

UNIVERSITY OF TARTU

School of Economics and Business Administration

Nino Zhamerashvili

Mariam Nozadze

**THE ROLE OF NON-MARKET STRATEGY CONTRIBUTING TO
STARTUP PERFORMANCE BASED ON ESTONIAN AND FINNISH
ENTERPRISES**

Master's Thesis

Supervisors: Krista Jaakson, Ph.D.; Marilin Pikaro, MA

Tartu 2022

Name and signature of supervisor

Allowed for defense on (date)

We have written this Master's Thesis independently. Any ideas or data taken from other authors or other sources have been fully referenced.

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(signature of the author and date)

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Abstract

This qualitative research study was conducted to disclose the relationship between startups' performance and organizing non-market operations. Several authors have learned and discussed a firm's non-market activities in recent years from many angles. However, the function of non-market activities in the startup's lifecycle is a gap to be discussed by scholars.

To respond to the research question: The greater the non-market effort, the better the startup's performance, we conducted ten in-depth interviews with startup co-founders from Estonia and Finland. The hybrid (inductive and deductive) technique examined the results. Results indicate a slightly positive trend as predicted, but those arguments do not prove the statement that the greater the non-market effort, the better the startup's performance.

The results show that the awareness of non-market activities is relatively lower than the market activities amongst the entrepreneurs. Based on the interviews, the explicit recommendation is that non-market activities and frameworks utilized in this field be promoted, developed, and employed in the business education sector.

Keywords: *non-market strategy, non-market environment, startup, founders, development.*

Introduction

This thesis aims to determine the impact of non-market strategy on startups' performance. By definition, the strategy seeks to create synergy and balance among goals, resources, and concepts to maximize the chance of success and productive outcomes. Most individuals who decide to establish a firm understand the necessity of market strategy. (Doh et al., 2012) Non-market practices have become increasingly important for companies in recent years. However, according to the interviews, acts taken in a non-market context are rarely categorized as a non-market strategy.

In our fast-moving era, the startup world is becoming more attractive and exciting to our society. (Pride, 2018) The primary role of the startups is to create innovative breakthroughs and introduce the latest technologies to the market. Due to limited resources and small sizes, entrepreneurs may form strong ties with various business players and generate value with them. (Marcon & Ribeiro, 2021) Aside from the fact that organizations must adapt to technological developments to achieve a competitive advantage, innovation is also critical for survival (Hanna & Walsh, 2002). While the main strategies that influence the firm's development market and non-market approaches are widely studied and discussed, we decided to investigate the non-market strategies' role in specifically startup performance. We detect a correlation between the type of non-market strategy and startup creation and developing strategies (Bonardi et al., 2005). Both are dedicated to connecting businesses and their stakeholders, including the government, media, and activists.

Baron mentioned that non-market strategies have equal power over the performance and survival of the company. To maintain a sustainable competitive advantage, a firm should consider non-market issues and plan the possible outcomes accordingly. (Baron & Diermeier, 2007)

Many scholars have studied a firm's non-market operations and provided compelling evidence that non-market methods help companies. A noteworthy example is David Bach's paper "Frame or Get Framed," where the author gave real-life instances of non-market strategies that completely transformed the direction and plans of one of the world's largest organizations. (Bach & Blake, 2015) Another influential publication that encouraged us to learn more about the benefits of non-market strategy is "what every CEO needs to know about non-market strategy" by David Bach and David Bruce Allan. The IA3 framework (Bach & Allen, 2010), as an analysis tool for non-market environments, has a substantial

impact on a company's success. It has the potential to influence a company's status and position significantly. After carefully evaluating related resources, we concluded that the non-market activities' role in startup development is a gap that requires additional exploration. Our goal is to contribute to existing theory and discuss different aspects of (non-market strategy) NMS with a specialization in the startup ecosystem.

This study covers the businesses' most essential and efficient non-market operations. We adapted such activities to the startup sector and explained why they are essential to entrepreneurs. Aside from the theory discussion, we developed research questions to help us get insights into the issue while also verifying or rejecting the proposition. We chose startups in Estonia and Finland to see how far they had gone in analyzing the non-market environment. Both nations are at the forefront of the startup ecosystem.

It is crucial to reduce research gaps about startup non-market efforts and their impact on performance. Research is also necessary for creating knowledge and raising awareness about non-market strategy concepts.

Based on the extensive literature review, the research questions were defined as a scope to guide the paper:

- What actions do startup decision-makers carry out to study the non-market environment organization?
- How do the startups consider the primary stakeholders' interests and needs while creating the NMS?
- What were the non-market actions taken by startup decision-makers?
- What are the most effective activities with the most significant outcomes to improve non-market strategy?
- How can the regulations affect the performance of the startups?
- What are the future startup non-market motivations based on the previous experiences in their field of concern?

The paper is structured as follows: section one is a theoretical background that discusses the aspects related to NMS and (non-market environment) NME covered in the recent studies. Section Two describes the data and methodology, and section three contains the interview results and recommendations.

1. Theoretical Background

1.1. The Market And Non-Market Domain

A business's environment comprises both market and non-market elements, and any strategic planning method must incorporate both market and non-market aspects. (Basco et al., 2021). The market environment is an essential aspect of the business environment. It is generated by a company's connections to customers, suppliers, competitors, and other parties mediated via the market. The market environment determines the company's competitive position. (Siltaloppi et al., 2021) On the other hand, market strategy is a collection of operations that assists a corporation in gaining a competitive edge and positioning itself in the marketplace. For instance, suppliers are an essential aspect of the market environment, and market strategy includes tactics for dealing with or communicating with suppliers. It is critical to have a specific and value-added purchasing policy to thrive these days. (Wu et al., 2022). Thus, Supply and demand are two of the most important market dynamics.

The non-market arena in business strategy studies refers to a firm's sequence of initiatives to enhance its performance and survival by regulating its social, cultural, political, and legal settings. Interactions between social, political, and regulatory institutions, on the other hand, create a firm's non-market environment. NGOs, governments, regulators, and the media are examples of non-market factors. (Baron, 1995) Non-market strategy refers to operations designed to improve a firm's performance and survival by managing its political, social, cultural, and legal restrictions.

The non-market environment differs from the market environment regarding how it operates. When a product fails in the market, the business can rapidly shift its direction and begin developing a new product. In contrast, multi-positioning on social and political issues, monitoring responses, and dropping those that fail to gain traction would be considered cynical. Nonetheless, market and non-market domains are significantly dependent on the character of the business (Miner, 2006) and based on the connections among the people that make up a company's dominant alliance.

Figure 1. Illustrates elements of the business environment. Many actions form the market and non-market environments. The graph shows that market activities are the driving force behind non-market activities, influencing the market environment.

