

**EARLY-STAGE BUSINESS FAILURES OF
OPPORTUNITY-DRIVEN IMMIGRANT ENTREPRENEURS IN FINLAND:
THE ROLE OF LIABILITY OF FOREIGNNESS**

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Subject: International Business and Entrepreneurship
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ABSTRACT

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<p>Abstract</p> <p>Businesses founded by immigrant entrepreneurs show higher failure rate as they are at an exclusive disadvantage relative to native-founded businesses in several aspects. Just as multinational organizations operating abroad, immigrant founders suffer from liability of foreignness (LOF) and consequently pass it on to the businesses they are establishing, which significantly decreases the chances for its survival.</p> <p>Previous research within the Finnish context studied necessity entrepreneurs with a specific focus on the cultural or ethnic aspect and therefore has been calling for investigation of opportunity-driven entrepreneurs. While Finnish government is seen to be supportive to all innovative, early-stage companies, aiming to attract international talent, immigrant entrepreneurs in Finland still face serious barriers when launching and growing their businesses with many of them failing before reaching substantial growth.</p> <p>By employing qualitative multiple case study method and informal, semi-structured interviews, the study explores an entrepreneurial journey of 15 opportunity-driven immigrant entrepreneurs (4 students, 11 skilled professionals) from different regions and industries in Finland with the aim to understand the underlying factors that led to their failure in the early stages of their business. The main objective was to explicitly recognize the disadvantages caused by the aspect of foreignness, identify their role and extent in these failures and to come up with strategies how to minimize their effect. Through an interpretive approach, thematic analysis was used to analyze and interpret the data.</p> <p>The sources of LOF were identified in (1) immigrant 's unfamiliarity with Finland's environment, (2) constraints imposed by Finland on immigrant founders due to lack of legitimacy, (3) institutional distance between immigrant's home country and Finland, (4) lack of cultural integration, and (5) insufficient Finnish language skills. The results showed that in terms of immigrant's background, LOF was present in the process of opportunity recognition and business model design, accessing local business information and knowledge, lack of expertise and local expensive professional services, and accessing social capital. Lack of openness and trust of Finnish native population directly affected access to financial capital, building relationships with local customers, suppliers, vendors, and investors, communication within the leadership, and building brand reputation, which resulted in founders' overall lost motivation. The most effective ways of reducing the effect of LOF was shown to be having prior labor market experience in Finland, starting the business with a Finnish co-founder, or hiring a local representative of the company.</p>	
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<p>Tiivistelmä</p> <p>Maahanmuuttajayrittäjien perustamat yritykset ovat todennäköisempiä epäonnistumaan, koska ne ovat epäedullisessa asemassa syntyperäisten perustamiin yrityksiin nähden. Kuten monikansalliset organisaatiot operoidessaan ulkomailla, maahanmuuttajayrittäjät kärsivät ulkomaalaisuuden haitoista ja välittävät sitä eteenpäin yritykselleen heikentäen sen selviytymismahdollisuuksia merkittävästi. Aiemmat tutkimukset Suomessa tarkastelivat tarpeen ajamia yrittäjiä keskittyen kulttuuriseen ja etniseen puoleen, joten on tarvetta tutkimukselle, joka keskittyy tilaisuuden johdosta yrityksen perustaneisiin maahanmuuttajiin. Vaikka Suomi nähdään maana, joka on kannustava innovatiivisille yrityksille ja joka pyrkii vetämään puoleensa kansainvälistä osaamista, maahanmuuttajayrittäjät kohtaavat silti esteitä aloittaessaan ja yrityksiään ja monet niistä epäonnistuvat ennen merkittävää kasvua.</p> <p>Käyttäen laadullista monitapaustutkimusmenetelmää ja pitämällä epämuodollisia teemahaastatteluja tämä tutkielma tarkastelee 15:n maahanmuuttajayrittäjän (4 opiskelijaa, 11 kokenutta ammattilaista) matkaa eri toimialoilla eri puolilla Suomea, pyrkien ymmärtämään taustalla olevat syyt, jotka johtivat yritysten epäonnistumiseen aikaisessa vaiheessa. Pää-tarkoituksena oli selvittää nimenomaan ulkomaalaistaustan aiheuttamat haitat ja tunnistaa niiden rooli ja laajuus näissä liiketoiminnan epäonnistumisissa ja keksiä toimintasuunnitelmia haittojen minimoimiseksi. Tulkinnallisen menetelmän avulla aihekohtaista analyysiä käytettiin materiaalin analysointiin ja johtopäätösten saavuttamiseksi.</p> <p>Ulkomaalaisuuden haittoja tunnistettiin (1) maahanmuuttajan perehtymättömyydessä Suomen olosuhteisiin, (2) Suomen määräämissä rajoitteissa maahanmuuttajayrittäjille liittyen epälegitiimiyteen, (3) Instituutionaalisessa etäisyydessä maahanmuuttajan kotimaan ja Suomen välillä, (4) kulttuurisen integraation puutteessa ja (5) riittämättömässä suomen kielen taidossa. Tulokset näyttivät, että ulkomaalaisuuden haittoja oli läsnä tilaisuuden tunnistamisessa ja liiketoimintamallin suunnittelussa, paikalliseen liiketoiminta-informaatioon ja -tuntemukseen käsiksi pääsemisessä, asiantuntemuksen ja kalliiden paikallisten palveluiden puutteessa sekä sosiaalisen pääoman saamisessa. Syntyperäisten suomalaisten avoimuuden ja luottamuksen puute vaikutti suoraan taloudelliseen pääomaan käsiksi pääsyyn, suhteiden luomiseen paikallisten asiakkaiden, toimittajien, myyjien ja rahoittajien kanssa, johdon sisäiseen kommunikaatioon sekä brändin maineen rakentamiseen, mikä johti yrittäjän motivaation menetykseen. Parhaiksi tavoiksi vähentää ulkomaalaisuuden haittoja nousivat aiempi työmarkkinakokemus Suomessa, yrityksen perustaminen yhdessä suomalaisen kanssa tai paikallisen edustajan palkkaaminen yritykselle.</p>	
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LIST OF ABBREVIATIONS

IPA	=	Interpretative Phenomenological Analysis
LOF	=	Liability of Foreignness

1 INTRODUCTION

Liability of foreignness is stated as the number one reason for immigrant-found businesses having higher failure rate compared to native-found businesses (Irastorza & Peña-Legazkue, 2018; Vinogradov & Isaksen, 2008; Kerr & Kerr, 2016). This study refers to liability of foreignness as to any disadvantage immigrant founder experiences in the host country that affects his business due to his non-native status, i.e., lack of country-specific social, financial, and human capital, immigrants' foreign correspondence and/or the perceptions and attitudes of native population towards the immigrants. To date, research still lacks answers to questions such as: What is the nature of these disadvantages? What are the factors and how do they vary in the effect on the immigrant firms? How can immigrant entrepreneurs overcome this liability of foreignness? It is true that LOF has recently gained more attention, however, on an individual level, the related theoretical as well as practical issues remain unaddressed.

Therefore, the ultimate objective of this thesis is to add valuable insights to the immigrant entrepreneurship research literature as well as to the literature on entrepreneurial failure through identifying the role of liability of foreignness in early-stage business failures of opportunity-driven immigrant entrepreneurs in Finland, and to come up with possible ways of minimizing its effects. The secondary aim is to analyze additional underlying factors and determinants that are behind these business failures. Due to Finland being known for its attractive international study programmes, programmes supporting immigrant entrepreneurship, and programmes aimed to boost international skilled talent, the tertiary goal of this study is to analyze and distinguish between the effects of liability of foreignness on business of two specific groups of opportunity-driven immigrant entrepreneurs: (1) international students who come to Finland to pursue a higher education degree and during their studies start a business, and (2) skilled international talent and professionals with previous working or self-employment experience who come to Finland for work and straightly away or after a while decide to start a business.

Two general determinants of immigrant entrepreneurship are „Push and Pull Factors” (Clark & Drinkwater, 2000). If the motivation behind starting a business emerges out of push factors, it means that the entrepreneur has no other alternative and therefore is pushed into starting a business as a result of unemployment or job insecurity. On the other hand, if the entrepreneur has an independent entrepreneurial drive, he is driven by the pull factors to start a business because of his need for achievement, opportunity-recognition, personal development or financial independence.

Dheer (2018) points out that throughout the 20th-century, immigrant entrepreneurs were usually identified as „necessity entrepreneurs” who typically started their business in a different country of their origin, in a particular ethnical-oriented sector, out of necessity to fulfill their financial needs. This is also true for Finland since ethnic entrepreneurship makes up a high number of immigrant-owned businesses, which is also the reason why a lot of the studies put too much of their focus on the cultural aspect of the businesses. Hence, among the scarce body of research on immigrant entrepreneurship in Finland, very little research actually

focuses on immigrant entrepreneurs without specifically concentrating on their ethnic and cultural characteristics.

Nowadays, a growing trend identifies the large group of immigrant entrepreneurs more as opportunity entrepreneurs who because of their foreign background have an advantage in identifying, creating and exploiting opportunities in a country different of their origin that are normally invisible to native-born.

In 2012, the Ministry of Employment and Economy Finland conducted an Immigration Survey (TEM, 2012) intending to investigate reasons behind entrepreneurial motivations of immigrants living in Finland. Among all respondents, 50 percent became self-employed due to being in their own surroundings, 35 percent were driven by their ideas, 25 percent said they did not find the right traineeship or field of education and 10 percent suffered from insufficient job opportunities. Nevertheless, this study excludes necessity-driven entrepreneurs, consisting of ethnic entrepreneurs, refugees or other immigrants whose incentive to start a business primarily comes from barriers to the host country's labor market. Instead, the primary focus of this study is analyzing opportunity-driven entrepreneurs involving educated expats, students, skilled professionals, etc. whose businesses failed, in other words, whose business had to be shut down because of not meeting the minimum threshold for economic viability.

Moreover, this study's focus is on young, early-stage businesses including startups that were founded by foreign-born opportunity-driven entrepreneurs. These businesses are characterized by being in their initial stages of operation that might or might not employ a small number of workers, as well as may or may not generate certain profits, however, because during these stages businesses are facing many challenges, which may prevail in the case of foreign-born early-stage businesses, including lack of resources for their operational or other related activities, in the end, they fail. To better understand what is meant by the initial stages, a model developed by Greiner (1997), describing five stages of business growth is used. The five stages involve (1) Existence or Inception, (2) Survival, (3) Growth, (4) Expansion and (5) Maturity, with the main focus of this study on inception and survival of the business. According to Greiner (1997) two types of crises occur during these stages, the crisis of leadership and the crisis of autonomy (Figure 1). „In general, young businesses show a higher risk of failure compared to older businesses” (Bruderl et al., 1992; Wholey & Brittain, 1986). The reason lies behind the fact that young established firms have to face many challenges, including the so-called liability of newness and smallness, which is later explained in this study, however, those firms who survive the founding problems during the critical initial stages will result in having a much higher chance to succeed afterward (Wholey & Brittain, 1986).

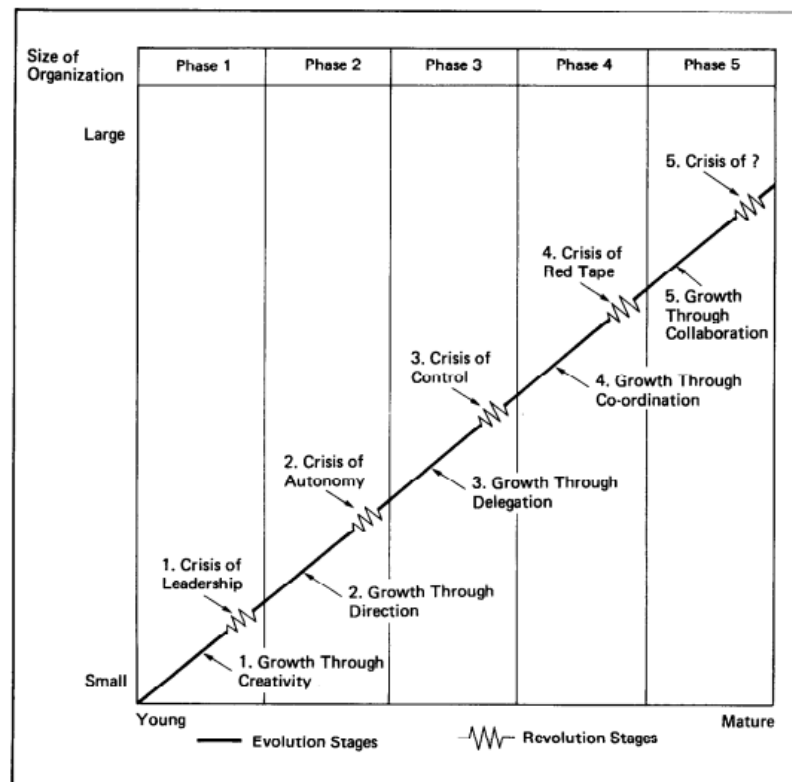


FIGURE 1 The Greiner Model of five stages of business growth (Greiner, 1997).

