public among unicorn companies and the problems and uncertainties faced by unicorn companies. These themes were the ones that received most comments from the interviewees, which is the reason for being chosen to be the topics of this chapter.

4.2.1 Attributes of startups

In order to understand better unicorn companies, studying startups can give a wider picture of the field where unicorns are operating. This is why the first thing that is done is to introduce some startup attributes that came up during the interviews. According to Snellman, the COO & CFO of Supercell, a phenomenon that can be seen in the startup scene is that startups claim that their business idea is profitable and functioning if they gain a certain level of popularity. Even though this might be true, there is a problem if the company does not have the capacity to grow as big as required in order to be profitable. This is a phenomenon that can easily lead growth companies into great problems where they do not have the liquidity to pay back to the investors because their business is unprofitable and very hard to turn into being profitable. (Snellman, interview 30.10.2019.)

A long-run startup enthusiast and expert, Petri Lehmuskoski, has a wide experience on supporting startups and investing on them. In addition to this, he has a long history on entrepreneurship, so he could be called an expert in startups. A rallying point among successful companies is their attitude towards failure, says Lehmuskoski. When a company faces trouble and downturns, the most important factor is the attitude towards negative issues. A company that identifies problems as challenges that can be surpassed tends to generate success compared to a company that gets depressed when facing trouble. (Lehmuskoski, interview 3.1.2020.) In the beginning of the interview, Lehmuskoski came up with the Startup j-curve that describes the growth and development of a startup company. This framework explains the points that a startup has to go through during its growth, and it is used for identifying what should be done on each phase of the development. As figure 11 demonstrates, the J curve consists of creating, releasing, morphing, modeling, scaling and harvesting.

THE SIX PHASES OF THE J CURVE

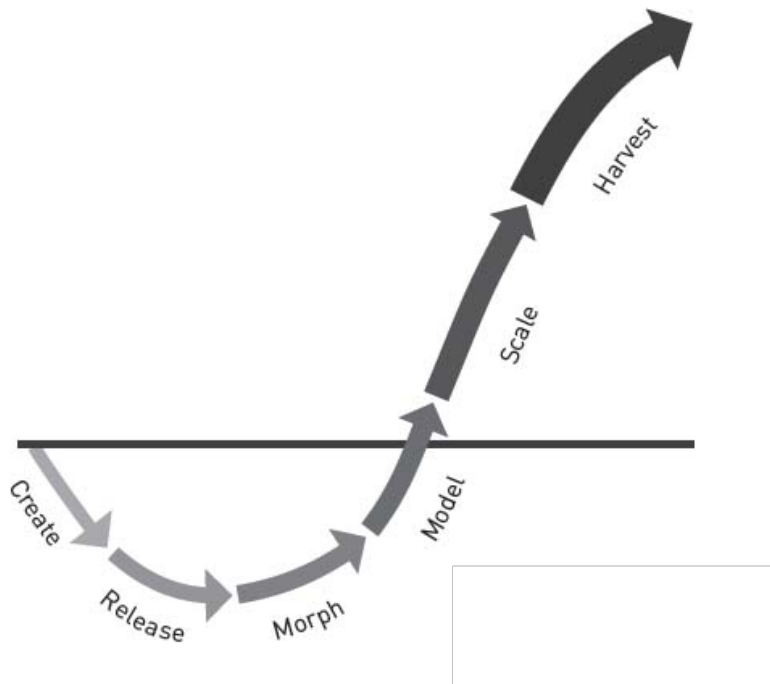


Figure 11 The six phases of the J curve (Love 2016)

There are several factors that lead the startup to negative returns during its early days, such as resources, technology and environment. That is when the sales revenue is not in balance with the development costs. When sales rise, the company is able to get quickly above the breakeven point. (Aalto & Tunkkari Eskelinen, 2016, 372.) Lehmuskoski explained that this J curve is a great tool to understand the functioning of startups. Lehmuskoski's company tends to invest in companies that are on the end of the phase two or in the start of the phase three, which means that they invest on startups in a relatively early state. The startup J curve gives a theoretical framework to the growth phase of startups, and this is why Lehmuskoski has found it useful in order to identify the companies he wants to invest in.

Lehmuskoski also introduced a four-field model of knowledge affecting the success of companies. The model is divided into known known, unknown known, known unknown and unknown unknown information. The known known information is the information that the company has and what the company knows it has. The unknown known information is the information that is known, but that the company does not know that it has correlation with its business. (Luft & Ingham 1955.) The known unknown information describes the information that the company knows that it does not know. The unknown unknown is eventually the information that has the biggest role in success, which is the information that the company does not know and that correlates with the business. Lehmuskoski said that according to a study made in the US almost all the big companies that had faced great success had achieved because of factors that could not be

affected by the company itself, but that generated possibilities for the business of the company. Sometimes the unknown unknown information can also be harmful for the company, for example, if the company manager faces trouble in personal life. According to Lehmuskoski, companies do collapse a lot because of personal life issues among management.

The third interviewee, Jussi Hätönen from LionArch, has the point of view of an investor within growth companies. Hätönen says that it is very important to be sure that the companies that are observed to invest in operate on fields that are scalable, which means that the companies have the space to grow bigger on their field. The product of the company and the used technology must be scalable in order to be credible in the eyes of an investor, says Hätönen. According to Hätönen the importance of the team behind the product is a matter of opinion; some investors think that the team is a very important factor for the success of the company and others say that if the product is scalable, the team can be hired even afterwards. However, the founders must have an open culture towards investors and the founders must accept that the investors will become part of the team inside the company (Hätönen, interview 29.11.2019).

When asked about the most important factors on investing in growth companies, Hätönen emphasizes that investing in family-based companies where the family still has the highest authority is a huge risk. This is because arguments arise quite easily and on the other hand when decisions have to be made, the family will most likely share the same opinions with each other. This can become a problem if the investor does not agree with the family. A good sign in a company is that it already has strong investors when planning to invest on it and that the decision-making process and the company structure are very clear and transparent. (Hätönen, interview 29.11.2019.)

Ilkka Kivimäki, the fourth interviewee of this study, has a vast knowledge of entrepreneurship gathered by operating in many different companies and as a startup enthusiast he has collected vast experience in how startups grow. Kivimäki states the importance of the people behind the business. This has been emphasized by many of the interviewees. Timing is also something that Kivimäki sees as an important factor for a startup that is seeking for success. He also states that a successful startup that is well known helps the company to recruit the best talents. When asked about the factors that make Kivimäki hesitate to invest on a company, he says that if he feels like the company is not telling everything about their business or in some other way it feels unreliable, he is not willing to invest on it.

Kivimäki says that it is extremely important to understand the business idea that a company is offering in order to decide whether invest into it or not. He says that it is more difficult to find people who are available to make things happen in a business than to find good business ideas. A company that has a team that already has experience in

entrepreneurship is more likely going to succeed than a company that has a team with many first timers, according to Kivimäki.

The last but not least person who was interviewed for this study was Markku Mäkeläinen, who has gathered experience in both startup consulting and venture capital. Mäkeläinen says that the label of being a unicorn can bring the company visibility and a label of being a quality company, because the unicorn status means that the investors are trusting the company so much that they are willing to invest huge sums of money in it. Also, according to Mäkeläinen, if a company has the benefit of the network effect on its business model, it is likely to grow exponentially. A company that does not include network effect on its business will on the other hand most likely grow linearly. He also states that because the startup culture has developed a lot during the last 20 years, there is now much more money and material on the startup field. This leads to bigger private investments. Also, the level of startup companies has increased in quality, and the attitude towards failure in business has softened, which creates a more open-minded playground for startups (Mäkeläinen, interview 17.2.2020). Mäkeläinen also emphasizes the fact that nowadays startups can often pay a competitive salary for its employees, which leads into recruiting better talents. He also says that the increase of the digital infrastructure has benefited technology startups during the last 20 years.

4.2.2 Valuation and structure of unicorns

Hätönen from LionArch also states the difference between capital venture funding and debt venture funding. If the investor is operating with a venture debt approach, there are also other factors in the company that must be studied in order to make a decision if the company is worth investing in. The difference between the venture debt approach and capital venturing is that when giving debt to the company, the investor does not get any type of decision-making power inside the company, unlike in the capital venture approach. An investor who does capital venturing has the ability to closely monitor what is happening inside the company and to use power in it, too. This is why contracts between venture debt investors and companies are much ample and they have to cover multiple points that would not have to be covered if the investor had decision-making power in the company. This kind of points are, for example, the restrictions and obligations that the company has towards the investor. When doing venture capital funding, these points are covered by the presence of the investor. This makes venture debt funding very attractive from the point of view of companies. Another difference between capital venture funding and the venture debt funding is that the debt has to be paid back to the investor unlike the capital funding. If the company is not able to pay the debt, the rights of the lender are relatively wide, and this is the downside of venture debt funding. Excluding this factor,

venture debt funding is much more economical for the company that receives the funding compared to capital venture funding. From the investor point of view, the approach of an investor is usually very holistic and the factors that matter in the decision-making depend on the industry, the state of growth, and the company itself. (Hätönen, interview 29.11.2019.)

It could be assumed that growing companies should take funding from wherever they get it, but Hätönen says that it is also important to be careful when choosing the investor. By having an investor that has a lot of capital and who is able to finance the business sustainably, the company confirms that funding will not be a problem for its business. On the other hand, if the investor is relatively small, the financing might not be as sustainable as the business idea might need when growing up. It is important to have an investor who is capable to support the growth of the business whenever it is needed. (Hätönen, interview 29.11.2019.)

Unicorns in general tend to have very little assets, but an enormous valuation. This allows unicorn companies to huge leverage of cash, but it also means that the barriers to enter the market and customer switching costs are extremely low. It could be said that it is one thing to achieve a one-billion-dollar valuation and another thing to keep up the valuation in a transparent market based on mature profitability. When startups' valuations are first driven by opportunity, growth, high risk tendency, and optimism, after these companies go public the valuation will be based more on the revenue and a stable business model. This is how goals of the valuation of a unicorn company can be divided into two very different ones depending on the phase of the company. (The Asian entrepreneur 2018.)

An issue that is often not emphasized enough is that venture funds are not investing their own money but the money of the investors that invest in the venture capital fund, according to Lehmuskoski. This is why the venture fund does not lose its own money when investing, and actually the only thing that can be lost is the relationship between the venture fund and the investor. This is also the reason the venture funds do not have much to lose when investing in private companies, and because of this one cannot trust that the company is worth an investment just because some venture capital funds have decided to invest in them. Business angels, on the other hand, do invest their own money. This is why these businesses can be separated in two different ways of funding and investing. This can be seen also in the comparison of the internal rate of return (IRR) averages of business angels and venture funds. (Lehmuskoski, interview 3.1.2020.) According to Lehmuskoski the IRR is much higher within business angels than it is among venture funds. What has to be considered by a business angel when investing is that if a business angel is willing to enter the market of venture funding, is whether the risk profile of the business angel suitable for those markets (Lehmuskoski, interview 3.1.2020).

