Aalto University
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"It is like asking someone: how do you walk?" The role of communication in start-up companies

International Business Communication

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AALTO UNIVERSITY SCHOOL OF BUSINESS   ABSTRACT

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Objective of the Study

The objective of the study was to explore the role of communication in start-up companies at the organisational level of communication. To reach that objective the study considered, through three sub-questions, different functions of communication in start-up companies. The study explored first the function of external communication, second, the organisation of internal communication and third, it looked at the interplay of the external and internal communication functions through strategy as process.

Methodology and the Theoretical Framework

The research method and data collection for the explorative, qualitative study consisted of six semi-structured interviews, conducted with CEOs of six start-up companies. The start-up companies represented a heterogeneous sample. The theoretical framework for the study was formed on the basis of the literature review. The framework presents the dynamic interaction of the external and internal environments and consists of two parts. First, it contextualises the start-up companies' operational environment and second, it highlights the relationship of the communication functions the study focused on.

Findings and Conclusion

The findings of the study indicate that the two communication functions, external communication and internal communication, are to a large extent tactical functions. The functions have the end goal of, respectively, creating a connection to needed resources and providing means to best accomplish essential tasks. External communication and internal communication are connected through strategy as process and the formal, managed part of internal communication is strongly related to the strategy process. The role of communication in start-up companies is fourfold: (1) communication links the start-up company to external resources; (2) communication creates two-way communication processes to the external environment to detect changes and gather information; (3) communication identifies, creates, and disseminates strategic information; (4) communication provides means to handle growth effectively. Practical implications and recommendations are to increase awareness and management of communication, plan internal communication, and create consistent, tailored messages to salient stakeholders.

Key words: international business communication, start-up companies, internal communication, external communication, strategy as process, stakeholder management, networking.

Table of Contents

List of Tables

List of Figures

1 Introduction

The importance of communication has been acknowledged in today´s complex business environment (Louhiala-Salminen & Kankaanranta, 2011, p. 244) and quite few studies indicate that effective communication is important for the efficiency of organisations (e.g. Tourish & Hargie, 2004, p. 6). In the communication literature, multinational corporations have tended to be the subject of research (e.g. Kalla, 2006; Louhiala-Salminen, Charles & Kankaanranta, 2005; Welch & Jackson 2007). On the contrary, communication in small and medium sized enterprises has been somewhat overlooked (Moss, Ashford, & Shani, 2003, p, 198) and start-up companies have gotten little to no attention.

It has also been acknowledged that entrepreneurs and start-up companies are important for economic development (Boter and Lundström, 2005, p. 244). According to a report from the Nordic Council of Ministers (2010, p. 8), start-ups, especially young high growth firms, have significant impact on wealth creation through employment and turnover. New start-ups spark wealth creation by increasing competition in the market and several start-ups are very successful and experience rapid growth. Those companies contribute disproportionately more to economic development, compared to other firms. Therefore, according to the Nordic Council of Ministers (2010, p. 8) "young firms act as "life jackets" as they help pull countries out of economic recession".

The research that is connected to start-up companies focuses, on the one hand, on the success factors of successful start-up companies (e.g. Chorev & Anderson, 2008). On the other hand research focuses to a great extent on the entrepreneur and the qualities an entrepreneur should possess (e.g. Ulvenblad, 2008). Boter and Lundström (2005, p. 245) suppose that, the reason for the focus on the entrepreneur is the fact that individuals do business, not firms.

But, it is not only the entrepreneur that builds up a successful start-up company on his own; the entrepreneur needs finance so he can execute his ideas, he needs customers to

sell to, he needs supplies and manufacturers to produce, he needs co-workers, and employees, etc. For the entrepreneur to acquire all he needs to successfully create and grow a start-up company he needs people to work with him and people will not work with the entrepreneur unless they communicate in one way or another. Thus, as Lee and Jones (2008, p. 565) argue, the start-up company is established through negotiated relationship.

There is increasing evidence in the entrepreneurship literature that communication is of vital importance for the survival of start-up companies. This perception arises from few studies on start-up companies, international new ventures, and entrepreneurs. Ulvenblad (2008, p. 2) said that entrepreneurs do, in the early stages, rely heavily on the external environment for e.g. financing. Therefore, entrepreneurs need to think strategically about their communication from the very beginning of starting up a company. Mueller et al. (2012, p. 1009) have shown that growth entrepreneurs spend up to 82% of their working time on some form of communication activities. Roodt (2005) showed that communication skills are important in each stage of a business creation and that small firm owners who intend to make their companies grow try to enhance their communicative skills. Finally, Saini and Plowman (2007) studied internal communication in start-up companies preparing for Initial Public Offering (IPO). They showed the importance of paying attention to how internal communication processes form and dictate the emerging organisational structure. All of the above listed studies, apart from Saini and Plowman´s study, are focusing on the entrepreneur and the individual's communication skills.

However, in spite of growing awareness of the role of communication in start-up companies and evidence that shows the importance of internal communication on emerging organisational structure. There is hardly any research which focuses explicitly on communication in start-up companies that is not oriented towards the entrepreneur. In fact, the only study found that focuses explicitly on the subject of communication is the study on internal communication in pre IPO star-ups by Saini and Plowman (2007).

In the entrepreneurship literature there is not a clear distinction between founders and companies (Stuart & Sorenson, 2007, p. 221), which might explain the general lack of studies on the organisational level of start-up companies. Therefore, it may be valuable to investigate more closely the start-up company itself and the role of communication at the organisational level. Instead of focusing only on the entrepreneur's communicative skills as has mostly been done so far.

1.1 Research objectives and research questions

The objective of the current study is to explore what the role of communication in start-up companies is. As has been established in the introduction, most studies that are related to communication in start-up companies are focusing on the entrepreneur and the individuals communication skills. Only one study has been found that explores internal communication in start-up companies that is somewhat related to the organisational level. Currently, there is no study that explores the overall role of communication in start-up companies at the organisational level. This research gap is what this study aims to fill.

The study will focus on one main research question and under it are three sub-questions to provide the answer to the main question. The main question is:

- What is the role of communication in start-up companies?

To provide an answer to the main research question and to shed light on the role of communication in start-up companies, three sub-questions were formulated. The first two sub-questions focus on different function of communication in start-up companies. The third sub-question looks at the interplay of internal and external communication in strategy as process.

1. External communication - What is the function of external communication in start-up companies?
2. Internal communication – How are internal communications in start-up

companies managed and organised by the CEOs?

3. Strategic planning – How are internal and external communication integrated through strategic planning process?

1.2   Positioning within IBC

This section aims to position the research objective of this study in the field of International Business Communication (IBC). In IBC the focus is on the macro and micro level, communication activities of internationally operating organisations. The macro level is concerned about formal function-based communication and the micro level focuses on the interaction between individual employees (Louhiala-Salminen & Kankaanranta, 2011, p. 245). The objective of this study is to explore the role of communication in start-up companies through the functions of external communication, internal communication and their interplay in strategy as process. The focus is on the organisational level or the macro level of communication. However according to Louhiala-Salminen & Kankaanranta (2011, p. 245) the macro and micro level of communication are interrelated thus the micro level is taken into consideration where appropriate.

This subchapter has positioned the present study within the discipline of IBC. The following subchapter will introduce the structure of the thesis report.

1.3   Structure of the thesis

This study is divided into 6 chapters. The present chapter, Chapter 1, has framed the research problem and introduced the research questions the study aims to answer. Chapter 1 has furthermore, positioned the study within the discipline of International Business Communication (IBC).

Chapter 2 constitutes of the literature review. The literature review is divided into three subchapters. The first Subchapter 2.1, *Communication in the business context*, gives the foundation this study is built on by firstly, outlining the role of communication in organisations and secondly, by reviewing approaches to communication in the business

context. These approaches give the base for defining the term "communication" for the purpose of this study. The second Subchapter 2.2, *Communication in context of start-up companies*, is oriented around start-up companies and their specific communication circumstances. It builds on theories introduced in Subchapter 2.1 and adapts what is relevant to start-up companies. The third and the last Subchapter, 2.3, *Theoretical framework*, synthesizes the first two subchapters and constructs a theoretical framework from the reviewed literature. The framework will be used to analyse the empirical part of the study.

Chapter 3, *Methodology*, justifies the methodological choices for the empirical part of the study. Furthermore it presents data collection and methods used to analyse the data.

Chapter 4, *Findings*, presents the findings from the empirical study. The findings are divided into three subchapters, each presenting findings relating to different sub-question.

Chapter 5, *Discussion,* aims to synthesize the findings from Chapter 4, with the assistance of the theoretical framework developed in Subchapter 2.3. The chapter provides through the framework answer to the main research question.

Chapter 6, *Conclusion*, concludes the study by summarizing it. It will present main findings, practical implications, limitations of the study, and conclude by offering suggestions for further research.

2 Literature review

This chapter reviews literature and previous research on the role of communication in, first, the business context and second, specifically in start-up companies. It furthermore, formulates link between communication functions in start-up companies through strategy as process. The literature review is divided into three subchapters. The first Subchapter 2.1 gives the context for communication in the business environment and argues the importance of communication. The second Subchapter 2.2 is concerned with communication functions in the context of start-up companies. The third Subchapter 2.3 summarises Subchapters 2.1 and 2.2 and creates based on them, a theoretical framework to analyse the empirical part of the study.

2.1 Communication in the business context

In this subchapter, the importance of communication in the business context will be argued. The overview describes how the term communication is used in the organisational context with the objective of creating a base for the rest of the study. The purpose of reviewing literature on communication in the business context is twofold. The first is to give a general outline of why communication is an important function in modern organisations. The second is to complement the lack of literature on the subject of communication in start-up companies. The subchapter also identifies frequently used domains of communication in the business context which will provide a background to base communication in the context of start-up companies on. Furthermore, the subchapter will give a theoretical base to answer the main research question: *What is the role of communication in start-up companies?*

The subchapter is divided into two sections. The focus of the first Section 2.1.1 is on the role that communication plays in the organisational structure. Following that overview the latter Section 2.1.2 introduces commonly used domains of communication in the business environment. In the end of the section a definition for communication appropriate for this study will be developed.

2.1.1   Communication as a fundamental process in organisations

This section presents the fundamental role of communication in organisations. It focuses on the effect that communication can have on the effectiveness of organisations. Furthermore, it aims to establish communication as a central process in organisations.

According to Tourish and Hargie (2004, p. xii) communication is important for the life of modern organisations. Tourish and Hargie (2004, p. 6) further suggest that communication is important for the effectiveness of organisations. Similarly, they suggest that effective management relies on open communication and dialogue. Moreover, Tourish and Hargie (2004, p.6) argue that communication is thoroughly incorporated into an organisation e.g. a manager talking to an employee or an important phone call is communication. Thus, communication is to a large extent the manager's job (Cornelissen, 2011, p. 165; Tourish & Hargie, 2004, p. 6).

Tourish & Hargie (2004, pp. 7-8) have shown that organisations that are aware of, and consider the role of communication, are repeatedly outperforming their rivals who do not consider communication as a function. Contemporary organisations realise employees need to be communicated with according to Cornelissen (2011, pp. 165-167). However, the nature of communication within organisations differs greatly from one organisation to another. In some organisations, communication is characterised by downward communication. Downward communication consists of managers informing or telling employees what is important to the organisation and how that is to be accomplished. In other organisations both downward communication and upwards communication are in place. When both downward and upward communications are in place, it is not only the management informing the employees about what needs to be done. The employees also have the option of expressing their opinions and feelings (Cornelissen, 2011, pp. 165-167).

Furthermore, Tourish and Hargie (2004, p. 12) argue that organisations cannot be completely understood without considering the communication perspective.

Communication are evident in organisations according to Tourish & Hargie (2004, p. 12). Examples of communication could be e.g. managers talking with employees, building a relationship with partners, or customer feedback. It has also been found by Tourish & Hargie (2004, pp. 12-13) that organisations involve three functions. First, organisations involve social arrangements; where organisations are a place where people meet and interact formally and informally. The second function is controlled performance; where there are some rules in place that employees know and follow. The third function is collective goals that all employees strive towards and contribute to. Thus, organisations are constructed from various social interactions.

To accept organisations as being constructed from social interactions, is widely supported in existing literature on organisations. E.g. in system theory organisations are considered to be relationship based. The organisations are viewed as dynamic processes consisting of many constantly interacting variables in the internal and external environments (Almaney, 1974, p.35). In similar vein, Taylor and van Every (1999) suggest organisations are constructed from and brought into being through communicative process. Thus, the organisation is not an already existing entity that is isolated from communication. Taylor and van Every´s (1999) approach is: if there is no communication taking place, there is no organisation because organisations emerge from communication. They continue by saying: "If organization is emergent in communication, as we believe, then it is not a *being,* but a *becoming"* (Taylor and van Every, 1999, p. x) [original emphasis].

This section has established organisations as being based on communication processes. Therefore taking communication into account in organisational studies is important. However, this section has not shown how the function of communication is approached in organisations. The next Section 2.1.2 will offer an overview of the various communication functions and domains of communication. Furthermore, it will define the term communication for the purpose of this paper.

2.1.2   Approaches to communication

In this section communication literature will be reviewed to provide a summary of how the role of communication is approached in organisations. It attempts to give a solid background of communication in the organisational context that will later in the literature review be connected to the specific context of start-up companies.

There are different approaches that describe related but fairly distinct domains of communication in the business environment. Four prevalent domains that are used extensively to describe the role of communication in organisations are; management communication, organisational communication, corporate communication, and business communication (Kalla, 2006, p. 13; Louhiala-Salminen, 2009, p. 308). The main function of each of these domains will be outlined to paint the general picture of the great variety of approaches to communication in organisations.

Management communication has the goal of increasing knowledge sharing skills of managers (Louhiala-Salminen, 2009, p. 308). It promotes understanding of the vision, mission, and goals of the organisation. It further supplies information to facilitate everyday operations (Hallahan, Holtzhausen, van Ruler, Verčič, & Sriramesh, 2007, p. 5). Due to the nature of providing information from the management level to the employees, management communication is characterised by downward communication (Cornelissen, 2011, pp. 164-165).

Organisational communication attempts to understand how organisational context influences communication processes and how meaning is ascribed to messages by people in the organisation. Organisational communication is also interested in how meanings are distorted or altered when messages are exchanged in both formal and informal networks. Furthermore, it considers the effectiveness of communication efforts (Louhiala-Salminen, 2009, p. 308; Tourish & Hargie, 2004, p. 10).

Corporate communication is a field that evolved from the traditional field of public relation to a business function that responds to changes in the organisational

environment. Corporate communication has evolved over time and today it is increasingly seen as a holistic concept, including both external and internal communication (Louhiala-Salminen, 2009, p. 308).

Cornelissen (2011, p. 25) considers corporate communication as an integrated managerial framework to guide marketing communication and public relation. Cornelissen´s framework can be seen in Figure 1. In the framework, practitioners from various public relation and marketing communication disciplines, coordinate and create holistic message across disciplines.
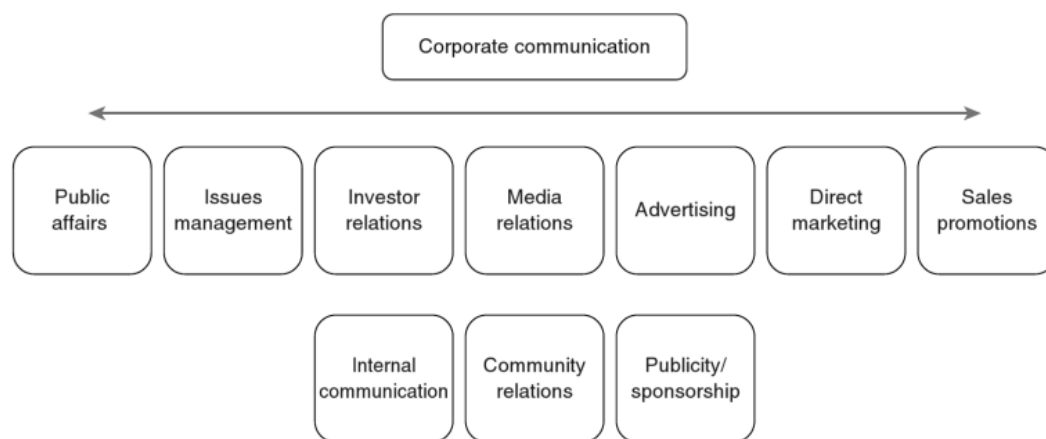
Figure 1 Corporate communication as an integrated framework for managing communication (Cornelissen, 2011, p. 25)

In the managerial framework (Figure 1), internal communication is positioned as one of the communication disciplines in the organisation. But, the other nine disciplines deal with various external communication functions. Similarly, Welch and Jackson (2007) have positioned internal communication within the realm of integrated corporate communication and posit that all communication in organisations is interrelated. According to Welch & Jackson (2007, p. 192) the internal stakeholders are affected by external communication and vice versa. However, Welch and Jackson give internal communication much more weight than Cornelissen does.

The last of the four domains, business communication, can be defined as the widest of these four domains. Business communication constitutes of two levels, the micro level

and the macro level. The micro level focuses on how people communicate to get their day-to-day work done and the macro level looks at how companies reach their strategic targets through communication (Louhiala-Salminen, 2009, p 305).

Business communication is defined as an integrated umbrella term by Louhiala-Salminen (2009, p. 312). The umbrella term covers "all formal and informal communication within a business context, using all possible media, involving all stakeholder groups, operating both at the level of individual employee and at that of the corporation" (p.312). Under the umbrella term it is possible to place, at the macro level management communication and corporate communication, and at the micro level organisational communication (Louhiala-Salminen, 2009, p. 312).

Business communication can further include an international aspect as international business communication (IBC). IBC includes the micro and macro level of communication. Furthermore, IBC provides an international context. The macro and the micro level are interconnected and combined they constitute the communicative environment of an international company (Louhiala-Salminen & Kankaanranta, 2011, p. 245).

The macro level of IBC is defined as function-based communication or, in other words, the work companies undertake to achieve their strategic goals (Louhiala-Salminen & Kankaanranta, 2011, p. 245; Louhiala-Salminen, 2009, p. 305). According to the definition on IBC, the macro level and the micro level of communication are closely related. In the present study the focus is on the role of communication at the organisational level, thus, it is on the macro level of IBC. However, the micro level is included as appropriate. Therefore, when the term communication is used in this study it refers to both the macro and the micro level of IBC.

To supplement the overview of the four widely used domains of communication. There is one more domain that has been gaining ground in the communication literature; strategic communication.

Strategic communication is defined as "the purposeful use of communication by an organization to fulfill its mission" by Hallahan et al. (2007, p. 3). To consider the definition of strategic communication in the organisational context is useful because it integrates all communication in the organisational context, both internal and external. Thus, strategic communication looks at communication in organisations from an integrated, multidisciplinary perspective (Hallahan et al., 2007, p. 4).

By summarizing Section 2.1.2 it is evident that communication can take various forms and functions in organisations. However, they all have the same end goal of sharing relevant information to make the organisation more efficient.

Subchapter 2.1 has given background on business communication and the role of communication in contemporary organisations. Furthermore, it has defined business communication as a function that includes both the macro level and the micro level of communication in international organisations. The following Subchapter 2.2 will use the background from the present Subchapter 2.1, to construct a holistic view of the role of communication in start-up companies.

2.2   Communication in the context of start-up companies

In the last Subchapter 2.1, research on communication in the context of the business environment has been briefly reviewed. Furthermore, the term communication has been defined to include both the macro and micro level of communication in international companies. This Subchapter 2.2 builds, to some extent, on the previous subchapter and turns the focus to the function of communication in the context of start-up companies.