On top of that, when compared to natives, immigrants suffer from liability of foreignness which refers to additional costs, barriers, and difficulties, in this case in starting and running a business in its initial stages. These disadvantages involve lack of human, social and financial capital in the host country, including insufficient language skills, insufficient working experience in the host country, discrimination, lack of access to networks, capital, or other resources that are required for running their business successfully.

While filling the gap in the immigrant entrepreneurship research literature by looking at failed entrepreneurial activities of immigrant entrepreneurs rather than analyzing successful entrepreneurial activities of immigrant entrepreneurs, through a qualitative empirical study on the sample of 15 failed opportunity-driven immigrant business-owners from different regions of Finland that only reached the early stages of their business, the author of this thesis wishes to provide an in-depth perspective on the possible factors of business failure immigrant founders may additionally face due to the foreign background that causes them to suffer from liability of foreignness.

Furthermore, this study provides practical implications not only for immigrant entrepreneurs, who either plan to establish or already have an established business but also for researchers, consultants, as well as for generally improving the performance of immigrant entrepreneur businesses in Finland.

1.1 Background

In today's globalized world, international migration is a widely researched phenomenon and a crucial center of public debate and migration policy makers' interest. Historically, people moved across cultures and borders for a number of different reasons, causing political, cultural, and socio-economical change (Baycan-Levent & Nijkamp, 2009).

Entrepreneurship is another complex phenomenon that has been widely studied by researchers for a long time due to its significant importance in shaping economies worldwide. Many governments, including the Finnish one, focus on making policies that support and foster entrepreneurial activities in their own countries as it does not only promote their country's economic growth and act as a driver of employment, innovation, or technological progress, but it also brings social contribution (Ribeiro-Soriano & Galindo-Martín, 2012).

From a socio-economic perspective, migration has mostly had a great impact on the increased rate of self-employed immigrants in the labor market. Empirical evidence furthermore suggests that entrepreneurial activities of immigrants are much higher compared to natives (Irastorza & Peña-Legazkue, 2018; Fairlie & Lofstrom, 2014). Self-employment can represent a solution to many immigrants' problems including dealing with lack of job opportunities, dissatisfaction with the host country's labor market, discrimination, or lack of social network, and alternatively can be seen as a more lucrative option than taking any other low-paid job.

Given the growing nature of migration, entrepreneurial activities of migrant groups established a new phenomenon called immigrant entrepreneurship, which carries significant importance for the European economy, and thus has later become a separate field of entrepreneurship research that is relatively new for scholars, which means that it still remains underexplored. Entrepreneurs, who set up a business within new economic, political and cultural environment need to possess certain capabilities as well as they need to be able to navigate and operate within these diverse contexts, which in turn creates crucial challenges for both scholars studying this new phenomenon as well as entrepreneurs themselves (Baycan-Levent & Nijkamp, 2009).

Simultaneously, a large body of research involving different countries provides evidence that immigrant-owned businesses show much lower survival probability and rate compared to native-owned businesses (Irastorza & Peña-Legazkue, 2018; Vinogradov & Isaksen, 2008; Kerr & Kerr, 2016). Many scholars investigated possible factors affecting the performance and outcome of a business and studied them on individual rather than organizational level, with the result of addressing the importance of personal characteristics and attributes of the founder while presenting founders' human capital resources as one of the main key determinants for the business' outcome. At the same time, other scholars claim that the great number of many barriers to labor market may act as an incentive for immigrants to become self-employed, thus very possibly making them lack sufficient human capital resources, or in other words, the essential preconditions, to become successful in running a business (Bruderl et al., 1992).

As later explained, among many of the challenges and disadvantages they have to face in comparison to native founders, immigrant entrepreneurs mainly suffer from

the so-called liability of foreignness, when their foreign background has a direct effect on the performance and outcome of the established business in the host country. Irastorza & Peña-Legazkue (2018) exactly emphasized this liability of foreignness in their study making it the core reason for immigrant-owned businesses underperforming native-owned businesses. From another point of view, it would be also possible to assume that the aspect of immigrants' foreignness of leaving behind the status they possessed in their country of origin and facing so many challenges and risks in the host country, enhances their risk-taking approach, endurance, persistence, previous international experience and high motivation that would overrule the aspect of liability of foreignness and in contrast become their competitive advantage, making them better business performers compared to native founders.

1.2 Previous Research and Research Gap

Entrepreneurial failures are very common in the business environment and thus have been previously studied from different angles, mainly in the light of a firm's age, size, and life cycle or as a complementary element to studying the success of a firm (Kotsch, 2017). Additionally, various studies addressed the importance and effect of human capital knowledge and organizational ecology when studying different determinants of business outcomes (Bruderl et al., 1992; Mellahi & Wilkinson, 2004; Rauch & Rijdsdijk, 2013). However, the studies still remain very scarce because of several reasons. Firstly, it is discouraging for scholars to study entrepreneurial failures not only due to lack of secondary data and ambiguity of the definition of failure, but also because of the rare availability of data in databases after the closure of the business as well as the challenge to determine the source of firm's closure, meaning whether the business has been shut down voluntarily, or it failed (Shepherd & Wiklund, 2006). Secondly, and also more importantly, with a failure comes a powerful stigma that is difficult for entrepreneurs to face. Since the challenge with many entrepreneurs who fail lies within their negative emotions and unwillingness to examine and understand causes for their failure, thus blocking them from the further learning process of enhancing their capabilities and motivating for any future entrepreneurial action, this topic needs to get much more attention of scholars as well as entrepreneurs themselves.

Looking into the literature of immigrant entrepreneurship research within Finland, despite of the topic being relatively new, it has been previously studied mostly in the light of specific industry, company size and age, a specific region in Finland, with the focus of analyzing ethnic or cultural aspects of immigrant businesses, the factors influencing the decision of an immigrant to become an entrepreneur, the influence of immigrant background on entrepreneur's decision making, process of immigrant entrepreneurs' opportunity recognition, challenges immigrant entrepreneurs usually face as well as generally exploring the success factors and causes for failure of Finnish startups, without the specific focus on immigrant, foreign-born founders. Despite immigrant entrepreneurship being highly important for the economic development, Finland still faces a huge gap as it falls behind in providing sufficient information and evidence regarding immigrant entrepreneurship compared to other countries since not a lot of research has been done regarding this topic.

Among the European countries, the ones who dominate the most in immigrant entrepreneurship research involve Germany, the UK, Sweden, Norway, Denmark, Netherlands, and Portugal (Baycan-Levent & Nijkamp, 2009). Moreover, most of the existing literature on immigrant entrepreneurship is either very fragmented and/or focused on specific contexts, making the findings ungeneralizable (Dabić et al., 2020). Nevertheless, for this study, several recent scholarly articles with the priority over the European countries and Nordics were reviewed to get a full understanding of the topic as well as to emphasize the existing gap in the immigrant entrepreneurship literature within the Finnish context. While the data on the propensity of immigrant entrepreneurs to become self-employed are well documented, it is also critical to examine the performance of those businesses and understand the determinants and reasons that lie behind the outcomes (Irastorza, 2010). When looking at the outcomes, in this case at business failures, it is also important to be aware of the different conditions of the entrepreneurial environment affecting the business and distinguish them from immigrants' liability of foreignness. There is also a large body of research on the rates of survival and success of immigrant-owned businesses, however, they differ from one country to another, from region or city to another, industry, ethnic or national sector, and period of time (Fertala, 2004; Vinogradov, 2008; Irastorza, 2010; Yeasmin, 2016). Following reviewed scholarly articles concentrate mainly on summarizing explanations for higher rates of self-employment among immigrants as well as findings and the differences in possible reasons, determinants, and factors affecting the survival rates of newly established firms of immigrant and native-born founders within different contexts.

Baycan-Levent & Nijkamp (2009) claim that in non-Western countries, the chances of immigrants becoming self-employed compared to natives are significantly higher. This has also been proved in one report on self-employment convergence in Europe by Cuadros (2021), which additionally shows that the opposite is true for countries like Germany, Portugal, Italy, Greece, or Switzerland. Fairlie and Lofstrom (2014) explain that the tendency of becoming self-employed may be also strongly affected by the immigrant's culture and country of origin as well as the opportunity structure of the host country. Various studies analyzed important determinants of immigrants to become self-employed, while most of them distinguished between necessity entrepreneurs driven by „push” factors, and opportunity entrepreneurs driven by „pull” factors (Clark & Drinkwater, 2000; Razin, 2002).

According to Clark & Drinkwater (2000) and to their structural approach, one of the most important explanations why immigrants are more likely to become self-employed than natives lie in the poor unemployment opportunities of immigrants, which fall under the push factors. On the other hand, perhaps more relevant for the Finnish context and urban regions might be a recent study conducted in the Helsinki region by Lilius & Hewidy (2019), who studied immigrants' drivers for becoming self-employed by adopting a cultural approach. The study claims that a high number of immigrant entrepreneurs living in the capital of Finland consists of ethnic entrepreneurs who started their business out of pull factors rather than push factors. What it means is that they were more attracted by their ethnic enclaves and recognized better business conditions and opportunities compared to other countries or country of their origin, and thus through starting a business in Finland they brought their own

culture and its practices which at the same time acts as their way to financially support themselves.

Interestingly, through an empirical study on a survey of American business founders, Kerr & Kerr (2016) found that in the United States, businesses that were founded by immigrant entrepreneurs were more likely to fail than businesses started by native founders. As opposed to Lilius & Hewidy's study (2019) of the urban regions in Finland, another recent important contribution to the immigrant entrepreneurship literature in the Finnish context was made by Yeasmin (2016), who concentrated on sparsely populated regions in Lapland and found out that necessity-driven immigrant entrepreneurs were more likely to fail due to their inability to utilize social, cultural and human capital in these regions. Another study in Norway by Vinogradov & Isaksen (2008) showed again significantly lower survival rates of immigrant-owned businesses due to aggressive competition and more lucrative job opportunities in the urban regions, which was also proven by one study conducted in Germany (Constant & Zimmermann, 2006). Similarly, Irastorza (2010) studied the outcomes of businesses founded by immigrants in Spain and the reasons for their failure were explained by unfamiliarity with the local business environment and inability to react to it. Lastly, the context of liability of foreignness has been previously studied mostly in the light of the international enterprises and the costs they have to bear in relation with doing business abroad (Mezias, 2002; Sethi & Judge, 2009) instead of putting individuals to the centre of LOF, specifically immigrants, who most likely suffer from liability of foreignness as well, which in fact might act as one of the crucial parts of explanations for their business failures.

Respectively, it is important to mention that all of these studies act as a strong basis for further developing academic research regarding this topic and thus for this thesis when encouraging the initiative to further study minority-owned businesses and how exactly does the liability of foreignness affect the business' outcomes of immigrants.

1.3 Personal Motivation of the Research

The author of this thesis is an international business and entrepreneurship student, permanently living in Finland for almost two years to the point when this thesis is being written, who has a foreign immigrant background himself and who, on top of everything, plans in the near future to establish his own business in this wonderful Nordic country, as well. Overcoming many challenges most immigrants usually face in the beginning, including unemployment, integration, or insufficient language skills, the author himself went through this experience and adopted an approach, which is based on taking the most out of the hardest situations and trying to learn from them. A slightly different perspective was used when formulating the baseline and initial thoughts of this thesis, the so-called failure-focused learning, where the objective is to focus on the value in learning from the hard times others went through or the mistakes others have already made in order to pay attention to certain things more precisely and be able to avoid them yourself.