A unicorn can be created in many different ways, says Kivimäki. In order to gain funding, startups tend to guarantee their biggest late-round investors with being the first ones to receive their money back when the company goes public or sells. Investors are not willing to invest big sums without conditions like this, and this is how startups get higher valuations. (Bloomberg 2015.) This phenomenon was also stated by Hätönen, and it is known as the liquidation preference. This means that if an investor has a liquidation preference on an investment, no matter at what prize the company is sold, the investor who has a liquidation preference gets the amount he has invested back before the profit is shared among other investors. In every round of investment, the investor can make a new liquidation preference, and by increasing the liquidation preference the value of the investment grows with the amount of the preference. This eventually increases the value of the company synthetically, and a false unicorn is born. (Hätönen, interview 29.11.2019.) Hätönen says there are many issues that can increase the value of the company by just contractual factors. For that reason some companies have such high valuations, but they are not on a stable base (Hätönen, interview 29.11.2019). The value of unicorn companies is provably extremely sensitive to the terms of contract that are given to investors. A small group of investors that have negotiated these terms are aware of them, while the information might not have reached other stakeholders. Thus, other stakeholders might not even understand the implications behind the valuation. (Gornall & Strebulaev 2020, 140.)

As earlier discussed, Mäkeläinen also pointed out the liquidity preference problem when talking about possible future problems for unicorn companies, especially in down rounds or down market. By paying the liquidity preferences, the founder can eventually end up with a very small share of the exit proceeds, when it comes to selling the unicorn. This is because the liquidity preferences on each investment round are building the company so that at the point of selling, the investors will have the privilege of having the money they invested, even before the founder can have his/her money. (Mäkeläinen, interview 17.2.2020.) This can be considered as being a problem that can oust the founder from his/her own company, which is not very desirable for a company founder.

Buyout funds have also become an option for unicorn companies according to Mäkeläinen. A buyout in this occasion means that a buyout equity private fund temporarily buys the majority of shares of the unicorn and tries to increase the company in order to get a higher IPO for it. A private equity buyout fund is a way of giving financing to a company and it is a temporary situation where a buyout is made in order to make the company more profitable. Buyout funding is an alternative to accelerate growth, and lately it has been growing as a phenomenon. Buyout funds have a huge amount of capital, which enhances their possibilities to increase the businesses. (Mäkeläinen, interview 17.2.2020.)

4.2.3 *Privacy vs. Publicity*

Supercell is not afraid to kill the games that appear to be unsuccessful, and this has actually happened many times (Supercell 2019). According to Snellman, this makes Supercell a company whose future is hard to estimate, and that is one reason why Supercell has not become public by itself. Supercell is nowadays under a company called Tencent that is the world's biggest gaming company, but with autonomous rights that allow Supercell to operate on its own way, just like in the earlier days when Supercell still was a completely private owned company. The CEO of Tencent, Martin Lau, even said that the acquisition of Supercell was not actually an acquisition, but a partnership (Talouselämä 2016). This means that in the practical level Supercell is very independent, but the listed owner Tencent makes Supercell a non-unicorn company. Snellman says that all operative issues and decisions are made independently by Supercell, and there are no earnings pressure coming from Tencent towards Supercell. Also, Supercell defines its targets and goals by itself, without pressure from Tencent. As Supercell is just a tiny part of Tencent, it has been given these rights to operate just as they want without any pressure coming from the parent company.

At some point Supercell considered going public, but soon after some analyzing the company realized that maybe it would not be the optimal option for Supercell (Snellman, interview 30.10.2019). Snellman says that Supercell's business model, which leaves a lot of space for creativity, also makes the company very unpredictable. Supercell might launch a game and if the game is not successful enough, it is killed by its creators. This is something that investors in the stock market do not appreciate, because their aim is to find stocks with steady return on earnings, according to Snellman. That is why going public would cause pressure to Supercell, and because the core idea is to give creativity a big role in the company going public would not line up with this strategy. This is why eventually Supercell did not get listed and is not planning on doing it either.

Snellman was also asked about his personal opinions about the positive and negative sides of going public as a company. What is positive about going public is that the company gets funding from a much larger audience and through that the liquidity of the company increases. The investors at the private market must have a vast knowledge about the company they are investing in and a strong belief that the funding will eventually pay itself back. By being public the company gains reputation as a generally approved company, and by that lowers the threshold of investors to buy their stocks. However, Supercell feels that at this moment the company has no need to go public, in addition to the unsuitability of their business model as a listed company. (Snellman, interview 30.10.2019.)

When Hätönen was asked about his own personal opinions on benefits and disadvantages about going public, he stated that there is always a sweet spot for a

company to get listed. Going public is a way of doing an exit that the private investors often aim to do in order to get profit from the company they have been investing on. Also, by going public the company is presented with a whole new base of investors. These can be considered as positive effects. The disadvantages are that the flexibility of the company often suffers when going public, because the base of owners is much wider and the decisions made must satisfy much more people than before. The bureaucracy that listed companies have is much more complex than the bureaucracy in private companies, which takes time from the core operations of the company, too. (Hätönen, interview 29.11.2019.)

The trend in Finland has been that unprofitable companies do not get listed. However, in the US many companies are listed based on their valuation, not their profitability. This is because in the US investors tend to trust in value increase, but in Finland investors want dividends, which means that the company must be profitable. Among growth companies it depends to a great extent on the country whether they get listed quickly or not. Countries have investors of their own kind, and in some places the investors are more willing to invest in growth companies in the stock market than in others. (Hätönen, interview 29.11.2019.)

When entering the topic about paths of unicorn companies, Mäkeläinen says that unicorn companies cannot stay private forever. At some point the investors will require the liquidity event and the company has to become listed in order to make this happen (Mäkeläinen, interview 17.2.2020). Mäkeläinen says that nowadays companies are often willing to stay private longer not only because of the previously described change in culture, but also because a private company does not have to report as much as a public one. This means that the competitors will not be able to find as much information about the company as they could if they were listed. A startup might also want to use the momentum of a certain event as a force to raise the initial public offer, and through this achieve the best possible IPO. (Mäkeläinen, interview 17.2.2020.)

4.2.4 Problems and uncertainties faced by unicorn companies

When asking about the secret behind the success of Supercell, Snellman states that the company has simply been many times in the right place at the right time. When the mobile touchscreen devices started conquering the world, Supercell had just decided to concentrate on developing games especially for mobile devices with touchscreens. Luckily, exactly at that point Clash of Clans, the most popular game published by Supercell, came out. This just enhanced the position of Supercell in the hard world of game development (Snellman, interview 30.10.2019). Snellman also states that the biggest accomplishment in Supercell has been the decision of concentrating on game

development for mobile devices. He says that the games that are played with a mouse on the computer have to be very different by design and the way the game operates in comparison to mobile games. Mobile games aim to entertain the player even though the player may have only a couple of minutes to play the game (Supercell 2019).

If Supercell could start all over again, the company would not do almost anything differently, says Snellman. Everything has worked out relatively well, and that is why the company has been able to achieve the position as a unicorn company. Of course, there are always some fine adjustments that could have been done, but on the big picture Snellman feels like the company has taken many right decisions. However, Snellman says that the fast increase of the needed customer support could have been predicted slightly earlier, so that the company could have adjusted itself to these requirements. He says that this was the biggest mistake that the company did not see coming, at least not in such a big scale. When millions of people tried to be in contact with the game support and Supercell was still being relatively small, it was impossible to serve the clients with the level of quality that Supercell would have wanted to (Snellman, interview 30.10.2019).

Also, after Supercell's games became huge successes, the servers that were not created for such an audience rush could not handle such an enormous number of gamers. The servers were then adjusted to support the number of gamers that wanted to play the game, but this was also something that could have been forecasted earlier. (Snellman, interview 30.10.2019.) On the other hand, it is also difficult for a startup gaming company to predict such an enormous popularity.

Supercell has also struggled with inside communication. Being a company with low hierarchy where the only levels are the chiefs and employees, Supercell wanted everyone in the company to know what is going on, according to Snellman. However, this was not an easy task when the company started growing and it became very difficult to spread the information so that every single employee would be aware of everything that happens in the company. Finding the proper way to communicate inside the company was a challenge for Supercell, but eventually the company managed to overcome this challenge. (Snellman, interview 30.10.2019.) These presented problems seemed to be the biggest that Supercell has faced, and apparently both of them concentrate on the fast growth of the startup.

Snellman was asked about the geographical issues concerning the internationalization of Supercell. He said that there are certain areas where it is more difficult to internationalize. Some Asian countries are specifically difficult to internationalize because of their culture that differs so much from the western. Japan is an extremely difficult country to enter in the game industry because of its culture that is so special, says Snellman. Japan is known of doing many things different than the western countries, or actually any other countries. Their cultural bubble is so strong that it is difficult to enter the markets with a western game product. Japan has the third biggest game market in the

world, so its role in the industry is significant. This means that if a game development company is able to enter the Japanese gaming market, the benefits would be remarkable. Also, China is known for being a difficult country to internationalize to, but for different reasons than Japan, Snellman states. With China the biggest issue is not the difference of culture between Western games, but the bureaucracy that lies ahead when entering the Chinese market is very laborious. The Chinese administration is very strict with the products and services incoming to the Chinese market, thus making the internationalization of companies to China very regulated. (Snellman, interview 30.10.2019.) However, Supercell has ended up having success also in China and Japan. Another area that causes difficulties in internationalization for Supercell is South America, According to Snellman. South America is so regulated with its customs duties and other requirements against products coming from abroad, that it is difficult to get the profits collected from South America. With North America there is no such problem because of the trade agreements. (Snellman, interview 30.10.2019.)

According to Hätönen the financing of growth companies in Europe is less generous than in the US. In Europe investors tend to give smaller amounts and the companies must be searching for financing all the time, but in the US after the concept for the company is ready, the investments made by private investors can be very big. In the US, the company owners usually tend to invest in the beginning quite heavily on the business idea so that the concept can become credible. After this the company can enter its first rounds of investment where the company can get even from five to ten million dollars of funding. This makes it possible for the company to be carefree about getting funding and makes it possible to concentrate only on the business for a while. (Hätönen, interview 29.11.2019.) In Europe the companies tend to get just a couple of millions of financing in their first round of funding, and the next year it would have to be done again. This means that in Europe it is hard to receive sustainable funding from private investors. This is a problem for companies that are willing to grow in Europe by private investing. The pattern of receiving funding in the US lets the company scale itself in peace and to make its business visible. This is also a reason why there are not so many unicorns arising from Europe. The timing for entering the market is very important, and because of the European pattern of funding the European growth companies are restricted from growing as quickly as they potentially could. This is one of the major problems related to unicorn births in Europe. (Hätönen, interview 29.11.2019.)

Another issue that is faced by growth companies according to Hätönen are regulations. This is a field-specific matter that can have large impact on companies that are concentrating on a field that has a large amount of regulations. A good example would be the companies concentrating on software that are GDPR-related. (Hätönen, interview 29.11.2019.) GDPR stands for General Data Protection Regulation and it sets requirements for enterprises and organizations about managing, storing and collecting

personal data. It applies to European organizations that are operating with personal data of European citizens and to organizations that are not European but are targeting people living in the EU. (European Union 2019.) The GDPR has set some difficulties for companies whose business idea concentrates around a software that benefits from personal data. The GDPR made it more difficult to grow for these companies, but it also provided new opportunities. (Hätönen, interview 29.11.2019.)