This Subchapter 2.2 has the aim of connecting literature on start-up companies on the one hand, and communication on the other. The subchapter is divided into four sections; the first Section 2.2.1 defines what a start-up company is and presents the environment start-up companies operate in. The second Section 2.2.2 focuses on the function of external communication in start-up companies. The third Section 2.2.3 presents the function of internal communication. Finally, the fourth Section 2.2.4 will explore the

role of communication in start-up companies' strategy process.

2.2.1 Start-up companies

This section is divided into two subsections. The first Subsection 2.2.1.1 develops a working definition for what a start-up company is for the purpose of this present paper. The second Subsection 2.2.1.2 presents the characteristics of start-up companies´ and their operating environment with the purpose of establishing why communication in start-up companies differs from communication in established organisations.

2.2.1.1 *Defining a start-up company*

This subsection´s objective is to define a start-up company for the purpose of the present study. In the current literature on start-up companies there is no single, formal definition for a start-up company. Therefore, in order to provide a definition suitable for this study, few definitions and descriptions of start-up companies from existing literature will be presented with the aim to develop one definition.

- Rode and Vallaster (2005, p. 122) describe start-up companies as new enterprises; they are raw companies that do not have organisational structure and are acting temporarily, legally, and economically in the market.

- In similar vein, Bürgel, Fier, Licht, Murray, and Nerlinger (1998, p. 9) define a start-up company as "legally independent company which is no older than ten years and which operates in one or more high-technology sectors".

- MacVicar and Throne, as cited in Saini & Plowman (2007, p. 204), offer this definition "Start-ups are small companies, most often with a high-tech focus and in an early stage of development, creating a product/service or having a product/service needing manufacturing and/or marketing"

- Coviello (2006, p. 713) provides an international perspective. He posits; start-ups that are founded with the goal of operating internationally are, due to their initial global orientation, defined as being different from other new ventures.

13

Because they start to focus their resources on international networking early on.

The first three definitions are slightly problematic. They are all relatively wide and none of them offers an explanation of what is a `small´ company or what is a `high-tech´ focus. Thus, these two terms need narrower focus before they can be included in a comprehensible definition.

For the purpose of this study a small company or a start-up company is measured by amount of employees. A definition of what is a small company is adopted from the European Commission (n.d.) definition of small and medium sized enterprises. This definition is utilized in this study, because this is the best definition found regarding employee base in small companies. However, the European Commission (n.d.) uses both headcount of employees, and either annual turnover or annual balance sheet total, to define small and medium sized enterprises. In this paper only the headcount will be used due to lack of access to financial information on private companies.

As can be seen in Table 1, according to the European Commission a medium sized company has less than 250 employees. A small sized company has less than 50 employees and a micro sized company has less than 10 employees. In this study the employee limit is set as 50 employees for the company to be defined as small company according to the European Commission standards.

Table 1 EU definitions of small and medium sized enterprises (European Commission., n.d.)

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

It is challenging to define what sectors are high-tech sectors. One reason is the majority

of new technologies cross the borders of the traditional disciplines. Furthermore, high-technology sectors are frequently assumed to represent industries that operate on the meeting point of science and industry (Zakrzewska-Bielawska, n.d., p. 93). OECD (Organisation for Economic Co-Operation and Development) considers high-tech industries as being high on R&D. OECD has defined four high technology sectors into four categories by calculating their R&D intensity. They are aerospace, computer and office machinery, electronics-communication, and pharmaceuticals (Hatzichronoglou, 1997, p. 6).

Chorev and Anderson (2008) offer a definition on high-tech start-up companies' in a study that focuses on innovation in science and technology.

> … a broad definition of a high-tech business is one whose business activities are
> heavily dependent upon innovation in science and technology (Medcof, as cited in
> Chorev & Anderson, 2008, p. 204).

Medcof (as cited in Chorev & Anderson, 2008) definition on high-tech business is adapted in this study for two reasons. First it is developed specifically for start-up companies and second, although it implies high R&D through the company being "heavily dependent upon innovation" it does not require calculation of R&D expenditure as the OECD definition.

Now, it is possible to define a start-up company as, small company has been defined as a company that consists of less than 50 employees. Additionally, it is clear that high-tech refers to companies that are dependent upon technological innovation.

The definition of a start-up company is combined from Bürgel et al. (1998, p. 9) and MacVicar and Throne´s (as cited in Saini & Plowman, 2007, p. 204) definitions. Additionally, an international perspective is provided by Coviello (2006). Thus, for the purpose of this paper a start-up company is:

> Internationally operating legally independent company, which is no older than ten

years old and which operates in one or more high-technology sectors. It is a small company in the early stage of development, creating a product/service or having a product/service needing manufacturing and/or marketing.

This subsection has defined a start-up company for the purpose of this study. The following subsection will describe the characteristics of start-up companies and their operational environment.

2.2.1.2 *Characteristics of start-up companies*

This subsection has the object of describing the unique characteristics of an emerging start-up company and the environment the emerging company is facing. Start-up companies face a reality that is far removed from those of traditional companies. In the literature four reasons have been identified for why start-ups reality is different from, and sometimes more challenging, than the reality facing more established companies.

The first reason for the divergent realities is that start-up companies are emerging companies which are characterised by e.g. uncertainty (Mueller et al., 2012, p. 996), novelty to management, and liability of newness (Sheperd, Douglas & Shanley, 2000, p. 395; Ulvenblad, 2008, p. 2). Second, the environment start-up companies operate in is dynamic and turbulent (Cook & Yamamoto, 2011). Therefore, they not only have to maintain the vibrant and energetic internal environment (Saini & Plowman, 2007). They also have to manage a connection to the external environment to create a favourable image so they can overcome the liability of newness (Coviello, 2006; Ulvenblad, 2008). Third, start-up companies face the challenge of accomplishing more in less time than established organisations and with more limited resources (Saini & Plowman, 2007, p. 207). The fourth and the last reason is that start-ups are greatly affected by the external environment in the beginning of their lifetime (e.g. by financiers, customers, liability of newness, and lack of knowledge) (e.g. Ulvenblad, 2008, Sarasvathy, 2008; Peña, 2002). Therefore, it is imperative for them to develop processes that ensure continuous asking, learning, and follow-up (Saini & Plowman, 2007, p. 207).

However, start-up companies also have competitive advantages over more established organisations. According to Saini & Plowman (2007. p. 204) large organisations need time to take decisions, due to internal processes, thus, they respond slowly to changes. Start-up companies are conversely, small, often team based, and have the ability to change direction quickly to adapt to the external environment. Start-up companies are flexible and communication within them enjoys dynamism that is often no longer found in larger organisations.

The remainder of the subsection will further describe the characteristics of start-up companies and their operating environment.

Creating a start-up company is an emergent process (Mueller, et al., 2012, p. 996) which indicates that its reality is under constant change. The process of establishing a company can be divided into stages of a life cycle. Figure 2 shows Kazanjian life cycle model for start-up companies.

Figure 2 Kazanijan life cycle model of growth (Kazanijan, 1988. P. 262)

According to Kazanjian (1988, p. 258), it is beneficial to apply life cycle models on organisations. They can add to the understanding of the complex phenomenon of growth and explain recurring patterns that occur across industries. Life cycle models are also, according to Coviello (2006, pp. 718-719), useful to identify the stages of the start-up process. Specific timeframes are not particularly suitable to identify at what stage a

start-up company is at, as they evolve at different pace. Therefore, the life cycle models are more practical.

Kazanjians (1988) life cycle model in Figure 2 consists of four stages. The first stage is conception and development; this is prior to starting up the company stage. The second stage is commercialization or finalizing the product for the market. At the second stage the focus is on developing the product and the start-up is essentially a product development team (Kazanjian, 1988). This stage is frequently referred to as the start-up stage in the entrepreneurship literature (e.g. Mueller et al., 2012). Therefore, the term start-up stage will be used in this paper to refer to stage two. The third stage is growth. In this stage the product takes off and the start-up begins to evolve into a formal company as organisational structure begins to form. The fourth and last stage is stability (Kazanjian, 1988). The first stage, conception and development, and the fourth stage, stability, are not relevant to this study. Stages two and three that are relevant to this study are highlighted with boxes in Figure 2.

The stages of the life cycle model are also useful to explain changes in salient communication tasks in start-up companies as has been found by Mueller et al. (2012). They found that in the start-up stage entrepreneurs spend 31% of their time on external communication activities. This percentage diminishes as the company grows and goes down to 22%, as the start-up company reaches the growth stage (Mueller et al., 2012, p. 1009). Internal communication has the opposite tendency. During the start-up stage, when there are very few employees and the idea is being developed, entrepreneurs spend 29% of their time on various internal communication activities. As the start-up reaches the growth stage this percentage increases to 56% (Mueller et al., 2012, p. 1009).

According to Mueller et al. (2012, p. 1013) the focus change from external to internal communication can be explained by change in the entrepreneurs focus orientation. When start-up companies evolve from the start-up stage to the growth stage, communication activities change because the task of the entrepreneur changes from

doing to managing. Rode & Vallaster, (2005) found, that during the start-up stage the entrepreneurs are the central figures, or even the only figure, in start-up companies. Thus, the entrepreneurs are essentially the start-up company. They founded it, they envisioned the idea, and they gave, to a large extent, the character to the start-up through their own personality (Littunen, 2000, p. 297; Rode & Vallaster, 2005 p. 130). Thus, as argued by Mueller et al. (2012) the entrepreneur undertakes or does most of the activities that need to be accomplished. During the growth stage the entrepreneur is not the only one in the company any more. He begins to delegate what needs to be accomplished to others and his tasks evolve into creating and adapting emerging organizational structure to deal with internal and external growth. Thus, at the growth stage entrepreneurs spend more time on managing activities rather than to undertake them, themselves.

The focus of this paper is the role of communication in start-up companies. The focus of communication changes depending on the stage where the start-up is. Therefore, it is important to take into account the development of communication acts between these stages. As a result the reviewed literature in the following Sections, 2.2.2 and 2.2.3, cover the macro level of internal and external communications. Furthermore, the study seeks to understand the link between external and internal communications in start-up companies. To explore that link communication in the strategy process of start-up companies is reviewed.

2.2.2 External communication in start-up companies

This section has the objective of building a background to create a base to answer the first sub-question *External communication - What is the function of external communication in start-up companies?*

While preparing for this study no study in the field of communication has been found that is directly related to external communication in start-up companies. However, there is literature on external communication in corporation that will create a base to explore

what external communication in start-up companies constitutes off. Fortunately, the fields of entrepreneurship and marketing offer some variety of studies that can be exploited to compliment the communication literature.

External communication in corporations, are considered to be integration of various marketing communication and public relations disciplines (e.g. Cornelissen, 2011; Cornelissen, Lock & Gardner, 2001). According to Cornelissen´s framework for integrated corporate communication (Figure 1), the marketing communication and public relations disciplines are ten. They are public affairs, issues management, investor relation, media relation, advertising, direct marketing, sales promotion, community relations, publicity/sponsorship, and internal communication. However, according to Kalla (2006, p. 15), internal communication in this context is simply a part of the overall function of public relation.

External communication has the function of getting across to various external stakeholders, coherent and consistent message. Moreover, the message has the goal to foster understanding of the company as the managers and employees want it to be understood (Cornelissen & Thorpe, 2001, p. 415).

However, in start-up companies the earlier mentioned communication functions are not likely to exist. According to Moss et al. (2003) functional specifications rarely exist in small or micro sized companies. Therefore, the question as to what external communication in start-up companies consists off remains unanswered.

As noted earlier, there is no literature that suggests explicitly what kind of activities external communication in start-up companies constitute off. Nevertheless, according to the last paragraph, external communication in corporations constitute of communication directed towards stakeholders outside the corporation. Therefore, it is likely that external communication in start-up companies also constitute of communication to external stakeholders.

In the entrepreneurship literature it is suggested that start-up companies' external stakeholders are e.g. financiers, associates (Ulvenblad, 2008, p. 4), suppliers, customers, competitors, and consultants (Peña, 2002, p. 8). Furthermore, the entrepreneurship literature suggests that an external network constitutes of people and organisations (e.g. Vasilchenko & Morrish, 2011, p. 88) the start-up company communicates with. Thus, entrepreneurial networks consist of external stakeholders. Therefore, for the purpose of this paper, external communication in start-up companies consists of communication to stakeholders in the start-up companies´ external network.

The remainder of this section is divided into two subsections. The first Subsection 2.2.2.1 will consider stakeholder management and different communication strategies. The second Subsection 2.2.2.2 will consider external networks as a context for communication with external stakeholders.

2.2.2.1 *Stakeholder management*

This subsection considers stakeholder management in relation to external communication in start- up companies.

It has been suggested that start-up companies are influenced by the external environment (e.g. Saini & Plowman, 2007; Sarasvathy, 2008). It is also suggested by Lee and Jones (2008, p. 563) that shared understanding between a stakeholder and an entrepreneur, improves access to external sources of learning through two-way communication. Thus, because, stakeholder management recognises the mutual dependencies of the organisation and their stakeholder groups (Cornelissen, 2011, p. 41), it is relevant to external communication in the context of start-up companies.

Stakeholders and stakeholder groups are constituents that are in some way affected by the organisation, or affect the organisation. Employees are defined as a stakeholder group (Cornelissen, 2011). However, in the present study the focus is on external stakeholders. Therefore, when stakeholders are referred to in the study, it always refers to external stakeholders only.

Stakeholder relationship is dynamic and all stakeholders need to be considered and communicated with (Cornelissen, 2011, p. 41). Furthermore, each stakeholder should be addressed with message relevant to which stake they have an interest. Therefore, e.g. customers should be addresses with a different message than investors (Cornelissen, 2011, p. 44). According to Cornelissen (2011, pp. 44-45) organisations need to identify who their stakeholders are to be able to decide what communication strategy is adequate to maintain the desired relationship.

However, the average organisation has many stakeholders and managing relationship to them all is an overwhelming task. According to Cornelissen (2011, pp. 45) organisations can categorize their stakeholders according to the salience they hold to the organisation with the assistance of mapping models e.g. the stakeholder salience model and the power interest matrix.

Each category requires different communication strategy. The different communication strategies guide whether the stakeholder should only be informed about the organisation or if the stakeholder should be listened to and communicated to on a regular basis (Cornelissen, pp.47-48).
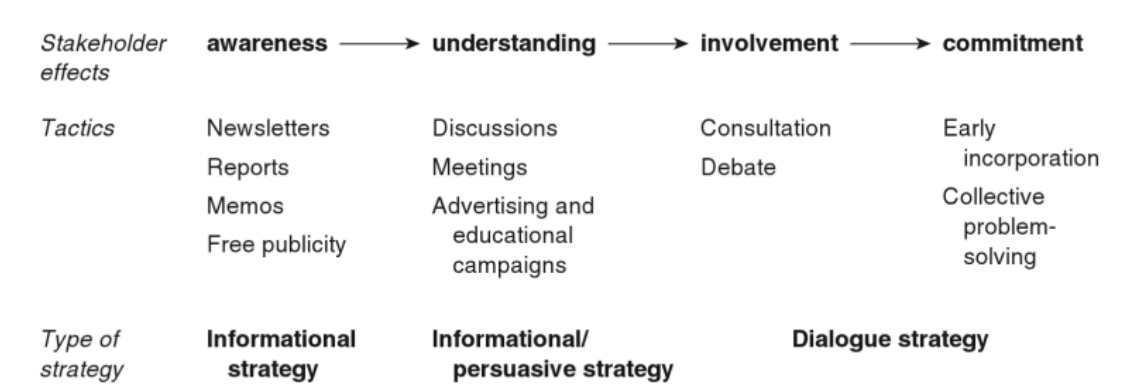
Figure 3 Stakeholder communication: from awareness to commitment (Cornelissen, 2011, p. 49)

Figure 3 shows three stakeholder communication strategies depending on the salience stakeholders hold to the organisation. The tactics to reach each stakeholder depends on

how much effect the stakeholder has on the company and the effort put into the communication strategy depends on that effect (Cornelissen, 2011 pp. 48-49).

The model of each of the three communication strategies is demonstrated in Figure 4. The first strategy, informational strategy, refers to informing stakeholders of the being of the company and its services, e.g. press releases and posts on external website. Informational strategy is one-way communication strategy that is applied to stakeholders who are not salient to the organisation (Cornelissen, 2011, p. 49).

The second strategy is persuasive strategy. It refers to e.g. advertising and direct marketing with the goal of persuading the stakeholder of something. This strategy is two-way asymmetrical communication. Thus, it includes feedback from the other party (Cornelissen, 2011, p. 49).

The third and the last strategy is dialogue strategy. Dialogue strategy refers to communication where organisations and stakeholders engage in mutual exchange of ideas and opinions. Thus, dialogue strategy is two-way symmetrical communication. Dialogue strategy should be adopted towards salient stakeholders. It involves active consultation with the stakeholders and incorporates them into the decision making process. The goal of dialogue strategy is to work towards mutual decision making and understanding (Cornelissen, 2011, p. 50).

Informational strategy: one-way symmetrical model of communication

ORGANIZATION ——————→ STAKEHOLDER

Persuasive strategy: two-way asymmetrical model of communication

ORGANIZATION ——————→ STAKEHOLDER

Feedback
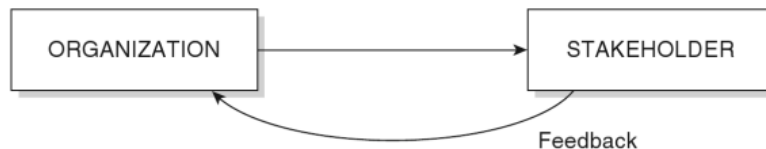
Dialogue strategy: two-way symmetrical model of communication

ORGANIZATION ⇄ STAKEHOLDER
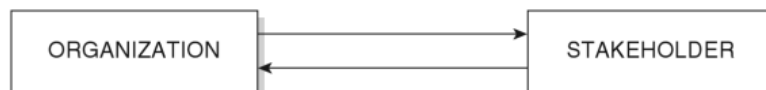
Figure 4 Models of organisation-stakeholder communication (Cornelissen, 2011, p. 50)

Stakeholder management provides a holistic view of who the external stakeholders are and what communication strategies can be applied to them. Communication to external stakeholders or network of others takes up much of the entrepreneur's time as has been found by Mueller et al. (2012). However, interestingly enough, in the study Mueller et al. (2012, p. 1014) never identify who the external parties are and suggest that as a further avenue for research.

This subsection has given overview of stakeholder management. Moreover, it has described the nature of the relationship to external stakeholders depending on their salience to the organisation.

As argued in the beginning of the section, networks are the context where external stakeholders are located and communicated with. Networks have gotten attention in entrepreneurship literature and are in numerous studies referred to as being vital for start-up companies (e.g. Baum, Calabrese, and Silverman, 2000; Coviello, 2006; Vasilchenko & Morrish, 2011). Furthermore, communication has been identified as one

of the key issues in network research (Louhiala-Salminen, 2009, pp. 310-311). Therefore, for the purpose of further exploring external communication in start-up companies', networks seem to be a beneficial approach. The following subsection will describe the role of networks and networking.

2.2.2.2 *Networking*

This subsection will explore the role of networks and networking in external communication in start-up companies.

Networking is found to be an important part of external communication at all stages of business creation, from the prior to start-up stage and throughout the lifetime of the organisation (Roodt, 2005, p.3). Also, Baum et al, (2000) found that start-ups can by establishing alliances and developing them into effective network enhance their chance of survival and success.