Therefore, this thesis might be more relevant for the Nordic context, but in general might be beneficial for immigrant people with foreign backgrounds, who

either plan to establish a business in the near future or already have an ongoing business and might struggle. Considering the number of challenges immigrants face, the author of this thesis assumes that even only if the slightest, there are some differences in challenges when running an early-staged business, between native-born and foreign-born entrepreneurs that are specific to company founder and might be affected by the disadvantage of the foreign background of the immigrant entrepreneur. Therefore, looking into the reasons for early-staged business failures of immigrant founders affected by liability of foreignness might reveal new useful insights.

1.4 Research Proposition

The following main research question for this study was formed:

RQ: What role does liability of foreignness play in early staged business failures of opportunity-driven immigrant entrepreneurs?

Additionally, in order to delve into more details of the possible determinants of the failures, three sub-questions were also formed:

- a) In what ways can immigrants reduce the effect of liability of foreignness on their businesses?
- b) What are the additional determinants, factors, and sources behind early-stage opportunity-driven immigrant's business failure?
- c) How does the effect of liability of foreignness on business differ, if so, between (1) immigrants who initially came to Finland to study and afterward decided to establish a business and (2) skilled professionals who came to Finland primarily for work?

1.5 Research Structure

The structure of this thesis consists of six chapters. Introduction (chapter 1) presents background and previous research on the study, author's personal motivation and research proposition. Migration and entrepreneurship in the Finnish context (chapter 2) gives a better picture and understanding of Finnish environment as it depicts general as well as current situation, including trends, habits, or patterns, and value of immigration and entrepreneurial activities within Finland. In the theoretical framework (chapter 3), the literature regarding migration and immigrant entrepreneurship, liability of foreignness, entrepreneurial failure, challenges, and failure of immigrant entrepreneurs, together with factors affecting the survival of newly found businesses, is reviewed using existing research. Research methods and data collection (chapter 4) describes methods used to collect data, type of conducted interviews and explains the adopted approach in the process of data collection and data analysis. Results and analysis (chapter 5) presents the findings on different determinants, factors that led to the business failures together with identifying the role, sources and extent of LOF in the business failures, that are obtained from the qualitative interviews conducted with foreign-born business owners who

experienced early staged entrepreneurial failure in Finland. Finally, the last chapter of discussion and conclusion (chapter 6) summarizes and discusses the findings, links the emerged themes to greater theoretical and practical issues, addresses limitations of the study, possible suggestions for further research while ending with implications of the study.

2 MIGRATION AND ENTREPRENEURSHIP IN THE FINNISH CONTEXT

As the focus of this thesis is on one specific country case, Finland, this chapter begins with a brief characterization of Finnish early-staged businesses, continues with a description of the overall concept of immigration within Finland, and ends by depicting the current situation of migrant entrepreneurial activities and trends within the Finnish context.

2.1 Early-stage Entrepreneurial Activities in Finland

Global Entrepreneurship Report (Stenholm et al., 2015) determines the early-stage entrepreneurial activity of the population according to people aged between 18 to 64 who either plan to establish a new business or have already an ongoing business limited to a maximum period of 42 months from the start of the business. Following sections provide a clear understanding and justification of why immigrant entrepreneurship is so highly encouraged in Finland as it does not only attract high-skilled workers and generates job creation but also fosters innovation. However, starting with the innovation aspect in Finnish early staged businesses, compared to other European countries, they show very low rates of innovation focus with the result of only 20% of native-born entrepreneurs being innovation-driven (Stenholm et al., 2015). On the other hand, Finnish adults aged between 18 to 64 are very good at perceiving opportunities and showing entrepreneurial perceptions (49%), which is usually associated with higher education and 37% believe they possess the necessary capabilities to run a business. On top of that, fear of failure was shown to be one of the lowest among other European countries. These data are relevant for this study since they provide the overall picture and perceptions of Finnish-born entrepreneurs who are in the process of running a business in its early stages and thus can be compared to immigrant business founders.

In Finland, native-born early-staged business owners are usually characterized by the age between 35 to 44 (10%), which differs from the other European countries as well as from the Nordics, where the age distribution of individuals being involved in early-stage business activities is between 25 to 34. In terms of gender, Finnish males are found to be engaged in early staged entrepreneurial activities twice as much compared to females. Lastly and most importantly, 8.5% of adults engaged in early staged entrepreneurship have a higher education degree, which corresponds with other European countries, demonstrating that high education qualification plays a crucial role in entrepreneurship (Stenholm et al., 2015).

2.2 Immigration in Finland

Finland is a Nordic country that is peripherally located in Northern Europe with a predominantly subarctic climate. Finland also belongs to countries with one of the fastest-aging society (United Nations, 2019), with 22% of the whole population

aged 65 or older and a shrinking working-age population. As Anna Łobodzińska (2011) explains in her study, due to these unfavorable conditions and the influence of World War II, until the 1970's, Finland faced a serious labor market shortage when many people kept leaving the country, making the annual emigration rates exceed the annual immigration rates and raising the need for the demand of additional workers. In the early 1990s, the country's situation drastically changed, and the immigration rates started to increase again as many people were returning back. Till 2009, the immigration rates were almost double the number of emigration rates. As a result, making the migration policy more favorable became a major subject of interest for the Finnish government.

Despite this fact, immigrants still faced serious obstacles in filling the labor market shortages because of various factors, such as their lack of skill and qualification recognition from the employer's side, bureaucratic issues with diplomas, insufficient language skills or public discrimination and prejudice of foreigners (Łobodzińska, 2011). Based on these reasons and the generally high unemployment rate of immigrants, in the late 1990's, Finland decided to raise its interest towards supporting immigrant entrepreneurship (Ministry of the Interior Publications, 2019). Nowadays, Finland is considered a highly popular country for immigration and immigrant entrepreneurship, despite the slight decline during the last years in the number of new foreign immigrants moving to Finland (Finnish Immigration Service, 2021). As illustrated in the table 1, in the years 2019 and 2020, 65,656 people moved to Finland out of which 47,438 people had foreign nationalities (Table 1).

TABLE 1 *Immigration and Emigration in Finland in 2019 and 2020 (Statistics Finland, 2018)*

Nationality	Immigration to Finland		Emigration from Finland		Net Migration	
	2019	2020	2019	2020	2019	2020
Finnish Citizens	8,580	9,638	10,036	8,529	-1,456	1,109
Foreign Citizens	24,178	23,260	7,227	6,555	16,951	16,705
Total	32,758	32,898	17,263	15,084	15,495	17,814

According to Statistics Finland (2021), at the end of 2020, Finland's population was 5, 533, 793, out of which 444, 031 people (8% of the population) residing in Finland have a foreign background, and 420,766 have a foreign country of birth (Table 2). In terms of origin, Statistics of Finland (2021) classifies population according to person's origin and background, which are based on the person's country of birth and his parents' country of birth data. People who were born outside of Finland are referred to as 1st generation. On the other hand, people born in Finland, however possessing foreign background, are referred to as 2nd generation and are characterized by having either both parents or only one known parent born outside of Finland, meaning that if one parent was born in Finland, the person has Finnish background and not a foreign background.

TABLE 2 Finland's population with foreign background in 2019 and 2020 (Statistics Finland, 2020)

	Total population	Foreign country of birth (1 st generation)	Foreign background (2 nd generation)
2019	5,525,292	404,179	423,494
2020	5,533,793	420,766	444,031

Considering the large number of ethnic entrepreneurs in Finland, the information about groups of the country of birth in Finland is also found to be relevant for this study (Figure 2). This graph shows that the dominating group of foreign-born immigrants living in Finland originally come from countries of the Former Soviet Union (almost 60,000), followed by bordering countries of Finland, Estonia (over 45,000), and Sweden (over 30,000).

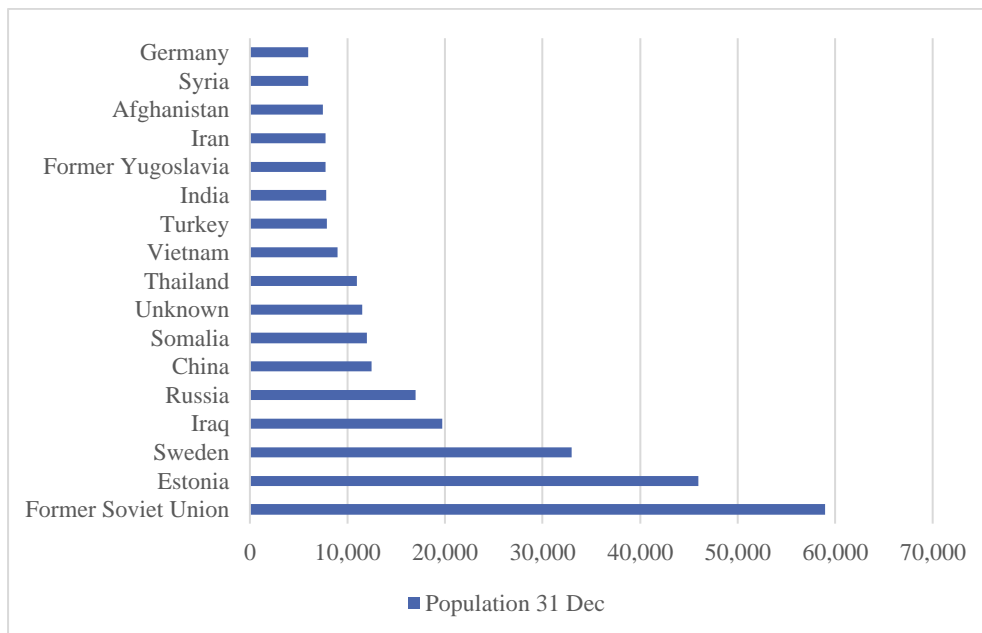


FIGURE 2 Finland's biggest country of birth groups 2020 (Statistics Finland, 2021).

While illustrating these data, an undeniable fact is that there still remains a significant difference in employment rates between foreign-born immigrants and natives. At the end of 2019, despite more than half of the population of foreign-born immigrants being part of the labor force (59%), 17% of them remained unemployed. When compared to Finnish native-born, as a result of the aging society, slightly less than half of the population (47%) was part of the labor force, out of which only 9% remained unemployed. Thus, out of the total population of 404,179, 41,231 (10%) of foreign-born immigrants were unemployed, which is more than double compared to Finnish native-born, who out of the total population of 5 121, 133, only 216,127 (4%) remained unemployed. (Table 3) (Figure 3).

TABLE 3 Division of foreign-born and native-born population in Finland in 2019 by employment, unemployment and labor force participation

2019	Total	Employed	Unemployed	Outside of the labor force
Total	5,525,292	2 373,526	257,358	2 894,408
Finnish-born natives	5 121,133	2 177,084	216,127	2 727,902
Foreign-born immigrants	404,179	196,442	41 231	166,506



FIGURE 3 Percentage division of the foreign-born and native-born population in Finland in 2019 by employment, unemployment, and labor force participation (Statistics Finland, 2021).

An additional fact is that among the foreign-born immigrants living in Finland, the employment rate is the highest for people migrating from Russia, Sweden, Estonia as well as Western European countries such as Nepal, Germany, France, Canada, Denmark, or Norway (Statistics Finland, 2021) where the institutional distance between Finland and immigrants' home country is characterized as low. However, since the unemployment rate of foreign-born immigrants is so high, it would be reasonable to assume that in case of not being able to overcome challenges and barriers in finding a job in the existing labor market, immigrants may start looking for a solution in self-employment. In conclusion, it can be stated that hypothetically, all of the 10% of the unemployed foreign-born immigrants might be considered as potential future entrepreneurs. Another hypothesis is that the reason for not being able to find a job that results in becoming an entrepreneur may represent one of the many possible factors affecting the outcome of the business. On one hand, some immigrants struggling to find a job may be too frustrated and desperate, thus end up establishing their own business only out of necessity while lacking the entrepreneurial mindset and skills to run the business. On the other hand, others may benefit from the

challenges and the risks related to being an immigrant, through expressing high motivation, possessing an entrepreneurial mindset and risk-taking approach, while actively searching for and exploiting opportunities and so increasing the likelihood to be more capable of running a business, when also compared to natives. This is also the case for this thesis.