When talking about future presumptions, Hätönen says that the biggest threat is the changing market. Especially laws and regulations that arise after a business has started its functioning can be even crucial for the existence of the business. If a new law or regulation restricts the use of the business by consumers, the whole company might die overnight. The solution for avoiding the effect of new coming laws and regulations is to scale the business as fast as possible, so that the business becomes so big that it is not dependent on these laws and regulations. (Hätönen, interview 29.11.2019.) Also, companies that provide only one product will most likely be beaten up by the changing market, according to Hätönen. Hätönen says that many startups that have succeeded have created a product or service to a market that did not exist before, so the market cannot have regulations either. The problems start when the market and its significance grow, because then the market might have some negative affection in other directions. This is when the market needs to be regulated. A good example is Uber, which has had many regulatory problems because of their business that hampers the lives of taxi drivers. (Hätönen, interview 29.11.2019.)

Not only unicorns are guilty of hyping their business more than it deserves and rising unrealistic valuations, but also small venture funds. Because small venture funds want to fund companies that have most potential, they tend to offer higher funding than it is realistic to companies that can already choose their investors. This makes valuations higher, and the valuation bubble keeps growing. It is also a pitfall where companies can stumble, because in order to have a sustainable business the investor must be available to give funding whenever the company needs it. A small venture fund can offer more money at the beginning, but it might not have the capacity to give that much funding in the future. In turn a big venture fund will have the availability of supporting the company financially in the long run. (Hätönen, interview 29.11.2019.)

Having the unicorn label gives the company enormous of power in its market, according to Lehmuskoski. Achieving the unicorn status is a phase of a positive circle, and the interviewee uses WeWork as an example here. WeWork generated a great deal market power by its unicorn status, and investors believed that this business must be something special because it had achieved such a high valuation. This was based on trust and belief rather than the facts that showed WeWork's real situation, says Lehmuskoski. It should be remembered that investing in private companies can be based on real information and facts, but also in faith and it can even be compared to gambling.

Sometimes, the investor might not even know that his investments rely on pure faith for the business. This can happen when the market validation of a company is high and the investor is not familiarized enough with the company to understand if this market validation is based on real value or just in faith that the enterprise is valuable (Lehmuskoski, interview 3.1.2020).

When asked about the problems that specially startups face, Lehmuskoski says that often the main problem is the ability of learning of the entrepreneur. Lehmuskoski emphasizes that the will to learn is not enough, but the ability to actually learn is crucial. If the entrepreneur is not able to learn new things rapidly and analytically, the business is in danger. It is also important for the entrepreneur to be able to increase the learning ability around himself. The business idea itself is not often an issue, but it can determine if the company will become big or small. (Lehmuskoski, interview 3.1.2020.) Hätönen also mentioned about becoming blind to the exponential success. According to Hätönen, if a company receives a lot of funding the company might want to push forward as much as possible as they are finally financially capable of doing so. This can lead to miscalculations and in the worst scenario the company might have to take a few steps back. These steps can be taken for example by laying off employees, which can have big impact on the company reputation. This is exactly what happened to Rovio, a Finnish game development company, that became a unicorn. (Hätönen, interview 29.11.2019.) According to Hätönen, the more funding the company has the less problems it will generally face.

Copying the success of a successful business is very difficult, because every business has so many dimensions that it is almost impossible to mimic the success, according to Lehmuskoski. A unicorn company is always a statistical deviation, so it is affected by several statistical factors. For this reason it is extremely difficult to come up with a certain way that leads a company to become a unicorn. (Lehmuskoski, interview 3.1.2020.) According to Lehmuskoski, factors that block success can be identified, but a statistical winner cannot be predicted in advance according to the research to date. One factor that leads to failure is being too fixed to the original idea (Lehmuskoski, interview 3.1.2020). Lehmuskoski says that being too fixed to one idea can be crucial for a growth company, because often the ideas must change along the journey of the business for the business to become successful. Also, the significance of a committed team is very important, because problems are more likely solved in a team than alone. No matter how skilled one person is on solving problems, but when the company grows at some point one person is just not enough for solving all the arising problems. (Lehmuskoski, interview 3.1.2020.) Prioritizing is also an important skill that lets the company concentrate on certain aspects according to their significance for the company. All these attributes are factors that big companies do not have to think through so deeply because they already have the resources to solve these problems. In startups, instead, these are issues that can destroy the whole

business. This is why efficient use of time is one of the most important skills that a startup must have in order to become a successful business, or even a unicorn. (Lehmuskoski, interview 3.1.2020.)

If the technology that the company provides ends up being unfunctional and the company chooses to avoid the truth in order to keep the business living, a very hazardous path is taken (Kivimäki, interview 29.1.2020). As an example of this kind of situation Kivimäki brings a company called Theranos to the scene. Theranos was a unicorn company that had reportedly created a way of making blood tests that could reveal medical conditions just with a small amount of blood. This was groundbreaking, as traditional blood tests would have required big amounts of blood and many different tests. However, eventually Theranos was accused for sharing false information about its business model and that their blood testing technology did not really work. Theranos ended up closed and the former CEO, Elizabeth Holmes, was accused of a massive fraud, which could lead to up to 20 years in prison. (Business Insider, 2020.) This kind of situations will completely pull the carpet from underneath the investors and turn a unicorn into a complete failure. The avoidance of truth can create big risks for the company, and if it is not taken seriously, it can easily lead to the death of the unicorn. (Kivimäki, interview 29.1.2020.)

As a conclusion from the interviews, the business model of the company plays a huge role in the success. If the business model is not created carefully, the company can fall into enormous losses. As an example, Uber's feeble business model led the company to a situation where every ride that was made with the app was unprofitable, according to Kivimäki. As another example of a company that is operating in a relatively risky field according its business model, Kivimäki rises the Finnish startup Smartly.io. The company is not a unicorn, but it is very promising despite the market it is operating in, that is an extremely difficult one. Smartly.io's core idea is to automate social advertising and the steps of it, so that it is easy for the client to create advertisements and to share them widely among the internet (Smartly.io 2020). Kivimäki says that Smartly.io has done greatly even though one change made by for example Facebook might turn the success of the company upside down. Smartly.io has to prove everyday its brilliancy in order to stay on the market. In Smartly.io's situation the external factors affecting the future possibilities of the startup are highlighted. (Kivimäki, interview 29.1.2020.) Also, Kivimäki emphasizes the impact of the market positioning. A company that is directly in contact with the consumer clients is in a much easier position in the market than a company that is not directly in contact with them (Kivimäki, interview 29.1.2020).

The size of the company can turn the company singled out as a target for negative attention according to Kivimäki. When a company grows it becomes much more noted by the audience, and the big companies are under scrutiny by a larger audience, too. This is when problems can arise and things that were not even considered as being a problem

can become one. Also, when a company grows quickly, the organization must react with its structure to the changes that come along the growth. For example, the people who are driving the business idea and are good at that, might not be that good in confirming that the processes inside the company are made with quality and in the right way. When the company grows, it might have to think again who is in charge for what factors in the business. (Kivimäki, interview 29.1.2020.)

Mäkeläinen was asked if there are some regulations in certain areas that make it more difficult to breed unicorn companies. He said that there is a reason why the majority of unicorns come either from the US or China, and not for example from Europe. Europe is divided into many different countries that have their own cultures, languages and policies. The US and China, in comparison, are vast and coherent markets which are facilitate matters for both investors and the companies. The companies can expand more easily without language or cultural borders and the policies tend to be more coherent inside one country than between different countries. For this reason the US and China are breeding much more companies than for example any specific European country. (Mäkeläinen, interview 17.2.2020.)

5 DISCUSSION

5.1 General attributes of unicorn companies & how they are related to other quickly internationalizing companies

5.1.1 *Paths of unicorn companies*

The possible paths of unicorn companies that were given in the beginning of this study seem to have a strong role in the startup field, according to the interviews and other collected data. Going public, continuing private, merging with a public company and over valuation seem to be well known opportunities among experts, but what was notable was the positions that these different options had in the minds of professionals. Some of the paths seemed to be more obvious than others for the interviewees, and there seemed to be a cycle that most unicorns tend to follow. During the interviews it was mentioned by Mäkeläinen and Hätönen that a private company tends to go public at some point because of the liquidation preferences that private investors have within the company. This pressure of going public is confirmed by the literature as well (Fenwick & Vermeulen 2015, 596, 618-621). As the liquidation happens when the company goes public, it is often inevitable for a company to do so. Mäkeläinen says that a company might wait for a certain event to happen in order to get the momentum when rising the initial public offer. However, for example the Supercell deputy Snellman said that Supercell had planned on going public at one point, but eventually decided to stay private because of their business model that suits better a private company. As Fenwick and Vermeulen (2015, 618-621) stated, the business model of a unicorn, that often is startup based, creates an environment where at least at some point the company is pressured towards going public. Even though this decision was made, Supercell was acquired by a company that is listed, which removed Supercell from the list of unicorn companies. However, Snellman highlighted that despite the acquisition Supercell has full autonomy of its operations, so the operation of the company continues with a private company minded manner.

A path that was discovered during making this study was the chance of buyout funds, mentioned by Mäkeläinen. According to Mäkeläinen, the goal of the buyout fund is to receive a higher IPO than the company would receive without the buyout, so it is a way of increasing the valuation of the company. According to Nielsen (2008, 379) private equity leveraging by doing buyouts is a relatively new phenomena, but in this situation it must be understood that Nielsen wrote this already in 2008. Nielsen says that the private equity leveraging phenomena has grown most rapidly in 2007 since the liquidity crisis

started to emerge. According to Valkama, Maula, Nikoskelainen and Wright (2013, 2379) that buyout returns are driven by stock market returns, GDP growth and industry growth. Specially the industry has a strong role, so it can be concluded that in order to have the biggest benefit possible from a buyout the industry matters a lot. The literature also approves the description of buyouts that was made by Mäkeläinen, as it has been said that buyouts create value by taking a more managerial approach to their portfolio firms (Valkama et al. 2013, 2379). However, doing a buyout does not differ that much from the enterprise being just acquired by someone else, so it is unclear if it could be claimed to be a whole new path for unicorn companies to evolve. On the other hand, using a buyout fund is a way of staying private and receiving some help from a facet that has the capital to improve the business, so buyout funds also have their own characteristics in the private industry compared to acquisitions, that can be made by any types of companies. It could be claimed that the uncertainty that is faced in the case of a buyout is that the control is given temporarily to an external facet. Of course, the basic thought is to give the control to a facet that will operate for the good of the company, but if the buyer fails, the result is not optimal for the startup. However, it is supposed that the acquirer has more capital for increasing the value of the company than the company management, and that is why buyout funds are exploited (Mäkeläinen, interview 17.2.2020).