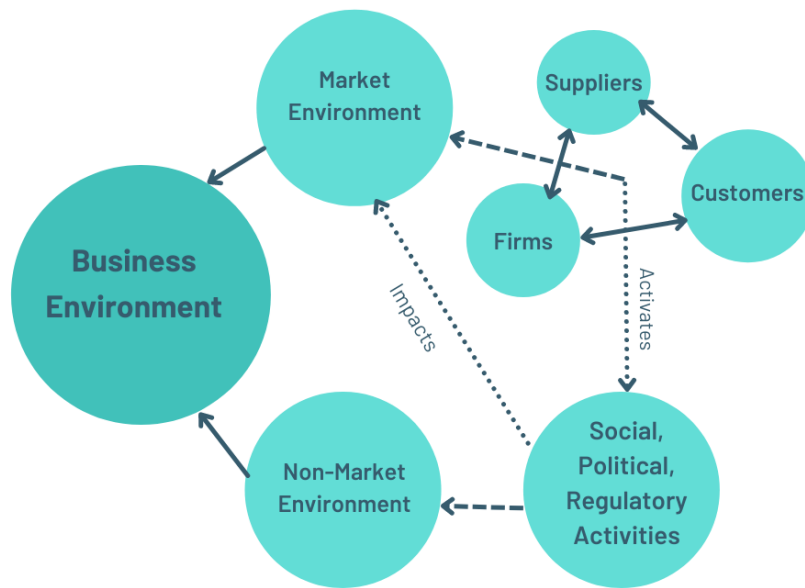


Figure 1. Business, Market and Non-market Environments

Source: (Baron, D.P. (1995) *Integrated Strategy: Market and Non-market Components*; (Basco et al., 2021)), compiled by the author.

Based on the relevant studies, most firms have analyzed the market environment and created a market strategy (entry mode). (Aggarwal, 2001) while entering a market environment; however, few see the importance of putting effort into a non-market plan. (Liedong et al., 2014) Sometimes firms need to alter their designs to both the market and non-market environment to perform and survive. The authors have discussed the theories that influence non-market strategy in the article, and the reasons were also indicated.

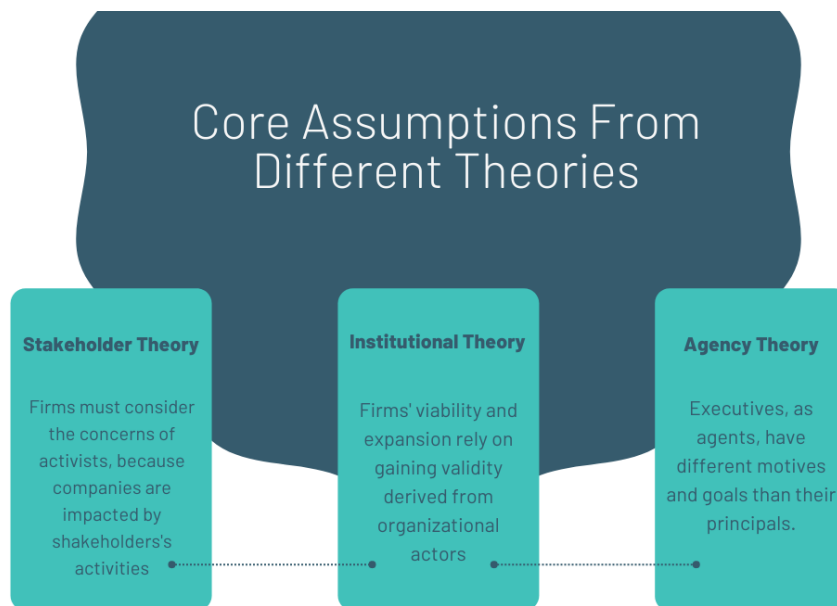


Figure 2. Core assumptions from different theories.

Source: (Mellahi et al., 2016), compiled by the author

Besides the theories mentioned above, some other ideas, such as social contract theory, social movement theory, and Habermasian theory, can influence the performance of a company's non-market strategy. (Mellahi et al., 2016) Through the reviewed related literature, the fact is found that corporations with a strong, professional, and devoted public relations department are more active in the non-market arena because better knowledgeable personnel are more engaged with associated issues such as brand reputation.

1.2. Dimensions Of Non-market Strategy

Every creative and intriguing action made by a stakeholder can be classified as a non-market strategy. In academic literature, non-market strategies are divided into corporate political actions (CPA) and corporate social responsibility (CSR). CPA is defined as a firm's effort to address public policy through an engaged or unengaged strategy. In contrast, CSR is defined as social initiatives that help people and society or a specific set of stakeholders but are not immediately tied to the competitive environment (Basco et al., 2021). Both types are the focus of discussion in this paper. A market strategy is required for positioning enterprises

within the industry regarding rivals. In contrast, a non-market strategy is essential to establish a company across key stakeholder groups. (Bach, 2015) It should be mentioned that, while the strategies for both environments could be different, they still need to be aligned to create value for the company.

The non-market system states that businesses are both social and political actors. Since businesses produce and distribute value, several groups are interested in influencing them formally, through legislation and regulation, and informally, through activism, social pressure, and other efforts to affect public perceptions of business. These activities are something that no company can avoid. (Bach & Allen, 2010) Non-market strategy, like market strategy, should be rooted in the company's values, especially if long-term success is the goal.

There are diverse ways in which the non-market strategy can affect the company's growth. Firstly it can affect profitability because there are many cases when non-market processes are integrated into the marketing messaging to gain a competitive advantage. (Bach, 2015) Secondly, the company can benefit from the government subsidizing program for being sustainable or contributing to a specific community or geographic area. Thirdly, it increases the satisfaction of the customers and employees. The non-market strategy effort influences the growth of the customer. Talent and investments will be the main focus of our research.

According to (Mellahi et al., 2016), 62% of empirical studies reported that non-market strategy and organizational performance are positively associated.

1.3. (IA)3 Framework For Analyzing The Non-market Environment And Issue Framing

A firm's non-market strategies can be formulated after carefully examining the non-market environment. The same approach is used for market strategies, where Porter's five force analysis is a widely used framework to seize key market traits. A similar framework is created for the non-market environment analysis - (IA)3 framework. (Bach & Allen, 2010). The examination of issues, actors, interests, arenas, information, and assets is fundamental to the (IA) 3 framework. (Mellahi et al., 2016). Each of these dimensions needs to be integrated into a non-market approach.

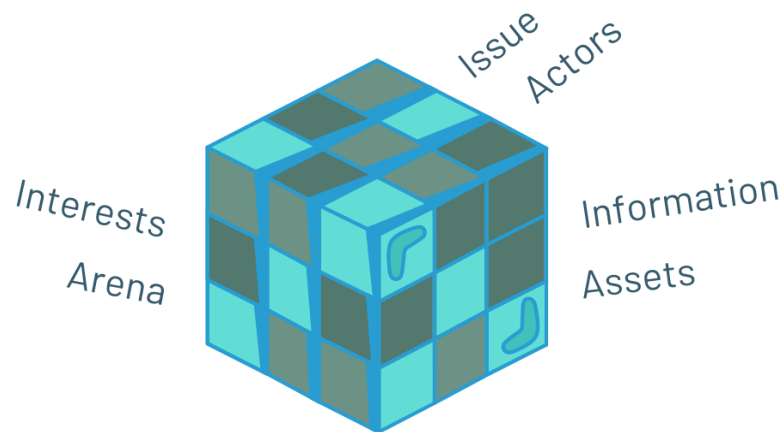


Figure 3. Non-market Environment Analysis (IA)³ framework

Source: (Bach & Allen, 2010), compiled by the author.