2.3 Immigrant Entrepreneurship in Finland

Immigrant entrepreneurship in Finland does not have a long history which explains the significant differences when compared to other European countries (Yeasmin, 2016). The term entrepreneurship started to be recognized in Finland in the early 1990s (Stenholm et al., 2008) when immigration started to rise. Throughout that time, immigrant entrepreneurship in Finland was dominated by ethnic entrepreneurs who based their businesses on their ethnic consumption pattern. The first minority-established businesses of Russian, Italian and Greek ethnic groups have operated in the metropolitan area of Helsinki for years. During 1990, new ethnic groups of Kurds, Turks, Nepalese, Chinese, and Indian started their businesses in the food and retail industry that remained till this time.

Nowadays, Finland belongs to one of the most innovation-driven and technology-based economies, with a stable, structured, and well-supported business environment. According to International Migration Report for Finland (2019), Finland's most recent and main objective of immigration policies and programmes is not only to attract skilled workers and specialists and allocate them mainly to areas suffering from labor shortages, international talent involving students as well as researchers to harness their skills and mindset for the growth of certain fields but also to increase the general employment rate of immigrants with the foreign background already living in Finland as well as employability of international students. With the goal of promoting labor migration and favorable migration policies aiming to increase the employability of immigrants, support immigrant entrepreneurship and boost international talent, two programmes were introduced and came to use in 2018 and 2019:

1. **Work in Finland** - Government Migration Policy Programme to Strengthen Labor Migration
2. **Talent Boost** - International talents boosting growth programme (International Migration 2018–2019, 2019).

One of the crucial changes that have been achieved through these programmes involved changes within residence permit conditions. As a matter of course, there are different types of work-based residence permits that are determined according to the type and duration of the work. However, residence permit in Finland is nowadays granted much easier to immigrants who come to Finland and either establish a business, are employed but have to undergo labor market testing as well as are employed at a seasonal job, thus receiving only a seasonal work permit, and is prolonged for every specialized immigrant worker already working in Finland.

Having said that, the data in Table 1 did not specify the grounds for migrating to Finland, however, according to the annual statistics of the Finnish Immigration Service for the year 2020 (2021), out of 21,160, the three main grounds for submitting applications for residence permit were dominated by work-based residence permit (8,771), followed by family ties (8,369) and studies (3,299) (Table 4).

TABLE 4 Applications for the first residence permits by type in Finland in 2019 and 2020 (Finnish Immigration Service, 2021)

Reasons	2019	2020
Work	12,687	8,771
Family ties	11,753	8,369
Studies	6,493	3,299
Other	577	721
Total	31,510	21,160

Despite the decrease in the overall number of submitted applications for first residence permits due to the recent pandemic situation involving the spread of Covid-19, the numbers show that most immigrants come to Finland for work. As a result, it can be stated that this mirrors the effectiveness of the previously mentioned programmes aimed at attracting international talent and skilled workers.

TABLE 5 Types of applications of first residence permits based on work in Finland in 2019 and 2020 (Finnish Immigration Service, 2021)

Type	2019	2020
Labor-market testing (employed)	6,270	4,460
Specialists	1,791	853
Seasonal work	1,415	1,246
Scientific Researchers	1,030	768
Self-employment	371	301
Start-up entrepreneur	66	75
Other	1,744	1,068
Total	12,687	8,771

The numbers in Table 5 illustrate that the largest number of submitted applications for the first work-based residence permit for the year 2020 consisted of employed people who needed to undergo labor-market testing and wait for the decision of the Finnish Immigration Service (4,460). The second largest group consisted of seasonal workers (1,246) followed by specialists (853) and researchers (768). The largest nationality groups applying for first work-based residence permits were from Ukraine (2,615), Russian Federation (1,015), China (490), and India (462). At the end of 2020, 301 immigrants with foreign backgrounds applied for a first residence permit based on the grounds of self-employment and 75 on the grounds of start-up entrepreneurship. The largest nationality groups of self-employed

immigrants applying for first work-based residence permits were from Russian Federation (75), Nigeria (47), China (41), Turkey (21), Pakistan (12), and Ukraine (10) with the majority aged between 35 and 64.

The total number of established businesses at the end of 2019 was around 345,000, out of which around 10,000 businesses were started by foreign-born immigrants. The data on the number of immigrant entrepreneurs with foreign backgrounds remain unknown since Finland only collects data on immigrant entrepreneurs who were born outside of Finland. Nevertheless, these numbers demonstrate that there is no noticeable difference in the number of established businesses between foreign-born immigrants and native-born entrepreneurs.

In addition to this, according to Global Entrepreneurship Monitor (Stenholm et al., 2015), in 2015, Finland was placed at the top position, being characterized as a number one country among all EU member states with the most favorable regulatory conditions for setting up a business.

In conclusion, these data support the fact that Finland is now being considered as a country that provides favorable conditions for both, immigrant as well as native entrepreneurs. Considering its national policies and funding opportunities, the Finnish government's approach to entrepreneurship is thus being extremely resourceful and supportive, successfully attracting not only students but most importantly, skilled international talent, who play a very important part in the Finnish economy.

3 THEORETICAL FRAMEWORK

3.1 Migration and Immigrant Entrepreneurship

Generally, migration is being characterized as a movement of people or groups of people in a geographical and social area associated with a temporary or permanent change of residence. According to United Nations, a migrant is a person, who, for any reason, has temporarily or permanently changed his or her place of permanent or habitual residence, either from one part of the country to another, referred to as national migration, or from one country to another, referred to as international or foreign migration (Castles & Miller, 2009). An immigrant is generally defined as a person who has been residing outside of his country of birth and citizenship, for a period of 12 months or longer. The population with an immigrant background can be defined in various ways, according to the country of birth, citizenship, or language (Finnish Immigration Service, 2021). Even though the author believes that not only the origin of birth but also the way and conditions under which each immigrant has been raised play an important role, for the previously mentioned reasons and the purpose of this study, the technical definition of an immigrant is that it is a person who is a foreign-born, or in other words, has a different country of birth than Finland (Joronen, 2012). It is also important to mention that in this study, an immigrant is also a person who was born outside of Finland but holds Finnish citizenship. The reason is that many foreign-born people strived their way to maintain their life in Finland and/or proved their business' eligibility, thus earning Finnish citizenship rights.

Immigrant entrepreneurship also referred to as "foreign entrepreneurship" is a very familiar term that has been defined by scholars in multiple ways. In principle, it is defined as setting up a business by an entrepreneur in a different country of his origin while trying to capture the economic benefits of the existing market situation (Dabić et al. 2020; Ram et al., 2017). In a simplified way, this thesis considers an immigrant entrepreneur as anyone who moved to a foreign country of his origin and became self-employed in that country, meaning they established a business. Additionally, this thesis prefers using the term immigrant entrepreneurship rather than foreign entrepreneurship for two reasons. Firstly, as already mentioned, in Finland, data is only collected on a number of self-employed immigrants who were born outside of Finland, thus lacking the data on the number of immigrant entrepreneurs with foreign background and secondly, it provides a clear distinction between native entrepreneurs and those having a different country of birth origin. However, the meaning of both terms is the same.

The academic literature on immigrant entrepreneurship in the global context (Fairlie & Lofstrom, 2014) demonstrates that many of the developed countries such as the United States, Canada, Australia, United Kingdom, and Nordics (Finland, Sweden, Norway, Denmark) have higher rates among self-employed immigrants compared to native-born business owners. In line with these findings, Baycan-Levent & Nijkamp (2009) state that the reasons and abilities for becoming self-employed differ between immigrants and native-born. In terms of the motives, according to Constant & Zimmermann's view (2006), immigrants can derive various socio-

economic benefits from self-employment. However, there is a great controversy going on around this topic. The general view suggests that deriving socio-economic benefits depend on two factors- the choices an immigrant entrepreneur faces in terms of labor market situation and the country's welfare system. Hjerm (2004), who compared the income of employed and self-employed immigrants in Sweden, contradicts Constant & Zimmermann's view as his findings showed that immigrant entrepreneurs were dealing with significantly lower incomes than employed immigrants. In addition, he explains that neither does a self-employed immigrant derive economic benefits if unemployment benefits in the host country exceed the economic returns of running a business. On top of that, he also argues that in many cases, immigrant entrepreneurs do not derive the social benefits as well as they make low profits while working long-hour shifts, thus not having enough time for social interaction outside of their work environment.

Nevertheless, before delving into various theories aiming to explain the relationship between immigration and entrepreneurial engagement, as well as examining the extent of influence of liability of foreignness on immigrants' capabilities for running a business, it is important to understand the two different levels this relationship has been studied on. The first level of these studies involves the influence of immigrants' background with the focus on his specific features and characteristics to understand the difference in the incentive and propensity in starting a business compared to native-born entrepreneurs and distinguish opportunity entrepreneurs from necessity entrepreneurs. The second level concentrates on the cultural and institutional context of the host country. Based on this, various studies found out that immigrants have a greater tendency of becoming founders of businesses compared to native-born citizens, thus, playing a crucial role in contributing to the host country's economy (Dheer, 2018).

3.2 Liability of Foreignness

The meaning of LOF can be interpreted in multiple ways, and ultimately, it is a set of disadvantages that foreign organizations and individuals undergo in the country different of their origin because of their non-native status. In the light of strategic management literature, LOF has been center of the debate in terms of explaining how foreign-owned businesses or multinational corporations have to face and cope with serious disadvantages in the host country compared to local-owned firms due to their lack of integration in the local business environment (Zaheer, 1995). Mata & Alves (2018) adopted a slightly different approach and studied entrepreneurial firms established by immigrant founders with the narrow focus on the liability of foreignness on individual's level rather than organization's level. They argue that the LOF does not only affect international foreign-owned businesses, but it also affects individuals living in a different country of their origin, who consequently pass this liability on to the businesses they are establishing. In other words, to some extent this individual liability of foreignness faced by immigrant founders affects the performance of the businesses, thus significantly increasing the chances for failure when compared to businesses founded by natives.

On an organizational level, Zaheer (1995) and Matsuo (2000) identified key sources of LOF, or the additional costs organizations face when doing business abroad that are in connection with:

1. Institutional distance between the organization's home country and the host country
2. Specific costs directly faced by foreign organizations due to the unfamiliarity with host-country's institutional environment
3. Specific constraints imposed by host countries resulting from a lack of legitimacy
4. Costs associated with organizing and managing units at distance.

The first 3 can be directly applied to individuals living in a different country of their origin who can pass on these additional costs to the firms they are establishing. Additionally, lack of legitimacy is composed of two parts: (1) rooted perceptions and attitudes of the native population towards different nationality groups, which is a process that evolves very slowly and can affect the degree of the adaptation of an immigrant belonging to these groups, and (2) lack of legitimacy that is specific to every individual based on his situation and how it evolves in the host country (Mayda, 2006). Furthermore, a lack of legitimacy can often result in discrimination. Zimmerman & Zeitz (2002) specifically address the importance of gaining legitimacy in the host country as it is a key aspect in accessing resources for a firm's survival and growth.

Few scholars distinguished among other sources, further extending them to language and culture differences, political and economic regulations, lack of experience in the host country, and insufficient human, social and financial country-specific capital endowments (Matsuo, 2000; Irastorza & Peña-Legazkue, 2018).

Since this study puts an individual at the center of the LOF, in relation to these findings, in this study LOF refers to a significant disadvantage an immigrant founder deals with when starting a new business in a foreign country, in this case, Finland i.e., due to „insufficient country-specific social, financial and human capital” (Irastorza & Peña-Legazkue, 2018), institutional distance between the immigrant's home country and the host country, unfamiliarity with host country's environment or the lack of legitimacy in a form of perceptions, attitudes, and trust of native population towards the immigrant.

Due to the significant importance of the phenomena, a large body of research went beyond identifying the sources of LOF and instead focused their attention on how to reduce the effect of LOF. Several strategies on how to mitigate the effect of LOF were introduced, namely, hiring local staff, having previous labor market experience in the host country, having large international experience, and becoming part of national communities that can provide access to resources immigrants would otherwise have a hard time accessing, and lastly, the significant determinant is the level of involvement in the host country in terms of global operations (Matsuo, 2000; Mezas, 2002).