According to Louhiala-Salminen (2009, pp. 310-311), research on business networks has identified communication as one of the key issues in network research. Furthermore, networks are based on and held together with trust, and should be characterised by openness and continuous development of relationships (Louhiala-Salminen, 2009, pp. 310-311; Roodt. 2005, p. 21). Trust, openness, and development of relationships can only be achieved through communication (Louhiala-Salminen, 2009, pp. 310-311). According to Roodt (2005, p. 21), networks are coordinated through communication rather than authority. Similarly, Louhiala-Salminen, (2009, pp. 310-311) posits that there are no formal rules or structure in networks. Therefore, to maintain a network, requires sharing knowledge and sustaining continuous communication flow between parties.

Networks are relationship based, according to Håkansson and Ford (2002, p. 134) and the stakeholders entrepreneurs interact with are many, such as, potential customers, suppliers, partners, or even competitors (Hitt, Ireland, Camp, & Sexton, 2001, p.3). The relationship between any of the two partners is also dependent on all the other

relationships in the network. The characteristics of the relationship depend on number of factors:

> on what has happened in the past in the relationship; on what each of the two parties has previously learned in its other relationships; on what currently happens between the companies in the relationship and in others in which they are involved; on the expectations of both companies of their future interactions; on what happens in the wider network of relationships in which they are not directly involved (Håkansson & Ford, 2002, p. 134)

In its simplest definition a network is a set of actors that are linked by some type of either social or business relationship (Vasilchenko & Morrish, 2011, p. 90). Social ties develop from personal relationships and are defined as:

> A collection of individuals who may or may not be known to each other and who, in some way contribute something to the entrepreneur, either passively, reactively or proactively whether specifically elicited or not (Vasilchenko & Morrish, 2011, p. 90).

Business ties involve repeated economic exchange between a company and customers, competitors, suppliers, distributors, government, etc. Business ties are defined as:

> Set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors (Vasilchenko & Morrish, 2011, p. 91).

However, network is not just a link between actors, it can further be considered as a set of pathways to key resources according to Holden (2002, p. 43). These key resources are e.g. human assets, special knowledge, finance, and forms of influence (Holden, 2002, p. 43). In the same vein Hitt et al. (2001, p. 3), Coviello (2006, p. e.g., 723) and Roodt (2005, p. 21), have found that networks are important for start-up companies, because they provide access to information, new markets, new technologies. Moreover, they increase social capital that enables start-up companies to enter new markets, and

networks can provide legitimacy that start-ups often lack desperately. In this sense, networking is the act of creating pathways to key resources and managing those pathways (Holden, 2002, p. 43).

According to Stuart and Sorenson (2007, p. 213) investors identify viable investment candidates through their networks. The investors prefer to invest in companies they have learned about through social ties. Through the network they can get first-hand information about the start-up company and decide if it is trustworthy for investment (Stuart and Sorenson, 2007, p. 215).

Start-up companies' international growth can be facilitated by networks (Coviello, 2006, pp. 723-724). International networks can, as other networks, consist of social ties or business ties. Both of which have been found to influence the internationalization process of start-ups (Coviello, 2006, p.716). Coviellos (2006) findings show that networks can facilitate international growth by providing access to new markets, capital, distribution channels, referrals, and contacts for external and internal development.

Likewise, Vasilchenko and Morrish (2011) found that networks are of importance during start-ups internationalization. They found that social ties and serendipitous contacts can lead to internationalization, which indicates expansion of networks and internationalization is not premeditated in all instances.

Start-up companies can, through international networking events such as, trade shows and industry events, obtain leads that can later be transformed into meaningful business relationships (Vasilchenko & Morrish, 2011). Thus, international networks evolve over time and are dynamic in structure and composition (Coviello, 2006). Network relationships initiated at industry events can help start-up companies to identify viable markets for their products or services (Vasilchenko & Morrish, 2011, p. 96). Furthermore, networks can play significant role in the strategic choice of new foreign market entry (Vasilchenko & Morrish, 2011, 90).

There are several scholars who maintain that networks are managed intentionally from the early stages of a start-up company. On the contrary others claim that networks are reactive, that they are reliant on previously established ties for growth rather than being strategically aggressive in achieving growth (Coviello, 2006, p. 716). Coviellos (2006) findings show that for start-up companies' networks tend to be a mixture of proactive and reactive measures.

To summarize Subsection 2.2.2.2, networks create the overarching context for external communication in start-up companies. Networks define the context where communication takes place, who the start-ups communicate with, and what is the goal of the communication activity. Furthermore, networks indicate the possible importance of building a social relationship over a business relationship.

This Section (2.2.2) has identified the role of external communication as the link to the external environment e.g. to customers and investors. Part of external communication is to gather feedback from the external environment, as the two-way model of organisation-stakeholder communication in Figure 4 indicates. Internal stakeholders were identified, in the section, as being important stakeholder group and internal communication is regarded as a part of the overall marketing communication and public relation mix. This suggests that internal and external communications are interrelated, to some extent at least. Therefore, in the next Section 2.2.3 communication internally in the start-up company is described.

2.2.3 Internal communication in start-up companies

The object of this section is to provide thorough background for the second sub-question: *Internal communication – How are internal communications in start-up companies managed and organised by the CEOs?*

This section is divided into three subsections. Subsection 2.2.3.1 will start by defining internal communication and its role in organisations with the purpose of creating context for the subsequent subsections. The second Subsection 2.2.3.2 will move on to

introducing an ideal internal communication model developed specifically for start-up companies followed by a description of the characteristics of internal communication in start-up companies. The third and the last Subsection 2.2.3.3 will describe the important implications that internal communication can have on the start-up companies' future operations and structure.

Saini and Plowman (2007, p. 215) posit that internal communication system is a powerful determinant of the overall effectiveness of organisations. Furthermore, internal communication can affect the organisations growth, performance, and even its survival.

Internal communication is to a large extent influenced by the internal environment in companies. The internal environment is the context in which internal communication take place. Therefore, the internal environment, the culture, in the organisation influences internal communication. However, this is a dynamic two-way relationship and the nature of internal communication affects also the internal environment (Welch & Jackson, 2007, pp. 191-192).

Welch and Jackson (2007) describe the fundamentals of internal communication with the following quote: "Internal communication happens constantly within organisations and includes informal chat on the "grapevine" as well as managed communication" (p. 177). Kalla (2006, p. 12) takes similar approach to internal communication and refers to it as integrated internal communication, which is a multidisciplinary and multilevel perspective to internal communication. Integrated internal communication relates to the domains of management, organisational, corporate, and business communication described in Section 2.1.2. Furthermore, it includes both formal and informal communication taking place at all levels in organisations (Kalla, 2006, p. 12). Both of these approaches to internal communication are aimed towards large, established companies not towards start-up companies. However they give a fundamental idea of the wide scope of internal communication in organisations.

Internal communication has an important function in companies, as is indicated by

Kalla´s (2006) multidisciplinary and multilevel perspective. Internal communication serves the purpose of assisting the management to help employees to reach both personal and organisational goals. Moreover, internal communication also facilitates change and coordinates activities that need to be accomplished (Rode & Vallaster, 2005, p. 123).

According to D´Aprix (as cited in Saini & Plowman, 2007, p. 205) employees possess three fundamental communication needs. Firstly, they need to know where the organisation is heading. Secondly, they need to know how the organisation plans on getting there. Thirdly, the employees need to know what the implications for themselves are. To fulfil the three communication needs of employees, internal communication should be deliberate, dynamic, and provide employees with effective flow of information, irrespective of the employee base (Saini & Plowman, 2007, p. 205).

The earlier descriptions of internal communication by Welch and Jackson, and by Kalla identify two types of internal communication in organisations, formal and informal. Formal communication refers to the communication channels that are the official communication processes in organisations. These channels follow the hierarchy of the organisation (Kandlousi, Ali, & Abdollahi, 2010, p. 52). Formal communication is for instance, regular meetings where managers meet to share both internal and external information regarding the company (Bingham & Haleblian, 2012, p. 149). Informal communication refers to all communication within the organisation that is not formal e.g. chat between co-workers falls under this category. Great amount of information about the organisation change hands in the informal network, especially if the formal one is not providing sufficient information (Kandlousi et al., 2010, p. 52; Walker, 2006, p. 81). For internal communication in this study, the management and organisation of formal communication processes is the main focus. However, informal communication needs to be considered also due to the informal nature of start-up companies at the start-up stage (Saini & Plowman, 2007, p. 210).

Bingham and Haleblian (2012) found that regular meetings internally encourage participants to share information with the whole team, not just some parts of the team as might happen if there are no formal communication processes or events in place. The information sharing that occurs, leads to convergent attribution. Convergent attribution means that the management team come to a shared conclusion, which leads to more accurate construction of reality than dyadic informal communication result in (Bingham & Haleblian, 2012). These results are interesting for the current study, firstly, because they are based on entrepreneurial firms, albeit larger ones than the sample in this study. Secondly, the results indicate that formal communication internally is important for organisational learning and for informed collective decision making.

As far as has been found, the existing literature offers no definition for internal communication in start-up companies. Saini and Plowman (2007) developed a model for internal communication in start-up companies. However, they lack a working definition for internal communication. Therefore, with the goal of defining internal communication literature on internal communication in organisations is exploited.

A traditional definition of internal communication is "communication with employees internally within the organization" (Cornelissen, 2011, p. 164). Despite its variants, frequent use in literature (Welch & Jackson, 2007, pp. 178-179) it is a limited definition. The definition does not include two-way communication nor does it include the strategic aspect that the fulfilment of D´Aprix communication needs requires. Therefore, a definition from Welch and Jackson (2007) is more appropriate for this paper. They define internal communication as:

> "… the strategic management of interactions and relationships between stakeholders at all levels within organisations" (Welch and Jackson, 2007, p. 183).

This definition includes the strategic aspect needed to fulfil the communication needs of employees and it includes interaction with the employees.

However, this definition still lacks the external influence on internal communication which has been indicated earlier in the paper. Internal communication in start-ups is not only influenced by the internal environment and the company's mission. The external environment also has influence on internal communication as is showed in Saini and Plowman´s (2007) ideal internal communication model, which will be introduced in the next Subsection (2.2.3.1).

2.2.3.1 *Ideal internal communication model*

This section will introduce a framework for internal communication in start-up companies. The literature on internal communication in start-up companies is scarce. Therefore, this Section (2.2.3) relies to a large extent on a study conducted by Saini & Plowman (2007). Saini and Plowmans study is based on interviews with employees in start-up companies that are preparing for initial public offering (IPO). Based on the interviews and thorough literature review, Saini and Plowman, have created an ideal internal communication model. The model is called the *ideal* internal communication model as it indicates how internal communication should be in the ideal start-up company.

The ideal internal communication model can be seen in Figure 5. It is comprised of the internal environment and the external environment. In the centre of the large circle, which represents a start-up company, employee communication is located. Employee communication in this model has the same function as management communication introduced in section 2.1.2.

Section 2.1.2 describes management communication as a strategic function which has the goal of providing information and instruction to employees regarding daily tasks to be accomplished. It has furthermore, the task of providing information regarding the organisational mission (Hallahan et al., 2007, p. 5). In other words management communication includes disseminating strategic information to employees which should fulfil the employees' three communication needs. The management in start-up

companies has the important task of communicating strategic information to employees at all times and also, to reiterate the start-up goals to the employees to ensure common direction and common vision among all employees (Saini & Plowman, 2007, p. 226).

In the ideal internal communication model (Figure 5) the grey area inside the circle represents the internal environment. All communication activities pertinent to e.g. leadership and decision making occur in the internal environment and are represented with two way arrows. The two-way arrows indicate the two-way nature of communication, the dynamic flow between employees and management (Saini & Plowman, 2007, p. 216). According to Cornelissen (2011, p. 168) good internal communication combines one way communication, e.g. from the management to the employees, and upwards communication, e.g. where employees can participate in decision making.

The interplay between the internal and external is represented by two large arrows. The influence of the external environment on the internal environment is represented by a large inward pointing arrow. The large outward pointing arrow represents the importance of consistency between internal communication and external communication (Saini & Plowman, 2007, p. 222). Which indicates employees should have the same information as the external stakeholders. The constant interplay of the internal and external environments is widely noted in the reviewed literature. For example Cornelissens framework for corporate communication in Figure 1 place internal communication as a part of the public relation mix. Moreover, Welch and Jackson (2007) highlight the interrelationship of all communication forms, internal and external.

Finally, the white, double rim on the outside of the model, represents the organisational structure which is considered to emerge from the emerging communication processes in start-up companies. The organisational structure is also influenced by the external environment (Saini & Plowman, 2007, pp. 209-210).
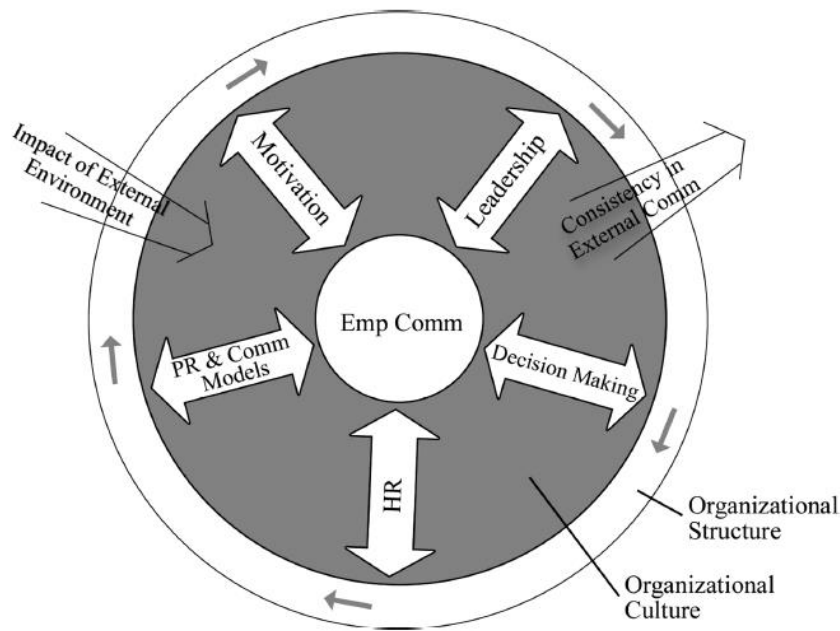
Figure 5 Ideal internal communication model (Saini & Plowman, p. 225)

The model is appropriate for the present study because it gives an overview of the components of internal communication in start companies. It takes into account the dynamic nature of start-up companies by including the external environment. Furthermore, it takes the dialogical nature of start-ups into account with the two-way arrows representing the dynamic communication between management and employees. Both of which are important for the focus on the macro level of communication in the current study.

This subsection has introduced the ideal internal communication model. It has attempted to describe the multidisciplinary function of internal communication and its link to external communication. The next Subsection 2.2.3.2 will describe the evolving characteristics of internal communication as the company grows.

2.2.3.2 *Characteristics of Internal communication*

This subsection will describe the evolving characteristics of internal communication with the aim of establishing internal communication as a dynamic construct. It has been established earlier in the paper that start-up companies change as they move from the start-up stage to the growth stage. Likewise, it has been established that communication activities change during the process.

The culture in start-up companies tends to be dynamic and fun. It constitutes of elements as participation, collaboration, and is characterised by close-knit and familial atmosphere (Saini & Plowman, 2007, p. 219).

The characteristics of internal communication in start-up companies evolve as the company grows (Muller et al., 2012). During the start-up stage, internal communication are characterised by unstructured communication infrastructure. At that stage there are few employees (Mueller et al., 2012, p. 1011). Therefore, there is no hierarchy within the start-up (Saini & Plowman, 2007, p. 208) and internal communication is spontaneous, informal, and flows freely in all directions (Rode & Vallaster, 2005 e.g. p. 124; Saini & Plowman, 2007, p. 206). Furthermore, during the start-up stage, start-up companies foster a dialogue based culture where discussions between management and employees are the norm and different opinions are welcomed. Thus, employees are encouraged to participate in decision making and information flows freely between management and employees (Saini & Plowman, 2007). Another characteristic of internal communication in the start-up stage is teamwork. Teamwork is essential in accomplishing missions and evokes the feeling of belonging to the company (Saini and Plowman, 2007, p. 210).

When a start-up company reaches the growth stage, unavoidably, the number of employees tends to rise. Due to that fact the spontaneous character of internal communication decreases and more formal communication structure emerges, e.g. memos replace face-to-face conversation (Mueller et al., 2012, p. 999; Saini &

Plowman, 2007, pp. 206-207). If there are no defined communications processes in place when a start-up begins to grow rapidly, centralized hierarchical structures tend to form.

Hierarchical structure is, according to Saini and Plowman (2007, p. 209) in stark contrast to the informal, flat, and decentralized structure that was dominant in the previous stage. Information stops flowing freely and useful information gets lost in the hierarchical processes. Managers have trouble deciding what information is important to the employees and how to disseminate it effectively. Additionally, a fundamental problem, common among start-ups at the growth stage, is a failure to define an internal communication department. Most entrepreneurs fail to recognize the profound influence of communication patterns on their growing start-up (Saini & Plowman, 2007, p. 224).

This subsection has established internal communication in start-up companies as a dynamic construct. The smaller the start-up company the less managing on behalf of the CEO/founder is involved, as the company grows the responsibility of managing grows correspondingly (Saini & Plowman, 2007, p. 208). The evolving characteristics of internal communication are of relevance for the current study because they show how important it is for start-up companies to pay attention to how internal communication in their company is evolving. When the company grows communication problems tend to rise and it is the responsibility of the CEO or founder, to work towards building a company with an effective company culture and effective organisational structure. The organisational structure is based on the start-up companies´ internal network of relationships (Saini & Plowman, 2007, p. 208) as is argued in the following subsection.

2.2.3.3 *Organisational structure emergence*

This subsection´s objective is to present how organisational structure forms in start-up companies. According to the preceding subsection, emerging communication processes dictate the emerging organisational structure. Therefore, it is important to look into how this relationship is managed or facilitated.

Organisational structure and processes emerge as the founders begin to transfer parts of their responsibilities to others. It follows; that decision making becomes more formal, as well as the communication processes (Mueller et al., 2012, p. 999). According to Saini and Plowman´s (2007) ideal internal communication model, organisational structure emerges from internal communication processes. Therefore, it is of importance for the management of start-up companies to define communication processes because the efficiency of the future organisational structure depends on them (Saini & Plowman, 2007, p. 205).

To create organisational structure that continues to foster start-up companies flat, communication based, participatory culture; the management has to make a strategic decision on it (Saini & Plowman, 2007, p. 212). According to Saini and Plowman (2007, p. 224) "It is for leaders to decide how companies communication pattern should be shaped. The models of PR and communication are based on decisions of company leaders".

However, as the ideal internal communication model in Figure 5 indicates, internal communication is influenced by the external environment. Similarly, organisational structure does not only emerge from internal communication processes. The emerging organisational structure is also affected by technological advances from the external environment and trends in organisational structure at each time affect how a start-up formulates its own structure (Saini & Plowman, 2007, p.209). Thus the internal environment is heavily influenced by the external environment.

This subsection has described the relationship between emergent internal communication processes and emerging organisational structure. It is a part of CEOs responsibilities in start-up companies to build an effective organisational structure to support the company when it grows. It is important for CEOs to manage the emergence of internal communication processes in start-up companies from early on because they are the precedents for the emerging organisational structure.

The last two sections: external communication (2.2.2) and internal communication (2.2.3) have attempted to provide account of the internal role of communication in start-up companies. Furthermore, they have addressed, to some extent, the link between the external and the internal environment. The next Section 2.2.4 will elaborate on the link of internal and external communication through strategic planning process.