The non-market environment of a company is constructed around issues. If the outcome of a problem can significantly affect the company's ability to generate value, the organization should take a stand. Although there may be some crossover from one issue to the next, keeping points separate for analytical clarity. The following essential step is to identify the actors concerned about the problems that have been highlighted. Actors with a direct interest in the topic, either ideologically or economically. Different terms for actors are identified by scholars, such as "interest groups" and "non-state actors." These actors are prominent activists in the non-market environment. (Schoenefeld, 2020). Non-market stakeholders (analyzed in figure 2.) and actors are the same groups with the power to change the company's course. After identifying the actors, determining their motivations becomes critical. They need to state their claim in the company (IA) 3 framework. (Bach & Allen, 2010) Non-market issues might manifest themselves in various ways. It is necessary to define the arena in which an issue acts out and is eventually resolved so that a strategy can be developed. Knowing where actors meet is critical because the game rules differ drastically depending on the setting. Managing non-market issues in another country might be complex. The arena in which a problem is handled is crucial, and corporations may sometimes go to great lengths to relocate an issue to a more favorable location. (Bach & Allen, 2010)

Recent theoretical developments have revealed that information, not money, is the basis of non-market exchanges. Furthermore, data is highly context-dependent. It is critical to have the relevant information for the issue and arena in hand if a firm needs to succeed. In the non-market context, holders of essential information often have a winning edge. Assets are

the final component of the IA3 framework. It identifies the assets that an actor will utilize to thrive in this arena. If a company wants to influence a public issue, it needs an outstanding reputation, trustworthiness, and extensive network of contacts. It is also worth noting that being associated with the incorrect actor might be a significant non-market liability.

Intellectual property and a highly motivated employee are examples of non-market solid assets. Money can be an asset for a firm in some situations, but it can also be a liability for a company in a non-market context. (Bach & Allen, 2010). For example, while money can be put on one product, it can positively influence the development of another product. In contrast, money should be invested in the non-market environment to obtain vital information. Occasionally, a business may fail and collect irrelevant information, or a firm may lose track of discovering information about the issue it is researching.

An (IA)3 analysis does not guarantee a non-market advantage. However, it will facilitate proactive, rather than reactive, non-market management. By building a strategic map, an organization can determine what information and assets it may need to shape an issue's evolution to benefit its business interests - identifying who cares about a problem, what the various actors seek, and in what arenas they meet. (Mellahi et al., 2016) To gain a sustainable competitive advantage having a proper non-market strategy that matches the company's core values and brand identity makes a significant difference compared to the companies that do not have a similar focus. A non-market solid strategy can be built on the solid foundation of the non-market environment analysis.

"Frames are cognitive frameworks that determine how we view the world" (Wine, 2008). (Schoenefeld, 2020) Framing the issue properly defines the non-market strategy of the firm and how it is perceived by the potential customer, employees, or investors. When a specific controversial question arises among the stakeholders, the key is framing and attracting everyone's attention to the company's benefits. For example, a few years ago, a Dubai Port chose to acquire a US port, and the deal was nearly completed. The weaker opponent of the Dubai port, Eller & Co, chose to engage a lobbyist, New York Senator Charles Schumer, who reframed the issue so that it transformed the entire picture. He emphasized and linked the fact that the government seeking to purchase one of the largest American industries is also a terrorist supporter. The stakeholders' existing and underlying emotions were evoked via a certain frame. Eller & co. achieved their goal as a consequence of the framing. (Bach & Blake, 2015) Superb framing communication represents the strong foundation for the non-market strategy of the company. The starting point is to define the

(IA)3 framework and issues, actors, interests, arenas, information, and assets and respond accordingly.

The detailed evaluation of the certain issue is done by both internal such as employees, and external such as customers and investors having the pressure of the different relevant communities in mind. However, the mistake often made is that by framing, companies should not try to change someone's opinion but attract their attention to the particular aspect of the business.

1.4. Understanding Non-market Stakeholders And Their Influences

High effort in the framing and non-market strategy allows the companies to control the non-market positioning and even define the number of actors who believe in holding a stake in a particular case. A broader range of actors can cause the gathering of more concerned people around the issue and increase the effort to get social acceptability. To frame the subject as preferred, the firms must identify the critical actors already concerned with the problem and which other actors they are trying to include in the protest. However, strategic reframing allows the companies to shape the focus areas.

The major drivers of the non-market environment are non-market stakeholders. Those stakeholders are every person or institution that operates outside the marketplace (Figure 4). Here we will indicate some of the essential stakeholders that influence and pressure the company's performance.



Figure 4. Non-market Stakeholders Map

Source: (Mellahi et al., 2016; Voinea, 2017). (Schoenefeld, 2020) compiled by the author.

After reviewing theories and studies on non-market stakeholders, we can conclude that those actors have the power even to change the direction of the path of a company. When managing relationships with the actors are not always straightforward, making the decision which is the ethically correct way to choose is a challenging task for the companies. Some actors' values might be based on legal principles, while others value moral principles and humanity. (Langtry, 2009) Suppose you fail to shape the issues accordingly, as mentioned above. (Salvania & Pabico, 2015) There is always a risk of getting a broader range of people concerned with the problem as companies can not prevent the spread of the information and its influence in today's interconnected world.

The shaping of the issues can only be efficient when they are trustworthy based on evidence and numbers about the area and the company itself. (Kaliappen & Abdullah, 2013) The reliability of the shaping strategy is defined by the clear and measurable goals of communication.

Finally, even shaping is a powerful tool to gain a competitive advantage. There is no guarantee of successful implementation, but if the framing is consistent with its reputation and background, it becomes pretty compelling with a well-defined non-market strategy.

It is worth noting that some company activities are difficult to classify as market or non-market. For instance, human resource management might be characterized as a firm's market activity and, at the same time, non-market training.

1.5. The Connection Between CSR, CPA, and NMS

A positive relationship can be built with stakeholders through non-market activities. Corporate social responsibility (CSR) is considered a building component of NMS in this positive NMS perspective because it can influence public policy in a way that is consistent with the firm's social values. When companies work for social change, the trust built between individuals and groups is assumed to benefit the company financially. Political, corporate social responsibility (PCSR) is used to describe this approach to proactive political participation. (Wickert, 2014)

Long-term trust can only be built on honesty and transparency. Efficient management of the relationships with stakeholders and investing in corporate social responsibility are tightly linked to the growth of the customer base and the company's ultimate goal - profitability. (Zairi & Peters, 2002) Including the policymakers and NGOs in decision-making enables businesses to address the concerns of society more precisely and efficiently.

The two broad study directions are related to the positive and negative perspectives on NMS. Strategic or political corporate social responsibility, when viewed positively, focuses on firm actions that strive to advance both social and financial goals. Minor and John A. Parnell have primarily examined political NMS from several perspectives, including corporate political action (CPA), strategic political management, and strategic political emphasis (Parnell, 2018).

Corporate political activity (CPA) is viewed through a primarily negative lens, emphasizing the control of politicians and political institutions in ways that benefit the corporation; a social benefit is not always a priority. Efforts to bring these two distinct streams together have been limited, resulting in a wide range of research viewpoints and terminology. CPA has the most significant influence on economic value in emerging economies because of corruption, cronyism, and a lack of institutional development. (Parnell, 2018)

Corporate Political activities in the workplace have both a practical and a political aspect. Practical reasons are assumed to be advantageous to the firm (lobbying for a subsidy, a tax on imports, or hurdles to entry for potential competitors). Otherwise, the activity would not be followed in the first place. Political considerations are more difficult to forecast and are subject to change. As a result, the decision to pursue a specific CPA is complex. (Morsing & Roepstorff, 2015)

Trust plays a significant role in perceiving the public goods produced by the firms. We can distinguish the companies serving altruistic or selfish motivations; they try to communicate their investments to the public. Also, they share information about educating the employees to increase their satisfaction. The research shows that the trust of the companies is affected negatively because of the CPA - lobbying corporations. Therefore firms are trying to affect regulatory dimensions by implementing CPA, but it harms the local citizens' perceptions of the company. That is why it is essential to take the interests of citizens or other stakeholders when defining the CPA strategy. The main aim of both CSR and CPA should be to create acceptance in its context. (Tortosa-Edo & López-Navarro, 2021)

Social NMS is generally seen favorably because it aims to improve stakeholder connections and promote CSR. CSR is an integral part of social NMS because both aim to influence public policy and social ideals. For decades, social NMS has been announced as a necessary and appropriate addition to a company's marketing strategy.