A study by Irastorza & Peña-Legazkue (2018) examining the performance of newly established firms of immigrant and native founders specifically highlights the liability of foreignness in relation to the capital, more specifically, it attributes the LOF

to the immigrant's lack of country-specific social, financial, and human capital. The findings of the study support the previously mentioned view as according to the results, LOF has been stated as the main reason for the higher failure of immigrant-owned businesses compared to native-owned businesses. In addition, the findings of Mata & Alves (2018) also indicate that (1) the higher the living experience and work experience of the immigrant entrepreneur in the particular host country, the smaller chance for an immigrant founder to suffer from LOF, thus improving the chance of survival of the business, and (2) the greater the institutional distance of the immigrant founder's home country between the host country, the lower the chance of survival of the business founded by an immigrant. To sum it up, to a higher extent, these findings support the baseline of this study that an entrepreneur's background, in this case, an immigrant's foreign background together with the institutional environment of the host country alternatively have an influence on the business' performance and outcome.

3.2.1 Resources & Networks: Country-specific Social, Financial and Human Capital

As mentioned in the beginning this study distinguishes between immigrant entrepreneurs who started their business during studies in Finland and skilled international talent who primarily came to Finland for work. The reason for this is that previous experiences and knowledge differ between these two groups and therefore the situation of one group significantly differs from the situation of the other group, while facing different challenges when running a business in its early stages in the host country. Firstly, opportunity-recognition is closely related to the knowledge they already possess (Shane, 2000), which can affect the level of their disadvantage in recognizing business opportunities in relation to natives, and secondly, it can affect their ability to acquire resources and utilize human, social and financial capital. In many cases of business decline, it is human and financial capital that is being identified as its antecedents, with the eventual possibility of leading to failure.

When it comes to immigrant founders characterized by a recent completion of higher education degree in the given host country, most of them do not have previous working experience in the host country because of various barriers to the labor market. On one hand, firstly, they can benefit from having previous living experience in the host country and thus reaching some level of understanding of the local environment (Shane, 2000) and secondly, higher educational institutions in the host country will provide the entrepreneur with access to informal business or social networks to some degree (Pickernell et al., 2011). However, the network will perhaps be much lower when compared to high skilled immigrants with previous working experience, especially in the host country, who will additionally have a bigger understanding of the local business environment and greater knowledge and access to the formal networks than students or fresh graduates who without any job experience may lack. This is all true unless the skilled professional has zero living experience in Finland prior to starting a business, in which case the tables turn, and he will be at a serious disadvantage due to not understanding the local needs, customs, attitudes, or perceptions. In fact, the amount of time spent in the country and the time invested in getting to know the local and cultural environment before starting a business

represents one of the most important things for reducing the liability of foreignness the immigrant is naturally suffering from (Zaheer, 1995). If the founder does not get isomorphic with the local environment as a result of his lack of research and interest, his reaction might eventually end up in blaming the locals for discriminating or having strong negative attitudes towards the aspect of foreignness.

Further extending the importance of building social networks and meeting individuals from the business environment that is crucial for running a business especially in the early stages, according to Foley (2008), entrepreneurs eventually end up making decisions based on the social contexts they are embedded in. In general, building business networks is essential for immigrant entrepreneurs as it provides them with access to support and information regarding the host country's legislation, regulation, policies, tax system, funding possibilities, help with identifying potential clients, opportunities, as well as it is long-termly beneficial for closing meaningful partnerships and making synergies.

In contrast to freshly graduated entrepreneurs, skilled professionals with previous working experience are more likely to have already developed business and social networks as well as they already possess managerial and organizational capabilities which are important for running the business effectively. Moreover, it is much easier for them not only to obtain additional forms of financing from the government and banks but also due to their savings from previous jobs, the chances of going bankrupt or running out of cash will be reduced with higher starting capital. On top of that, Fried & Hisrich (1994) pointed out that entrepreneurs with bigger social networks are also more likely to obtain investments since connections and contacts play one of the major roles in the investor's decision making where to allocate the capital. Therefore, it would be reasonable to state that investing in social capital is the bridge not only to increasing human capital due to the increase in knowledge and information, but also to increasing financial capital (Lin, 1999).

Also, when it comes to the required human capital of successful entrepreneurs, research shows that even though the development of entrepreneurial knowledge and skills in any form is beneficial, in many cases, theoretical knowledge is not enough and therefore should be combined with practical working experience to increase the chances of the entrepreneurial success (Iversen et al., 2016). In a lot of cases, immigrant entrepreneurs without previous working experience have to seek additional mentorship, guidance, or other sources of help in many areas, usually starting from friends and family, who also help financially (Pickernell et al., 2011).

To conclude, entrepreneurs with previous working experience in the host country possess greater social and business networks, understanding of the local environment, which in turn increases their human and financial capital, and makes them start their business from a more advantageous position when compared to freshly graduated founders without any previous working experience.

3.2.2 Challenges of Immigrant Entrepreneurship

Liability of foreignness can be used as a term for grouping and describing all the challenges of immigrants in terms of lacking social, financial, and human capital specific to the host country. However, from a more general point of view, there is a

great number of other challenges immigrant entrepreneurs additionally have to face in comparison to natives. These challenges differ based on the firm's characteristics, organizational environment as well as individual characteristics and experience of the immigrant founder. Furthermore, as previously stated, they also differ between students with limited prior working experience either in general or in the specific host country, who start a business during their studies, and skilled professionals already possessing working visa and previous working experience either from their country of origin who come to Finland and decide to set up a business or have already been living in Finland for some time thus possessing more knowledge and networks.

Based on previous studies conducted in the Finnish and Nordic context (Joronen, 2012; Yeasmin, 2016; Hewidy, 2019; OECD, 2020), while also distinguishing between necessity and opportunity-driven entrepreneurs, the main challenges opportunity-driven immigrant entrepreneurs face involve access to networks, lack of necessary knowledge and information for starting their business in terms of legislation and local policies, lack of assistance in obtaining sufficient finance and capital. For instance, in Finland, entrepreneurs can apply at TE office for a start-up support grant before establishing the business, however, if being unaware of this and they apply once the business has already been set up, the funding will not be granted anymore. Further challenges include the need for professional services such as accounting, high tax rates for the small young business, aggressive competition of native entrepreneurs (Lilius & Hewidy, 2019), discrimination and/or perception of immigrants' foreignness by the host country causing lack of trust in providing quality products and services, thus representing barriers in establishing good relationships with customers, suppliers, or other partners and vendors (Welter & Kautonen, 2005). Furthermore, insufficient language skills affect socio-economic integration (Kushnirovich, 2015), followed by difficulties in hiring skilled labor, or cultural knowledge and adjustment resulting in failing to meet customers' needs (Rath & Kloosterman, 2002).

Some of the challenges might be overcome through actively searching for and attending different trainings, workshops, formal and informal meetings, networking events or joining coworking spaces where young entrepreneurs can enhance their knowledge, get to know people from the same area and therefore are able to receive additional help and information. Furthermore, pursuing higher education in the host country represents a substantial benefit as well as another way to not only enhance immigrant's network base but also to get better understanding of the local environment. Lastly, seeking services such as professional counseling and mentoring who will help immigrants with local legislation, applying for public funding and tax system is another solution how to cope with the main obstacles (Rath & Kloosterman, 2002).

3.3 Entrepreneurial Failure

As there are many different versions when it comes to defining entrepreneurial failure among disciplines, it has been challenging for scholars, organizations, and entrepreneurs themselves to study this phenomenon and come up with some unified conclusions on the causes, factors, and consequences of entrepreneurial failure.

Generally, in literature when referring to entrepreneurial failure, different terms are being mentioned such as organizational failure, mortality of a business, closure of a business, dissolution of a business, bankruptcy, exit, or business discontinuation (Mellahi & Wilkinson, 2004).

Before delving into the technical definition of entrepreneurial failure for this study, it is important to mention one significant determinant that is specific to Finland, which may affect the construction of it. In most European countries, when a person registers a company under one business activity, the business is unable to change and operate under different activity except of the one under which it has been originally registered. However, this is not true for Finland since once the owner pays all taxes related to the business, at any point he is allowed to perform and operate his business under different activity than it was originally registered. Therefore, under this regulation, this would not officially be considered as an entrepreneurial failure in Finland.

Bearing this in mind, in this study, business failure is defined in two ways, as (1) reaching „a closure of a business that does not meet a minimum threshold for economic viability“ (Ucbasaran et al., 2013, p. 175), including bankruptcy and (2) business that does not meet minimum threshold for economic viability and at the same time for any reason avoids filing for a bankruptcy, but is still unable to be officially closed down due to the owner’s inability to repay its debts. In the second case, it is true that a scenario might appear in which after some time once the owner may find sufficient financial resources and the business might eventually be restarted, even changing the field of its original business, however, despite of the Finnish regulatory conditions allowing for this to happen, this study considers it as a failure.

When referring to a business, the author concentrates on early-stage businesses and startups that either reached some limited annual turnover or barely got off the ground before deciding to stop the operations. When trying to grasp the whole concept of entrepreneurial failure, three levels of interpretation can be identified: First, the firm’s disappearance of the market, which does not always mean the closure of the business as the firm might simply continue and compete in other markets. Second, organizational failure, which also applies to this study, is defined as a business that decides not to continue with its operations due to either not reaching sufficient economic viability or is suffering from huge financial losses. In this particular case of organizational failure, it is very common for a firm to declare bankruptcy, however, in some cases it might be purposely avoided either due to continuous belief in restarting the business or avoiding disadvantages that come with it such as experiencing potential future problems in getting mortgage or loan from bank. Third, personal perception of the entrepreneur represents more of a cognitive process, during which an entrepreneur has a strong belief in his own personal failure, regardless of the survival of the business. In addition, the closure of a business can happen because of various other reasons such as retirement, health or family problems, change of interests, legal constraints, pandemic, etc...(Lattacher & Wdowiak, 2020). Nevertheless, this study focuses purely on organizational failure and its economic viability as the main determinant, excluding any closure of the business due to personal reasons.

Since the definition of a business failure can be defined in many ways, it is challenging to provide exact data on the actual number of failed businesses in Finland, especially with only listing opportunity-driven entrepreneurial failures. Nevertheless, in the Global Entrepreneurship Report, Stenholm et al. (2015) studied business discontinuation in Finland, meaning closure, selling, or any other form of business exit, with the result of most exits happening due to personal or family-related reasons, followed by low profitability (22%), another business idea or opportunity (18%) and retirement (14%). Even though these data do not match the criteria of a business failure referred to in this study, the study also found out that in more than half of the cases after the exit, they stopped their operations and shut down the business.

Quoting one study on learning from entrepreneurial failure (Hu et al., 2017) „entrepreneurial failure is an ever-present possibility facing those who engage in entrepreneurship. Businesses fail, but entrepreneurs do not “, which explains that failure is something every entrepreneur has to inevitably take into account when establishing a business and in case of happening, the causes and aspects should be processed, interpreted and understood instead of neglected and not learned from (Singh, 2007).

However, studying and listing all reasons for specific business failures is definitely an uneasy task, if not impossible due to their individual variations. Therefore, this study adopted a specific approach and looks at the entrepreneurial failure of immigrant founders through the effect of the liability of foreignness on them. Nevertheless, Sauser (1987) explained entrepreneurial failures by grouping them into six specific categories involving: (1) Poor management skills, (2) Poor financing/insufficient initial funding, (3) Lack of experience and expertise, (4) Failure to follow government regulations, (5) Poor money management and (6) Poor market research and planning.

In addition, Kotsch (2017) studied the main determinants for startup success and failures in Hungary, California and Germany and concluded that the majority of the failures were explained by introduction of a products or services that are not needed, the ability to secure investment as well as poor money management while running out of cash or having the wrong people in the team. In contrast, what he described as one of the most essential predeterminants for success was founders previous self-employment experience.

3.3.1 Factors Affecting the Survival and Failure of Newly Found Businesses

Young, newly established businesses are more likely to fail compared to businesses already operating for a longer period (Rauch & Rijsdijk, 2013; Wholey & Brittain, 1986). What causes businesses to fail is a crucial topic of long and ongoing debate. Many scholars attribute success of a firm to its founders' traits and characteristics. At the same individual level, many studies explain business failures mainly by lack of previous experience or incompetence of the founder, thus making the characteristics of a founder the key factor affecting the outcome of a business firm.