2.2.4 Communication as a strategic process in start-up companies

In this section the objective is to create a base for seeking answers to the third sub-question: *Strategic planning – How are internal and external communication integrated through strategic planning process?*

This section begins by giving an overview of strategic management, what it aims to accomplish and how strategic planning has been approached in the organisational literature. From there the section moves on to alternative approaches to strategy and introduces logic to strategy making in start-up companies. Additionally, this section serves to establish the earlier implied link between internal and external communication. This section attempts to explain further the relationship between internal and external communication through strategy as process.

Strategic management involves setting objectives and goals for organisations as well as allocating resources (Spee & Jarzabkowski, 2006, p. 2). In their nature plans are inflexible (Spee & Jarzabkowski, 2006, p. 2). Which is manifested in the dominant literature on strategic management where most existing frameworks share the basic premise: "prediction is useful in strategy making because what can be predicted can be controlled" (Sarasvathy, 2008, p. 57). Thus, in the organisational literature strategy is for most part regarded as a plan, how to get from A-B, or as a guideline to deal with some specific situation (Mintzberg, 1987, p. 1).

This static view of strategic management has been challenged. Some researchers, among them, Sirén, Kohtamäki, & Kuckertz (2012) consider one of the success factors of companies to be their ability to amend their strategies continuously (Sirén et al.,

2012, p. 21), which is in stark contrast to the static strategic plan. In dynamic industries, like high technology, development this continuous amendment is necessary. According to Larrañeta, Zahra, & González, (2012, p. 403) the business environment is characterized by rapid and constant changes and the changes should be continuously incorporated into the start-ups strategy by their founders/CEO to better compete in the market. Furthermore, Larrañeta et al., (2012) found that, in an environment where the market changes, the demand changes, and what technologies are available changes; the knowledge available to start-ups is also changing constantly. The start-ups should be able to absorb this knowledge and incorporate it into their own operations (Larrañeta et al., 2012, p. 404). Because if changes in the environment go unnoticed by start-up companies and the strategy is not amended accordingly, performance will deteriorate (Sheperd et al., 2000, p. 399).

As a rule entrepreneurs develop strategies (Alvarez & Barney, 2007, p. 19). Still strategic management and entrepreneurship have, until recently, developed independently from one another. Despite the fact both fields are focusing on how organisations adapt to changes in the environment, how they deal with uncertainties and discontinuity, and how they exploit the opportunities those bring (Hitt et al., 2001, p. 480). The now emerging field of strategic entrepreneurship (Irland, 2007) refers to the integration of strategic management and entrepreneurship research. Strategic entrepreneurship has the aim to study the effects and mechanisms of exploration strategies and exploitation strategies (Sirén et al., 2012, p. 18).

Exploration is a strategy that generates new knowledge through experimental and exploratory methods inherent to entrepreneurial behaviour. Explorative knowledge emerges from the external environment and is incorporated to enhance current strategies (Sirén, et al., 2012, p. 19). Exploitation strategy refers to creating knowledge to improve existing resources and capabilities. Also, it refers to continuing use of whatever strategy is already successful (Sirén, et al., 2012, p. 19).

Furthermore, strategic entrepreneurship aims to explore how firms can create and

sustain competitive advantage and at the same time identify and exploit new opportunities (Sirén, et al., 2012, p. 21), referring to strategic management and entrepreneurship respectively. As an example for a start-up company to succeed with their manoeuvre they have to, on the one hand, decide what market to target; whether they should define the market narrowly, on some specific niche, or broadly, incorporating more options (Larrañeta et al., 2012, p. 402). This means embracing strategy to establish and maintain competitive advantage from what they create (Hitt et al., 2001, p. 480). On the other hand start-ups need to maintain the ability to generate and exploit new knowledge to maintain or create competitive advantage through strategic variety (Larrañeta et al., 2012, pp. 403-404; Sarasvathy, 2008).

So far it has been established that firstly, start-up companies are in need of some strategic direction to establish and maintain competitive advantage (Hitt et al., 2001, p. 480) and secondly, start-up companies have to be able to adapt their strategy quickly in response to changes in their operating environment (Sheperd, et al., 2000, p. 399). Thus, the basic premise for a strategy framework, as static plan to get from A-B as described earlier in the section, does not hold for start-up companies.

Start-up companies operate in a very unpredictable environment that is in constant change. The process of starting up a company is emergent (Roodt, 2005, p. 20) and uncertain. The product or service that the start-up set out with originally may hardly resemble the end product. Furthermore, the customers are likely to be a group that were never the intended consumers (Sommer, Loch, & Dong, 2009, p. 118). Hence, a start-up company with limited resources and an idea of a product or a service are not likely to be able to predict the future or even the future product they will have. Therefore, start-up companies are in need for a different approach to strategy making which takes into account the emergent nature of their environment and does not rely on extensive pre-planning. It has even been suggested by Alvarez and Barney (2007, p. 12) that entrepreneurs may find that too much planning too early in the process of creating a company, can result in waste of resources or even, lead them into wrong direction.

One, out of many, definitions on strategic management incorporates the flexibility required by dynamic start-up companies: "strategy is a continuous and adaptive response to those external opportunities and threats and internal strengths and weaknesses which affect an organization" (Moss & Warnaby, 1998, p. 132). This definition includes the effect the external environment inflicts upon companies, it also accounts for the internal environment. Likewise, strategy as a "continuous and adaptive response" is highlighted in literature on strategy as process which will be introduced in the following paragraphs.

Strategy as process is an approach to strategy creation that has gotten attention in the entrepreneurship literature. Strategy as process looks at strategy as "developmental event sequence" (Sminia, 2009, p. 9). In process research the subject, in this case a strategy is expected to change over time (Sminia, 2009). According to Mintzberg strategic changes takes place in a process, where organisations are continuously trying to establish some form of fit between external demands and internal capabilities (Sminia, 2009, p. 103). This process is in line with Moss & Warnaby´s definition on strategic management in the preceding paragraph. Inherently, process unfolds over time. One approach to strategy as process describes it, as a narrative of emergent actions that unfold one after the other, finally reaching an outcome (Sminia, 2009, p. 115).

Effectuation is an approach to strategy as process developed by Sarasvathy (2008). Effectuation literally means "to provide a practical means for accomplishing something or carrying into effect" (WordNet search - 3.1, n.d.). Thus, it is a tactical logic to strategy creation. Its objective is not to create a document which states goals and steps to achieve them, as is inherent in traditional approaches to strategy. Rather, effectuation is concerned about how to decide what to do, what to create, how to sell it, and to whom.

Effectuation is described by Sarasvathy (2008, p. 73), in contrast to causal strategies, which are the traditional managerial frameworks described in the beginning of the section. According to her, causal strategies are useful in environments where goals are

clear and known and the future is predictable. On the contrary, effectual strategies are useful in environments where the future is unpredictable and there are not clear goals. As a strategy, effectuation, accepts uncertainties and unexpected events as something to embrace rather than something bad that should be eliminated by extensive planning and prediction (Sarasvathy, 2008).

Effectuation is based upon the experience of expert entrepreneurs who are defined as serial entrepreneurs who have successfully taken at least one organisation public (Sarasvathy, 2008, p. 21). Furthermore, it is more concerned about the start-up stage of start-up companies, than the growth stage. Nonetheless, the process of effectuation is important to this study because it is based on the continuous process of the interplay of the external and internal environments. Moreover, the process acts as a link between external communication and internal communication.

Effectual strategies are largely based on networks of others and the emerging start-up company is based on the knowledge the network provides. Thus, effectuation does not start with a specific goal that should be reached (Sarasvathy, 2008, p. 73) as the causal frameworks dictate (e.g. Mintzberg, 1987; Spee & Jarzabkowski, 2006). Effectuation starts with means that are collectively constructed from the network the entrepreneur belongs to. Those means change over time, depending on inputs and aspirations from the stakeholders in the network (Sarasvathy, 2008, p. 73) and affect the start-up companies´ strategic direction.

A similar process is described by Larrañeta et al., (2012, p. 403) who suggests start-ups strategic choices are made up from internal and external sources. The knowledge or information start-up companies gather from the external sources, through exploration and exploitation strategies, are disseminated within the start-up through processes and enter their operations. These processes make it possible to combine internal and external knowledge and apply it in day-to-day operations. Similarly, Sirén et al., (2012) refer to strategic learning taking place through exploration and exploitation strategies. Strategic learning is defined as "an organization´s dynamic capability, consisting of

intraorganizational processes for the dissemination, interpretation, and implementation of strategic knowledge" (Sirén et al., 2012, p. 19).

Both Sirén et al. (2012) and Larrañeta et al., (2012) posit that internal processes disseminate acquired knowledge in the company. In start-up companies there is limited internal infrastructure (Saini & Plowman, 2007) Therefore, there are not established internal processes in start-up companies. According to Bingham & Haleblian (2012) external knowledge is discussed and incorporated into start-up companies through regular meetings, which are defined as formal communication.

Therefore, by looking back at the last two sections: external communication (2.2.2) and internal communication (2.2.3) and consider the functions of both. It is apparent that both external and internal communications play an important role in strategy as process. External communication has the task of gathering from the external environment information that is relevant to the start-up company. That process occurs to a large extent through two-way communication with stakeholders. The role of internal communication is to disseminate the acquired information from the external environment to the employees and from them into the start-up companies' processes. Strategy as a process acts as the link there between.

This Section 2.2.4 has described the strategy creation process in start-up companies and through that worked towards linking internal and external communication. For strategy as process to occur firstly, it relies on the start-up gathering information from external stakeholders through external communication. Secondly, it relies on the start-up fishing out the information that is relevant to them and integrating it into the companies' processes. The dissemination of information internally happens through internal communication processes.

Subchapters 2.1 and 2.2 provided background literature to support the research questions this study set out with. The subchapters have reviewed existing literature relating to communication in start-up companies and attempted to draw up an image of

the volatile environment start-up companies operate in. Furthermore, the subchapters attempted to explain the role of communication in start-up companies.

From this overview of communication it is reasonable to draw the conclusion: if a start-up company is to be able to succeed in the dynamic and competitive environment they need to be able to follow the external environment and detect changes that are relevant to them. That happens through external communication processes e.g. feedback from customers or information received from an advisor. The next step is to incorporate the implication of the changes in the external environment, into the start-up companies' processes. At this point, the CEO of the start-up has to communicate the relevant information from the external environment to the employees. How that process is internally depends on the level of internal communication in the start-up company. At the start-up stage this is likely to happen through informal dialogue. At the growth stage the information is likely to go through more formal communication processes.

The next Subchapter 2.3 will further, work towards weaving together subchapters 2.1 and 2.2 with the objective of creating a theoretical framework for the study.

2.3 Theoretical framework

This subchapter presents and explains the theoretical framework for the present study. The framework is based on reviewed literature from Subchapters 2.1 and 2.2 and is intended to guide the analysis of the empirical study. The main categories in the framework correspond to the three sub-questions: external communication, internal communication, and strategic planning. The framework links internal communication and external communication through strategy as process, in start-up companies. The aim is to explore answers to the main research question: *What is the role of communication in start-up companies?*

The theoretical framework for this study is presented in Figure 6. The idea of the framework is based on Saini and Plowmans (2007, p. 225) model of ideal internal communication. The object of the present study is to explore the role of communication

in start-up companies. The framework contextualises the operational environment of start-up companies. Moreover, it highlights the communication functions that are the subject of this study.

The context for exploring the role of communication in start-up companies is represented by the lighter coloured part of the framework (Figure 6). The external context for communication is important to the study of communication in start-up companies because they rely on the external environment for most resources e.g. finance (Ulvenblad, 2008) and human assets (Holden, 2002). Moreover, strategic changes are often reactions to demands from the external environment as argued in strategy as process (e.g. Sminia, 2009; Larrañeta et al., 2012).

The internal context for communication is also important because start-up companies have very limited internal infrastructure in the start-up stage. When start-up companies grow the internal infrastructure emerges from internal communication processes among other factors (Saini & Plowman, 2007, pp. 209-210). The internal context at each stage in the life cycle indicates what form internal communication is likely to take and what challenges might follow.

The dynamic relationship of the two communication functions and their interplay is represented by the darker coloured part of the framework. The interplay between external and internal communication is presented through strategy as process. Based on the literature review there is a link between internal communication and external communication in start-up companies. One way to look at this link is through strategy as process. External communication has the task of acting as a link to the external environment where it has double function. One is to represent the start-up company to the external environment and the other is to gather information from the external environment into the start-up company. The external information is disseminated into the start-up through internal communication processes. Also, the information that is relevant is integrated into the start-ups strategy through internal communication

processes. This process is the essence of strategy as process and demonstrates how external and internal communications are interrelated in start-up companies.

The large outer circle in the framework (Figure 6) represents the external environment. The external environment constitutes of start-up companies external network of stakeholders e.g. investors, customers, suppliers, etc. As argued in the literature review external communication in start-up companies are communication to external stakeholders. External communication can be one-way symmetrical, two-way asymmetrical or two-way symmetrical depending on the level of influence the stakeholder has on the start-up company. External communication is represented by a balloon that overlaps the internal environment and the external environment to represent the influence of both on external communication.

The two dotted internal circles represent the blurry boundaries of the external and internal environment. At the same time they represent the interaction of internal and external communication. The gap between the two circles is emerging organisational structure which emerges from internal communication processes and is further affected by the external environment.

The central circle in the model represents the internal environment. The internal environment represents the culture of the start-up companies and is the context where internal communication occurs. Internal communication can be one-way e.g. from the management to the employees or two-way dynamic relationship between employees and management. Internal communication is represented by a balloon in the internal environment and overlaps the external communication and the strategy balloon.
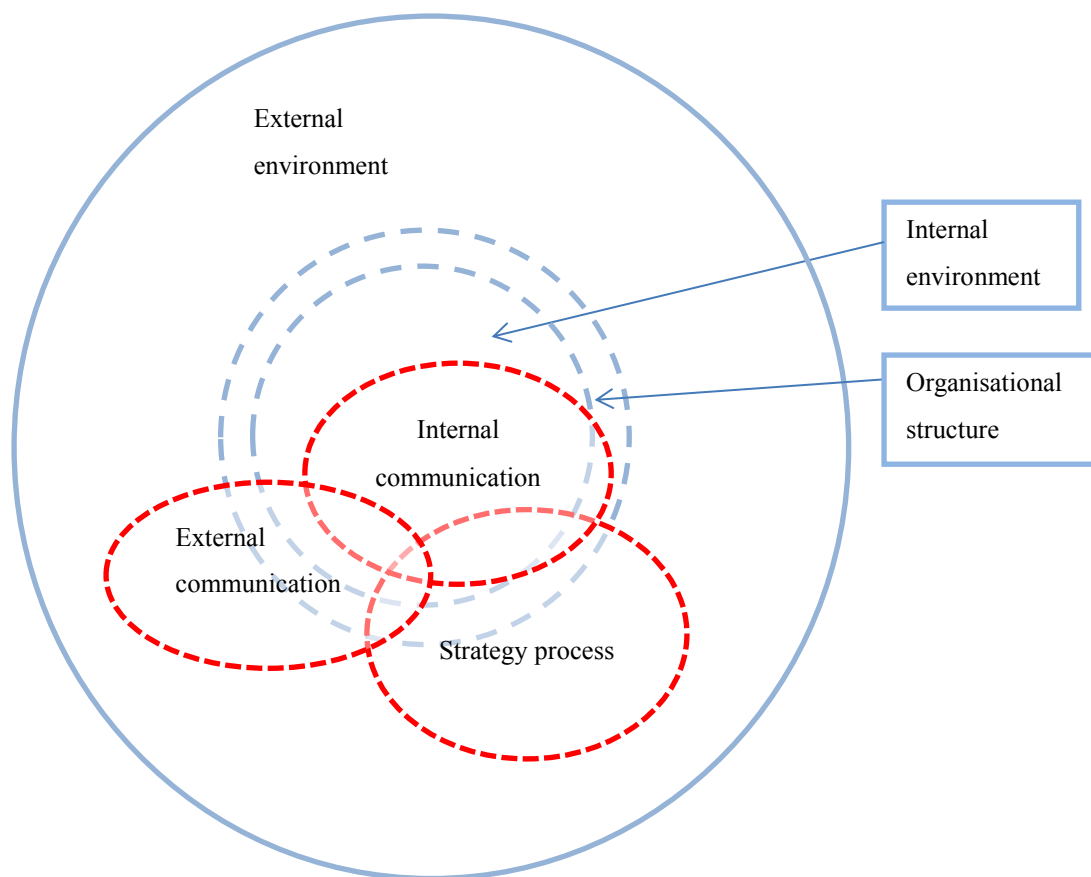
Figure 6 Theoretical framwork

The three overlapping dark coloured balloons represent the interrelation between external communications internal communication and the role they play in strategy as process. The strategy process is influenced by the external and internal environments thus the strategy process balloon overlaps the internal and the external environments.

The framework attempts to present how all communication activities in start-up companies are interrelated. Furthermore, it aims to show how communication affects how the company is constructed; both through internal and external communication processes. Taylor and van Every (1999) are introduced in the literature review (section 2.1.1) and argue organisations are constructed and brought into being through communication processes. This framework argues the same; a start-up company comes into being through communication. The process that start-up companies come into being

through is strategy process that begins by exploring the external environment, extract information from there and later integrate that information through communication into the internal environment of the company. The full circle is closed and begins again when communications from the company find their way back to the external environment and get feedback from there.

3 Methodology

This chapter describes and justifies the methodology and the methods chosen to find answers to the presented research questions. Furthermore, it describes the data collection and the data analysis process.

Qualitative methodology was chosen for the present thesis. Qualitative methodology was chosen because the aim is to explore communication in start-up companies. Up until now there have not been many studies that are concerned about the subject as has been established in the introduction and in the literature review. Thus an exploratory study to investigate what is happening in relation to communication in start-up companies, with the goal to build a base for more systematic approach later, appears appropriate.

Social science exploration is defined by Stebbins (2001, p. 3) as:

> A broad-ranging, purposive, systematic, prearranged undertaking designed to maximize the discovery of generalizations leading to description and understanding of an area of social or psychological life.

Furthermore, Stebbins (2001) considers exploration appropriate when researchers have little scientific knowledge about the phenomena. To approach the phenomena the researcher needs to have an open mind and flexibility in looking for data. The outcome of explorative research is to deduct from the data generalizations about the group, activity, situation, or processes that were the objective of the study.

According to Marshall and Rossman (1999, p. 33) exploration can be the purpose of a research if the phenomena is little understood. Furthermore, Ghauri and Gronhaug (2005) say:

> Qualitative research is particularly relevant when prior insights about the phenomenon under scrutiny are modest, implying that qualitative research tends to be exploratory and flexible because of 'unstructured' problems (due to modest

insights) (Ghauri and Gronhaug, 2005, p. 202)

It is further argued that qualitative research is appropriate when the research subject is little-know phenomena and also when the research is on "informal and unstructured linkages and processes in organizations" (Marshall & Rossman, 1999, p. 57). This study attempts to establish link between external and internal communications through strategy process, which could be accounted for as an unstructured linkage.

Moreover, qualitative research is considered with "i.e. understanding reality as socially constructed: produced and interpreted through cultural meanings" (Erikson & Kovalainen, 2008, pp. 4-5) thus qualitative methods are concerned about understanding or interpreting (Erikson & Kovalainen, 2008). However, the objective of qualitative research is not only to understand the situation as the participants construct it. Qualitative research is also about detecting patterns that emerge after analysing the data (Maykut & Morehouse, 1994). Therefore, to explore the little known subject of communication in start-up companies, qualitative methods that focus on understanding the social world of the participants (Bryman & Bell, 2003, p. 208) is regarded appropriate.

The remainder of this chapter is divided into three subchapters. In the first Subchapter 3.1 the method chosen for this study will be presented. In the second Subchapter 3.2 the data collection for the study will be described. The third and the last Subchapter 3.3 present how the data was analysed.