According to Mäkeläinen, companies are now willing to stay private longer than before because of the change in the culture of how enterprises operate. This statement is also backed up by literature. For example, Kenney and Zysman (2019, 36, 43) stated that nowadays it is easier than before to stay private longer, as the barriers of entry to establish a company are lower, the private industry capital has increased a lot and companies can be unprofitable but still receiving capitalization from investors. Also, the fact that a private company is not obliged to report as much as a public company makes it attractive for enterprises to stay private (Fan 2016, 583-585). When there are not as much requirements for a company to report, more time is released for doing the core operations of the company, and this also provides competitive advantage for the private company as it does not have to reveal its information to competitors (Hätönen, interview 29.11.2019). According to Hätönen there are still some cultural differences between countries considering going public when being unprofitable. In Finland, for example, unprofitable companies do not tend to go public, but in the US where companies are valued by their valuation, not profitability, even unprofitable companies get listed. This happens because the investors in US believe in value increase. In Finland, on the other hand, investors tend to want dividends, which means the company must be profitable when going public. There cannot be found much peer reviewed literature about differences in culture of private equity between different nations. There is definitely a research gap on the topic, and it would be beneficial for startups and investors to have access to peer reviewed literature about differences in private investment culture between nations.

Outright, it depends to a great extent of the nature of investors in each country when defining the level of profitability in a company that is willing to go public, says Hätönen. This could mean that companies tend to stay private for different reasons in different countries, and that the nature of investors and other cultural issues have a big impact in when is the best moment to get listed. Therefore, it is not possible to provide a universal sweet spot of when companies should get listed and when should they stay private.

As Hätönen said, turning a company into a unicorn is much more difficult in Europe than it is in the US, for example. This is simply because of the investing culture in Europe that does not allow companies in the same way to scale their business in peace. In Europe companies must be seeking for additional funding much more often, which takes time from the core operations of the company. As this is specially a problem among the private investors, it is natural to conclude that it is more difficult to generate unicorn companies in Europe than it is in the US. As a proof from peer reviewed literature, Simon (2016,19) stated that unicorns tend to originate mostly from China and the US, even though Simon's sample was tilted towards Europe. This could communicate about a more open culture towards private equity in the US and China compared to Europe. The European culture in private equity makes the path of staying private a quite difficult option for many European startups that are aiming to become unicorns. However, as this problem arises in the growth phase of the companies, it is not exactly an issue that unicorn companies are facing. It means that the affection of this cannot be generalized to touch also unicorns in the same way as it does growth companies. On the other hand, it can be something that effects also unicorn companies, if the difficulty of getting private funding reaches the unicorn companies too. However, on the point when a company already is a unicorn, it is hard to imagine that the company would be that dependent on finding funding, because the business model is already much more mature than in a company that is still looking for scaling its business.

The case of Supercell is an excellent example about a unicorn that has hesitated about going public and decided to stay private. Apparently, a company that has a business model that would be seriously harmed by going public, as it was in the case of Supercell, the company will decide not to get listed if circumstances make this option available. The peer reviewed literature concerning this topic is very scarce, so it is hard to say if this statement can be generalized on unicorns in general. On the other hand, Supercell was acquired by an enterprise that is public, which means that Supercell is not anymore on the list of unicorn companies. However, it could be claimed that the Supercell's situation is relatively special, as the acquirement was made by a public company that gives practically full autonomy to Supercell. This means that Supercell's business model was able to continue operating almost immutably, which is not obvious when an enterprise becomes acquired by a public company. Public companies can set revenue goals or other requirements that force the acquired company to change the way they are operating. As

Supercell is just a tiny part of a big enterprise, this kind of setup is possible. The situation of Supercell is quite ideal, because it gives Supercell the opportunity to use public funding and to enjoy the other positive sides of being public, but it can still continue operating in its own, ideal way. (Snellman, interview 30.10.2019.) This way Supercell is able to avoid becoming a 'dinosaur' as it was stated by Fenwick and Vermeulen (2015, 596) and Supercell can keep its innovative position.

It could be claimed that it depends on the strength of certain leaders inside a company if it is preferable for that company to stay private or get listed. This is because the valuation of the company is made from different aspects when being private versus when public. When the valuation of private companies is driven by the investments made by investors, public companies are valued based on their financial performance. (Gornall & Strebulaev 2020, 120-121.)

It has been declared that unicorn companies have these options to choose which path they want to walk down, but concluding from the gathered data, it depends a lot about the company if it is really a voluntary choice or if it is forced to choose one path over the others. Overvaluation seems to be a path that cannot be chosen, it rather happens if the circumstances are supporting a situation of overvaluation. As stated before, overvaluation is a common phenomenon among unicorn companies (Herciu 2017, 63; Gornall & Strebulaev 2020, 120-121.) However, the liquidation preference that was mentioned by Hätönen and Mäkeläinen, increases the instability of unicorns, which brings the risk of overvaluation to the picture. The phenomenon of liquidation preferences affecting unicorns is also confirmed by Fan (2016, 614). From this it could be concluded that when a false unicorn is built by liquidation preferences and contract-based issues, there is a high risk for overvaluation.

Going public is important if there is pressure from investors that want to have a liquidation, but if the situation allows the company to continue private and that is also beneficial for the company, then why not stay private. Supercell's situation was exactly this, as it was the best option for the company not to go public on its own (Snellman, interview 30.10.2019). It really depends about the point of view whether getting listed is seems something to aim for, and there are definitely many beneficial sides on going public. From the literature and the gathered data it could be concluded that the unicorn company must weigh by itself the benefits and disadvantages it would face by going public, as every unicorn is unique. This means that there is no clear answer if a unicorn company should go public or stay private, it depends so much on the situation the company is in. In addition to these two options, there are many also some other options that the unicorn company can exploit, like buyouts and going under a listed company. Going under a listed company would take away the label of being a unicorn company, but sometimes there are possibilities to continue operating in almost the same way as while being private, like in the case of Supercell. Buyouts are a new path that came up by

making this research, and it is a great way to increase the business while the startup is still growing. However, because buyouts are often used in the phase of growth, it can be doubted if it is specifically a path option for mature unicorn companies that this research is about. On the other hand, a company is always willing to grow even though it had achieved the state of matureness in the startup J curve, so it could be claimed that buyouts are an option for mature unicorn companies, too.

5.1.2 Network effect

As the network effect is a feature that repeatedly appears within the unicorn world, and because it has an important role in the theory framework of this study, it is important to analyze the uncertainties and possible problems that it brings to the scene, too. As many unicorn companies tend to exploit the network effect, it has a vital role in this research (Simon 2016, 18). As the majority of the most successful unicorns are consumer-oriented, it is reasonable to analyze the problems that emerge when exploiting the network effect in consumer-oriented fields (Simon 2016, 14; Lee 2013).

The network effects might also affect the growth of the unicorn club. Consumers become more aware of network services that ease their daily lives, and as this awareness grows, it is expectable that the unicorn club also continues growing. Also, as Kivimäki mentioned, companies that are directly in contact with the consumer have an easier position than the ones that are not directly in contact with them. By understanding this statement, it is easier to comprehend why the most successful unicorns tend to be consumer oriented. The question is, are the consumers insatiable with this kind of services or is there always a spot for another niche service that hits exactly the needs of a certain group of consumers. As the unicorn club keeps growing, it is assumable that technologies keep evolving too, which opens new kinds of opportunities for creating services that exploit the network effect. The growth of the unicorn club on the other hand signals that the trend of quickly growing companies is increasing.

Mäkeläinen stated, the companies that exploit from the network effect are likely to grow exponentially. Adding this statement and the existing literature together, it could be assumed that companies exploiting the network effect will fall with an exponential speed if a competitor succeeds to win the consumers on its side. According to Aggarwal and Yu (2012) the network effect tends to lead to a single network domination, and the position as a first mover is crucial when operating in an industry that exploits the network effect. The impact and sustainability of the network effect depends to a large extent on how it is leveraged in an application. As in the network effect the number of consumers increases the value of the company, the value can also be assumed to fall, and in the worst scenario the company can crash totally because of it. (Aggarwal & Yu 2012, 142.) This brings the

aspect of uncertainty to unicorns whose business model is based on consumer-oriented platforms that exploit the network effect. Assuming a situation where a competitor company creates a platform that is exploiting the network effect more successfully than the previous unicorn, it might seem more attractive to the consumers than the previous platform. If consumers start using the new platform instead of the previous one, according to the literature stated in this study other consumers should follow them, too. This eventually decreases the popularity of the older application as consumers have become attached to the new one, which has an increasing network.

It seems to be relatively difficult for companies to come up with applications that are truly able to exploit the network effect. This is because according to current knowledge, it is hard to identify the factors that make the platform able to exploit the network effect. (Fu, Wang & Zhao 2017, 348). It seems like unicorns that are exploiting the network effect in their systems have succeeded in making a functioning platform. This means that unicorns have been extremely innovative as they have been able to exploit the network effect in a way that has created them an enormous valuation. However, there is always the risk that someone creates a business that exploits better the network effect than the existing unicorn, now that the barriers to start a business are so low.

5.1.3 General network theory and its role in internationalization

Networks were said to be crucial factors for the success of a Born Globals and startups in general, according to Andersson and Wictor (2003, 266). As unicorns were related to Born Globals and startups earlier in this study, it is natural to assume that networks have an important role in the life of unicorns, too. Because the technology markets are highly international all around the world, it could be claimed that it makes a difference whether the company becomes a “late starter” or an “international among others” (eg. Johanson & Mattsson 1988, 298-305). It would be more probable that an “international among others” becomes a unicorn because it has the highest point of networking in the international economy. The unicorns that have networks would probably more often be “internationals among others” because of the nature the networks give to a company. If a company with networks wants to become a unicorn, it is easier if it becomes international and is operating in international markets. This is because the markets are larger than the domestic ones. As Snellman said, Supercell also has done lots of work in order to internationalize the game even in places where it has considered to be very difficult for a gaming company to internationalize.

Networking is an important tool for a unicorn, first of all, to get funding. According to Hätönen, the more funding the company has the less problems it will generally face. By having good networks, the company can receive funding from people who are in a key

position on their field, and by that increase their credibility in their customers' eyes. This can be very useful for a new company with a good business idea, that is willing to increase widely its business, which usually all are characteristics of a unicorn. The need of funding came up many times during the interviews made for this study, as many of the interviewees were operating in investing privately.

However, the main question is what kind of problems are unicorns facing when making and having specific networks. According Chetty and Patterson (2002, 72-73) the process of increasing networks is a never-ending project, and that is why the problems related to it must be tackled in an ongoing manner. It can take some time to find out which are the contacts that can actually help the business to grow and what kind of network is it that the company is aiming for. For this reason unicorns must, despite their high valuations, keep up with their network and always try to find out how they can keep updated about the latest trends on their field. Networking takes time and effort, but because it has such a huge impact on making the business work it is important to manage the network ongoingly.

Going public is a great way of increasing the networks of a unicorn. As Hätönen stated, by going public the company is introduced to a whole new network of investors. However, it is good to keep in mind all the other affections that getting listed has on unicorn companies.