Figure 5. Creation of Non-market Strategy by combining Public PS, Private PS, and CSR
Source: (Minor, 2015), compiled by the author

The efficient combination of market and non-market strategies can increase financial measurements and sustainability. Nevertheless, the investments in this direction should be investigated based on the business and industry context. (White III et al., 2021)

CSR implies that a company owes its stakeholders a duty to serve them in ways that go beyond typical business operations. It is not enough to satisfy customers and make money. Many consumers expect businesses to practice proactive environmental policy, financially support community development, train unemployed individuals, promote education and the arts, and provide specific employee benefits that benefit society. Public declarations on social issues were uncommon in the past. Many businesses, however, have been more proactive as the CSR mandate has gained traction.

1.6. Startups' Performance Beyond The Financial Metrics

In today's world, financial profitability is insufficient for growth and success. The research shows that the customers are getting more demanding in what and how the company does, which is definitely beyond the profit. (Alamäki et al., 2021) Other factors, including sustainability and customer and employees' happiness, should be considered along with financial metrics. A broader perspective from the early stages is a comprehensive foundation for a balanced startup with orientation on stakeholders and growth. (Parnell, 2018)

NMS (non-market strategy) contains any method outside the market orientation. Different organizational entities have other areas of focus. For example, the financial department focuses on the economic measures of the business and HR, respectively, the human resource management. (Parnell, 2018) However, in the organizations, it is up to the top-level manager to set the priority in the company of investing energy, time, and effort in non-market strategy. Moreover, the suitable non-market method requires the involvement of most departments within the company. In a startup world where the structure is not well established, founders need to have a more agile approach to collaboration with stakeholders and communities.

The risk of the startup business strategy is that they can be more oriented on specific problem-solving rather than defining the organization towards non-market strategy. Decision-making about the market strategy can not be disregarded, but careful planning is missing in most cases. (Marcon & Ribeiro, 2021)

The increased transparency of the business world and the possibility of sharing any information instantly on social media created pressure for the company that does not allow managers to disregard the importance of non-market strategy because the consequences can be destructive. It will not be an exaggerated statement that it is either to face the non-market issues or take responsibility for consequences post-factum (Parnell, 2018). No information can be hidden from customers, regulators, or communities in this connected world. The noncustomer is the term for the communities, social activists, and other stakeholders who are not the consumers of the product. (Marcon & Ribeiro, 2021) Being involved in strategic planning can take this process to the following level of efficiency and advancement.

There are diverse social pressures on various companies and how the organization's political ideology can affect the reaction to activists' protests. The doctrine can be defined as liberalism or conservatism even if it has not publicly stated its views. As the study shows, the more liberal the company's ideology is, the more likely it is to compromise with the activist's demands (Gupta & Briscoe, 2019). Figure 5 depicts the organization's political ideology and the likelihood of compromise with the activist's demands.

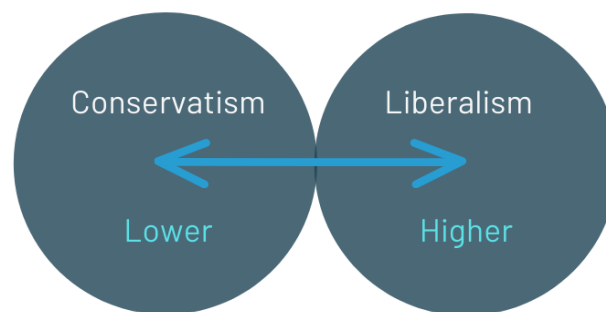


Figure 6. Organization's political ideology and the likelihood of compromise with the activist's demands.

Source: (Gupta & Briscoe, 2020), compiled by the author.

However, we can not foresee the probability of developing a protest by organizational liberalism. Liberal organizations are more welcoming to the request of activists and other communities, while conservative organizations are more uncooperative with the social demand. These results get more robust when the decision-makers significantly support those ideologies.

1.7. Startup Non-market Strategy Formation

Startups are the game changers for various technological advancements. They disrupt various industries, which they can not do in isolation from key external stakeholders. As they are a small company, they have the flexibility to collaborate with them and create value for the ecosystem actors and market. Along with the changing growth phases, the actors are changing, and so do the leverages for each lifecycle phase. (Marcon & Ribeiro, 2021)

The research introduces the startup growths and critical activities of relationship to key actors on a different stage:

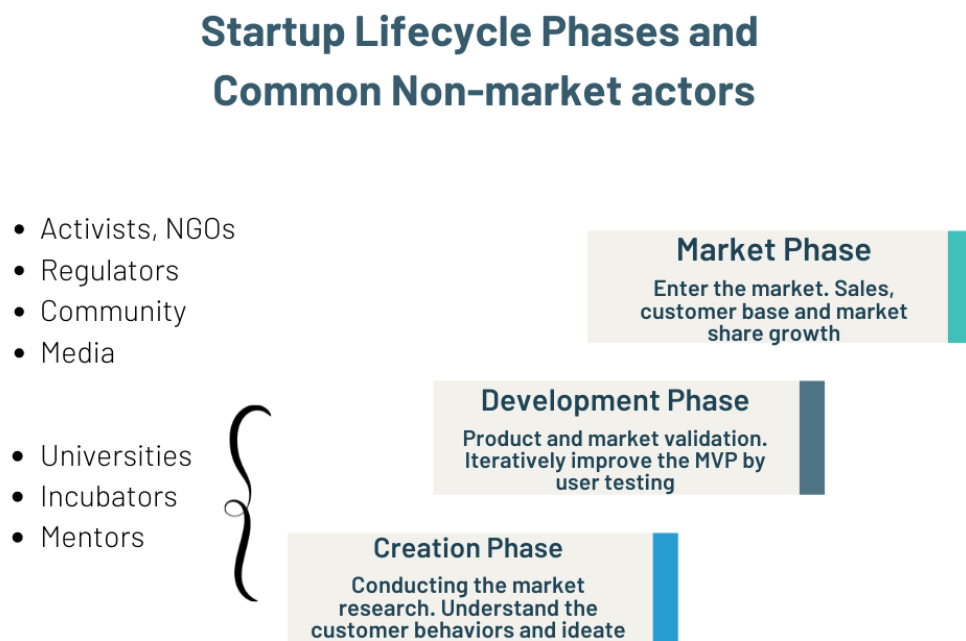


Figure 7. Startup Lifecycle Phases and Common Non-market actors

Source: (Marcon & Ribeiro, 2021), (Marco van Gelderen et al., 2005) compiled by the author.