3.1 Methods

This subchapter presents the method chosen for data collection. The chosen method for data collection is qualitative interviews, more specifically semi-structured interviews.

Qualitative research interviews have the objective of obtaining detailed and uninterrupted description of the interviewee life world (Kvale & Brinkmann, 2009, p.

29). In-depth qualitative interviews tend to be more like conversations than events organised with predetermined answer categories. Moreover, the goal of the researcher is to explore few general topics to uncover the participants stand on the subject and to respect how the participant frames and structures his responses (Marshall & Rossman, 1999, p. 108).

Semi-structured interview method was chosen because it puts emphasis on the ideas and perspectives of the interviewee (Bryman & Bell, 2003, pp. 341 – 342). Furthermore, semi-structured interviews are considered appropriate to answer 'what' and 'how' questions (Erikson & Kovalainen, 2008, p. 80) which is the case in the present study.

Semi-structured interview is defined as:

> … an interview whose purpose is to obtain descriptions of the life world of the interviewee with respect to interpreting the meaning of the described phenomena (Kvale, 1996, p. 6).

This study includes explorative elements which is another reason for the choice of semi-structured interview method. Explorative interviews tend to be open, with limited pre-planned structure. They have the goal of uncovering a problem and to follow up on problems introduced by the interviewee during the interview (Kvale & Brinkmann, 2009, p.106).

Semi-structured interviews were chosen over e.g. unstructured interviews because there is a fairly clear focus on what is to be studied and also a fairly clear idea on how the data will be analysed. Which is according to Bryman and Bell (2003, p. 346) one criteria for when semi-structured interviewing is appropriate.

In semi-structured interviews the goal is not to go with a set of predetermined interview questions. The interview guide contains topics to be covered and suggested questions. The topics and questions can be shuffled at will during the interview and adapted to the interviewee (Kvale, 1996, p. 124; Erikson & Kovalainen, 2008, p. 80). This option is

particularly important for the current study because the represented start-up companies are at different stage in the life cycle and have different issues. Thus, the interviews have to be adaptable to the unique situation of each start-up company.

The broad themes of the semi-structured interviews are the same as the main themes in the theoretical framework that has been constructed for this study. The main categories are internal communication, external communication and the role of communication in strategy planning process. Those themes are connected in the theoretical framework on the premise that they are all too some extent interrelated.

3.2 Data

This subchapter has the objective of justifying the data sample chosen for the study. Additionally, the subchapter will present shortly the interviewed companies and their characteristics.

To explore communication in start-up companies' semi-structured interviews were chosen as the research method. The start-up companies that were interviewed were chosen from a pool of start-up companies from the Nordic and Baltic countries. The companies were found through various lists of start-up companies in the designated geographical area, and some of the companies that fit into the criteria were contacted. The sources for companies included: www.arcticstartup.com, http://startup100.net/, www.tekes.fi, www.sprotar.is, www.slush.fi.

The companies were chosen according to the criteria that the definition of start-up companies used for this study offers. The criterion is:

> Internationally operating legally independent company, which is no older than ten years old and which operates in one or more high-technology sectors. It is a small company in the early stage of development, creating a product/service or having a product/service needing manufacturing and/or marketing

Given this criteria the start-up companies that qualify are too many for the scope of this

study. Therefore, the companies were chosen to represent a heterogeneous sample. The companies operate in various sectors; some offer services others are manufacturing companies. Some are founded by veteran entrepreneurs while others are taking their first steps in entrepreneurship. Furthermore, the companies represent both the start-up stage and the growth stage.

The CEOs of the targeted companies were contacted. They were contacted because in most cases the CEO is either, the founder or co-founder. Also, they have the best overview of what is happening in the start-up companies. Another reason for choosing to contact CEOs was because start-up companies are small companies and they do not have a very large employee base. Thus, to explore the role of communication in start-up companies CEOs are the best candidate because there is usually not a designated communication employee in start-up companies (Moss et al., 2003).

In the end 15 companies were contacted, of the contacted companies 8 accepted the interview offer. However, two of the companies had to cancel the scheduled appointment and suitable time for rescheduling the interviews was not found due to overseas travels and holidays.

The companies that were interviewed will not be named nor the interviewees. Thus, the companies will be numbered and the analysis will use the numbers assigned to each company. Table 2 provides an overview of the companies and the interviews.

Table 2 profile of interviews

Company number	Sector	Country of origin	Employee base	Founding year	Duration	Interviewee
Company 1	Software Technology	Finland	5	2011	ca. 40:00	CEO founder
Company 2	Internet Technology	Latvia	5	2012	31:57:00	CEO founder
Company 3	Electronics	Finland	14	2004	35:38:00	CEO
Company 4	Internet Technology	Iceland	13	2008	43:36:00	CEO founder
Company 5	Biotechnology	Finland	10 (some part time)	2009	53:20:00	CEO
Company 6	software and computer services	Finland	35	2007	33:54:00	CEO founder

According to guidelines for semi-structured interviews, the interviews were all similarly constructed. A rough outline of the interview themes is presented here:

Internal Communication
- What is the culture in the company like
- Are there some formal communication processes (e.g. regular meetings)
- How is the company organised

External Communication
- How do you network (e.g. how do you go about approaching possible customers/partners)
- Who are the main external stakeholders
- Media presence

Strategy Communication
- Communication related to strategic planning
- Who are involved and how is strategy communicated internally
- To what extent are employees involved

All the interviews covered the same main themes and to a large extent they were constructed from similar questions. However, the order of the question varied as well as

the emphasis in the interviews. Some of the interviews were more focused towards external communication and other towards internal communication. The focus of the interview depended on the start-up company in question.

Five out of the six interviews were conducted in English, because English was the shared common language between the interviewee and interviewees. The interview with the CEO of Company 4 was conducted in Icelandic, since Icelandic is the native tongue of both. Therefore, Icelandic was the natural choice of language for that interview. Four of the interviews were conducted face to face in the companies, those were all the interviews taken with Finnish based companies. The remaining two interviews were conducted through Skype due to different geographic locations.

All the interviews, but one, were recorded. The interview with Company 1 was not recorded due to the location of the interview. However, notes were taken and as suggested by Ghauri and Gronhaug (2005, p. 139) the interview was written up; right after it was conducted to avoid forgetting crucial information. The recorded interviews were transcribed, word-by-word.

A short description of each company and its characteristics will now be given. The companies are working in different sectors, some are selling actual product and others are selling services or software. Therefore, some of their communication activities are very specific to their field. The companies are also at different stages in their life cycle which affects their communication. The order the companies are presented in, mark the order of where they are located in the life cycle and the year they were founded.

Start-up stage:

Company 1: a Finland based company operating with software technology. The company was founded in 2011 by a veteran entrepreneur. Currently, February 2013, the company has 5 employees who are all located in Finland. The company has recently launched their product internationally. Currently the biggest market for Company 1 is in

the United States of America (USA). The company has an active board and external advisers. The interviewee is the founder and CEO.

Company 2: a Latvian based company operating in the internet technology sector. The company was founded in 2012 by partners who have been working for many years in this industry. However, this is the first company they have founded. The company has 5 employees (January 2013) and is located in a co-working space. The company's product is sold worldwide through the companies´ website and is downloadable from there. The company is after one year of operation the world leader in their field. The interviewee is co-founder and CEO.

Late start-up stage/early growth stage:

Company 3: a Finland based company operating in electronics. The company was founded in 2004. They have been working with developing their product for most of this time and are seeing to enter the market in approximately 2 years. This fact sets them apart from the other companies in the study since they are just at the end of their development stage. The company has 14 employees (February 2013) and are hiring 4 new employees during the next month. Currently, all the employees are in Finland but they are hiring an employee for sales in the USA. Their prospective clients come from all over the world. However, the biggest market is Asia. The interviewee is the current CEO.

Early growth stage:

Company 4: an Iceland based company operating in the internet technology sector. The company was founded in 2008. Currently the company employs 13 employees (January 2013). The company is facing steep growth and are looking to add up to 10 employees during the next year. The company is divided and operates at two locations: development is located in Iceland and the sales department is located in the USA. This is the only company in this study that is operating with whole departments at different

locations. Their clients are mostly located in the USA and Iceland. However, they have occasional customers in Europe. The interviewee is the founder and CEO; he is moreover, a seasoned entrepreneur and has founded three companies before this one.

Company 5: a Finland based company operating in biotechnology. The company was founded in 2009. However, the first year the operations lay down for most parts due to lack of capital. Currently, February 2013, they have 10 employees, some of whom are part time. They are increasing operations this year but that will not result in new employees just in higher work proportion from the part time employees. The company is a research based Service Company. Therefore, their employees are for most part scientists this fact has an interesting implication communication wise. The employees are only located in Finland but their customer base is international. The interviewee is the CEO and has acted as such since 2011.

Growth stage:

Company 6: a Finland based company operating in software and computer services sector. The company was founded in 2007 and has been growing steadily since then. Currently, February 2013, the company employees 35 people who are located in three countries; in Finland, USA and Singapore. The company is growing rapidly and during the last year they hired 15 employees. The company has a board and external owners. Most of their sales take place outside of Finland. They have partners in about 20 countries and sales representatives at almost 50 locations. Thus, they have presence in large part of the world. They sell for most part to other businesses and have clients from wide variation of fields e.g. museums, exhibitions, design, advertising, and retail. The interviewee is co-founder and CEO he has furthermore, extensive entrepreneurial experience.

This subchapter has described the process of choosing a data sample for the study as well as presenting a short profile of each of the represented start-up companies. The next section will present briefly how the data was analysed.

3.3 Data analysis

This subchapter introduces briefly the methods applied for data analysis.

"data analysis is the process of bringing order, structure and meaning to the mass of collected data" (Marshall and Rossmann, 1995, p. 111)

The data analysis method relied on a step-to-step guide provided by Auerbach & Silverstein (2003, p.43). They suggest a six step process to simplify and analyse the amount of data that is accumulated with qualitative interviews. The six steps are divided into three categories and are presented in the following paragraph:

Making the text manageable
1. Explicitly state your research concerns and theoretical framework
2. Select the relevant text for further analysis. Do this by reading through your raw text with Step 1 in mind, and highlighting relevant text

Hearing what was said
3. Record repeating ideas by grouping together related passages of relevant text
4. Organize themes by grouping operating ideas into coherent categories

Developing theory
5. Develop theoretical constructs by grouping themes into more abstract concepts consistent with your theoretical framework.
6. Create a theoretical narrative by recalling the participant's story in terms of the theoretical construct (Auerbach & Silverstein, 2003, p. 43).

During the data analysis these steps were followed. For Steps 1 and 2; to make the text manageable, the interviews were simplified into categories. These categories were the same as the research questions and the main themes in the theoretical framework that was created based on reviewed literature. Thus, each interview response was grouped into three broad categories: Internal communication, external communication, and strategic planning.

Steps 3 and 4 were conducted simultaneously. From the broad categories established during Step 2, the common concerns and ideas the interviewee presented were identified and grouped into more detailed categories. The categories were determined in relation to reviewed theory. With these more detailed categories in mind, Steps 5 and 6 aimed towards connecting the findings and the theoretical framework. Finally the findings were reported with passages from the interview to validate the findings.

Finally, the theoretical part of the study and the theoretical framework were amended to support the findings. In qualitative studies, according to Erikson and Kovalainen (2008, p. 42), "Theory often emerges through induction […] during the phases of data collection, analysis and writing". Therefore, because of the iterative process the literature review is in many instances finalised after the data analysis (Erikson and Kovalainen, 2008).

This subchapter has presented how the data was simplified into categories and analysed according to a step-to-step guide provided by Auerbach & Silverstein (2003). The following Subchapter 3.4 will evaluate the trustworthiness of the present study.

3.4   Trustworthiness of the study

This section has the objective of evaluating the trustworthiness of the present study. The methodological choice for the study is qualitative and the method for data collection is semi-structured interviewing.

Semi-structured interviewing is a rich source for information (Kvale, 1996) however there are certain limitation to the research method that should be recognized. Because qualitative studies are co-constructed from the subject's perception of reality and the interpretation of the researcher, care has to be taken to maintain the integrity of the data (Kvale & Brinkmann, 2009).

Trustworthiness of qualitative studies can be evaluated by four criteria according to Lincoln & Guba (as cited in Erikson & Kovalainen, 2008; and Tobin & Begley, 2004).

The four criteria are credibility, transferability, dependability, and confirmability.

The first is credibility refers to whether the researcher represents the interviewee's perspective correctly. One strategy for acquiring credibility is to give the study back to the subjects of it, for revision (Tobin & Begley, 2004) in this case the six interviewed CEOs. The preliminary findings were sent to the CEOs and they confirmed the findings relating to their company. The CEOs also gave comments if they thought there was something that could be improved, which was taken into account when the final version of the findings was written.

The second criterion is transferability which concerns the degree of similarity between the current research and earlier research (Erikson & Kovalainen, 2008, p. 294). The findings of the present study are to a large extent congruent to the reviewed literature. Therefore, it can be assumed that the results depict the actual reality.

The third criterion is dependability. It considers the offered information about the research process to the reader (Erikson & Kovalainen, 2008, p. 294). The research process for this study is presented in detail in the two preceding subchapters: Subchapter 3.2 *Data*, and Subchapter 3.3 *Data analysis*.

The forth and the last criteria is confirmability which refers to the data, and the interpretations of the data being true, not an imagination of the researcher. It concerns linking findings to the data so that it can be understood by other than the researcher (Erikson & Kovalainen, 2008, p. 294). The findings of this study are linked to quotes from the interviews. Moreover, the quotes have been confirmed and approved by the interviewees. Thus, the interpretation of the data should be true to its origin. This is further supported by (Auerbach & Silverstein, 2003, p. 32) who state that if the interpretation is supported with data, it is valid.

This chapter has presented the methodological choices for the present study. To summarize, qualitative methods were applied and data collection took place through six

semi-structured interviews with CEOs of six heterogeneous start-up companies. The data analysis process was detailed step-by-step by using a framework for data analysis. To conclude the chapter, the trustworthiness of the study was evaluated by applying four criteria for evaluating the trustworthiness of qualitative studies. The following chapter will present the findings from the analysis.

4 Findings

This chapter presents the findings from the empirical study. The chapter is divided into three subchapters. The subchapters focus each on one of the three sub-questions. The first Subchapter 4.1 will present the findings for external communication. The subchapter presents overview of who are the main stakeholders in the start-up companies' immediate network and how their relationship is characterized according to the reviewed literature. The second Subchapter 4.2 presents findings related to internal communication. The subchapter presents findings on the characteristics of the start-up companies' internal communication in relation to where in the life cycle they are located. Furthermore, it attempts to identify deliberate acts on the behalf of the CEO to manage internal communication. The third Subchapter 4.3 outlines findings on the role of communication in strategy formation through strategy as process. The subchapter gives overview of the strategy process internally in the start-up companies and explores the link between external and internal communication.

In the remaining chapters of this paper (Chapters 4, 5 and 6) few terms are used inter-changeably to refer to the represented start-up companies. The terms are start-ups, start-up companies, or just companies. If by some reason the findings are referring to any other type of business, the term organisation is used. The quotes from the interviewees are exception from this rule, since they represent directly the terms the CEOs used.

4.1 External communication

This subchapter presents findings related to external communication in start-up companies and seeks to answer the first sub-question *External communication - What is the function of external communication in start-up companies?*

Existing literature on external communication in start-up companies is limited therefore the approach to external communication is based on stakeholder management and networks. Deriving from this literature external communication is described as communication to external stakeholders who constitute the start-ups external network.

In the following analysis the aim is to explore who the most salient players in the start-ups network are, how the start-up companies describe communication with their external stakeholders, and how start-up companies build a network. The remainder of this subchapter is divided into two sections. The first Section 4.1.1 will focus on who the salient stakeholder to the start-up companies are and the nature of their relationships. The latter Section 4.1.2 will present findings on how networking can facilitate access to resources and new markets. However it should be noted that the first section will also cover network effects of each salient stakeholder group.

4.1.1 Stakeholder management

This section will present findings pertaining to stakeholder management in start-up companies. It will focus on who the most salient stakeholders in the start-up companies' external environment are. Furthermore, it describes the relationship to each of the salient stakeholder groups and the benefits to networking those relationships bring.

According to reviewed literature (Section 2.2.2.1), identifying the most salient stakeholder groups is important. Knowing who the stakeholders are allows companies to choose appropriate communication strategy to that stakeholder. The main stakeholders to start-up companies were identified by listing up the stakeholders that were most frequently brought up during the interviews. The stakeholders that are salient to all six start-up companies are investors, customers, partners, and media. Surprisingly, very few other stakeholders groups came up in the interviews and they were usually specific to that one start-up company. Therefore, they are not introduced further in this analysis. Those stakeholders are e.g. resellers and universities.

The most salient stakeholders are presented in Figure 7. The two-way arrows from the start-up to the stakeholders represent the two way nature of their relationship. The relation to these stakeholders is for most parts characterised by either symmetrical or asymmetrical communication strategies. The identified external stakeholder groups constitute the immediate part of start-up companies' external network.
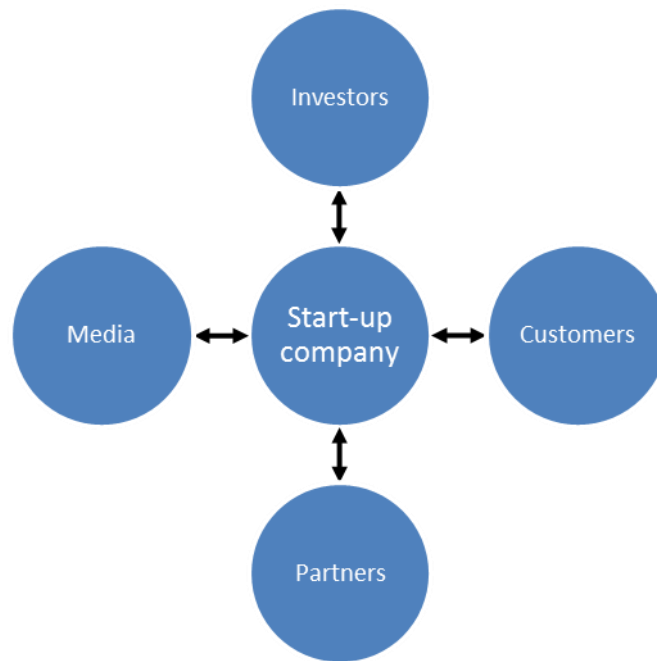
Figure 7 Start-ups salient external stakeholders

In the remainder of this section the network of salient stakeholders to the start-up companies will be explored. The relationship with each of the stakeholders will be described as well as the network effect; each brings to the start-up companies.

Investors

Investor relation describes a relationship with investors. It is a function that is frequently mentioned in the interviews. In start-up companies the main function of investor relation appears to be twofold. These two functions will be the main subjects relating to investor relation in start-up companies:

1. To get into contact with investors
2. To develop a relationship to investors, with the purpose of easier access to finance when needed.