Even though the author of this thesis believes that on one hand, human capital theory grasps the majority of founder's individual characteristics and that human capital knowledge affects the performance of the firm, on the other hand, in line with

Rauch & Rijdsdijk's argument (2013), it is indirectly related to the outcome of the business and cannot be used as a single explanation for mortality of a firm. It has been proven that one of the many possible factors, professional background involving previous business expertise, skills, and experience enhance the firm's performance in the long-term and thus increase the chances of firm's survival (Dencker et al., 2009, Delmar & Shane, 2006).

This study concentrates on the liability of foreignness and thus interprets it as the less previous business experience and knowledge before establishing a business, especially in the host country, the higher chances of the firm's failure. In contrast, other studies suggest that the success or failure of a firm is primarily determined by the industrial forces where the business operates. For example, McGahan & Porter (1997) argue that industry and the external environment of the firm play the main role in explaining the outcome of a firm. There is a large body of research that focuses on factors affecting the survival of a firm and in this section, through an individual and environmental lens, these factors affecting immigrants' business failures will be discussed.

Individual Factors

Within the concept of self-employment, human capital theory examines the effect of an individual, in this case, the owner, on a firm through focusing on a person's individual characteristics and traits. The primary element of the human capital theory is an investment in people, more specifically, in education, while deriving the benefits from it and applying them to the practice of running a business (Sweetland, 1996).

Becker (1975) classifies human capital into general and specific human capital. While general human capital refers to the founder's years of former formal education and practical experience in general, specific human capital refers to industry or field-specific formal education and training. Bruderl et al. (1992) addressed that when it comes to specific human capital in relation to business ownership, the need further breaks down into industry-specific and entrepreneur-specific human capital. If an entrepreneur has previous experience in the industry where he is starting a business, it offers him better evaluation and understanding of the market situation, which in turn increases his productivity and enhances the chance of firm's survival and success. This is also true when it comes to having previous experience in business ownership, also referred to as entrepreneur-specific human capital, as previous experience in running a business equips the entrepreneur with managerial, organizational, and leadership skills and acts as the best learning lesson as well as the best possible preparation for running a business. In some cases, the chances of a firm's survival also increase with previous entrepreneurship studies substituting the prior self-employment experience.

Another crucial role of the founder's human capital knowledge in the success of his business is associated with the evaluation and perception of the founder by banks, investors, or customers. In many cases, the survival of a firm primarily depends on receiving additional capital from banks or another form of financing of the business. This is also in line with empirical evidence from other studies (Christopher, 1998; Rauch & Rijdsdijk, 2013) listing the most common barriers to a firm's success and viability involved lack of previous formal education, insufficient financial resources

as a result of low customer earnings, low return on investment and unfavorable bank decisions, and lastly, high competition from native-owned businesses. It can be claimed that the more living, educational, and working experience of the immigrant in the host country prior to launching a business, the more familiar the immigrant is with the socio-economic conditions of the host country while having access to a more developed network, therefore reducing the liability of foreignness and increasing the chance of firm's survival. Therefore, human capital knowledge of the immigrant is very essential for running a business in the host country, and the higher it is, the increased efficiency and productivity of immigrant's business' operations, with the result of being more capable to set up a financially well-equipped business with higher chances of survival (Rauch & Rijdsdijk, 2013).

Environmental Factors

Environmental aspects such as formal and informal institutions together with socio-economic and macroeconomic conditions are important determinants of immigrants' business performance. Formal factors involve the host country's laws, regulations, and policies while informal factors involve culture, values, codes of conduct, or perceptions of the host country as well as of the immigrant founder itself. If the institutional distance is too big between the home and host country of an immigrant, it will certainly increase the liability of foreignness and thus affect the business outcome, as proved in a study by Mata & Alves (2018).

One theory that concentrates on determining survival factors of newly found businesses is organizational ecology. Organizational ecology, also known as population ecology, originally emerged from human ecology which idea was based on a model analyzing changes within population's behavior over a long period of time (Hawley, 1981). Instead of observing the evolutionary change of an individual organization, organizational ecologists take into account all of the populations comprising organizations within a certain industry and observe their behavioral changes during their interaction with the industry. This allows them to study certain underlying mechanisms, processes, organizations' characteristics, and other environmental factors and understand their effect on organizational outcomes (Hannan & Freeman, 1977). In other words, organizational ecology examines the effect of exogenous environmental conditions on organizational characteristics through observing dynamic or evolutionary changes and processes within or between organizations that are affected by industrial and/or environmental factors. In strategic management literature, according to McGahan & Porter (1997) businesses are embedded in a certain environment that is under the influence of exogenous factors, which is outside of the founders' point of control.

Organizational ecologists identify four specific determinants that have a direct effect on business outcomes: (1) Liability of newness, (2) Liability of smallness, (3) Environmental competitive forces with the importance of strategy choice, and (4) Industry life cycle (Bruderl et al., 1992; Wholey & Brittain 1986; Hannan & Freeman, 1977).

Because of new established business lacking previous knowledge, expertise, experience, established practices, and position on the market, compared to businesses that have been operating for a longer period and already went through many crises,

it is age-dependent and therefore faces the so-called liability of newness. Liability of newness basically refers to the need of newly established firm to adapt to the environment that consists of all the internal as well as external obstacles to its survival due to its immaturity (Shepherd & Wiklund, 2006; Singh, Tucker, & House, 1986). Internal threats within the organization involve the costs of creating routines and processes, division of tasks, roles, and responsibilities, learning of these new tasks, building internal trust as well as deciding on the business efficiency strategy. Because of being new entrant, external threats mostly involve different types of barriers to entry such as a successful establishment of market presence, brand recognition, the building of supplier and customer relationships, regulatory obstacles as well as competitors' behavior.

In the literature, the liability of newness is usually discussed alongside the liability of smallness (Wholey & Brittain 1986; Bruderl et al., 1992) where the young age combined with the small size of the business is said to significantly lower the chances of its survival compared to large established businesses who have better preconditions for survival as they do not have to suffer the previously mentioned costs. The size of the business usually depends on the number of employees, amount of invested capital, or national/local strategy of the business. The smaller the business, the harder it to obtain more capital, recruit skilled workers, or deal with regulatory issues and tax laws (Mellahi & Wilkinson, 2004). Consequently, it is also important to mention that liability of newness only considers constraints related to the age of newly established firms, excluding the benefits these firms can derive from their young age of operation, such as for instance strategic flexibility that is considered as a positive in the eyes of stakeholders (Shepherd & Wiklund, 2006).

The concept of competition or niche theory described by Hannan & Freeman (1977) is characterized by the demographic and competitive structure of businesses. It states that since there is limited number of resources and at the same time either unlimited or constantly growing number of organizations, a competition must take place. According to this theory, the more organizations, the higher population density and competition and therefore the increased number of firms' mortality rates. When a newly established firm enters this competitive environment, its survival is largely affected by the current state of the population density. In the Finnish context, the capital area of Helsinki region is the most popular area among immigrants for setting up a business and is characterized by an extremely competitive environment, which is in line with findings by Vinogradov (2008) with the urban conditions explaining such high business failure rates of immigrant-owned businesses.

Hannan & Freeman (1977) furthermore came up with two specific organizational forms that are based on strategies of newly established businesses, generalist and specialist strategies, through which they describe the process of how businesses interact with environmental forces. Generalist strategies focus on a wider niche with a lot of environment exploitation opportunities while bearing high uncertainty risks of the environment. On the other hand, specialist strategies focus on a narrow niche, with lower exploitation opportunities while enjoying higher security. According to findings of one study by Dobrev et al. (2001), strategic choices and strategic location of a business in the niche market have significant effect on the survival of the business. The downside of this however results in the impossibility of

predicting which organizational form would be more advantageous since as Bruderl et al. (1992) explain, „the outcomes of a firm usually depend on the market situation“.

Lastly, industry life cycle theory views failure as inevitable natural phenomenon that each firm will eventually reach regardless of its strategic or management choices. It suggests that for instance, a firm may fail due to reaching saturated demand, running out of supply, or with the arrival of new technology (Mellahi & Wilkinson, 2004).

Nevertheless, it is important to point out that the primary objective of this study is to find out in what way and to what extent does immigrants' foreign background and liability of foreignness play role in the failure of their businesses. Therefore, both individual and environmental factors are relevant considering this study since they provide an important understanding of the role of a founder as well as the organization's characteristics and environment play in affecting the outcome of a business. The causes of failure are simply the result of many internal as well as external factors that are interdependent of each other. The ultimate view that many studies support is that it is the founders and managers who make decisions, which on one hand might and probably is affected by their perception of the external environment, however, their decision itself is more important than the environment within where it is made. In their study, Larson & Clute (1979) identified common characteristics of failed businesses and found out that most of them were in some way associated with the founder's decision-making.

3.3.2 Failure of Immigrant Entrepreneurs

Failures of highly educated immigrant entrepreneurs are in many cases a result of multiple combinations of the previously mentioned challenges most of immigrants have to cope with on the top of the regular challenges newly established businesses face. Usually, the determinants for business' success or failure differ between necessity-and opportunity-driven immigrant entrepreneurs as well as they differ between founders characterized by being fresh graduates or by having previous job/self-employment experience either in general or in the host country.

Yeasmin (2016) for instance concentrated on sparsely populated regions in Lapland and studied how necessity-driven immigrant entrepreneurs can utilize social, cultural and human capital and use it to their advantage as a resource for sustaining their businesses. The findings showed that Lapland resulted in being the number one region with the hardest conditions for immigrant entrepreneurs to run their business as after 3-year period, many of them had to shut down their business due to still facing the disadvantage of being unable to utilize knowledge spillover in terms of possessing insufficient language skills, lack of entrepreneurial education or failure to understand the local culture and policies within the business environment.

In relation to these findings, one study in Norway (Vinogradov & Isaksen, 2008) investigated the survival rates of new immigrant and native-owned businesses in the urban regions and again found out that immigrant-owned businesses were more likely to fail compared to businesses founded by natives. To better illustrate the significant difference, in the numerical representation, the results showed that while 54.2 percent of businesses started by natives still existed after a four-year period, only

27.3 percent of businesses started by immigrants did so. Vinogradov (2008) suggests that one reason for such a high failure rate of businesses founded by immigrants compared to natives might be due to the conditions and environment of urban location, more specifically the presence and influence of tense and aggressive competition among firms on the immigrant-owned businesses, that may have a devastating effect for the businesses established by immigrants when combined with all the challenges they additionally have to face. The second explanation regarding the relationship between the low survival rate of immigrant-owned businesses and urban locations is that urban areas tend to offer more job opportunities with lucrative salaries that can lure immigrant founders to leave their businesses and approach the easier way of taking the paid job opportunity.

Even though this view is also supported by a study done in Germany by Constant & Zimmermann (2006), it might be more relevant in the context of necessity entrepreneurs as it explains that many German immigrants are often pushed into self-employment and therefore as soon as they are exposed to potentially successful job offerings, they have no problem of leaving their business for a paid employment.

Furthermore, based on academic literature review, the study by Vinogradov (2008) also proposes an additional possible negative factor, in this case referring to the so-called "ethnic entrepreneurship", which lies behind the fact that immigrant entrepreneurs often show a propensity of introducing untraditional products or services that stem from their foreign background to the country's home market, resulting in the increased chances of business failure. This conclusion seems to be in the line with findings mentioning the disadvantage of ethnic immigrant entrepreneurship according to which with the high amount of newly arriving immigrants each year, the market becomes saturated and there is not enough demand in terms of ethnic consumption (Yeasmin, 2016).

A similar study was done by Irastorza (2010), with the specific focus on the pre- and post-entrepreneurial process of immigrants in Spain and the Basque Country. Irastorza investigated the likelihood and motivation of immigrants to become self-employed in comparison with natives by looking at the outcomes of their businesses while applying liability of foreignness. Again, the findings showed that the survival rate of immigrant-owned businesses was significantly lower than native-owned businesses, reasoned by the so-called „behavior effect” - the inability of the immigrant entrepreneur to run the business and react to the foreign environment.

3.4 Summary of Theoretical Framework

As one of the Nordic countries, Finland is characterized as being an innovation-driven, technology-based country providing a supportive and resourceful business environment. The Finnish welfare system is very comprehensive and advanced compared to other countries, which is one of the reasons why Finland remains a preferred destination for immigrants, with immigrants corresponding to almost 10% of the population. Its favorable business conditions, especially for the development of early-stage businesses, are what generally foster all entrepreneurial activities in Finland as well as attract international talent and entrepreneurs from abroad. Immigrant entrepreneurship is therefore highly encouraged as it does not only foster

innovation and acts as a solution to labor market challenges, but most importantly, it represents an important part in contributing to the Finnish economy.