As stated before by Hätönen, it seems that creating a unicorn company in Europe is much more difficult than in homogenous areas like the US or China. The likelihood that networks have something to do with this phenomenon is natural, because in Europe the construction of networks between different areas is slowed down by cultural differences and language barriers, unlike in, for example, the US. The heterogeneity of Europe's regions makes it harder to create smoothly operating networks, which on the other hand diminishes the pool of people and resources that can be used for companies. In the US people can more easily move within states because the cultural differences are not as drastic as in Europe and the language is the same in the whole US, unlike in Europe.

5.1.4 Theories of rapidly internationalizing companies

Western unicorns can usually be seen as Born Globals because of their incredibly fast growth, as stated earlier in this study. However, not all Born Globals will become unicorns, because the valuation barrier of one billion dollars is extremely hard for a company to achieve. Also, the growth curve of unicorns is not something every Born Global can take for granted, because it is a characteristic that only few Born Globals get to achieve. Nevertheless, unicorns and Born Globals share many similar characteristics, for example, the fast internationalization and the innovative point of view of business,

which brings them closer together as concepts. Also, both Born Globals and unicorns tend to emerge from the startup field, so they often have a similar mindset in their business. Thus, it could be claimed that Born Globals and unicorns share some similar challenges, too.

The skills of the entrepreneur are said to have a big impact on the development of a Born Global (Tabarez et al. 2015, 154-161). Leaders of Born Globals tend to have wide international experience gathered in many different ways (Andersson & Wictor 2003, 265). The entrepreneur skills and experience of the team operating in a company were also emphasized in the case of successful startups by Kivimäki.

Companies that tend to internationalize rapidly must have a strategy that suits globalizing actions in order to tackle the issues and problems that come up along the internationalization (Andersson & Wictor 2003, 249-268). As unicorns often tend to be highly international, it is important that the service the company offers is available within the law of the target country and that the service is also generally approved by cultural aspects in the foreign countries. This was emphasized by Snellman, and also Mäkeläinen and Hätönen talked about the differences between areas when operating as a company. As in the case of Uber, many countries had problems with the regulatory issues and taxi drivers felt offended by the service that Uber was offering (Hätönen, interview 29.11.2019). A rapid internationalization where these aspects are not taken into account seriously enough can cause trouble for the business as it did in the case of Uber. Also, it is important to be aware of the fact that the regulations that arise after the business has been launched can cause problems (Hätönen, interview 29.11.2019). This is where the business model plays a big role, as it has to be strong enough to function in different areas and within different cultures.

In order to make a sustainable globalization strategy, the company has to believe in it and to convince the stakeholders about the strategy (Herciu 2017, 65). This is another uncertainty, as companies have to convince the stakeholders about the excellence of their business all the time. This could be claimed to be an important characteristic in rapidly globalizing companies, as establishing a sustainable strategy is always a desirable target. Also, the differences between countries are an issue that often constitute bumps on the road of fast internationalization. As Snellman stated, in some countries it is definitely more difficult to internationalize than to others. Also, Hätönen thinks that there are certain areas in the world where increasing rapidly under privacy is much easier than in others. This is also backed by literature, as Europe is not seen as competitive in creating companies that operate in mobile (Simon 2016).

In order to make a functioning, sustainable international new venture the company has to have the basic elements that allow this to happen, as described earlier in this study. Unique resources, the fourth basic element of a sustainable INV, are the key to make an international new venture sustainable, and that is something that is worth aiming for in

order to maintain the business functioning (McDougall & Oviatt 1994). Finding a place with unique resources can be very challenging, and once a place is found that meets this criterion, one must be fast in order to get the advantage of the resource before the competitor does. This is another uncertainty that is hard to tackle by quickly internationalizing companies.

As global startups have the highest rate of failure among startups, it could be claimed that unicorn companies, that often tend to be startups and operating globally, could share the same characteristic. Cultural issues can become a surprisingly difficult aspect to tackle for quickly internationalizing companies. For example, internationalizing a game for mobile phones to places like China and Japan can be very difficult, as Snellman stated earlier. For this reason, cultural issues must be given the importance that they require in order to make a successful internationalization of the service or the product. Cultural issues are also affecting the funding of startups, which affects also the emerging of unicorn companies in some areas. As Hätönen stated earlier, Europe is less generous in financing growth companies than for example the US, and this can also be seen in the number unicorns that are emerging in the US compared to Europe. According to Simon (2016, 12) the policies in the EU are not supportive to the technology companies of the latest mobile wave. In addition to this, Simon states that the EU has failed in riding the wave from an industrial point of view, too. There is not much peer reviewed literature about the conditions of unicorns in different countries, and there definitely is a research gap that could be covered. It would be important to have academic literature about this topic, as unicorn companies are already a relatively big phenomenon.

The four-field model introduced by Lehmuskoski is a good example of things that a quickly internationalizing enterprise should keep in mind. The only information that a company can fully exercise is the known known information. Also, the known unknown information is something that helps the company to have a direction, but the unknown known and unknown unknown information constitute a problem that is hard to tackle. This four-field framework could not be found when searching for a peer reviewed version of it, but the potential it has creates a research gap in peer reviewed literature. As Lehmuskoski said, almost all the big companies that had faced great success had achieved it because of factors that could not be affected by the company itself, it is certain that this kind of information is the most important. This is good to keep in mind when internationalizing quickly, because it means that most probably the company is going to face some surprises that can also be harmful during its fast growth.

5.2 The influence of unicorn attributes on problems and uncertainties that unicorn companies tend to face

5.2.1 *Valuation and structure*

A question about the valuation of unicorns has risen, which has put in doubt if the investors who invest on unicorns truly know the real value of the companies they are investing in or have they just rushed to invest on these trendy enterprises without knowing their real value (Hawtin 2016). As unicorns tend to have very little assets but high valuations, the barrier to enter their market and customer switching costs are very low. This brings up the aspect about how to keep the company in the unicorn position as rivals enter the game. If the market is easy to enter, the competition can become quickly very hard. According to Gornall's and Strebulaev's (2020) recent study, there is a large phenomenon of overvaluation among unicorn companies. Gornall and Strebulaev provided a study that uses a sample of 135 unicorn companies in order to calculate their value on a fair value basis. It turned out that 65 of these companies lose their unicorn status when their value is calculated on a fair value basis.

If a company provides only one product, the changing market would probably beat it according to Hätönen. This should be kept in mind when establishing startups and hyping companies that have become unicorns thanks to one product. Unicorns must keep re-inventing all the time to keep their position. This point of view is supported by Engel (2015, 44), as he states that rapid innovation is a phenomenon in the Silicon Valley, the innovative cluster for unicorn companies. To keep a unicorn position, it would be assumable that technologies must be somehow protected.

As Snellman stated, startups tend to claim that their business is profitable if they gain a certain level of popularity. Even though it can be true, some companies cannot grow into being as big as required in order to be profitable if their business model does not have the capacity to grow to that level (Snellman, interview 30.10.2019). If the company cannot reclaim its promises, it means investors must be careful with the promises that a startup makes about their future assumptions. As startups often seem to be tempted to make great promises for the future of the business without any actual guarantees, it makes them a more unstable target for investors. It can hit the investors very hard if the company is not able to reclaim its promises, as there is the risk that the company does not have the liquidity to pay the investors their part. It is also stated in the literature, that the financial structure and the basis of the valuation of a unicorn can be misunderstood even by the company insiders (Gornall & Strebulaev 2020, 121). However, being a unicorn gives the company the possibility to get into a positive circle, which often makes the business

credible in the eyes of investors, according to Lehmuskoski. This means that the unicorn label could have a positive impact on reputation.

The unicorn label also has its downsides. The bigger the company, the more noted it will be and the more scrutiny it will face, as Kivimäki said. This can create surprising problems that were not seen as problems when the business was operating at a smaller scale. Here the problems that arise from unknown known and unknown unknown information, from the framework provided by Lehmuskoski, step into the picture. There is very little peer reviewed literature about the positive and negative sides of the unicorn status, but the ones that were found concentrated mainly on the positive sides of the status (eg. Fan 2016).

As venture funds do not invest their own money, they can invest a little more loosely than for example business angels, according to Lehmuskoski. Therefore, it is always good to consider what actually is the unicorn's value based on. If venture funds are given loosely, it can be very difficult to infer if the valuation of a company is based on real expectances or has it received its funding too easily, according to Lehmuskoski. Also, the fact that private companies are not required to report as much as public ones makes it possible to give the potential investors only the positive sides of the business, or even exaggerate them (Fan 2016).

By the end of 2015 many fund managers had to write down their investments in startups, also in some of the big companies, for example, Snapchat and Dropbox. One of the biggest problems is that many of the startups suffer "down rounds", which is a situation where the company stock is believed to be worth less than it was initially thought to be. (Hawtin 2016.) Eventually, each unicorn is an individual and they should all be considered as such. There is no solid rule that guides how to make the right investment when talking about unicorns, because all of them are unique. (Hawtin 2016.) The liquidation preference came up on the interview with Hätönen, and it is one of the basic reasons why startups get so high valuations without a valid reason. As the value grows because of the interests of the investors, it is hard to be sure what is the real value of the company. This is one of the most systematical synthetical styles of creating unicorns that came out during the interviews. The liquidity preferences might cause problems to the founders of the companies, too. As Mäkeläinen said, the founder can eventually end up with a very small share of the exit proceeds if he must first pay all the investors the liquidation they require. This way the startup field makes unicorns risky for their owners, too. The liquidation preference can also be found in literature, as for example, by Fan (2016). In her article it can be seen how unicorns tend to exploit the liquidation preference, as Fan introduces the certificate of incorporation of some of the biggest unicorn companies. This confirms that it the liquidation preference is definitely a phenomenon among unicorn companies.

5.2.2 *The private economy*

The private economy has gone through big changes because of the increase in the number of unicorns. This has highlighted the need of new regulation for unicorns, because they still have the regulation of a private company, even if they were affecting the world economy on a bigger scale than a listed company. This means that the disclosure obligations of unicorns are the same as in any private company, and this is seen as a problem because it reduces the transparency of unicorns and might leave minority investors and other stockholders without protection. The information a private company gives to its minority stockholders can be very limited or even nonexistent, so it is much harder to make investment decisions as a minor stockholder than as a venture capital investor on the enterprise. (Fan 2016, 583–600.)

As regulatory issues in different countries and areas can surprise companies when internationalizing, they can definitely do so in the case of unicorns that can spread fast and have a big impact on the daily lives of people. This can raise doubts about unicorns being very risky, as they can grow so quickly. Like in the case of Uber, this can be very harmful for the business. However, there are still lots of unicorns in the world, so it seems that despite their risks they are still seen as a potential target for investments.

Unicorns have considerable power and can even change the way consumers act in a way that smaller companies often are not able to. Airbnb and Uber are good examples of how a unicorn is capable to affect, or even significantly change consumers' behavior because of their alternative options compared to the ones that the customers are used to have. (Fan 2016, 583–600.) This should also be considered when talking about the possible new regulation of unicorns. Unicorns themselves have the advantages of being private, but their impact is so large that it can be harmful to other parties. This is why some changes on the regulation of unicorns should be considered. Many of the problems that arise when a company is already operating globally and has reached the unicorn status are not really problems when the company is operating on a smaller scale. As Kivimäki stated, the company becomes a target for much more scrutiny as the audience becomes bigger. Also, he stated that the company must react to the fast growth with its structure, which can be difficult. Uber is an example of a situation when the unicorn company takes over quickly an entire field, like it did with the taxi drivers (Fan 2016; Peer Production 2015). The fast spreading of the company is of course a positive issue, but if the fast growth causes problems to other groups, like taxi drivers in Uber's case, eventually there is a risk of new regulations arising. Here it can be seen that if a unicorn affects other groups negatively enough, there is a risk of negative effects on the company itself.