All the interviewed CEOs described some type of relationship with investors. It differs how they get in contact with them. However, there are two favoured ways of getting

external investors; one is through personal connections. The other, is to be introduced to an investor by someone that has connection to both parties. Other ways that seem to be relatively effective is being present at industry events such as fairs and conferences where the investors are exposed to the companies and might contact them afterwards. Less effective methods are cold calling, sending e-mails, and in general making the first contact with investors seems to be ineffective. It is hard work to get contacts with and to build a relationship with investors and it does not happen serendipitously. How the start-ups initial contact to investors comes about and the perceived quality of that initial contact are described in the following quotes:

> *I think that it seems that those that have been most potential have contacted us, but of course we have been doing as well the marketing where we have been cold calling and sending information about us and arranging meetings and that kind of things, but it is like in sales if somebody calls you it is normally more interesting already [...] they have either heard us from the seminars or from other investors who know that we are looking for money and that's why they are contacting us (Company 3)*

> *... investors is also a group we are trying to build up connections to, that is something that just happens through introductions, it does no good just to send an e-mail or call (Company 4)[1]*

In the quotes it also becomes clear that investors refer start-up companies that are in search of funding among each other. Investors are a part of the start-up companies' network. Thus, when investors refer promising start-up companies to others in their own network, the investors expand the start-up companies' network and make the start-up exposed to greater variety of investors.

There is also evidence from the interviews that industry events expose investors to the

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[1] All quotations from Company 4 have been translated from Icelandic to English by the author. The translations were confirmed by the interviewee to make sure the meaning was not lost in translation.

company as well as media coverage. However, it seems like the extra step of social relationship over business relationship is preferred by the investors to make an investment.

Investor relation in start-up companies is also about building up relationships with investors. Not necessarily to get finance right after the initial contact, the relationship is rather about having access to finance when the need arises. The relationship building is demonstrated by the following quotes:

> *…we are talking to investors with view of future funding […] We are talking to many different people, but not in a very formal way, definitely we will try to raise some money in couple of years to accelerate growth, but right now we feel like that it would be premature and that it would not bring the optimal results (Company 5)*

> *Relationship with investors is something that happens over time, I have founded three companies before and I have connections since then to investors and my network in that sense is quite dense. That is for sure going to help us now, when we need finance (Company 4)*

It is a long term project to get access to investors and it relies much on social network ties e.g. personal connections or referrals. From the sample more than half of the companies exploited social relationships to get funding at some point as is illustrated in the quotations below:

> *I have been working in the industry for about 25 years and I know the people already. So I can call them and say this is good come in and join us. But that is about personal relationships. That is pretty normal (Company 6)*

> *Until now we have only sought for the initial angel investment and that was done through personal channels (Company 5)*

A relationship with investors is an important relationship for start-up companies. This is a relationship that is built up over time and some type of social tie seems to be imperative for an investment to take place. To expand the pool of possible investors industry events such as fairs and seminars are excellent venues to be exposed to new faces. Nevertheless, the most quality initial contact comes from being presented to an investor through personal network.

Customers

Customer relation emerged as being important for all the companies in the study. Customer relation can be divided into two categories depending on who the end customer is. For business-to-business (B2B) companies' customer relation is characterised as a long term, often dialogue based relationship. In the business-to-consumer (B2C) companies' customer relation are characterised as a community rather than a dyadic relationship. These two types of customer relationships will be described in turn.

B2B customer relationship

How the relationship with customers in B2B companies is characterised seems to depend on two factors. The first factor is the type of product/service that the company offers: the more specific the product/service is, the closer the relationship with the customer. The second factor is where in the life cycle the company is located: the companies that are still on the development stage or early growth stage have closer relationship with customers. For example Companies 3 and 5 have symmetrical dialogue relationships with their customers.

Company 3 is at the late development stage and relationship to customers is important for them. Through the two-way symmetrical relationship they get input from the customer regarding the development of the product. With the input they are able to advance the product so it will fit the customer's need for a product, not the companies

need and longing to develop. Company 3 sends e.g. generic samples of the product to potential customers; the customer replies, specifying his wants and needs. Then the customer gets sent back a new sample with his specification implemented. This dialogue based relationship is one method for the company to encourage the customer to tell them, realistically, what they need.

Company 5 relies also on symmetrical dialogue with their customers. To make the initial contact Company 5 applies direct marketing strategy. According to Cornelissen, (2011, p. 256) direct marketing are activities which make it possible to offer products or services directly to a segment of the population. This method is important for Company 5 because they are offering new and unknown service. Companies 5 first step is to contact their potential customers directly, usually through e-mail, with very specific message. They suggest projects relevant to the potential customer needs that could be done with their technology in more cost efficient way. For Company 5 to contact the possible customer directly is just the first step in establishing a long term symmetrical relationship that will yield more projects in the future. The following quotations demonstrate their method:

> *This is completely new service, so nobody comes to us. No one is looking for us we have to contact them and tell them what it is, what it can do and why it is so good. So we did lot of that and that started to pay off in 2012 and we increased our revenue ten times (Company 5)*

> *Until recently we have always looked at the companies carefully, very carefully, and then really crafted the message, not only for the company, but for the person we're addressing specially. We try to speak to the person's education or experiences or something [...] so we try to make it as customized as possible and that has worked for us many times. But it takes a lot of time, still it is worth the while, especially because we are the first provider of this service and we of course go after the big customers. That*

makes sense to do that, so we feel that it is worth investing this time into writing to them very well and also going there and meeting them (Company 5)

After Company 5 has succeeded in establishing the first contact, the relationship with their clients is characterised by dialogue. The dialogical nature of their relationships is also inherent to the service they offer. They are scientists offering services to other scientists. Therefore, their relationship has to be dialogical for all parties to participate and follow what is occurring.

It also emerged from the interviews that the message to the possible customers', needs to be tailored to his specific needs. Company 5 has to tell their possible customers what they can do for them, and suggest projects that are suitable to their technology. Similarly, Company 3 has learned the hard way, that they need to suggest to the client what he can use their technology to do. It is not enough to show that they have a new advanced technology; they have to show each customer how they can use and benefit from this technology as the CEO explains:

> *If you don't know what you are actually selling to the customers you will just confuse them. I remember we met with company X, and our CTO shows what we can do with our technology and they were overwhelmed […] they were saying yeah we can use almost each one of those, but which is the best one for us? So it came to, they were requiring what we can offer for them, not so that we show them what we can do and they can then pick, it is more like tell them what they should do (Company 3)*

Company 4 is in the early growth stage and offers fairly tailored services to their customers. As Company 5, they also apply direct marketing strategies to make the initial contact to their potential customers. If the initial contact is successful they build the relationship with the customers from there.

... We have been very active in making first contact with various companies, and today we do this very systemically. We have a narrow definition on what kind of companies we want to talk to, what kind of people in them we want to talk to and then we make contact with them (Company 4)

As the preceding quote suggests, it is not enough to choose the right company to contact. To initiate the possible relationship successfully, is also about initially contacting the right person within the companies. Therefore, the message has to be tailored to that specific person in that specific company, for it to yield the desired results.

As the preceding analysis demonstrates, to contact the right company and the right person within it, with a tailored message, emerges as the prevalent strategy to acquire new customers. After the initial contact the relationships that the companies described are long term symmetrical dialogue relationships.

B2C – customer relationship

Through the interviews with the two companies that are operating on a B2C market, a relationship with their customers emerged as a salient feature, just as for the start-ups operating on a B2B market. However, this relationship is better described as a community than a long term dyadic relationship. This kind of communities the companies describe can be related to communities of interest in the literature.

According to Johansson (2002), a community of interest is transaction based community. Suggesting that the community is built around a transaction, in this case the product offered. Communities enjoy a network effect which implies that the companies' external networks can expand through their community. Furthermore, the relationship between the company and the customers is an active relationship where the company attempts to create community around them and encourages the customer to interact with them and take part in advancing the product.

Communities of interest seem to be of significant importance for the B2C start-up companies. The importance is manifested through the start-ups interaction with the customer and the network effect the communities offer. The community also gives feedback on the products and provides ideas on how to improve them. The community has formed an important source to further extend the external network, for both companies, through word-of-mouth marketing. In both companies communication with the communities are informal, the language is colloquial, and the communication is on first name basis. Furthermore, both companies put effort into responding quickly to customers. In Company 2 the informal policy is to try to respond to all inquiries within 10 minutes. The following quotes illustrate the community relationship:

... we do actually get a lot of feedback and I think we are kind of lucky with having a community ... we also are quite open just to talk to them ... (Company 2)

... we also try to do the user support over social networks and e-mail and respond in 10 min as much as possible... (Company 2)

Whether the start-up companies are operating in B2B market or B2C market, customers play an important role in their external network. The customer brings various beneficial effects to the start-up companies. For example, they are paying customers, they provide feedback, and they provide a method to expand the external network of the start-ups by referring them to other potential customers. Furthermore, customers, especially if they are important players in the market, provide needed legitimacy to the start-up companies.

According to the reviewed literature (Subsection 2.2.2.2), two benefits start-up companies acquire from networks are increased social capital and legitimacy (e.g. Coviello, 2006). The importance of presenting current customers to increase legitimacy is supported by the findings, as is illustrated in the following quotes:

yes sure it helps a lot it has a meaning, of course if someone is buying and spending hundreds of thousands of Euros they need to have some sort of a

71

trust that the product works and you can use it and that's why all the customer references and having anybody in the same language area or the same country is a valuable gain (Company 6)

They [the community members] actually start to feel that we care about them, they start to contact us more and more then they give new ideas. If you guys could do this and that and after couple of conversations they actually start to remind their friends to use this service, so I think that is a cool thing (Company 2)

Customer relationship emerged as one of the most important assets in the represented start-up companies. Through customer relationship they learn how to amend their products so they will be better able to fill the customers need. Furthermore, the pool of customers is an excellent source for connections to new possible customers through either, word-of-moth marketing or by referrals.

Partner

The characteristics of partner relationships are closely related to customer relationships and offer similar benefits. A partner relationship is indicated to be a great asset and helpful in establishing legitimacy for the company, just as customer relationships. According to the interviewed companies, it is beneficial to be able to present partners to potential customers because the partners increase legitimacy and make it easier to gain new customers. If the companies´ can show they have respected partners, their social capital increases, which is especially important for the B2B companies. For them it is important to be able to show that they can accomplish what they are offering. One method to do that is to show whom they have been working with and get referrals from them as is noted by one of the interviewees:

… We try to show the external partners as much as we can, both in conversations and in the presentation we take to new customers. If you come

without any connections you get much more questions that you have to answer [...] so yes to have big and known customer shows that you have something to offer, that you can figure things out and offer a solution (Company 4)

Some of the interviewed companies are working closely with large, sometimes internationally known partners. They are either selling with their partners or have included the partners services in their own product/services. How the relationships are characterised appears to be industry related. The start-up companies that are selling software, or service over the internet are using partners, either as sales partners or the partner´s services are incorporated in the start-up companies' products. Conversely, the companies that are selling hardware are more likely to have partners as manufacturers or resellers.

Furthermore, the companies that sell software or service over the internet publish on their websites who their main partners and customers are to endorse their services. While, the companies that sell hardware use their companies' websites more to publish videos from customers or a list of their customers to endorse their products towards the end consumer. They do not present their manufacturers as partners and they only list the resellers to show where the product can be purchased, not as an endorsement.

Partners are important to the start-up companies because they can offer legitimacy to them through e.g. sales partnership or by being a part of the start-up companies' solution. Start-up companies are as has been noted before, new entities with limited resources therefore to have established partners can be of crucial importance to them.

Media

Media relation is defined by Cornelissen (2011, p. 260) as "The function and process of gaining positive media attention and coverage". Media plays dual role for start-up companies. Media is both a stakeholder that companies try to build a relationship with

and it has also, the role of presenting the company to other, potential, external stakeholders.

Of the four stakeholder relationships describe here media relation appears to be the most problematic relationship for the start-up companies. It seems to be problematic for one main reason: lack of resources, especially of finance and time.

In the case the start-up companies have initiated a relationship with media it is mostly through PR agencies. The companies that have thought about media relation, but are not pursuing it actively, came to the same conclusion: PR agencies would be the best option. That is because; building a relationship with media is time consuming and takes up precious resources.

The other option to get coverage in media is by participating in industry events. However, it depends on the industry the start-up is operating in, how the media coverage is and how much they can be expected to be covered. How the interviewed companies perceive media relation is illustrated by the following quotes:

> *Lately we have been building up connections with reporters and we have one employee that has been working with media relation. He has been helping me to get connection with reporters and tell them what we are doing [...] this has produced few articles from which, on some occasions we have seen direct increase in possible customers and investors that contact us (Company 4)*

> *not so much on the press, we were thinking that last year but it seems that we would need some outsources service for doing that, it is as well that you need more contacts for the reporters, not so that you send it out, it never normally gets published but you should have somebody contacting and talking with them (Company 3)*

...we have dedicated PR companies hired in the US, one in the UK, one in Germany doing the actual work (Company 6)

It also means that we are creating a lot of publicity from those events so that usually some 50-100 different online magazines or printed versions are writing about us (Company 6)

Despite difficulties in building a relationship to the media: to be covered by the media and being written about seems to be effective to create a base for expanding the start-up companies' current networks. Some of the start-up companies described positive relation between media coverage and increase of possible customers and/or investors. However, it is industry related how start-up companies perceive the benefits of media relationship, which is a subject that will be discussed in the following section.

Despite the ambivalent feelings towards media, media can be helpful to increase start-up companies exposure to external others as the presented findings indicate. The findings related to media are supported by earlier findings by Moss et al, (2003, p. 200) who found that PR is simply not on small companies' agenda as a business enhancement tool.

This Section 4.1.1 has described the importance of quality relationships with investors, media, customers, and partners from the point of view of CEOs in start-up companies. In these sections it has emerged that first contact with external stakeholders, often takes place at various industry events, after the company has been present in the media, or if the company has been recommended by someone else in the start-up companies network. Furthermore, it has been highlighted that communication are an important part in establishing and maintaining network relationships.

The next Section 4.1.2 will explain further the effects that industry events, referrals, and media have on the start-up companies' networks.

4.1.2 Networking

This section will look into the benefits to networking the three ways of connecting to external stakeholders, identified in the precious Section (4.1.1) offers.

According to the reviewed literature (Subsection 2.2.2.2), networking refers to getting connections to resources, important to the start-up such as financing and legitimacy (e.g. Roodt, 2005; Hitt et al., 2001). However, to expand a network can be challenging and to get new connections, start-up companies' needs to have some legitimacy. Moreover, they need to work towards getting connections as is described by one of the interviewees:

> *It was a first lesson for us to kind of understand that nobody really looks up to you, and if you want to talk to someone, to be recognized, want to be know, you really have to do something about it (Company 2)*

As has been established in the paper start-up companies are new entities that lack legitimacy and resources. Furthermore, gaining access to those can be challenging. An access to the needed resources can be gained through networks. Therefore, it is important for start-up companies to expand their network of stakeholders. From the findings in the preceding Section 4.1.1 three ways to expand networks emerged, both proactive and reactive:

1. Participation in fairs, conferences and other industry events
2. Referrals from customers, partners, investors or others in their network
3. Media presence

These three methods include both proactive acts on behalf of the start-up companies and reactive method, which is based on already established relationships. Thus networking in start-up companies appears to be a mixture of proactive and reactive measures which are supported by Coviello´s (2006) findings presented in Subsection 2.2.2.2.

Each of these three ways to expanding networks and their effects on the start-up

companies' networks will be described briefly in the following paragraphs.

Industry events

Fairs, conferences, and other industry events are important for the represented companies because the events increase the start-ups exposure towards desired others such as customers, partners, and/or investors.

It is different what type of events is favoured by which company. It seems to depend on whether the companies are offering a physical product, service, or a software/internet technology. Also, the companies that are working on a B2B market are more interested in attending industry events than the B2C companies. The industry events as they look to the interviewees are described in the following quotes:

> *Well there are two groups of people that come from these conferences, one is of course the investors or possible investors for the future and the other one is the potential customers. They have technology scouts and technology people all over that kind of event, already knowing that this is the future technology, they come to listen to those so that way it creates also a market (Company 3)*

> *So far the events that have worked for us are events like partnering and investor's conferences, trade fair like big exhibitions are not so great for us because we do not have anything to exhibit (Company 5)*

According to reviewed literature (Subsection 2.2.2.2) industry events facilitate and accelerate internationalization by providing access to qualified leads and contacts (e.g. Coviello, 2012; Vasilchenko and Morrish, 2011). Thus, the events can expand the network the start-up belongs to. The interviewed CEOs consider industry events as an important part of their internationalization strategy, as an example from one of the CEOs shows:

Mainly we are doing that [internationalization] by participating to major exhibitions or fairs in the field and as an example the CES consumer electronics fair in Vegas. The total amount of qualified leads we got there was almost 5000. That is too many absolutely too many, so you can imagine the people lining to see our booth. But that is the main way of sharing, first of all the company info and also to getting acquainted to possible partners and resellers (Company 6). [Brackets added for clarification]

From this it is possible to assume that industry events are an in fact large networking event which explains their salience to start-up companies.

Referrals

Referrals from customers, partners, investors, or others in start-up companies' networks emerge as an important factor in networking. To be referred by e.g. customers to other possible customer is perceived to increases the start-up companies legitimacy, as is demonstrated by the following quote:

... we have as well been so lucky that our customers like working with us, so they have put us in contact with other companies which makes the relationship, obviously, much stronger than it would be if you make the first contact (Company 4)

Also the already presented finding on the relationships to investors, customers, and partners highlights the importance of referrals on networking.

Media

Media presence has in some instances been catalyst to attention from interested investors or customers and has resulted in contact with new investors. Moreover, media coverage has in some occasions shown up directly in increasing number of customers or possible customers according to some of the CEOs.

Being present in media seems to be beneficial. However, it is industry related as to which companies feel like they benefit from media presence. To have a positive connection to the media seems to be helpful in those companies that have a more generic product/service and those companies also regarded media more favourably. For the companies that offer very specific product/service, media is neither perceived as an important stakeholder to build a relationship with, nor does media coverage offer much benefit to the companies. If they want to be covered in media it is through some industry specific media where they know who the potential reader is, as is demonstrated in the following quote by one of the CEOs:

> *We are willing to invest time is some kind of a newsletter type of advertising*
> *if we know the newsletter and if we know the audience (Company 5)*

This Section 4.1.2 has explained how industry events, referrals, and media can facilitate start-up companies networking. All three offer networking effects and offer different ways of expanding the start-up companies' networks. Furthermore, networks appear to enhance the reputation or legitimacy of the start-up companies through increased exposure and recognition.

This Subchapter 4.1 set out to answer the first sub-question: *External communication - What is the function of external communication in start-up companies?*

From the analysis it emerges that the role of external communication in start-up companies is twofold. First, it is to gain access to resources the start-up companies' need. Second, the role of external communication is to gather information from the external environment and the external stakeholders. External communication in start-up companies does not appear have the role of creating a holistic image of the company or to keep customers and other stakeholders informed, as is the case in more established companies according to Cornelissen and Thorpe (2001, p. 415). In start-up companies external communication revolves around creating legitimacy, and collecting useful leads and contacts. Thus, external communication is for most parts tactical act to fulfil a need.

External communication appears to be managed to some extent in start-up companies. For example, the larger companies that are operating on B2B markets think about tailoring the message to each customer. Furthermore, the start-up companies' representatives attend industry events with the goal of increasing the company's exposure so they can find customers, partners, investors, etc. Finally, the companies that have more specific products map out who they intend to contact. This part of external communication seems to be organised and has a strategic element to it. However, these activities are not consciously thought about as external communication, it is a method to acquire needed resources.

The relationship to the salient stakeholders seems to be characterised by symmetrical or asymmetrical communication strategies. Building up long term relationships with key stakeholders, such as investors, seems to be a strategy for the start-up companies. They are all aware of building a relationship, will benefit them in the long-term. But, it is not that the start-up companies are necessarily aware of the communication strategy they are applying. This type of external communication is inherent in the field.