In general, studying entrepreneurial failures represents an ongoing challenge for scholars due to the ambiguity of its definition as well as lack of secondary data, and listing exact reasons for different varieties of business failures is therefore impossible. However, few scholars tried to group the most common reasons, categorizing them under the following themes: introduction of products/services that are not needed, poor management skills, poor financing/insufficient initial funding, lack of experience and expertise, or having the wrong team, failure to follow government regulations, poor money management resulting in running out of cash, and poor market research and planning. In fact, the factors that affect the survival, failure, and/or growth of a business are the result of the founder's characteristics and personal traits combined with the organizational environment.

Moreover, newly established businesses have a higher chance of failure as they face liability of smallness and liability of newness. The young age and small size of the business act as a disadvantage for these firms as they have to deal with and overcome internal as well as external threats and position their business on the market to be able to compete with firms already operating on the market.

On top of that, immigrant entrepreneurs also suffer from liability of foreignness and therefore have to face other serious challenges in the process of starting, running, and growing their businesses. Based on previous studies in the Nordic context, the following main challenges that opportunity-driven immigrant entrepreneurs face were reported: access to networks, lack of necessary knowledge and information for starting their business in terms of legislation and local policies, lack of assistance in obtaining sufficient financial resources, the need for professional services such as accounting, high tax rates, aggressive competition of native entrepreneurs, discrimination and lack of native population's trust in immigrants providing quality products and services and therefore creating barriers in establishing good relationships with customers, suppliers. Finally, few of the most common challenges involve language barriers, cultural differences, and/or hiring local staff.

A large body of research studied the liability of foreignness on an organizational rather than individual level, referring to LOF as additional costs multinational organizations suffer from in relation to local businesses. In this sense, Zaheer (1995) and Matsuo (2000) identified four key sources of LOF, which involve institutional distance between home and host-country, unfamiliarity with the host country's environment, constraints imposed by host-countries as a result of lack of legitimacy, and costs associated with organizing and managing units at a distance. On an individual level, the first three sources can be also applied to immigrant entrepreneurs who suffer from these additional costs as much as international organizations, when running their business abroad.

Research that studied LOF and its effects on immigrant-found businesses found out that due to the founders' inability to adjust and react to the host-country's environment, also referred to as a behavior effect, and utilize country-specific human, social and financial resources, LOF has been stated as the number one reason for the failure of immigrant-owned businesses. Fewer studies also concluded that the higher the living experience and work experience of the immigrant entrepreneur in the host

country, the smaller chance for an immigrant founder to suffer from LOF, and the greater the institutional distance of the immigrant founder's home country between the host country, the lower the chance of survival of the business.

According to Friedberg (2000) prior knowledge, education, and labor market experience gained from abroad loses its value in the host country, thus, it is the human capital gained in the host country that matters. Having said this, several strategies for minimizing the effect of LOF on immigrant-found businesses have been identified, such as previous living and labor market experience in the host country, hiring local staff, reaching out to local consulting services, or joining national communities that can provide help with accessing other crucial country-specific resources or targeting the international market.

When comparing the effect of LOF in terms of immigrant background, the theory suggests that skilled professionals who come to Finland for work and thus have prior labor market experience in the host country start their businesses from a more advantageous position compared to students who start their business during their studies without prior labor market experience. This is based on the assumption that the more practical experience an immigrant possesses in the host country, the more isomorphic he gets with the environment and therefore is in a possession of greater social, human, and financial capital, which are the crucial resources for successfully running and developing a business.

To conclude, in terms of the prevailing factors directly affecting the survival of the business, it all comes down to the founder's self-motivation and commitment, social networks, educational qualification, previous entrepreneurial experience, previous working experience in the host country, obtaining funding, and gaining the trust of locals (Lilius & Hewidy, 2019).

4 RESEARCH METHODS AND DATA COLLECTION

This chapter explains the research method, design, and adopted approach together with the process of data collection, analysis, and interpretation that this study employs. This study applies qualitative research methods, specifically the multiple case study method and informal semi-structured interviews as it provides the best means for identifying the role of context and extracting the meaning from the data obtained through open-ended communication, which is crucial for this study.

4.1 Qualitative Research

Scholars typically distinguish between three research designs: quantitative, qualitative, and mixed methods. Quantitative research deals mainly with numerical facts and statistical measurements, close-ended questions, and hypotheses, while using the experiment as a form of research strategy to test the theories and determine if they provide an explanation for certain phenomena of interest. Qualitative research, on the other hand, focuses more on finding out the meaning behind the words through open-ended questions and interviews with selected relevant subjects in their natural setting, while often using qualitative case studies to do so (Yilmaz, 2013). Studies that use mixed methods are characterized by incorporating elements from both quantitative and qualitative research designs (Creswell, 2014, ch. 5).

In theory, neither of these two traditional research paradigms have a single definition, however, there are few differentiators that separate quantitative research from qualitative research since they are believed to have their own set of norms, values and beliefs that significantly differ from each other. According to Mahoney & Goertz (2006) who evaluated their contrasting practices, norms and approaches came up with a clear distinction mainly in terms of approach to causal explanations and concepts of causality, equifinality, generalization, weighting observations, and case selection practices.

In qualitative research, the approach to explanation answers the question: what is the cause of effect? as it examines individual cases and their specific outcomes and tries to explain them by looking backward at the possible causes whereas in the quantitative approach that answers the question: what is the effect of the cause? a controlled experiment is being applied and the average effect of causes is being estimated (Mahoney & Goertz, 2006; Creswell, 2014).

Furthermore, when it comes to the concept of causality, qualitative research expects multiple necessary and sufficient causal factors to be present, which can be achieved by comparing the similarities and differences between the individual cases. In contrast, the concept of causality in quantitative research deals more with correlational cause and the statistical probability of a single case on the outcome (Mahoney & Goertz, 2006).

Yilmaz (2013) explains that these two research paradigms also differ in their epistemological, theoretical, and methodological foundations, all of them representing key philosophical concepts in social sciences. The core focus of epistemology is on the knowledge and its sources and limits, methodology deals with ways of producing

knowledge about particular issues, and methods describe specific ways of data collection and data analysis (Eriksson & Kovalainen, 2008).

In terms of epistemology, the quantitative approach usually involves more objectivism compared to qualitative approach. As this study investigates social phenomena that are of a too complex nature, through interpretivism it studies what is perceived as constructive social and psychological reality as well as how it is constructed. This is done through subjective perspectives of the studied subjects and their detailed description of the phenomenon, which is said to be the output of their social and cognitive processes (Yilmaz, 2013; Eriksson & Kovalainen, 2008). As a result, this phenomenological perspective cannot be fully objective as the reality and knowledge fully depend on the individuals within specific environment. The disadvantage of this approach is that the results are subject of a bias and cannot be very generalized.

In other words, the study primarily involves participants' individual perceptions of the reality that is constructed through their experience, feelings, and thoughts that might differ for every individual as well as might change over time and context. This also allows the researcher to ask the participants retrospective questions leaving them space for self-reflection, such as: would you have done something differently looking backward, and if yes, what would it be? Since many of the participants in this study represent serial entrepreneurs who continued their entrepreneurial activities even after the investigated business failure, it is very possible for them to have gained further experience and knowledge in this field that might have changed their view, providing them with greater objectivity and accuracy when it comes to evaluating their previously unsuccessful business. Thus, through qualitative research, it is possible to gain retrospective as well as real-time accounts. As a result, qualitative research has a very flexible and descriptive structure as it investigates the socially constructed dynamic reality of an individual or a group in order to understand the meaning and motivation behind their decisions and actions even before they are taken. Through a logical lens, the focus is put on individual meaning with the goal to portray the general complexity of the situation.

This study is classified as an interpretive study. As the central purpose of this study is to find out the role and extent of liability of foreignness in business failures by explaining and identifying all the possible reasons, causes, and factors affecting the phenomena of immigrant-owned business failures, investigating each case that falls within the scope of this study individually through interviews represents more relevant solution and therefore qualitative approach suits this cause better. In general, qualitative research design allows for a better drawing of information and insights from both, data obtained through open-ended interviews and existing literature (Creswell, 2014).

Perhaps one of the key challenges in qualitative research lies in its narrow scope and limited generalization since it is the researcher who has the full power to define and narrow the scope of his theories, which only makes it generalizable to a very limited extent. Based on their judgment, researchers in qualitative studies usually select a specific sample of candidates from the population size that they find suitable and fitting the scope, use these selected cases, and assign these few causal explanations to be sufficient for their outcome of interest.

In this sense, analytical generalization, as introduced by Yin (2009) suits the case study research method as the cases are not generalizable to populations but instead to theoretical propositions. Once a theory is formed, the researcher applies it to situations in which similar events occur and if a case or multiple cases support the same theory, replication logic is used.

However, increasing the number of cases puts the theories at risk since the additional cases might not fit the original causal relations, which would result in modifications. This stands for a great chance of bias as it decreases the objectivity and makes the whole study dependable on the researcher.

In quantitative research, this is not a problem as the scope is much broader without a prior specific selection of cases, allowing the researcher to generalize a large number of cases while eliminating the bias (Mahoney & Goertz, 2006; Creswell, 2014).

When differentiating the methods of weighting observations, qualitative research faces another increased risk of bias since researchers have the additional power to unequally evaluate the cases and assign certain cases to be of higher importance, while ignoring the non-comforting ones. Quantitative research minimizes this risk as all cases are equally weighted and there is no space for errors in form of prior assumptions that would affect the model, which results in acquiring more reliable results.

4.2 Multiple Case Study Method

Case study research has been historically used across many academic disciplines including law, psychology, sociology, medicine, and education, while recently gaining more recognition in business and management research. The case study research method can be very exploratory, explanatory, and descriptive in its nature, with well-defined boundaries, while being perfectly suited for solving complex matters through a detailed, multi-faced, real-life investigation and analysis of the contextual processes involved in the phenomenon (Creswell, 2013; Eriksson & Kovalainen, 2008). After a careful consideration of which research strategy would represent the most appropriate method or approach for reaching the objective of this study, the **collective or multiple case study method** was selected based on the complexity of the phenomenon researched in this study together with the focus on different contexts while being in line with the following key properties, which are discussed below that according to Creswell (2013, 2014) and Yin (2009) each case study should encompass.

Firstly, each case should have a set of pre-defined parameters, which can represent, for instance, having the case bounded by time, place, an event, activity, or a specific group of people. As this study is purposely done within a single country, the parameter is place, more specifically, Finland. Another parameter in this study specifies an activity, business failure in the early stages of the business, as well as a group of people of foreign-born opportunity-driven business founders. The scope of this study is narrow and is composed of individual comparable bounded cases, which acts as a determinant in selecting the type of the case study, in this case, multiple case study (Creswell, 2013, p. 97). All cases must comply following criteria:

1. The individual must be a foreign-born, opportunity-driven entrepreneur in Finland being directly involved in the creation of a failed business, preferably as a Founder, or a Co-founder
2. The individual must have been closely involved in the business failure process
3. The business failure must have occurred in the early stages of the business (1-4 years)
4. The business failure must refer to a business that decides not to continue with its operations due to either not reaching sufficient economic viability or is suffering from huge financial losses. This can be done in a form of (1) official closure of the business, (2) bankruptcy and, (3) inability to reach official closure of the business due to unpaid debts

Secondly, the intent of a case study is to understand and solve a specific problem by mainly finding answers to “Why” and “How” questions. In this study, the aim is to find answers to questions in terms of how does the liability of foreignness affect the performance and outcome of the immigrant-founded business, more specifically, the failure, how does the effect of LOF differ, if anyhow, between students/fresh graduates and skilled international talent, how to reduce it and lastly, why do opportunity-driven immigrant-founded businesses fail apart from being affected by the LOF.

Thirdly, the nature of the problem should be of a contemporary character, with the researcher having zero influence over the events. This study meets this condition as the problem of opportunity-driven immigrant founders in Finland struggling while running their businesses and failing is still accurate, and the effect and extent of LOF in these failures specifically in the context of Finland remains unresolved, without the researcher having influence over the causes.