The privileged position that unicorn companies have can be noticed in the lack of accuracy of numbers and information that is shown for investors. Investors might assume that the information given by a private company is the same than in a public one, but the

accounts they are presented by a private company might not be audited until one year after the end of the financial year. Also, the work of auditors that audit private companies is not checked by SEC (The Securities and Exchange Commission) which might make auditors feel like they are not required such precise work. Private companies are also known to present their gross revenue as their revenue, while public companies tend to present their net revenues. The gross revenue is always an inflated number that gives a more optimistic picture of the revenue. This can confuse investors when making decisions. (Fan 2016; Financial Times 2015.)

As listed companies have a much more complex bureaucracy that they have to obey, it is natural that the time that public companies spend on these actions can be put into the core operations in private companies (Dai 2011). As private companies do not have to report as much as public ones, the competitors do not probably have as much information about its private rivals as they have from the public ones (Fan 2016). These are the advantages that the regulatory issues offer for private companies, but the question is, when will someone decide this is not fine anymore and private companies will be requested to do the same as public ones.

5.2.3 *Technology bubble*

There is a growing risk of a new technology bubble that would affect widely one of the unicorns' biggest operation fields, the technology startup field (Cuban 2015). However, it looks like the collapse of unicorns will not occur in a short time span. The possible crash of unicorns would probably be a complicated chain of events rather than a straight bust, and most probably the possible crash of the stock market would just move slowly towards the startup landscape. If the crash happens and a negative sentiment towards privately funded startup companies takes hold, a stronger downward development may occur. (The New York Times 2015.) The fast increase in the number of unicorns has started causing problems on the investors' trust on them. There is a new wave of a technology bubble that is, as some say, just waiting to pop. For example, Cuban (2015) explains how the new technology bubble has grown because of private investors who invest in small technology companies and apps. The situation is different than it was in the 2000's technology bubble, because back then the investors were investing mostly on listed companies, when they had the liquidity to sell the stocks they had bought. Now that the investments are made on private companies there is a risk of losing all the invested money. Many of these kinds of companies are seeking for the unicorn status, but their problem is that there really might be no liquidity if the company does not succeed the way it was thought to succeed. As the startup culture has greatly evolved during the past 20 years, there is more money and material out there too. This leads to more courageous

investments done by private investors, which eventually promotes the growth of the unicorn club. (Mäkeläinen, interview 17.2.2020.)

The issue of the new technology bubble has now become a topic of conversation among some of the recognized people in the field. One of the most alarming signs is that companies have been listed lately into the stock market with a lower valuation than they have had on the previous private equity round. This sounds like a situation where being listed into stock markets is the last resource to get funding, which on the other hand affects the reputation of getting listed in a bad way. (Kauppalehti 2015a.) Also, other signs are signaling that there is a technology bubble: hidden leverage, easy access to money, widespread liveliness and the participation of amateur investors in the scene (Vardi 2016). There is also evidence that a company backed by venture capital is more likely to be overvalued than a company that is not backed by VC during the bubble period (Wang, Wang & Zhang 2013, 283).

If the key policy interest rate of the Central Bank of the US increases, which most likely will happen, it means that the technology field is going to face big changes in its funding. The changes occur because the investors will be unable to get further funding for such a low price as previously, and hence they will be unable to invest at the same rate on companies. The investors become more careful in choosing companies to invest in and that is when only the companies with the most secure profitability survive. This is when the technology bubble pops, and only the strongest unicorns are left in the market. (Kauppalehti 2015a.)

The ongoing mobile wave encourages technology companies to emerge, hence there is such a hype among technology startups. As the mobile wave has given the opportunity to spread very quickly and consumer-friendly around the world, a lot of new business opportunities have arisen. Supercell is an example of a technology company that is riding the mobile wave and has become a unicorn, as it is concentrating on the smartphone application industry that has said to be specially an industry that is riding the mobile wave. (Simon 2016, 12.) As Snellman himself said, Supercell's best move was to concentrate only in mobile games even before they knew how mobile games were going to change the world of gaming. Even though the mobile wave has given rise to many startups, the question is, when is it going to end and what is going to happen afterwards to all the technology-based unicorns that were not on a stable base?

Some unicorns might even take a very destructive path in order to keep up in the game. Theranos is an example of a unicorn company that claimed to have a false technology that did not really work. The management of the company kept claiming that their technology did work, and as they were caught that their technology was just a hoax, the managers had to face prison sentence. (Business Insider 2020.) This is probably the worst possible scenario of what could happen to a unicorn and its founders. It is also an important lesson about how the game in the unicorn field can become very dirty just to

get the aimed valuation. This is the reason for business ideas to be examined deeply before considering making an investment on the company, just as Kivimäki stated earlier in this study. Theranos is an example of the natural wastage of unicorn companies which are based on questionable technologies.

The problem with unicorns often being highly technological is that it can become quite heavy for the company to keep its status as a unicorn. As in the example of Smartly.io, even though the company is not yet a unicorn, it has to prove its excellence every day, and despite a bigger player, such as Facebook, can make just one move and Smartly.io will end. As Smartly.io's business field is highly competitive, it brings pressure from competitors, but also from other stakeholders like platforms Smartly.io is dependent on. (Hätönen, interview 29.11.2019.)

The fact that unicorn companies tend to operate in technology driven fields is one reason why these companies are facing so much regulations. For example, the GDPR regulations are affecting many companies that are concentrating on software (Hätönen, interview 29.11.2019). The regulatory issues on the technology field are something that should be seriously considered when operating with technology. However, as Hätönen stated, from some of these regulations might also emerge new opportunities for companies, even though in some cases they might restrict them.

6 CONCLUSIONS

6.1 Reflection on research questions

The original research question for this study was what type of uncertainties and problems western unicorns are facing during their time as a unicorn? And the secondary research questions were:

- What are the general attributes of unicorn companies and how are they related to other quickly internationalizing companies?
- How do these attributes influence the problems and uncertainties that unicorn companies are facing?

These are the aims that this research originally targeted, but in addition to these, a large array of other factors came up, too. Theoretical and managerial implications about the characteristics of unicorns in general were concluded, as well as the options that unicorn companies have in order to grow their business. Also, the subject of how some external factors can have serious effects in the way unicorns are created was studied. Eventually, the greatest uncertainties were studied precisely as they came up. In addition to the original research topics, there were some theoretical implications about the characteristics of unicorn companies that were concluded during this research.

The problems that stand out from all the problems and uncertainties that mature unicorn companies are facing were, according to this study, the technology bubble, valuation related uncertainties and regulatory uncertainties. These three problems were investigated thoroughly in the part of discussion, and their most important characteristics were pointed out. Apparently, the valuation of unicorns can be based on a very feeble basis, and companies that have been increasing synthetically are going to face tough times when the technology bubble bursts. However, it has apparently become a usual phenomenon in the startup industry that companies become valued highly by synthetical ways because of the liquidation preferences. The fact that this has become a phenomenon among startups makes the technology bubble more bland, and the fall steeper as it comes. Also, the fact that many unicorns are based on the technology industry, they are very vulnerable when it comes to regulations and phenomena emerging in the technology field. Regulations that emerge after a business has taken a steady position on a field can cause much harm to the company, even though the company would already be a unicorn. Eventually, it turns out that being a unicorn and getting the label of it does not directly affect the company as much as the researcher previously assumed. Being a unicorn is a stamp about having crossed the million-dollar barrier in valuation and it might bring some fame to the company itself, but there are no specific issues that a unicorn company is

facing just because of its turning into a unicorn. Startups that are almost unicorns are facing very similar difficulties as unicorns, so it is rather hard to separate the challenges that arise from being a unicorn company. Crossing the unicorn barrier can give the company a position where it is better seen than before and because of that it can face some regulatory problems. The regulatory problems can arise if the unicorn has a high impact on another field. However, nothing prevents this from happening also with a company that is not yet a unicorn if it becomes viral because of something else than getting the unicorn label. This means that it is not a must to have the unicorn label in order to receive the impact of external factors. As said during this study, sometimes being a unicorn and by that being under stricter monitoring can be harmful for the business, if the monitoring turns into actions that restrict the functioning of the company. However, Lehmuskoski stated that the unicorn label often starts a positive cycle for the benefit of the company, so it is not definitely a bad thing to be a unicorn company, and the label can actually affect the business positively. This means that the unicorn label is not a negative label by any means, and it can have a positive effect on a company but entering the unicorn club does not give the company any official benefits or differences.

In addition to answering these original research questions, this study ended up introducing startup related theoretical frameworks that were provided by secondary data, interviewees and the author. This turned the research into a unicorn-concentrated research of startup characteristics, that provides information not only to the greatest startups in the world but also for smaller operators in the startup industry. This increases the target audience of this research and by doing that, this study offers tools to prevent some of the problems and uncertainties that all startups are likely to face, not just the ones faced by unicorn companies. However, the main emphasis was still on mature unicorn companies, and the information provided that concerns the surroundings of the main topic is left in this research because it completes the main research topic. By doing this it is ensured that the reader has a coherent picture of how unicorns operate and why do they function the way they do.

6.2 Theoretical implications

As the theoretical background of unicorns and the amount of peer reviewed articles about them is relatively scarce, this study aimed to offer some information that can be used in theoretical implication. This research enhances the definition of a unicorn company as a privately-owned company that is valued at over one billion dollars, consisting this definition by putting together several articles that utilize this, or a similar, description (see e.g. CB Insights 2017; Fan 2016, 583; Hawtin 2016; Simon 2016, 12; Gornall & Strebulaev 2020.) This confirmed description also confirms the difference between

unicorn companies and Born Globals. As Born Globals are described as companies that quickly or right after founding desire to adopt a global approach in their operations and to apply knowledge-based resources on sales in many different countries, this study raises some attributes of unicorns that differ from this description (Knight & Cavusgil 2004). The description of unicorns that has been backed by literature emphasizes the one-billion-dollar valuation and the privacy of the company. The description of the Born Global does not emphasize these characteristics, so it could be concluded that these attributes differ the unicorn from a Born Global. Of course, a Born Global might also have these attributes, but they are not required in order to be called a Born Global, as it is in the case of unicorns. For that reason Born Globals and unicorns cannot be used as synonyms.

The possibilities of growth and sustainability of unicorn companies in different areas around the world is also a topic that could be covered better by peer reviewed literature. This study came up with some information about the suitability of some areas, as for example Hätönen confirmed that the structure of Europe comparing to the US or China is not as supportive against unicorn breeding. Simon (2016) also did a whole article about how Europe missed the mobile wave, that has been considered as the wave that has created most of the unicorns. There is definitely a research gap which would be interesting to cover, and that is why this study suggests doing so.