To gather information from the external environment the companies use different methods. In the preceding analysis in this subchapter the focus has been on two way relationship with salient stakeholders. However, to monitor the wider external environment Company 1 uses an internet based system called Flowdock. Flowdock aims to make external information gathering easy. Furthermore, Flowdock, makes it easy to share and organise this information internally. The system works so that companies can connect e.g. all their social media sites such as Facebook, twitter, or YouTube, to Flowdock. In the system, all activities from those sites are streamed into one flow inside Flowdock. Furthermore, companies can subscribe to RSS feeds on various websites and media and these RSS feeds are also directly aggregated to the Flowdock stream. Thus, the companies only have to follow this one site to monitor their external environment instead of having to visit each site separately (Company 1; Flowdock, n.d.). This system is very important for Company 1, because it brings order

to the amount of information available. Furthermore, it makes the information easily accessible.

It should be mentioned despite the fact that each relationship is looked at separately in the analysis they are all related and each affects the other in the network. E.g. the relationship to investors is affected by exposure in media or at industry events. Furthermore, most of the external communication function has a direct or indirect relation with internal communication. The findings pertaining to internal communication will be presented in the next Subchapter 4.2 followed by Subchapter 4.3 that has the objective of connecting external and internal communication.

4.2 Internal communication

This subchapter aims to provide answer to the second sub-question: *Internal communication - How are internal communications in start-up companies managed and organised by the CEOs?*

According to the literature review (Section 2.2.3) internal communication refers to all communication that occurs within the organisation, both formal and informal (e.g. Kalla, 2006; Welch and Jackson, 2007). Furthermore, it refers to the strategic management of interaction among all internal stakeholders. The focus in this paper is on how the CEOs of the represented manage and organise internal communication.

The characteristics of internal communication in the interviewed start-up companies are to some extent similar. However, the dissimilarities are more salient. The dissimilarities are connected to where in the life cycle the company is, as is suggested by earlier findings from e.g. Saini and Plowman (2007) and Mueller et al. (2012). They agree on how the characteristics of internal communication change, depending on where in the life cycle the companies are located. The uniqueness of internal communication in each company has also to do with the size of the company, the industry they are in, and if they are selling hardware, software, or service. Therefore, in this section the commonalities of internal communication in all the companies will be highlighted.

Though, the individual characteristics of each company are intertwined in the analysis.

When the interviewees were asked about internal communication, they were first asked to describe the company culture. Below, the quotes show how the CEOs describe the company culture:

> *The offices are fairly open spaces so people meet and go together for lunch, so there in the informal network lots of business related information change hand also (Company 4)*

> *Pretty relaxed, very flat organising, we have management team and then everyone is more or less equal in the organisations, so not any layers yet (Company 3)*

> *... Open in the way that are no orders in how to talk to each other we are not setting any, everyone can come and talk to me even though I am the CEO (Company 6).*

According to the literature (Section 2.2.3) the internal environment and internal communication are a close knit. Therefore, the characteristics of the internal environment ought to be appropriate to indicate how the characteristics of internal communication are. From the interviews, two common characteristics of the internal environment emerge: *informal,* referring to the open characteristics of communication internally, and *cooperative*, referring to teamwork or interdependence between positions. These two characteristics support the findings of Saini and Plowmans study who describe the internal environment in start-up companies as being open and teamwork based (Section 2.2.3). Each of these characteristics will be looked at in turn in connection to related themes that are individual to the companies.

Informal

The first commonality of the internal environment, *informal,* refers to two

characteristics related to internal communication: lack of organised communication processes and/or open information flow. Lack of organised processes is a characteristic common to the companies that are either early in the life cycle curve or have homogeneous employee base. Open information flow characterises all the companies. Also those that have moved further on the life cycle curve and have relatively formal or emerging formal internal communication processes. So even though the internal environment is described as informal the communication processes can be quite formal.

Figure 8 demonstrates approximately where in the life cycle curve the companies are located and how formalised their internal communication processes are. The companies' relative location was approximated depending on information from the interviews as well as information from the reviewed literature. Thus, the relative location of the companies is based on interpretation of the qualitative data, not calculated based on quantifiable data.
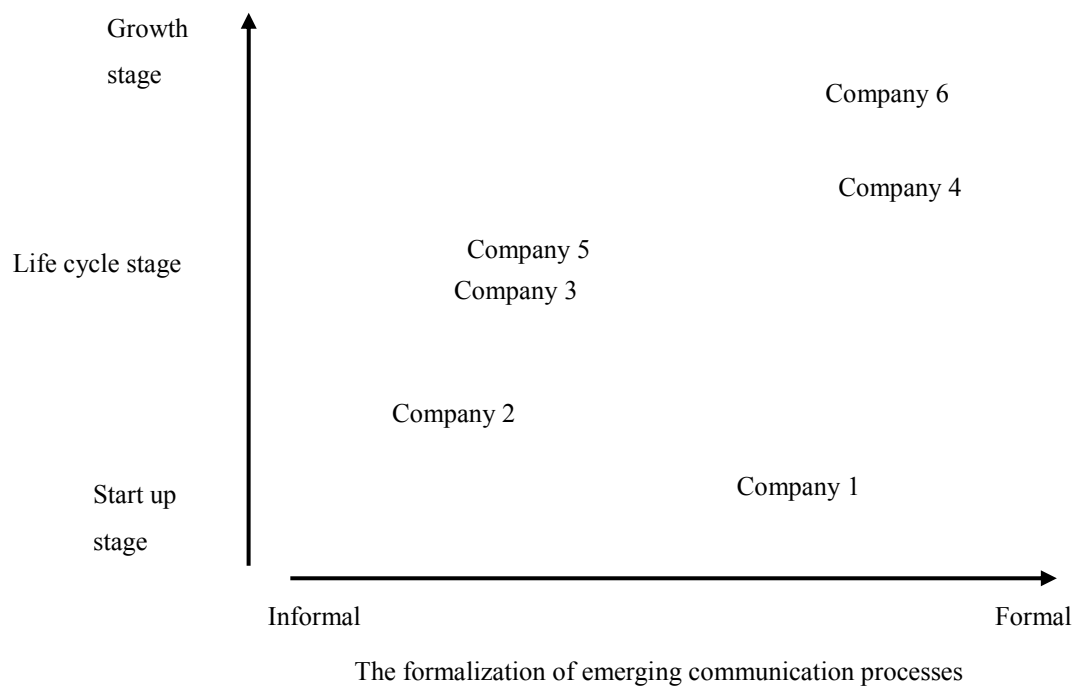
The formalization of emerging communication processes

Figure 8 Position of the characteristics of internal communication in start-up companies

The informal-formal communication axis refers to, to what extent the company's internal communication is organised. Informal, referring to no communication structure and formal refers to organised communication structure. The start-up stage-growth stage axis refers to where in the life cycle curve the companies are located. At the top, growth stage refers to companies that are well into the growth stage and are experiencing rapid growth. At the bottom, start-up stage refers to newly established companies. This figure is useful to see where each company is in relation to the other and also to explain some of the similarities that occur between the companies.

Open communication flow is in common among all the companies. Open communication flow indicates there are no barriers between employees-management to communicate. As an example, the culture that has been built up in Company 4 is open. If there are any problems no one is afraid of talking about them and they should reach the surface easily as the CEO demonstrates in the following quotation:

I think that is consequence of having the organisational culture open,

everyone is supposed to have a perfect image of what is taking place in the
company and therefore people does communicate back (Company 4)

Open communication flow is further supported by the physical organisation of the companies. The companies that were visited during the data collection shared the commonality of open workspaces. All employees were either working in the same space, or the managers had private offices; still everyone was welcome to come and knock on their door. Thus the physical location encourages open interaction as well as the internal environment.

In start-up companies with few employees, as Company 2, there is no need for formal internal communication processes. The five employees, among them the CEO, sit at the same table in a co-working space. Thus, there are no internal communication processes simply because there is no need for it. The employees know each from a former workplace and they work closely together as a team. Team based work emphasis the value of working together and establishes team level responsibility (Subsection 2.2.3.2).

The three medium sized Companies, 3-5, are either on the late start-up stage or early growth stage. These companies have an interesting mix of formal and informal communication processes. They still foster the team level responsibility that is described as a characteristic in start-up stage companies. But, they also have clearly separate working areas such as marketing, finance, and development. However to what extent the companies have formalised internal communication is different in each company.

In Company 3 internal communication within the management team seems to be fairly formalised. The management team has quite regular meetings about e.g. what is happening in relation to the external environment; in contrast communication to the employees is informal and takes place through informal talk as indicated in the quotation below:

I think that for the management team we have more like structured meetings
and share information about what happens [externally][…] it´s been

informal telling people [employee] what has happened it is not something
that is formal so that there are no records of what has been told to the
people (Company 3) [brackets added for clarification]

Company 4 has to a large extent formalized communication processes when it comes to conveying company information and strategic information to employees. One explanation for why internal communication is as formalised as it appears to be is that Company 4 has the development team in Iceland and the sales team in the USA. For that reason there have to be formal communication processes; both between the teams so they can cooperate and for the CEO to share the same information to all employees. The CEO is not able to go downstairs and talk to the development team, as the CEO in Company 3 has the ability to do. Thus formalised communication processes have emerged out of need to share information and organise the work that needs to be done.

The need to organise tasks and facilitate information sharing seems to be the reason for why the CEO of Company 5 is working towards making more formalised procedures for routine tasks in the company. She is working towards formalising communication procedures for invoicing and project management. E.g. encouraging the employees to send her an e-mail with invoicing information, rather than stopping her in the corridor to tell her whom to invoice. Also, she is encouraging them to fill in information on project management in a customer relation management system (CRM).

Even if you told me please write me an e-mail because then it goes into my
to do list, but if you don´t write me an e-mail it is lost I can never remember
that you said that (Company 5)

However as opposed to formalizing invoicing requests and formalizing project management, all other internal communication is spontaneous and informal e.g. communication related to strategic decision making. For Company 5 the reason for formalising communication processes rises out of the need to manage information overload to maintain oversight. But interestingly this is communication from the

employees to the CEO not CEO to employees as is the case in the other companies. This might be because Company 5 is research based company and all of their employees are scientists.

Company 6 is the largest company in the sample and the company has been experiencing the most rapid growth in terms of employee base. Thus it is in the growth stage; in addition to facing steep growth internally, they are also expanding geographically. Currently they have 35 employees at three different locations. Their internal communication is planned to some extent and internal communication processes are forming, still the internal environment is very informal and open.

Company 6 is working towards formalized communication processes internally. There has recently been conducted a survey internally which uncovered a need for more systematic way of sharing relevant information to all parts of the company. The company is growing fast. Therefore, the management is working towards how to best convey the same information, and the right information in a timely manner to all employees.

> *... When we are hiring more people it is going to be important to keep people informed of what we are doing, otherwise we are not handling the growth (Company 6)*

As indicated in the quote above Company 6 is formalizing internal communication processes to respond to the need to handle growth effectively.

Company 6 is facing some challenges in their internal communication due to the rapid growth of the company. One challenge that was identified by the CEO is when to share relevant information. This challenge is demonstrated in the following quotation:

> *... so keeping the information visible and the right information, seems the R&D might be doing something that is ready for sales possible in six months or a year. So there is no sense of sharing that information in those early stages*

and it is possible that the product will not be commercialized at all. How to share the information we are able to commercialize well before, but not too early. Balancing, that is always a challenge (Company 6)

Interestingly enough, one of the two smallest companies has one of the most formalized internal communication structures in the sample, while at the same time having very informal internal environment. Company 1 uses internal communication system called Yammer. This system works similar to an internal Twitter where the CEO and employees alike can post on internal site; ideas, concerns, changes that are occurring in the company, and so forth. The goal of Yammer is to make inefficiencies and problems that tend to be localized visible for everyone in the company (Yammer: The enterprise social network, n.d.).

In Company 1 Yammer has eliminated the need for e-mails and all company related information is located on this site. As said before all employees can post on the site and the other employees have the option of responding to that thread. That way this system creates dialogue, visible to everyone, about what is happening in the company. For Company 1 it has been a success to use Yammer as an internal communication system. The system is scalable therefore Company 1 has been structured to be communication based company which, according to Saini and Plowman (2007, p. 205), is the optimal way to avoid communication problems internally when the company reaches the growth stage.

According to Bingham and Haleblian (2012, p. 165) regular meetings are formal communication that lead to accurate description of reality and improves collective decision making. The four larger Companies (3-6) either have regular formal meetings in their management teams or they have, as Company 5, wide company discussion regarding company issues. Furthermore, in addition to the management team meetings, Company 4 has short term strategic meetings with each department weekly. In those meetings the CEO puts emphasis on providing information to the employees about short

term strategic goals, information from customers, and the effect customers have on the company internally. Company 6 also has a string of formal strategic meetings with employees in each team in the company.

The findings, that support *informal* as a description on internal communication in start-up companies, are to a large extent congruent with the reviewed literature (Section 2.2.3). The literature describes internal communication in start-up companies as having limited infrastructure, emerging communication processes, and often they face some problems related to internal communication when they start growing rapidly (e.g. Mueller et al., 2012; Saini & Plowman, 2007).

Cooperation

The second commonality *cooperation* refers to how much positions in the company overlap, to what extent different departments cooperate, and how much the communication between them is managed. The reviewed literature offers nothing on how CEO´s of start-up companies manage internal communication as the company grows. The objective of this section is to give some insight into how internal communication in a start-up is managed in practise.

In the two smallest companies there is apparent position overlap, which is widely supported in earlier literature (e.g. Graham Spickett-Jones & Eng, 2006; Mueller et al., 2012; Saini & Plowman, 2007). Both have separate positions for their employees e.g. developers, business manager, marketing, sales, CEO, CTO, etc. However, these positions overlap to a great extent. In Company 1 the sales manager also programs, therefore he knows the technical detail of the product. In Company 2 the whole team sits at the same table and despite the different positions everyone knows and is involved in all the other processes that are going on. The people in e.g. development, design, and business development explain their task to each other and as a result they work together as a project team.

In the other four Companies (3-6) the positions are more defined, sales works in sales,

and development in development. However, they cooperate and are aware of what the other people/departments are doing, sometimes because of intentional acts on behalf of the CEOs.

The CEOs of the larger companies put effort into improving information flow between different functions; this is especially apparent in Companies 4 and 6. Both companies have operations at more than one location and make an effort to maintain the informal, open structure that characterises start-up companies.

Both companies have companywide meetings that have very similar structure. In Company 4, during these meetings, some of the employees from different functions present their work and the challenges that they are facing to other employees. According to the CEO (following quotation), these presentations have helped a great deal in increasing understanding between the sales department and the development department. Moreover, the meetings have been helpful in maintaining positive interactions, even overseas.

> *... If there is something that I think about in communication in the company, it is in companies it is a classic dilemma that sales and development are, at least on the surface, enemies and that only derives from lack of understanding of the other person's job. For us this is especially dangerous because we are building up sales and development in separate countries (Company 4)*

Furthermore, these meetings serve as a platform to discuss the future strategy of the company where the employees can participate in the discussion.

In Company 6 a similar meeting is organised to share information and facilitate organisational learning. Company 6 holds meetings where the employees from different positions meet and discuss their jobs. Following is an example from the CEO:

I will give you an example, after this interview we are going to have rehearsal at the showroom, meaning that all the teams are there to share their experiences and explain what is important, customer wise, so the sales people are explaining that to the R&D people and the R&D people are explaining back, what they are going to do and what is not going to be a major change. So that is information sharing, and internal learning as well (Company 6)

It is also required in Company 6 that new employees, indifferent of whether they are hired as a R&D person or a sales person, takes part in one of the international fairs the company participates in on regular bases. This has been a success among the employees. By participating in the fairs they learn how to interact with the customer and also, they get valuable information directly from the customer.

Both Companies 4 and 6 have companywide meetings in place to facilitate organisational learning and increase understanding between different parts of the company. In both companies these meetings are something that has been decided upon as an effective way of information sharing and organisational learning. This indicates that the CEOs of these two companies are managing internal communication and by doing that they are increasing cooperation and understanding between employees.

Despite emerging internal communication processes and information sharing meetings in Company 6, it is according to the CEO challenging to manage and organise effective internal communication:

That is by the way quite, challenging, for internal communication in this kind of company that doubles its revenue and personnel every year, it is quite challenging and that comes with the growth (Company 6).

This indicates that planning internal communication is helpful to manage growth and should be thought about from the beginning. This observation is further supported with

a comment from the CEO of Company 3, who says that they should probably start to think about internal communication while the company is still small.

Internal communication is somewhat different in Companies 3 and 5 than in Companies 4 and 6. This can partially be explained by several facts: Companies 3 and 5 are research based companies, they are located at one location, and they are at similar place in the life cycle curve (Figure 8).

There is frequent cooperation between departments in Company 3 because most of their projects are developed specifically for each individual customer. The company is still at the development stage, bordering on product sales. The sales people are most in contact with the customers. Therefore, they have to cooperate closely with the development team to achieve the results the customer is wishing for. Thus there is close cooperation within the company.

> *... Most of the customer projects are joint development with the customer so we need to have our developer and manufacturing actually working with the marketing or sales guy and the project managers who are in sales organisations. So in that sense they need to talk, I think they talk daily, they have meetings even daily where they go through different projects (Company 3)*

However, this cooperation is not specifically managed by the CEO as indicated by the preceding quote. This cooperation rises from the need to develop the product according to the customer needs. There is nothing in Company 3 that indicates internal communication is managed which is confirmed by the CEOs comment that they have not started to think seriously about internal communication yet.

In Company 5 they are working with very specific technology, they offer services to large companies and most of Companies 5 employees are scientists. Therefore, they have to work together as a team to accomplish their work. They have strong informal

internal communication and all decisions are dialogue based. However, there are no specific processes or platforms in place that increase cooperation it just happens naturally in the company. The company employees for most parts scientists due to its nature as a research based company offering services. The homogeneity of the employee base could be why their internal communication is for most part, not compatible with the other companies in the present study.

The findings that support *cooperative* are supported by the existing literature, where there is a supportive literature. Internally, all the employees in the represented start-up companies work closely together to develop and sell their products or services, which indicate close cooperation and position overlap. What separates the cooperative part of internal communication in the companies is to what extent their internal communication is managed and organised, as opposed to being, natural and arising from a tactical need. This distinction appears to be related to where in the life cycle the companies are and also to the companies' geographic location/s.

To summarize this Subchapter (4.2) briefly, the function of internal communication in start-up companies is tactical, just as in external communication. Formal internal communication processes appear to emerge out of the tactical need to either manage information overflow or to organise tasks to be accomplished. Both of these are connected to the need to handle growth effectively. Thus, emerging internal communication processes do not seem to be decided upon rather they emerge when the need arises. However, the findings also indicate that *how* these processes emerge should be managed. In Company 3 the CEO suggests the time to plan internal communication for in their company, would be now, before they start to grow. In Company 6 they are currently dealing with the internal communication problems that resulted from rapid growth.

The section set up with answering the first sub-question: *How are internal communications in start-up companies managed and organised by the CEOs?*

According to the findings it seems that internal communication is to a limited extent managed deliberately by the CEOs. Company 1 has managed and organised internal communication and are the exception in this sample. The other companies, which have some, managed internal communication is not consciously managing communication, they are improving information sharing, organisational learning, and increasing cooperation. Nonetheless, their internal communication is managed. To what extent it is managed depends on where in the life cycle the companies are located. Also it depends on the geographical dispersion of the companies' employees. The companies that have employees or departments located at more than one geographic location appear to have managed and fairly organised internal communication. While the companies that are located at one location tend to have more informal internal communication.

The parts of communication that is organised regularly are formal meetings within the management team. Also, meetings with employees are organised quite regularly in the larger companies; either as department meetings, companywide meetings, or strategic meetings. However, most of these meetings deal in one way or another with information related to strategic planning, irrespective of what they are called. Thus, formal, organised internal communication seems to be mostly connected to strategic decisions.