The actors for non-market and market strategies are different. The main actors are incubators, government, universities, and mentors for the first one. In contrast, for the market

focus, the actors are competitors, customers, accelerators, investors, funding agencies, and R&D. These actors are differently involved in the different lifecycle phases of the startup growth described above. (Marcon & Ribeiro, 2021)

2. Data and Methods

The qualitative research approach as a methodology is adopted for the study to gain credibility and trustworthiness. (Bengtsson, 2016). We aimed to collect real-life experiences and knowledge.

The data collection procedure was structured and organized, and we adhered to it through in-depth interviews with startup co-founders, the ones most determined to see their venture succeed. To prevent sampling bias, we decided to select startups from two countries, such as Estonia and Finland. These two countries were selected for specific characteristics. To begin with, both have prominent startup ecosystems. Another rationale for focusing on the Estonian and Finnish markets is the similarities between these two nations. As per a study (Kütt, 2013), "Estonia and Finland are in the same group of countries with similar macroeconomic constraints in terms of population and size that have a track record of converting innovation into GDP growth." Estonian and Finnish cross-border startup collaboration counts ages, and based on the (Nauwelaers et al., 2013) research, the projects aim to keep supporting the startup environment for both countries. As mentioned earlier, the increasing number of successful startups provides a reason to target the nations.

The importance of collecting extensive and detailed data was one of the significant motives for conducting interviews. Close interaction with the participants allows us to reach the details that other methods can not contact. (Green & Thorogood, 2018) The qualitative way is especially true in research that examines the relationships between performance and outcome.

After ideation (the phase in which we establish our aim, From a broad perspective to a narrower one.) (Bengtsson, 2016), The plan was to create a questionnaire with the most critical questions and the most favorable responses connected to the primary goal. Open Questions (appendix A) are designed to keep us focused on the core idea of our topic while also allowing us to absorb as much pertinent information as possible (in a limited time frame).

Nevertheless, reaching out to the founders and co-founders ultimately failed. In our situation, using LinkedIn as a communication and networking tool was an ineffective idea (Figure 8). We scarcely received answers, and this was one of the most painful parts of the thesis-writing process. However, we did it with the assistance of our superiors, who exploited their networking skills. Furthermore, we reached out to 6 out of 10 entrepreneurs via the business incubation programs in both Estonia and Finland.

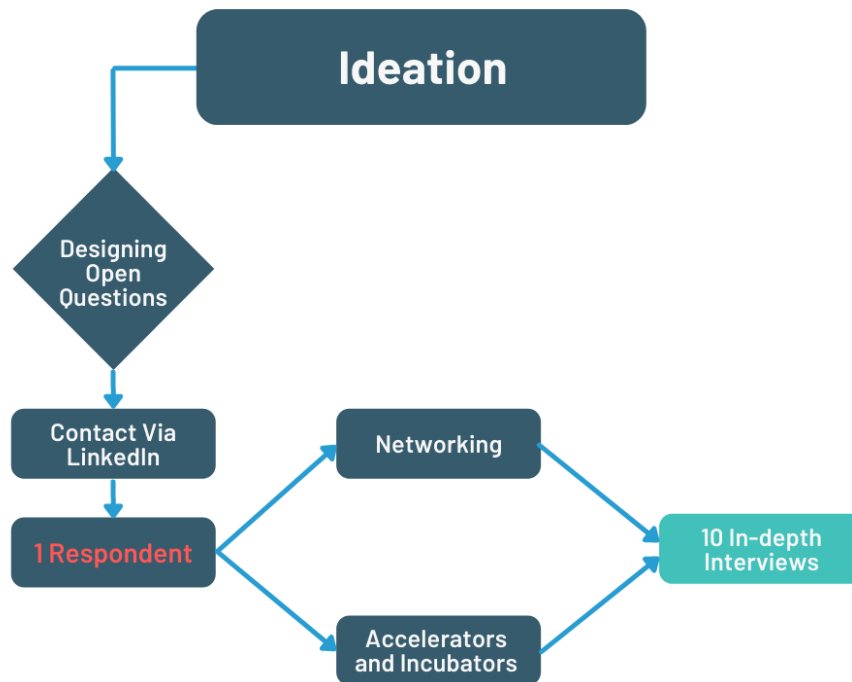


Figure 8. The process of collecting qualitative data.

Source: Compiled by the author.

We collected the data based on the actual cases. We asked for permission from each participant and recorded videos. We then made transcriptions for the following phase, which enabled us to analyze the data efficiently. We utilized thematic analysis to systematically categorize samples from qualitative data to find themes and patterns. Thematic analysis is a method of encrypting and decrypting qualitative data (Boyatzis, 1998). We used a hybrid approach: inductive (codes are derived from the data) and deductive (themes are predefined, and codes are assigned accordingly from the text) coding. (Fereday & Muir-Cochrane, 2006). Many scholars have evaluated combining these two strategies and found that it produces better results than simply employing one of them. We began with the inductive approach, the

data learning process. (Boyatzis, 1998) And Then, we added a deductive strategy for defining themes and disseminating significant results from the text. Table 1 shows the profile and duration of each interview.

Table 1

Profile and duration of the interview

Case	Name	Interviewee	Duration (min)	Country	Category
#01	Triumpf Health	Kadri Haljas	36:42	Estonia	Educational app for Kids
#02	Adcash	Thomas Padovani	33:33	Estonia	Advertising platform
#03	Green Currency	Marko Viiding	30:42	Estonia	Renewable energy
#04	Eventual	Miia Khan	23:25	Finland	Platform for events
#05	Kamupak	Karri Lehtonen	29:07	Finland	Circular Economy
#06	Innoduel	Jussi Simolin	45:01	Finland	Platform for stakeholders engagement
#07	Impakt	Mikko Järvilehto	23:01	Finland	Market research service
#08	Rona	Zeljko Boskovic	32:36	Finland	Cyber security
#09	Parkly	Päivi Raivio	34:18	Finland	Sustainable
#10	3DBear	Jussi Kajala	28:01	Finland	Deep Learning Academy

Source: Compiled by the author

3. Results of the Interviews

The ultimate goal of this work was to find the answers to the research questions and identify influential patterns between non-market strategy and startup performance. As far as we know, no previous research has investigated the connection between startup performance and non-market strategy.

We organized our findings in line with the aim of the study. Out of 10 interviewed startup company founders, five include the category of successful startups, one failed, and four stated they achieved their objectives on a mediocre level. Each of them except one managed to launch their product into the market. The interviews generated insights to understand startup owners' non-market activities, outcomes, and attitudes.

Most of the interviewees asked for the definition of non-market strategy. They were not familiar with this term. It turned out that they have implemented ongoing non-market activities. The startups with more vital value tend to have higher non-market efforts. Figure 9 shows that the term "Non-market" strategy was not familiar to half of the number of our respondents. Some of them had a vague understanding.

Some respondents mentioned that they do not have enough resources to manage non-market strategies at this stage. However, they see the importance of it.