The research about the possible paths of unicorns gives a new kind of approach to the possibilities to develop that a unicorn company has. Buyouts as a term came up during this study and it was considered if they created a new path, but eventually a buyout and an acquisition are synonyms to each other, which means that there does not emerge a new path to the unicorn companies. However, buyout funds are interesting alternatives for unicorns as they make the buyout just temporarily. Thus, buyout funds could be considered as a whole new path, because it gives an option for the startup to increase its business with capital that comes from the outside. Because a buyout made by a private equity buyout fund is just a temporary acquisition, it gives an alternative to the path 'Going under a listed company'. Also, as a buyout fund gives an alternative for venture funding, that is brought out many times during this study, it opens a new way of investing in unicorn companies. The updated version of the possible paths of unicorn companies is provided below, with an addition of exploiting private equity funds. As the aim of these funds is to make the company more profitable with the capital that the buyout fund has, it is expected that the unicorn or startup will end up rising with the help of this temporary position. This is why the new path 'Exploiting a private equity buyout fund' is the only path that is assumed to lead only to the rise of a company. According to Mäkeläinen a private equity buyout fund can be an option to venture funding as a partial exit, especially in later stages of the company lifecycle, but the aspect of acquiring majority control in the company is more notable in the case of private equity buyout funds.

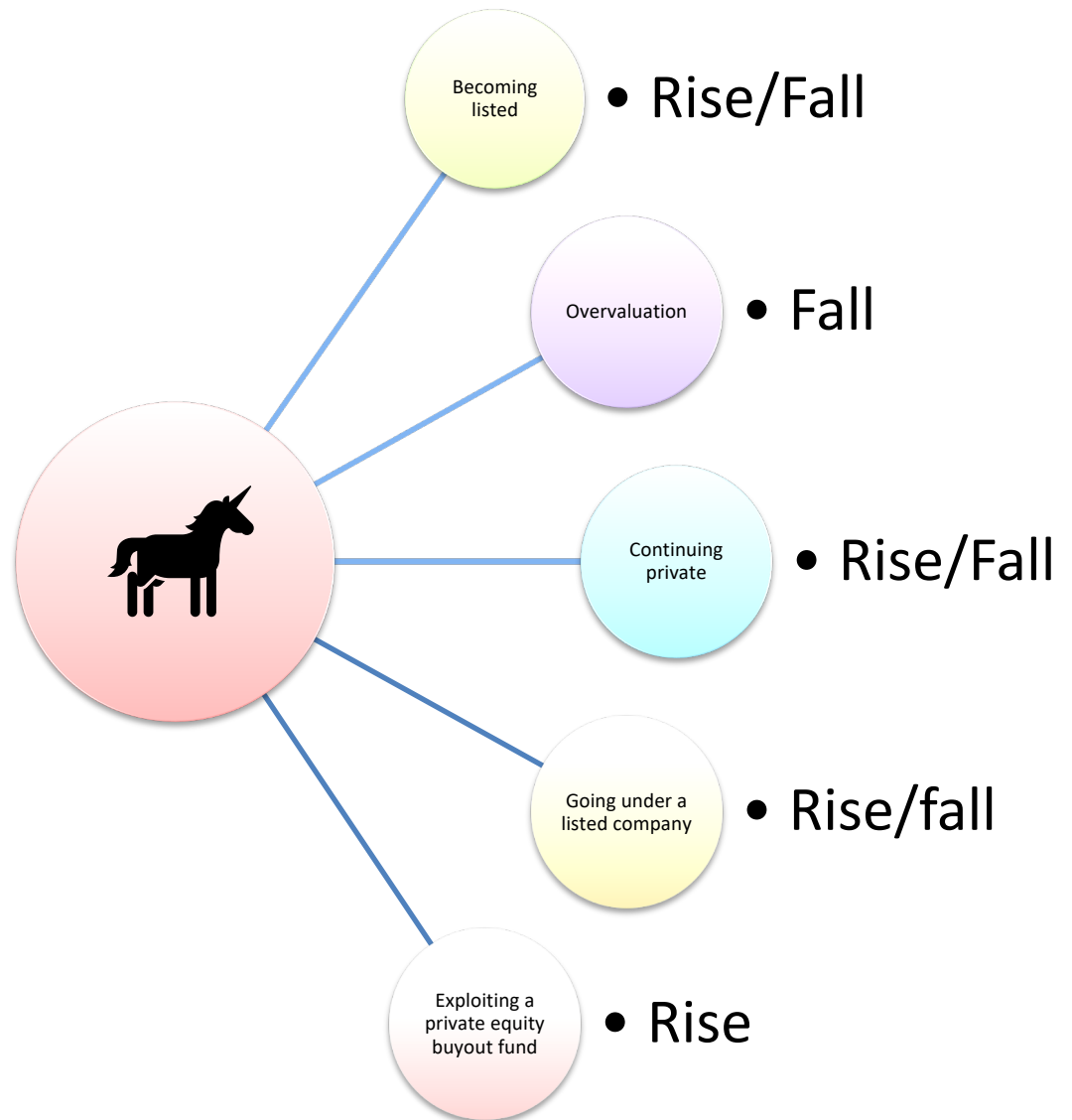


Figure 12 Updated version of possible paths of unicorn companies

As Carrick (2016, 1195) stated, paths consist of past decisions and future possibilities that shape the route of where the company can go. This path framework of unicorns and the discussion of it in chapters 2.2 and 5.1.1 describes how the past decisions and future possibilities can form a framework of unicorns' paths of development. This path framework also confirms the importance of venture funding among unicorns (Jinzhi & Carrick 2019, 3374). The difference between exploiting a private equity buyout fund and the other paths is that the private equity buyout done by a fund is considered temporary, as the other options do not have a specific time limit. The knowledge about the possible paths that unicorn companies can follow allows researchers to understand better the

possible threats and uncertainties that are faced by unicorns. This is because the more transparent the options about the businesses are, the easier it is to track the problems that arise in the field. As the startup scene develops, it will be left for us to see what kind of other paths will emerge in the future.

Even though finding this additional path for unicorns to follow was probably the most important theoretical implication that emerged during this study, there were some other findings that could develop the research about the problems of unicorn companies, too. This study enhanced the fact that unicorn companies still tend to exploit the network effect often when it comes to their business ideas. The biggest problem that arises within the network effect is that the barrier of consumers changing into another, similar service is relatively small. The power that consumers have in this kind of businesses is very big, and that can turn into trouble for the companies.

The main purpose of this study was to find the problems and uncertainties that western unicorns are suffering from during their time as a unicorn. As issues concerning private company valuation, regulations and the technology bubble ended up being the main findings of this study, they could also be considered as additions to the theory concerning the problems and uncertainties faced by unicorns. However, as this kind of theory does not exist yet, this study opens the path of literature for understanding the problems and uncertainties faced by unicorns.

6.3 Managerial implications

The growth of unicorns as individuals and as a group of enterprises has been a topic in many articles, and it is true that unicorns grow faster than other companies that would be considered as normal, non-unicorns. Still the growth of the unicorn club can be seen as a weakness, because the competition gets harder the more unicorns emerge. However, companies become unicorns now faster than they did before. This can also be seen as a strength, as well as the willingness of investors to invest more on private companies. The growth of the unicorn family in any case strengthens the power of unicorns in total, and it brings the business world new challengers. As many of these companies are operating globally, their power over the world can be enormous. By globalization unicorn companies are able to reach the power that previously only nations used to have, and as they operate privately, they are not required to report as much as listed companies, like stated earlier. This increases the power of unicorns as companies that have access to many places around the world, but are not required to announce that much information about themselves.

The valuation issues around unicorns turn the understanding of the real value of unicorn companies to be relatively complex. In order to do the right moves as a private investor in the world of unicorns and startups in general, the investor must understand the concepts of liquidity preferences and how they can build unicorns synthetically. Also, for the manager of a startup to reach the most potential out of the business, it is good to gather knowledge from the structure of valuation in unicorn companies. By understanding the different ways of reaching high valuation, the company can consider which style suits its business best. It can also evade the pitfalls that synthetical valuation can cause.

As an investor and as a manager in a company that already is a unicorn or that is on its way of becoming one, it is crucial to understand the options that a unicorn company has when it becomes mature. In this case the paths of unicorns that were described in this study could be useful tools to obtain a general picture of the possibilities that a mature unicorn has and what are the consequences of choosing each path. Also, another topic that considers the optimal ways of building a sustainable structure for a startup in order to keep its unicorn status or to become a unicorn is the building of the teams inside the company. As it came out during this study that the difficulties to receive a work visa for a foreigner in the US are severely affecting the startup industry in the country, it could be beneficial to consider whether the US will continue being the best place to operate for a unicorn company in the future.

6.4 Limitations and suggestions for future research topics

Unicorns have, despite their problems, come here to stay, at least in some scale. There is a considerable amount of research that can still be done because of the novelty of the concept. One gap in the research that was found during this study is the differences and similarities between Born Globals and unicorns. It is a theme that could be easily studied with the available material of peer reviewed articles, but for some reason there were no studies about Born Globals and unicorns compared to each other, at least no peer reviewed ones. Also, analyzing the growth curve of the unicorn would be an interesting topic, which was missing from the current investigation. It was extremely difficult to find articles that handled the topic of the growth curve of unicorn companies, which is one of the most notable characteristics of unicorn companies. Because it is one of the most notable characteristics and because it is previously stated as very unlikely in the growth curves of other company types, it would be important to make some research on the topic. Reasoning why the growth curve becomes exponential and how it continues as exponential would be interesting topics to cover. Also, some of the given problems and uncertainties that were found during this research could be studied more deeply. As the technology evolves, more regulations emerge and the problems that the technology driven

unicorns are facing ten years from now might be very different from the ones that they are facing now. Unicorns need general updating all the time, because they have changed so much after the concept was launched seven years ago. Generally, the scientific literature about unicorns is relatively scarce, so there are many points of them that could be investigated more in depth.

As the world situation has been shaken by the COVID-19, it is very difficult to give assumptions about the future. It is also very difficult to say what kind of problems emerge among unicorns because of this situation. The positive side is that many unicorns operate on the technology field, which in many occasions is not as harmed as the businesses that operate in other fields. Technology is one of the only things that people can exploit during their time inside, which is right now a new norm. This is why unicorns and technology startups in general are in a better position than many other companies, like restaurants and shops, that are facing huge losses at the moment. However, this situation opens a very interesting subject to study, as it would be interesting to know how this crisis affects the unicorn companies. This is why one suggestion for future studies would be the topic of how the COVID-19 affected the problems and uncertainties faced by unicorns, and what happens to the unicorn club in general after the wave of coronavirus has passed.

6.5 Epilogue

When this study was made, the situation with the coronavirus, also known as COVID-19, was on its peak. As it causes fear all around the world, the world economy has at least momentarily collapsed. The future with the virus is yet very unclear, so it is difficult to say what is going to happen with the world economy in the near future. However, as this is a very extreme situation that affects the whole world, it might affect the future of unicorn companies, too. It cannot be forecasted how this is going to affect for example the valuation issues of unicorn companies in the future, as it is not sure how the markets will be functioning after this crisis, and nor when the crisis is going to end. With excitement we are left waiting for the actual results of the impact that the coronavirus will have on the world economy, and if the world economy will continue operating as we now know it or will it all be different in the future. Maybe the startup field will not have as much private money as before, and this would make the competition among startups that are aiming on a unicorn status extremely hard. This kind of situation would diminish the unicorn club, which would be the first time after 2013 and a turning point for the unicorns and how they behave.