4.3 Communication in the strategy process

This subchapter presents findings related to communication during the strategy process in start-up companies and seeks to answer the third sub-question: *Strategic planning – How are internal and external communication integrated through strategic planning process?*

First, the subchapter will present findings on the strategy process internally in the start-up companies. From there the subchapter will move on to linking external and internal communication through strategy as process.

Internally, the strategy process differs in all the companies' because it is tightly coupled to internal communication. Thus, it depends on where in the life cycle the companies

are, to what extent the internal strategy process is formalised, just as the characteristics of internal communication appear to be related to the life cycle.

For the two smallest Companies, 1 and 2, there is no strategic process to speak off. Strategic issues are dealt with on a group level when they come up in Company 2 and in Company 1 Yammer; their internal communication system includes strategic dialogue.

Of the three middle sized Companies, 3, 4, and 5. Company 4 has the most formalized internal communication processes. Therefore, Company 4 also has a formal strategy process internally. Strategic meetings take place weekly in the management team; these meetings along with company level meetings decide upon the medium term strategic goals. Additionally, there are weekly meetings in all departments of the company where the goal for the next two weeks is decided and the status of the current goals is evaluated. Thus, as the CEO of company said:

> *If there are any large strategic changes going to occur, that should not come as a surprise to anyone (Company 4)*

The largest company, Company 6 has formalised internally their approach to strategy. In the following quotation the CEO describes the process:

> *We have a management team, naturally, and preparation for strategy happens in the management team, to be approved by the board, since there are external owners. So basically all big decisions are made in the board, but the preparation happens in the management team meeting, and then again like in the production, R&D, and sales (Company 6)*

This process includes all levels of the company in a strategic dialogue through formal meetings, which indicates that employees should be aware of the general direction of the company.

The remainder of this subchapter presents findings on how strategy as a process occurs

through the interplay of external and internal communication.

In the reviewed literature (Section 2.2.4) it is firstly, argued that external and internal communications are interrelated and therefore, they affect each other. Secondly, it is argued that the relationships to the important external stakeholders that have been identified: customers, investors, partners, and media, have impact on start-ups strategy through communication.

The findings indicate all the companies in the sample are affected by the external environment. It depends on the industry and the size of the company, how and through whom they are affected. But, they all have in common the fact that the external environment has an impact on their strategy. The impact of the external environment is demonstrated through the effect a relationships to external stakeholders, especially with customers and potential customers can have on the start-up companies.

Overall, there is evidence that the start-up companies incorporate feedback from customers into their strategy. A short anecdote from Company 5 gives a vivid example of how internal and external communications are interrelated through strategy process.

> *Like today for example we called one company one of the biggest one in its industry and during the call with them we explained what we can do for their industry which is a lot. "This is all interesting but we want you to do something else, how about you know do this" [big industry player] … but we have never done that before. So today we said, yeah. This is a huge player in the industry and they want us to do this and there is a big change that we can do this, so how much do we want to invest in that? We set up the budget and we are going to spend some time on it and within that budget we will try to do what they want us to do and that looks promising... so yes clients would influence and we are ready to invest up to certain point something they have specifically requested (Company 5)*

The issue described in the preceding anecdote, resulted in all the employees in the

company spending the whole day talking about this project, how much effort and budget they should put into seeing if this requested project is possible. At the end of the day a decision was made collectively, to pursue this project. Strategic decisions, like this one, are taken by everyone in the company, this strategic process is normal for Company 5. They decide collectively what to prioritize and how to allocate their resources.

This example shows how the strategy process works in a small start-up company. Also, it shows how quickly circumstances can change and how much start-up companies are affected by, and are vulnerable to customers or other external players.

The other companies describe similar impact from the external environment. In Companies 1 and 2 they have an important relationship with their community, as has been explained in the findings on external communication (Subchapter 4.1). Their community gives through external communication processes feedback to the company. This feedback is discussed internally and if it is e.g. a good idea for improvement the feature might be incorporated into the product.

In Company 3, the CEO also describes a strategic change that occurred because of reaction from the external environment. As was noted in the findings on external communication Company 3 has learned to tailor the marketing message to each customer. They have also begun to focus on one specific main market for their product. This strategic change is a result of Company 3 realising that they were unsystematically targeting too many markets and discovered that they were confusing their customers by offering too much. This is demonstrated by a quote from the interview:

> *I think that made a change, I saw that we were trying to sell too much. Now we are focusing on one thing and the message is more clear: these are the benefits and this is why you would need our material (Company 3)*

Moreover, before Company 4 moved to the USA they had chosen a city to move to. However, at the last minute they decided to move to a different city because they acquired big customers there who they wanted to be close to. Thus, customers or

potential customers have great deal of influence on start-up companies' strategic choices. Therefore, the influence external stakeholders have on start-up companies should not be diminished.

Formal internal communication is regular meetings internally in the company as is indicated in the reviewed literature (Section 2.2.3). These meetings serve the purpose of sharing and disseminating both internal and external information regarding the company. Companies 3, 4, and 6, have fairly regular meetings in their management teams for this purpose, as has been presented in the findings on internal communication (Subchapter 4.2). These meetings serve as an event in strategy as process approach, which indicates the unfolding process of strategy as process.

The meetings have the fundamental task of discussing where the company is heading. Also, the have the task of amending everyday operations to achieve that goal. After the meetings the decisions that have been taken, based on external and internal information, are disseminated to the employees. E.g. in Company 4 this dissemination internally, takes place through a series of regular, weekly departmental meetings. Conversely, in Company 3 this dissemination occurs through informal communication network.

This subchapter aimed to present the findings on sub-question 3 *Strategic planning – What is the function of external and internal communication in the strategy process?*

The function of external communication is to establish a link to the external environment. External communication in the strategy process serves to establish a link to the start-up companies' external stakeholders. That way, the start-up companies can through symmetrical or asymmetrical communication acquire information about what the external stakeholders require from the company. Furthermore, external communication has the task of monitoring the external environment to detect changes that could affect the start-up companies operations.

Internal communication in strategy as process has two functions. First, it has the function of discussing internally information and knowledge collected from the external

environment. Second, it has the function of disseminating strategic information to all employees and implementing strategic changes, if required.

This link between external communication and internal communication is strategy as process. Strategy as process is an unfolding sequence as was presented in the literature review (Section2.2.4). From the present findings, it can be deduced that this process is a communicative process, combined from external communication and internal communication through their interplay.

5 Discussion

This chapter summarizes and discusses the findings from Chapter 4. The findings related to the three sub-questions are summarized with the aim to provide an answer to the main research question: *What is the role of communication in start-up companies?* The theoretical framework, which was developed in Subchapter 2.2.3, will be used to explore and connect the two functions of communication under study: external communication and internal communication.

The framework in Figure 6 consists of two parts: the first part is the context where communication in start-up companies' takes place. Within that context the second part, the dynamic interplay of the communication functions is located. The context has the objective of exploring the role of communication in start-up companies through the communication functions.

To discuss the role of communication in start-up companies, the two functions of communication in start-up companies will be discussed first as well as the link between them. Second, following the discussion on the communication functions, the role of communication in start-up companies will be discussed.

Communication functions

An interesting observation stands out from the interviews: none of the interviewees has thought about communication as a function that should be managed in their companies. It is not that they are not aware of using communication effectively to reach their goals, both externally and internally, it is more that communication is unconsciously inherent to their everyday business. As Interviewee 4 put it in the beginning of the interview:

> *... this [communication] is interesting subject, but I have not thought about how we do this, it is like asking someone how: do you walk? It is difficult to describe that (Company 4) [Brackets added for clarification].*

From the findings it emerges that the external and internal functions of communication in start-up companies are first and foremost tactical. Internal communication has the

function of providing means to accomplish and organise tasks that need to be done. The findings provide examples of internal communication being used to share information and manage tasks overseas, coordinate work between teams, and also to decrease information overflow. Interestingly enough, the fact that these tasks are improving internal communication flow seems to be a side product of finding a best practise for something else.

External communication is also tactical and its function is to provide connections to important resources in the external environment. As internal communication, external communication is a mean to an end. It is not organised as a specific function of communication, rather external communication is the best way to acquire resources. Such as, building relationship with investors has the aim of getting easier access to finance.

There is some evidence that certain functions of external communication and internal communication are planned in start-up companies. In external communication, to systematically target potential customers seems to be managed in relation to B2B companies. In B2C companies the managed function is more related to e.g. minimizing response time to customers. However, these functions are not considered and managed as being a part of communication.

To what extent internal communication is planned is related to where in the lifecycle the company is located, with the exception of Company 1 which has formal internal communication system. The companies that are more established have e.g. regular management meetings. While the less established ones have little related to internal communication planned. Also, it is only in the two most established companies that internal communication is managed, outside of the management team. The management of employee communication is demonstrated with e.g. organised companywide meetings or formal strategic meetings with employees. Thus, the function of internal communication is mostly informal despite the emergence of some formal processes.

Formal internal communication seems to arise from two situations. The first is to discuss or disseminate strategic information and second is to manage departments across borders. Thus, formal communication processes emerge when the need for them emerges and they do, as suggested by in the literature review (Section 2.2.3), follow the hierarchy of the start-up company.

The theoretical framework (Figure 6) suggests that external and internal communications are connected through strategy as process. The findings related to strategy as process suggest that strategy formation in start-up companies is firstly, process based and secondly, the process is based on communication as is showcased by the anecdote from Company 5 (Subchapter 4.3). Thus, the interplay of external and internal communication in start-up companies as presented in the framework is supported by the findings. Furthermore, this also supports that the start-up company is based upon communication processes as the theoretical framework for the study assumed.

However, it should be noted that there is nothing in the findings that indicates there is any distinction as to what is regarded as strategy communication and what is regarded as "normal" external and internal communication. Strategy communication is equally as tactical as external and internal communication, mostly because external and internal communications are what the strategy process consists off in start-up companies.

The function of strategy communication is to acquire information from the external environment, to be able to better compete in the market. However, as with internal and external communication this is a practical approach for the start-up companies. If they do not know what is happening, externally they do not adapt to e.g. the customers need. If they do not adapt to the customer, he goes somewhere else. Therefore, strategy as process is a solution to stay afloat in the market place; it is not adopted because there was a decision taken on it.

The role of communication in start-up companies

Despite the tactical function of communication in start-up companies it seems that communication plays a crucial role in the start-up companies´ day-to-day operations. However, the founders are not particularly aware of its role; communication seems to be regarded as a mean to an end. Thus, it is not the process of communication itself that is important; it is the end goal of the communication act that is important.

Communication was found to have four major roles in start-up companies:

1. Firstly, communication has the role of linking the start-up company to external resources such as legitimacy, finance, and knowledge.
2. Secondly, communication has the role of linking the start-up company to the external environment so they will have some means of detecting external changes. This refers to the dynamic relationship that start-up companies have to their salient external stakeholders.
3. Thirdly, communication has the role of identifying and disseminating strategic information. Referring to how external communication and internal communication are linked through the strategy process.
4. Fourthly, communication organises information overflow internally as well as providing a mean to handle growth effectively

These four roles of communication in start-up companies are congruent to the links that were established in the theoretical framework, presented in Section 2.4. Firstly, the framework posited that external communication links the start-up company to the external environment through two-way communication with their external stakeholders. Secondly, it was expected that the start-up companies use their external network to gain access to resources and to further expand their network. Thirdly, the framework also provides through strategy as process, a link between internal and external communication. Fourthly, the internal environment in the framework assumes the emerging organisational structure to arise from the emerging communication processes.

6   Conclusions

This chapter will conclude the thesis by summarizing the research and the research process. Moreover, the chapter presents the main findings of the study as well as practical implications, and avenues for further research. The conclusion is divided into 5 sections. The first Section 6.1 provides a summary of the research problem and research methods. The second Section 6.2 presents the main findings from the study. The third Section 6.3 provides practical implications of this study. The fourth Section 6.4 presents limitations of the present study. Finally, the fifth Section 6.5 offers suggestions for further research.

6.1   Research summary

The purpose of the study was to explore the role of communication in start-up companies. The study was motivated by the lack of research on communication in start-up companies; despite findings from various studies suggesting communication as a vital function in start-up companies. Furthermore, existing studies focused to a large extent on the entrepreneur and his communication skills not on the organisational level of communication. The study has attempted to fill the identified research gap by exploring the organisational role of communication in start-up companies.

The study set out with exploring the role of communication in start-up companies as a main theme. To explore the overall role of communication in start-up companies three sub-questions related to the functions of external communication, internal communication, and their interplay in strategy as process were developed. The three sub-questions were:

1. External communication - What is the function of external communication in start-up companies?
2. Internal communication – How are internal communications in start-up companies managed and organised by the CEOs?
3. Strategic planning – How are internal and external communication integrated through strategic planning process?

The research methodology in the study was qualitative. The data collection method was semi-structured interviews with CEOs of six start-up companies. The represented start-up companies operate internationally and originate from three countries Finland, Iceland, and Latvia. They were selected from a pool of start-up companies operating in the Nordic and Baltic countries that fulfilled the criteria of what a start-up company is for the purpose of this study. Also, emphasis was put on selecting companies at different place in the life cycle representing wide variety of industries.

The literature review of the current study focused on the link of external communication, internal communication, and communication in the strategy process. The literature review consisted of two parts. The first part focused on approaches to communication in the business context to provide background for the study. It also served to compliment the general lack of studies on communication in start-up companies. The second part focused on communication in the context of start-up companies. The reviewed literature gave a base to create the theoretical framework. The framework was intended to analyse the empirical part of the study. An effort was made to create a framework for the study that both provided the general context for communication in start-up companies and focused on the relationship of the two main communication functions: external and internal communication, and their interplay in strategy as process.

6.2   Main findings

The main findings of the study are threefold. First, the role of communication in start-up companies is to a large extent tactical and has the aim to fulfil a practical need. Second, communication plays an important role in start-up companies e.g. by linking the start-up company to external resources through networks and by dictating the emerging organisational structure. Third, external and internal communication functions constitute the strategic process in start-up companies. Therefore, strategy as process could be said to act as the link between external and internal communication.

Furthermore, the study showed that external communication is very similar in all the

start-up companies, despite them being from different industries and at different stages in the life cycle. On the contrary, internal communication is unique to each start-up company. Their internal characteristics depend on where in the life cycle the company is and also by the industry the company operates in. However, the main characteristics of internal communication are similar e.g. open communication and cooperation. These characteristics develop along with the company as it matures.

The study also showed that emerging internal communication processes arise from the need of sharing strategic information and/or tactical information for day-to-day operations. The companies that are located at more than one geographic location have more formal communication processes than those that are operating at one location. These findings suggest that emerging internal communication processes arise from a tactical need, not because the management team or the CEO decided it was time to create communication infrastructure. Thus, the improved communication processes are a side product of resolving tactical needs.

The findings of this study, relating to internal and external communication, lend support to the works of e.g. Saini and Plowman (2007), Mueller et al. (2012), and Coviello (2006). However, none of these studies was directly exploring the organisational level role of communication in start-up companies. Nonetheless, the results that are compatible are consistent to, and compliment earlier findings. Thus, the results from this study contribute to the pool of studies that indicate communication playing an important role in start-up companies.

Furthermore, the findings support strategy as process in start-up companies as it is described by e.g. Sarasvathy (2008) and Sminia (2009). They describe strategy as constructed from the external and the internal environment. These studies are not looking at the role of communication in the strategy process. However, they provided a base to begin to explore the role of communication in the strategy process in start-up companies. The findings from the present study compliment, and are as much as they are compatible, congruent with earlier findings.

6.3 Practical implications and recommendations

The findings of this study indicate that there is room for improving awareness of the function of communication in start-up companies. The findings suggest that the start-up companies use communication to accomplish tactical needs. However, it is the end result that is the focus not the communication strategy applied. Thus improved awareness of the function of communication could be beneficial to start-up companies. In the organisational literature it is indicated that companies that think consciously about communication tend to perform better than their counterparts who do not consider communication (Tourish & Hargie, 2004, pp. 7-8). Thus, it is reasonable to assume that the same applies to start-up companies and increased awareness of communication can improve start-up companies operations.

The results seem to indicate that planning how to deal with internal communication before starting to grow rapidly would be of importance to start-up companies. On the one hand the findings suggest that it is of great importance for start-ups to plan their internal communication and the interviewed CEOs are somewhat aware of it. On the other hand, the findings also suggest that to plan internal communication early on is not a priority, due to lack of resources and other more pressing tasks, like creating a customer base. Nevertheless, to plan internal communication to better deal with rapid growth can have important implication on the structure and the future effectiveness of the growing start-up company.

The findings of this study also suggest the importance for start-up companies to tailor their message to each possible customer or other salient external stakeholders. Some of the CEOs in the study reported they had learned the hard way: tailoring sales messages to each and every one of their customers when making the initial contact is beneficial. They found, when messaged are tailored to the need of the recipients, the odds of the possible customer becoming a customer increases exponentially. Therefore, paying attention to the content of the message in external communication is an important recommendation for growing start-up companies.

6.4   Limitations of the study

To explore communication in start-up companies turned out to be quite challenging due to lack of research on communication in start-up companies e.g. there is no study that explores the function of external communication in start-up companies. In the case of internal communication of start-up companies, there was only one study found that addressed the subject of internal communication as a function in a company, not as a skill the entrepreneur possesses. Furthermore, the literature related to communication in the strategy process was on strategy creation from entrepreneurship research, not on communication in the strategy process. Therefore the results drawn from this literature should be carefully scrutinized to advance further research on the topic of communication in start-up companies.

The study is based on relatively small qualitative data sample. The nature of qualitative research is to highlight the phenomenon under study through the eyes of the interviewee therefore the descriptions given in one context might not be applied in a different context. Interviews are social interactions and because they involve how the interviewee and interviewer co-construct knowledge. Thus, care has to be taken to apply these results too broadly in different context (Kvale & Brinkmann, 2009, p. 18).

The homogeneity of the sample can be presented as a limitation to the study. The interviewees are all CEOs of the start-up companies in question. Therefore, the role of communication in start-up companies is only presented from their perspective, which might restrict the results somewhat. Furthermore, the lack of awareness on the subject of communication by the interviewees made exploring communication a challenging task

The study is qualitative therefore the data is collected and interpreted by the author. Even though care was taken to allow the interviewees to guide the interview and follow up on their observations during the interview. There is always a possibility that the author steered the interviews into certain direction. Furthermore, the data analysis was

undertaken by the author and even though the participating CEOs confirmed the findings, there is also a possibility that the findings from this study are interpreted according to the author's point of view.

6.5   Suggestions for further research

This subchapter suggests avenues for further research. There has been a limited research on communication in start-up companies therefore there are many avenues for further research on the subject. The discipline of international business communication could benefit from further research in the field. Start-up companies are new companies that are forming their future communication processes and establishing relationships with significant others. Therefore, it could be of value for communication research to study how the communication processes come about and how they affect start-up companies.

More research attention should be given to communication in start-up companies in general. Start-up companies face a reality different than established companies. Therefore their communication needs differ from established companies and should get attention separately in the literature. Also the CEOs who participated in this study showed a great interest in the subject which indicates further research would be of interest to entrepreneurs.

Further research is needed on the topic of external communication in start-up companies. Possible research could concentrate on the relationship start-up companies build with their customers, partners, investors, and other salient stakeholders. It could focus on the two-way nature of those relationships to uncover the benefits both parties receive from the cooperation.

Another research avenue is to explore the benefits that internal and external communication systems can give to start-up companies. Only one of the companies in the current study made an extensive use of communication systems and perceived their use very positively, which indicates that the application of communication systems could be beneficial for handling growth in to start-up companies in general.

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