Awareness Of The Term “Non-market Strategy”

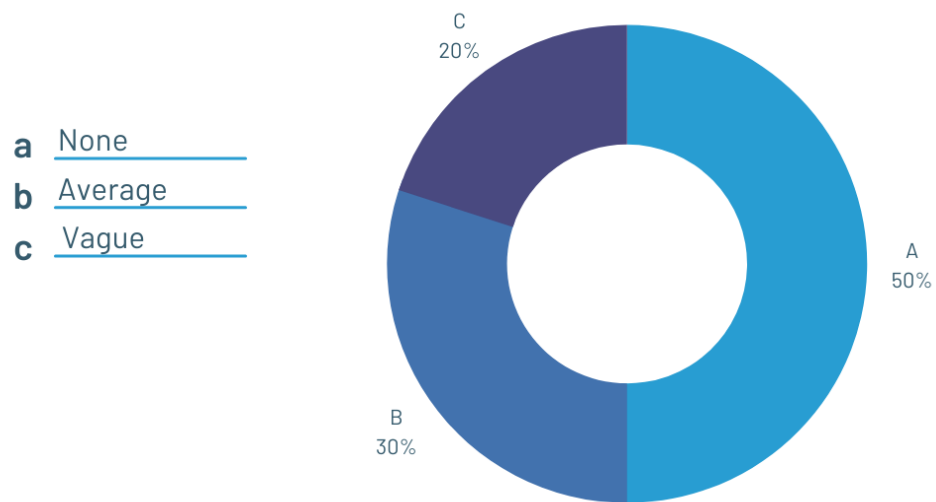


Figure 9. Awareness of the term “non-market strategy”

Source: Compiled by the author

As evidence, five out of ten co-founders were unaware of the term “non-market strategy.”

3.1. Organizing Non-market Environment

Considering that our goal is to investigate a link between startup performance and participation in non-market activities, we want respondents to provide information on the non-market environment at the outset. (Bach & Allen, 2010) What actions do they carry out to study the non-market environment?

The startups with more strong values avoid putting the price tag on children and environmental care activities. In organizing a non-market environment, the main actions involve communication with the relevant institutions. Such are financial or research establishments.

"The first one is the KYC, bank regulations, financial regulations, so we have to maintain some strategies to be understood, be visible, maintain a clear investment in terms of networking and internal documentation, and internal processes to prevent us from being in trouble with our financial institutions. "

Networking activities are perceived as essential for the vast majority of startups, and mentoring programs tend to be an excellent point to start. They organized different webinars and gatherings jointly with public organizations and experts to bring up advanced insights within the industry and find potential partners.

"Through the mentoring programs, we have gained access to some potential customers and do the startup network that provides information and shared experiences that can help establish our business altogether."

Universities and schools are critical venues for non-market activity, particularly for Finnish businesses. They believe the purpose of sharing the accumulated knowledge with the younger generations could be cybersecurity-related or mental health care, depending on the domain.

To summarize the findings, active engagement with various public institutions, including universities, schools, and webinars, is the primary source for positioning their product or service. According to the stakeholder's map (Mellahi et al., 2016), understanding public institutions is one of the primary actions in studying the non-market environment.

3.2. Stakeholder Relations (Pressure/Support)

The importance of this theme appears to be significant, as before a startup decides to develop distinct non-market tactics in terms of stakeholders, these players must first be identified. (Mellahi et al., 2016) It is critical to learn how to interact with these activists, but their aims must first be understood.

While creating the non-market strategy, the startups consider the primary stakeholders' interests and needs. The number one priority tends to be a customer, and being agile helps the companies respond to their needs.

"This startup is like molding wax so that you need to be very sensitive to the outside world, and you need to be willing to pivot whenever required, and I do not take it as the pressure."

The interesting pattern that was clear about stakeholder relations is that most interviewers do not perceive it as pressure but as support. They admit that they could not co-exist without participation in decision-making.

A healthy relationship with the competitors is crucial, as they say: *"It is better to have a bigger market and eat some of that rather than not to have the market,"* which is a valid point from the startup perspective.

The primary takeaways from this topic were customer satisfaction and beneficial relationships with rivals. In terms of responses, it should be noted that at some point, our respondents were analyzing one of the most critical aspects of the non-market environment; however, it should also be mentioned that in order to analyze the non-market environment and its players better, these startups need to learn more about the concerns of activists that are relevant to their business.

3.3. Non-market Activities

Under this theme, we intend to gather all non-market activities that startups are now engaged in or plan to engage in shortly. After studying the non-market environment, we believe that knowing the sequential topic—such as gathering information about non-market-strategies and activities—will provide us with a sophisticated image in line with the aim.

When it comes to engaging with non-market activities, interviewees are likely to aim to encourage making a change, such as positive behavioral change. They are trying to get publicity for these topics through social media or local newspapers or magazines. Some of them organized events to network and spread their campaigns among participants. They were called a "morning coffee."

"The initial idea came with the workshop with the investors, and they suggested that this would be a good strategy."

As a result of talking to the proper audiences, platform followers and users are constantly increasing, which shows that they have been talking to the correct people. For instance, for the Eventual platform, which has the purpose of democratization of events and artistic freedom, they spoke to a sober curious community about the concept of this tool for crowdfunding events. Hence, if someone wants to try out any idea assuming it would be interesting for people, anyone can try it out. Therefore, they created a sober, curious party concept in Finland.

We have previously noted in earlier themes that the non-market environment is not thoroughly analyzed, and the expectations as a response to the inquiries under this topic remain low. The practical approaches include public meetings, social media platforms to raise awareness, and searching for ways to reach the target audience.

3.4. Activities Outcomes

Having the paper's primary goal in mind, we had to identify and interpret the results of the non-market activities outcomes, as it would define how the owners felt about the effects of these actions. We have captured a skeptical attitude from some interviewees, but some tend to have some outstanding outcomes.

The immediate results of the non-market efforts showed signs of being related to brand awareness, organic reach, and publicity which could be readily converted to platform end-users. Other outcomes tend to be opening trustful, honest conversation space with the stakeholders to get feedback regarding the brand and products. Establishing the reputation of industry experts and gaining trustworthiness among the stakeholders and partners is vital in making an effort in non-market strategy. Only a few, but some startups still perceive it as a robust sales strategy wrapped as a non-market strategy.

"Our service would be offered to high or junior school students and stakeholders who can indirectly be connected to some executives who will be aware of the brand tomorrow when our services will be presented."

The interviewees mainly emphasized the outcomes that can be visible only in the longer-term or can not be directly measured. The existing theories give an overview of the importance of CSR in NMS because both aim to influence public policy and social ideals (Minor, 2015). Our research tends to firm up this theoretical part but also suggests that CSR

efforts that companies are making are interpreted into the trustworthiness and ultimately into pragmatic results.

3.5. Regulations and Outcomes

The regulations that affected the companies and caused much uncertainty that made future planning much more difficult were related to the Covid 19 pandemic. The startups found themselves in vague and unstable environments where flexibility became more important than ever. Some startups were affected so much that they practically could not function. Some of them found time to think more about non-market strategy. Additionally, the war situation in Ukraine made them analyze what they could do in terms of corporate social responsibility to address the needs of affected stakeholders.

The regulation that affects nearly every startup is GDPR, but it is not perceived as pressure but a necessity. In Estonia, the startup visa program turned out to be an excellent support to the companies. However, some find it difficult to prove that they are still considered startups to benefit from this program's different perks. Because of that, one startup is planning to open an office in another country, for example, in Tbilisi, Georgia, because hiring people would become more expensive.

In the case of one failed startup, the absence of the regulation supported them, it was much easier to enter the market, but they still failed mainly because of the lack of research. One case that we found interesting is the startup that evaluates its success as more than medium level expects to benefit from the upcoming regulations. As a cybersecurity solutions company, they say:

"The amount of data is growing, so I think there will be more regulations related to privacy, which means that the smaller companies will need to have a cost-efficient solution to deal with this, and I think this is where we come to the place. We believe then we would be able to step up and again offer the service for the smaller companies that only large companies can now afford. It costs 7-8 digit numbers, which small companies cannot afford, so those regulations will be good for us."