7 SUMMARY

The term ‘unicorn’ signifies a privately owned, usually technology related, company that is valued for over one billion dollars. The term was launched in 2013 and since then, the so-called unicorn club has been increasing, as private capital has increased in amount. Now that the unicorns have become more familiar among people, it might be interesting to investigate their dark side, too. This is why this study concentrates on the problems and uncertainties that are faced by mature, western unicorn companies. This main topic has been divided into two research questions: What are the general attributes of unicorn companies and how are they related to other quickly internationalizing companies, and how do these attributes influence the problems and uncertainties that unicorn companies are facing?

The theoretical part of this study aims to differentiate unicorns from other similar companies, link path dependence and the possibilities of unicorn companies, and discuss networks’ and the network effect’s bond with unicorns. The theory part is divided into sections, that each deal with different approaches to the unicorn related theory. The research uses theories under these themes in order to give the reader the fullest understanding possible of the attributes of unicorn companies. The research method used in this study was a qualitative theme analysis of interviews made on professionals concerning the topic. The data was collected from October 2019 to February 2020 and the professionals were chosen based on suggestions by thesis directors, journalists and other professionals on the field.

According to this study, the biggest problems and uncertainties are related to three different areas: the technology bubble, valuation uncertainties, and regulatory issues. Apparently, because of the hype around startups and the aiming to be a unicorn, questionable ways have emerged to increase valuation, and this reduces the possibilities for unicorns whose value has increased by synthetical means to survive from the burst of the technology bubble. The risk of the technology bubble bursting increases this uncertainty around unicorn companies. Also, regulations coming from external operators can have a big impact on a unicorn company whose business is based on a single product. If regulations towards the business emerge after the business has launched and hit the unicorn status, the company can even end up losing its position as a unicorn company. Eventually, there are not that many specific problems and attributes that arise just among unicorns, but also among other big startups. This is why this study is a useful tool not only for unicorns, but also for private investors, startup managers and other people who are interested on the topic. The research about unicorns in general is relatively scarce, so there are lots of opportunities for future studies concerning unicorns.

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9 APPENDICES

9.1 Appendix 1: Interview frame used with Snellman

HAASTATTELURUNKO

JANNE SNELLMAN, CFO & COO SUPERCCELL

HUOM!! Kaikista kysymyksistä saa kieltäytyä. Haastattelu äänitetään.

1. Esitteletkö itsesi nopeasti: kuka olet, mikä on roolisi supercellillä ja kauanko olet työskennellyt siellä?
2. Supercell on yksi harvoista suomalaisista yrityksistä joka on yksityisomistuksessa ollessaan saavuttanut yli miljardin dollarin arvostuksen, eikö? Mitkä olivat keskeisimpiä tekijöitä siinä että Supercell saavutti tällaisen aseman?
3. Graduni koskee yksisarvisyritysten kohtaamia ongelmia ja olen kiinnostunut kuulemaan minkälaisia ongelmia Supercell on kohdannut. Ovatko ne yleisesti ottaen sellaisia ongelmia mitä tavalliset, ei-yksisarvisyrityksetkin kohtaavat? Tuliko yksisarvisaseman myötä jotain siihen liittyviä ongelmia (esim. lainsäädännön puolesta tms., olen kuullut, että korkealle arvostettujen yksityisten yritysten valtaa haluttaisiin rajoittaa lainsäädännöllisesti)?
4. Tekisikö yritys jotain <toisin, jos voisi nyt aloittaa alusta? Miksi?
5. Mikä on ollut Supercellin suurin onnistuminen? Miten siihen päädyttiin?
6. Onko jokin tietty alue tai maa ollut erityisen haasteellinen kansainvälistymisen yhteydessä? Jos on, millä tavalla?
7. Onko Supercellin jotkut tietyt piirteet ajaneet sen tietynlaisiin ongelmiin? Miten näitä ongelmia on ratkaistu? (esim. pelialan ongelmat, yrityksen rakenteen ongelmat jne.)
8. Millainen omistusrakenne Supercellillä tällä hetkellä on? Se ei ilmeisesti ole pörssissä, mutta ovatko sen emoyhtiöt?
9. Mistä asioista Supercell saa päättää itse ja mistä ei? Onko toiminta operatiivisella puolella vapaata? Entä hallinnossa? Toiko omistusmuutos muutoksia tähän? Onko emoyhtiöllä tulosvaatimuksia Supercellin suhteen? Mihin voittoja käytetään?
10. Haluaako Supercell listautua? Jos ei, miksi? Jos haluaa, miksi haluaa?
11. Onko sinulla henkilökohtaisia mielipiteitä yleisesti ottaen listautumisen eduista/haitoista?
12. Saiko tämä haastattelu teidät ajattelemaan yrityksestä eri tavalla tai tuliko ilmi jotain mitä ette olleet ennen ajatelleet? Olette varmasti miettineet näitä, mutta joka tapauksessa.

9.2 Appendix 2: interview frame used with Kivimäki, Lehmuskoski and Hätönen

HAASTATTELURUNKO

NIMI, ROOLI, YRITYS

HUOM! Kaikista kysymyksistä saa kieltäytyä. Haastattelu äänitetään.

Johdanto: Kuka olet, mitä teet ja mihin keskityt sijoittamisessa

1. Esitteletkö itsesi nopeasti: kuka olet, mikä on roolisi (yrityksessä) ja kauanko olet työskennellyt siellä? Mitä olet tehnyt ennen tätä? Onko sinulla tällä hetkellä muita tehtäviä joissa olet mukana?
2. Minkälainen on kokemuksesi Startupien tiimoilta?
3. Mihin asioihin keskityt Startupiin sijoittaessasi?

Startupien kohtaamat ongelmat

4. Minkälaisia ongelmia startupit kohtaavat yritysmallinsa vuoksi?
5. Onko jokin startup mielestäsi onnistunut erityisen hyvin ongelmiansa ratkomisessa? Jos on, mikä yritys, minkälaiset ongelmat ja miten ne on ratkottu?
6. Minkälaisia ongelmia kohtaavat startupit jotka ovat ns. breikanneet jo? Tämän kysymyksen tiimoilta päästään lähemmäs yksisarvisyriityksiä, joten jos sinulla on mielessä tietynlaisia ongelmia joita vain yksisarvisyriitykset kohtaavat, otan ne ilomielin vastaan.
7. Onko sinulla oletuksia asioista jotka koituvat tulevaisuudessa menestyneiden startup-yritysten ongelmiksi? Jos on, niin mitä nämä asiat ovat? Jos pystyt, niin osaatko kommentoida tätä jo yksisarvisyriitysten kokoisista yrityksistä.

Hienoja startuptarinoita

8. Onko sinulla mielessä jotain erityisen hienoa startup-tarinaa, jossa startup olisi päätyntä hyvin menestyksekkääksi? Pois lukien Supercell.
9. Mitä olet oppinut startupeihin sijoittamisesta urasi varrella? Mitkä ovat tärkeimpiä oppeja?

Startupien menestyksestä

10. Mikä on ollut suurin onnistumisesi startup-sijoitusmarkkinoilla?
11. Onko menestyneimmillä sijoituskohteillasi ollut jotain yhteisiä tekijöitä?
12. Antaako yksisarvisuuden leima mitään yritykselle?
13. Mitkä piirteet startupissa vaikuttavat siihen että et suostuisi sellaiseen sijoittamaan? Mitkä piirteet laittavat ns. hälytyskellot soimaan?

14. Onko sinulla henkilökohtaisia mielipiteitä yleisesti ottaen listautumisen eduista/haitoista?

9.3 Appendix: interview frame used with Mäkeläinen

HAASTATTELURUNKO

MARKKU MÄKELÄINEN, PARTNER AT NEXIT VENTURES

HUOM! Kaikista kysymyksistä saa kieltäytyä. Haastattelu äänitetään.

Johdanto: Kuka olet, mitä teet ja mihin keskityt sijoittamisessa

1. Esitteletkö itsesi nopeasti: kuka olet, mikä on roolisi Nexit venturesilla ja kauanko olet työskennellyt siellä? Mitä olet tehnyt ennen tätä? Onko sinulla tällä hetkellä muita tehtäviä joissa olet mukana?
2. Minkälainen on kokemuksesi Startupien tiimoilta?
3. Mihin asioihin keskityt Startupiin sijoittaessasi?

Yksisarvisiin liittyvän teorian aukaiseminen

4. Onko network effect (yrityksen arvo kasvaa mitä enemmän sillä on käyttäjiä) aiheuttanut minkäänlaisia ongelmia startupeille niiden kasvaessa globaaleiksi?
5. Miten yksityinen rahoitus on kehittynyt viimeisen kahdenkymmenen vuoden aikana? Miten tämä on vaikuttanut yksisarvisyritysten tai vastaavien kasvuun?
6. Miksi yksityisenä yrityksenä pysymisestä on tullut kasvava trendi?
7. Olen löytänyt neljä mahdollista polkua yksisarvisyrityksille. Ne ovat 1. listautuminen 2. Yliarvostus ja tätä kautta romahtaminen 3. jatkaminen yksityisenä 4. julkinen yritys ostaa yksisarvisen. Onko olemassa muita polkuja kuin nämä? Mihin nämä polut mahdollisesti johtavat?
8. Voidaanko yksisarvisista väittää että ne ovat aina Born Globaleja?
9. Tuleeko yksisarvisilla vastaan jonkin sortin lainsäädännöllisiä/poliittisia/tms. vaikeuksia tietyillä alueilla? Onko jokin alue yksisarvisystävällisempi kuin joku toinen?
10. Minkälaisia ongelmia kohtaavat startupit jotka ovat ns. breikanneet jo? Tämän kysymyksen tiimoilta päästään lähemmäs yksisarvisyrityksiä, joten jos sinulla on mielessä tietynlaisia ongelmia joita vain yksisarvisyritykset kohtaavat, otan ne ilomielin vastaan.
11. Onko sinulla oletuksia asioista jotka koituvat tulevaisuudessa menestyneiden startup- yritysten ongelmiksi? Jos on, niin mitä nämä asiat ovat? Jos pystyt, niin osaatko kommentoida tätä jo yksisarvisyritysten kokoisista yrityksistä.

Startupien menestyksestä

12. Mitä olet oppinut startupeihin sijoittamisesta urasi varrella? Mitkä ovat tärkeimpiä oppeja?
13. Antaako yksisarvisuuden leima mitään yritykselle?
14. Mitkä piirteet startupissa vaikuttavat siihen että et suostuisi sellaiseen sijoittamaan? Mitkä piirteet laittavat ns. hälytyskellot soimaan?
15. Onko sinulla henkilökohtaisia mielipiteitä yleisesti ottaen listautumisen eduista/haitoista?