The regulations are pretty straightforward to the startup owners, so it does not add additional pressure on them and the fear of missing something. As a result, nearly none of our respondents had experience with the missing business-related regulations.

Government programs have been excellent. For example, a public organization under the Finnish Ministry of Employment and the Economy is Business Finland. Finland turned out to be a suitable environment to test the product viability before going to the global market.

"Business Finland has been supporting us greatly and helping figure out where to find resources."

Public policy is one of the pillars of non-market strategy formation. (Minor, 2015) The bottom line of the theme is that regulations can define the performance of the startups to a significant extent. The startups can thrive in supportive countries, and both Estonia and Finland tend to be perfect examples of this.

3.6. Future NMS Plans and Relevant Lessons Learned

By getting insight into the future NMS plans, we tried to overview more advanced non-market activities as interviewees had various experiences with engaging with them previously. Most of them were motivated to follow their core values and identify unexplored areas of improvement respectively to their field of concern. The future non-market efforts are related to the refugees from the war zone.

"We have a war situation, and what we are doing is to provide our solution absolutely for free. We have all of the hard work we have done over the years. We have just made it barrier-free for kids because we cannot expect, first of all, from the refugees."

For MedTech startups, the collaboration with international organizations such as UNICEF and World Health Organization tends to be a strategy to make the crucial solutions accessible to the end-users in need.

Most companies aim to enter new markets and are currently conducting both non-market and market research. Applying a full-speed non-market strategy helps them build their networks to establish in new countries.

"We are planning to expand in the whole of Europe with selected markets. We are recruiting people in a position of lobbying governments or EU level officials, so the prerequisite for our country managers is pretty high in influencing the government officials."

Some non-market efforts are related to reputation building and planning corporate social activities with the core values in mind by taking impactful steps and storytelling. Some of the main lessons learned are related to having strong values and the target audience of the non-market activities. Also, investing time in networking turns out to be essential for the success of the startups. From the AI(3) framework discussed in the theoretical background (Bach & Blake, 2016), knowing the actors and evaluating their impacts are necessary for the startups' non-market efforts as one of the main lessons learned appears to be the ability to ask the appropriate questions and proper requests to the ideal actors once the aims are clear.

Table 3

Startups' performance following achieved objectives

#	Company	Non-market Effort %	Startup Current Phase/by Founders Definition	Objectives and Key Results
1	Triumpf Health	75%	Scaling phase	“Successfully achieved from solving the problem, from the business perspective, not that successfully. The goal is 5% of those 75 million.”
2	Adcash	25%	Development	“10% above planned objective”
3	Green Currency AS	0%	Early-stage	<i>fail</i>

4	Eventual	50%	Bootstrapping	" I got 98%. Of course, the sales are they could always be better. Still, development-wise, we have kept our schedule pretty much and, even to a certain extent, exceeded our own goals because we were developing a platform."
5	Kamupak	25%	Scaling	"1. One of the initial objectives is to start scaling first, 2. There is a lot to be done, so we are halfway there. I would say"
6	Innoduel	50%	Market phase	" I think that we are not that successful, in my opinion, so then we have still, I mean, I am hoping to kind of be able to kind of find the the the right customer right price right way to sell so that we would be able to accelerate the growth."
7	Impakt	25%	Looking for a seed investment.	" I would say mediocre. Due to various reasons, there has been a little delay with the investment discussions."
8	Rona	50%	Development	"We are on the right track regarding time. If we have achieved everything that we achieved now a year ago, it would be better."

9	Parkly	25%	Early-stage	"I would say not very successful but successfully in the sense of we only started one year and a half ago and already on the first year we did seven projects like real clients projects, and this is something that has helped us a lot kind of developing the approach product on the goal developing the concept also and doing this kind of action research and validating the actual product."
10	3DBear	25%	Scaling	"We have a loyal customer base, but our biggest challenge is a lack of market readiness because our technology solutions are not yet well known."

Source: Compiled by the author

Recommendations for Startups

We recommend several proactive approaches (3 'BEs') to gain a competitive advantage by making the non-market effort worthwhile.

- Be pragmatic - Unlikely market strategies; a non-market strategy's direct purpose is not to improve the financial metrics. However, increasing brand awareness and trustworthiness tends to be a robust sales strategy in the long term. Our research

showed that some startup co-founders avoid putting a price tag on particular non-market activities. Nevertheless, they should be more realistic as getting desired results requires substantially pragmatic planning to ensure that the target audience and activities match the company's core values and goals;

- Be agile - Addressing stakeholders' fast-changing concerns and needs is crucial while forming a non-market strategy. It is crucial to have a long-term view of what the startup can be, but without being able to pivot according to significant events (e.g., pandemic, war), it will be hard to stay relevant;
- Be collaborative - Being collaborative with every non-market actor (refer to figure 7) plus with competitors increases the chances of making a more significant positive impact on society. Finally, the primary motivation turns out to be for non-market effort - building a reputation. We have noticed the trend that collaboration is the new word used instead of competition in the startup world and specifically for non-market efforts. Also, once the startup co-founder asks for support from the government, we have captured a significant caring attitude in Estonia and Finland. Being able to ask for help from the relevant actors and work with them tends to be extremely important.

Conclusion

The research aimed to determine the impact of non-market strategy on startups' performance. Interviews showed no apparent connection between non-market efforts and startup growth. The resources spent on market efforts tend to be more effective for instant results. The new way of implementing corporate social responsibility tends to be impactful throughout the processes, such as using sustainable sources or providing the solution for free to the schools.

After identifying the research gap through an extensive literature review, the startup perspective was lacking despite the numerous studies conducted in this field. However, the existing literature turned out to be a solid foundation as many different angles of NMS were already covered. Some of the most helpful theories were (IA)3 framework dimensions, stakeholder theory, and the organization of non-market strategy concepts. This study addressed the gap by analyzing the results of ten in-depth interviews with startup decision-makers and filling it with insights from different aspects of the startup NMS.

The research results can be extended to the startups in different countries and industries, but only in the sense of corporate social responsibility as it shows that the public and private political strategies context makes a massive difference.

Several limitations of this paper can be recognized. First of all, the statistical techniques used to examine the data are limited due to the small sample size. One of the main limitations was that the respondents were unfamiliar with the term 'non-market strategy'. They opened up after getting the definition, so the less digested term made it complicated to bring up the most relevant information and reduce irrelevant points.

The non-market efforts turned out to be reasonably valuable for attracting attention from the investors. However, Some of our respondents believe that less non-market efforts and more orientation on the profit-generating activities would bring them more success and financial stability. So that in the mature stage, they could start investing some resources in the non-market efforts. This research was novel as there was no theory regarding the startups' non-market strategy regarding growth. There will be a beneficial extension for future research if more insights are collected to compare non-market and market efforts and their results on the startup performance.

This study clearly shows that startups, particularly those in their early stages, cannot examine the non-market environment and design strategies in that sector. However, whether a business should invest in comprehending the non-market environment or when the non-market environment becomes a competitive arena for a firm arises.

Kokkuvõte

Uuringu eesmärk oli välja selgitada turuväliste strateegiate roll idufirmade tulemuslikkuses. Intervjuud ei näidanud ilmset seost turuväliste jõupingutuste ja alustavate ettevõtete kasvu vahel. Otsestele turustrateegiatele kulutatud ressursid kipuvad olema kiirete tulemuste saavutamiseks tõhusamad. Ettevõtte sotsiaalse vastutuse rakendamine, näiteks säästvate allikate kasutamine või koolidele tasuta lahenduse pakkumine, avaldab mõju alles pikema perioodi vältel.

Pärast uurimislünga tuvastamist ulatusliku kirjandusülevaate kaudu puudusid turuväliste strateegiate uuringud idufirmade perspektiivist, kuigi traditsiooniliste ettevõtete kohta on arvukalt uuringuid. Olemasolev kirjandus osutus aga heaks vundamendiks, kuna paljud turuväliste strateegiate eri vaatenurgad olid juba kaetud. Mõned kõige kasulikumad teooriad olid (IA)³ raamistik, sidusgruppide teooria ja mitteturustrateegia kontseptsioonid. Käesolevas uuringus tehti kümne Eesti ja Soome idufirma (endise) juhiga süvaintervjuud.

Uuringu tulemusi saab laiendada erinevate riikide ja tööstusharude idufirmadele, kuid ainult ettevõtete sotsiaalse vastutuse mõttes, nagu see avaliku ja erasektori poliitiliste strateegiate kontekstis on oluline. Magistritööl on ka mitmeid piiranguid. Esiteks, valimi väiksuse tõttu on andmete analüüsiks kasutatavad statistilised võtted piiratud. Üks peamisi piiranguid oli see, et vastajad ei tundnud mõistet „turuväline strateegia” ning nad avanesid alles pärast definitsiooni saamist, mistõttu oli kõige asjakohasema teabe esiletoomine ja ebaoluliste punktide vähendamine keeruline.

Turuvälised jõupingutused osutusid investorite tähelepanu äratamiseks siiski küllalt kasulikuks. Mõned meie vastajad usuvad aga, et vähem turuväliseid jõupingutusi ja orienteeritus pigem kasumit teenivale tegevusele tooks neile rohkem edu ja finantsstabiilsust. Küll aga ettevõtte arengu hilisemates faasides saaksid nad hakata investeerima ressursse turuvälistesse jõupingutustesse. See uurimus oli uudne, kuna puudus teooria idufirmade turuvälise kasvustrateegia kohta. Tulevased uuringud võiks koguda rohkematelt idufirmadelt infot turuväliste jõupingutuste ja nende tulemuste võrdlemiseks.

See uuring näitab selgelt, et idufirmadel, eriti nende varajases staadiumis, puudub suutlikkus uurida turuvälise keskkonda ja kavandada selle sektori strateegiaid. Siiski kerkib küsimus, kas ettevõtte peaks investeerima turuvälise keskkonna mõistmisse või millal muutub turuväline keskkond ettevõtte jaoks konkurentsivõimeline.

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Appendix A - Planned Semi-Structured Interview Questions

Question	Theme	Theoretical Base
Warm-up:		
Can you tell us a bit about the company's purpose?	<i>Applicable to All Themes</i>	Introduction
Which phase of the lifecycle are you in right now?	<i>Applicable to All Themes</i>	Marcon, A., & Ribeiro, J. L. D. (2021).
How successfully has the company met its objectives of the current phase?	<i>Applicable to All Themes</i>	Marcon, A., & Ribeiro, J. L. D. (2021).
How do you differentiate between market and non-market strategies? (<i>according to respondents' answers, explain the definition of the terms</i>)	<i>Applicable to All Themes</i>	Bach, D., & Allen, D. (2010)
To what extent have you engaged in non-market strategy?	Organizing Non-market Environment	Bach, D., & Allen, D. (2010)
General:		
Success		
How did you organize to engage in a non-market environment? (<i>if the respondent has experience</i>)	Organizing Non-market Environment	Bach, D., & Blake, D. J. (2016), Miner, J. B. (2006).
To what extent have the pressure from stakeholders such as customers, institutions or NGOs determined your NM effort? (<i>both if they have or do not experience</i>)	Stakeholder Relations (Pressure/Support)	Marcon, A., & Ribeiro, J. L. D. (2021). Gupta, A., & Briscoe, F. (2020).
How did you come up with the relevant non-market activity?	Non-market Activities	Mellahi, K., Frynas, J. G., Sun, P., & Siegel, D. (2016).
How did you study the market and non-market environment before starting a business?	Organizing Non-market Environment	Bach, D., & Blake, D. J. (2016)
What have you learned about competitors' non-market activities?	Organizing Non-market Environment	Basco, R., Rodríguez-Escudero, A. I., Martin Cruz, N., & Barros-Contreras, I. (2021).

What were the main activities addressed to the main stakeholders' needs?	Non-market Activities	Bach, D., & Allen, D. (2010)
What were the results? (customer, talent, investment acquisition)	Activities Outcomes	Bach, D., & Allen, D. (2010)
Failures		
Please describe the situation when your company has suffered from the consequences of the lack or absence of non-market strategies?	Activities Outcomes	Mellahi, K., Frynas, J. G., Sun, P., & Siegel, D. (2016).
Please describe a situation when you missed specific business-related regulations to take into account?	Regulations and Outcomes	Miner, J. B. (2006)
Can you describe the situation when you were strongly affected by the new regulation? (For example, the company enters a new market)	Regulations and Outcomes	White III, G. O., Rajwani, T., & Lawton, T. C. (2021).
How did you overcome this challenge to adapt to this change?	Regulations and Outcomes	John A. Parnell. (n.d.).
What were the results? (<i>if it affected customer, talent, investment acquisition</i>)	Regulations and Outcomes	John A. Parnell. (n.d.).
End up:		
Can you tell us about the future NMS plans of your business? Theme: Future NMS and lessons learned		

Appendix B - Coding

Themes	Codes	Quotation
Organizing Non-market Environment	Networking GDPR Mentoring programs	“we're providing psychological care through a game environment then we are working very closely

		with medical experts and specialists in mental health.”
Stakeholder relations (Pressure/Support)	Trust Feedback and input generation Branding Attention to feedback	“I don't feel under pressure because I think it's more like the current customers and other stakeholders that I work with, so then, of course, they are helping me develop the product and the service because then I'm able to give a better product”
Non-market Activities	Identify actors Identify issues Increase networking	“Give psychoeducation psychotherapy encouragement to children and focus on the mental health then we needed to at one point expanded to mostly behaviors from you know screen take physical activity pushing like self-care from the like personal hygiene.”
	Support from stakeholders Community participation Be prepared for uncertainty Knowing when to stop	“We are doing very active networking for instance on LinkedIn which is quite helpful.” “need to be prepared to do any kind of things work”
Regulations and outcomes	Barriers on Recruiting Process Support from the government Neutral attitude Environmental regulation	“we could basically have a fast track to onboard new people from foreign countries and then they changed the regulation about what is considered a startup and they came to us tell us OK you are ten years old company you don't need any fast track for recruiting for an employee”. “there has been excellent support from the Finnish government “ “we are affected by, for example, GDPR legislation by EU so of course,” “so we hope that we are leading the way in their circular economy”
Future NMS and lessons learned	Support refugees from Ukraine Collaboration with International Organizations	“we have just made it absolutely barrier-free for kids because we cannot expect first of all form for the refugees”

Globalization	“hopefully through those collaborations with UNICEF”
Trust	“we want to be a global platform”
Partnership skills are crucial	

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