Fourthly, when it comes to the data analysis process, to be able to perform cross-case analysis by comparing similarities and contrasting views across the cases, first it is crucial to achieve an in-depth understanding of each case individually, which can be done by creating a thorough description of each case within its context. In the end, the researcher concludes the meaning of each individual case and combines the individual knowledge and insights gained from these individual multiple cases, with the goal to gain new knowledge and develop and form an in-depth understanding of the whole phenomena (Creswell, 2013).

It is up to the researcher to make choices in terms of the type and approach of the case study. The benefit of selecting a multiple case study method lies in the researcher’s ability to explore the research question more widely, analyze the data within each situation as well as across the situations and thus provide different perspectives on the issue, even with the possibility of getting contrasting results. Furthermore, conclusions formed from multiple empirical data can be more convincing and the evidence is often measured as valid and reliable (Yin, 2009).

In contrast, the disadvantage lies behind the fact that the greater number of cases involved, the less depth of every single case. Another challenge represents generalization because of the significant difference between the contexts of each individual case. As already mentioned, good qualitative case study is built upon analytical generalization. The theoretical framework works as a basis for the research;

however, the final induced theory can be drawn from the cases and empirical data itself, which may advance, modify or even ignore the original theoretical concepts (Yin, 2009). Furthermore, the aim is to explore and analyze a few particular cases in depth and compare and interpret them using the subject's perceptions, experiences, and sense-making process rather than to produce findings that can be generalized to a larger population (Eriksson & Kovalainen, 2008). Ultimately, the cross-case study makes it generally possible to come up with some theoretical propositions or develop emergent theories that can be generalizable to some extent.

However, one of the key challenges when selecting multiple case study method lies in the presentation of empirical data. The readers typically expect the richness of the stories and relating complete narratives of each individual story, but this is very unrealistic keeping in mind the need of staying within the research objective and the emergent theory. Thus, researchers often face a trade-off between stories and theories, and one of the best ways to address it is to develop an emergent theory or extended theoretical propositions and support it with the empirical evidence, from at least some number of the cases (Eisenhardt & Graebner, 2007).

The nature of this study is thus inductive and interpretive, adopting the approach of Interpretative Phenomenological Analysis (IPA), "which shares the view that human beings are sense-making creatures, and therefore the accounts which participants provide will reflect their attempts to make sense of their experience. IPA researchers are interested in what happens in everyday flow of lived experience takes on particular significance for people" (Smith, Flowers, & Larkin, 2009, p. 1-3). Therefore, they are looking in detail at how people make sense of some major transition in their lives, in this case, how the participants make sense of their business failures. When interpreting each account, the researcher must bear in mind the limited access to the experience that he is provided with through the participant's own account of it. (Smith, Flowers, & Larkin, 2009).

This study is about understanding how the founders suffering from LOF perceived the underlying factors or determinants that led to their business failures, therefore, adopting an interpretive approach is more suitable as it provides access to deep insights, descriptions, and detailed contexts and processes which are crucial in understanding why the informants felt in a certain way about certain things.

4.3 Sampling and Data Collection

4.3.1 Informants Profile of Foreign-origin Business Owners

In qualitative semi-structured interviews, it is vital for the researcher to purposely choose suitable candidates who fit the right profile and the scope of the study. In addition, according to Eisenhardt (1989), one of the most common sampling methods in qualitative case studies, which also acts as a means of increasing the reliability and validity of the study, includes triangulation. Triangulation stands for collecting the data from multiple sources, perspectives, and/or using different methods to get the most accurate understanding of each case.

The most suitable respondent fits a profile of being an immigrant person born outside of Finland, who came to Finland either for work or to pursue studies,

established a business out of opportunity by himself or with a co-founder, and for any reason, it failed during the business' early stages. For the purpose of this study, which is to identify LOF in the business failures established by immigrants, it is important to find performance measures that specifically identify the disadvantage of foreignness. In this sense, important factors are the immigrant's background, i.e., previous experience together with the absence or presence of Finnish native aspect in the ownership or representation of the company. Therefore, this multiple case study applies the triangulation in a way that collects the data from different perspectives and sources of data, where the interviewees are further divided into the following categories:

(1) Category consisting of 2 groups, namely:

1. Students/Fresh Graduates (educated international entrepreneurs who pursue a higher education degree in Finland, with little professional experience and a smaller network)
2. Skilled Professionals (skilled educated international talent/entrepreneurs with the previous working and/or self-employment experience and greater network)

(2) Category consisting of 2 groups, namely:

1. Only immigrant founder(s)
2. Immigrant founder with a Finnish co-founder or Finnish representative of the company

The initial search for candidates started by contacting: (1) entrepreneurial organizations, i.e., Business Park, Business Finland, Sie Mie Keskus Rovaniemi, Maria 01, (2) organizations helping immigrants, i.e., Moniheli, Maahanmuuttajien perhe ja nuorten yhdistys MPNY ry, and (3) organizations supporting immigrant entrepreneurship, i.e., Startup Refugees, Suomen Yrittäjät- Migrant Entrepreneur Network, Switch Now.

Followingly, social media such as LinkedIn and Facebook were used for joining entrepreneurial immigrant groups in Finland together with utilizing researcher's personal as well as business student networks, one in particular called Pörssi.

In addition, a large number of candidates were also found through the so-called snowball sampling and referrals. Ultimately and surprisingly, a long list of potential candidates was formed after which only the ones meeting the set of pre-defined criteria have been selected. Since there is a big stigma associated with failure in general, finding respondents was something that the researcher initially considered a huge challenge. As a result, the large amount of failed immigrant entrepreneurs who unfortunately did not fit the profile but still expressed their willingness to somehow incorporate their insights in the study, was very unexpected but extremely positive and motivating outcome. All individuals who fulfilled the pre-requisites for the business failure as defined by this study were considered significant for the research.

The demographic structure of the 15 selected respondents consists of 9 males and 6 females, aged between 25 to 50 years old, with the majority aged around 30. In

terms of the nationalities, the sample represents entrepreneurs from Germany, Spain, Russia, Lithuania, Vietnam, Hong Kong, Bangladesh, Taiwan, Serbia, USA, and Tanzania/Kenya. 4 respondents established their business with a Finnish co-founder and 1 respondent had a Finnish salesperson whose main role was to represent the company. Among the greatest reasons for moving to Finland, work dominated, which was closely followed by family ties, studies, and other reasons.

The students or fresh graduates fit the profile in terms of either already possessing one high education degree but continuing their educational journey in Finland, and/or having minor experience from several part-time jobs in or outside of Finland, including a few respondents also possessing previous self-employment experience. However, in comparison to the international skilled talent and their long-term working or self-employment experience in different fields, who fit the profile as well, they still fall behind. Out of the 15 respondents, 7 can be characterized as serial entrepreneurs, meaning that either before, during, or after the investigated business failure, they have been engaged in other entrepreneurial activities.

The aim of this study was not to limit it to a certain industry and a region in Finland, oppositely, it aims to compare the situation, challenges, and the effect of liability of foreignness of immigrant entrepreneurs across all regions in Finland, including both urban as well as rural, sparsely populated regions, and fulfill the diversity across different industries. Therefore, the regions of the failed businesses' operations cover Helsinki, Espoo, Kotka, Lahti, Imatra Tampere, Jyväskylä, Oulu and Rovaniemi. The industries range from car industry, marketing and media, retail, e-commerce, beverage industry, IT and Software industry, travel industry, music industry, industrial machinery, education, electronics, and bicycles industry. The average length of the respondents' business operations was about 2 and half years and the average number of employees the businesses employed was 2, while 4 of them had co-founders. The full profile of the informants is found in table 6.

TABLE 6 Profiles of Failed Entrepreneurs

Entrepreneur	Country of origin	Reason for moving to Finland	Serial entrepreneur?	Educational qualification	Working experience	Fresh graduate/skilled professional	Geographical location of the business in Finland	Field of Business	Number of employees	Years of operation	Type of Business Failure	Length of the interview	Date of the interview
Entrepreneur A	Germany	Studies	X	-Bachelor of Business Administration, JAMK, Finland	-Sole entrepreneur in finance advising, Germany (2y) -Part-time during studies in IT startup, Finland (0,5y)	student	Jyväskylä	Car industry	1 Finnish Sales Rep.	1-1,5	Closing down due to no Demand	40 min	15.2.2022
Entrepreneur B	Russia	Other	Serial	-Phd in Economics, Russia	-Sales and Marketing, Russia, -Freelancing, Finland	skilled professional	Kotka, operating in Helsinki	Marketing, Media company	1- 5	2	Closing down due to no Demand	40 min	19.2.2022
Entrepreneur C	Lithuania	Work	X	-Bachelor of Business Administration, Lithuania	-Account Manager, Lithuania	skilled professional	Espoo	Retail industry-distributor of Japanese baby diaper MERRIES	0	4	Closing down due to no Demand	35 min	22.2.2022
Entrepreneur D	Spain	Family, married	X	-Bachelor of Natural Medicine, Netherlands	-Office Administration, Netherlands	skilled professional	Jyväskylä	Homeopathy	0	4	Closing down due to Unprofitability	25 min	23.2.2022

Blue box – presence of Finnish co-founder / company representative

(to be continued)

Table 6 (to be continued)

Entrepreneur E	Vietnam	Studies	X	- Bachelor of Tourism and Travel Management, Vietnam - Bachelor of Tourism and Hospitality Management UAS, Rovaniemi, Finland	-Part-time in Hotel, Vietnam -Entertainer in Santa Park-restaurant, Rovaniemi, Finland	student	Rovaniemi	E-commerce-dog's equipment	0	0,5-1	Closing down due to Unprofitability	25 min	24.2.2022
Entrepreneur F	Hong Kong	Startup visa	Serial	-Bachelor of Economics and Finance, Hong Kong	-Investment analyst in Banking sector, Hong Kong -Entrepreneur, Finland (1y)	skilled professional	Helsinki	Beverage industry-Bubble Tea	(2 co-founders, 1 Finnish) 10	1	Closing down due to Unprofitability	30 min	25.2.2022
Entrepreneur G	Bangladesh	Studies	X	-Bachelor of Computer and Communication Engineering, Bangladesh (Telecommunication) -Master's Degree in Information Technology, Tampere, Finland	-Data Analyst, Bangladesh	student	Tampere, also operating in Oulu	IT Software industry, Data Science Business, analyzing customer data	(1 co-founder) 7	3,5	Closing down due to Unprofitability	30 min	1.3.2022

Blue box – presence of Finnish co-founder / company representative

(to be continued)

Table 6 (to be continued)

Entrepreneur H	USA	Family, married	Serial	-Bachelor of Science in Marketing, USA -Double Bachelor of Arts in Gender Studies and English language creative writing, USA	-English Teacher, Turkey -Content Creator and Brand Building, Turkey -News Media, Germany -Freelancer Content & Operations Manager, Malta -Communications Director, Finland (1y)	skilled professional	Helsinki	Travel and Tech Industry- Mobile app	(7 co-founders, Finnish) 0	1,5	Closing down due to no Demand	40 min	2.3.2022
Entrepreneur I	Bangladesh	Studies	X	-Bachelor of Electrical Engineering, Bangladesh -Master's Degree in Computer Science, Bangladesh -2nd Master's Degree in Biomedical Engineering, Oulu University- FINISHED AFTER BUSINESS FAILED	-IT company Bangladesh (2y) -Lecturer/teacher of Programming, Bangladesh -Internship in medical device company, Helsinki, Finland	student	Helsinki	IT Software Industry- Food Delivery Mobile App	(1 co-founder) 0 outsourced expertise from Bangladesh	1	Wants to close down due to unprofitability, BUT UNABLE TO REPAY DEBT	30 min	9.3.2022

Blue box – presence of Finnish co-founder / company representative

(to be continued)

Table 6 (to be continued)

Entrepreneur J	Serbia	Work	Serial	-Bachelor of Software Engineering and Web Design, Serbia	-Computer Science: Web designer and Software developer, Serbia (few years) -AIESEC- Internship in designing Website, Mobile App coding, Finland (4 months) -Software Developer, Finland	skilled professional	Helsinki	IT Software Industry- Music Recommendation Website	(1 co-founder, Finnish) 0 Outsourced expertise from Serbia	2	Closing down due to Unprofitability	40 min	15.3.2022
Entrepreneur K	France	Family, married	X	-Entrepreneurial undergraduate studies -Bachelor of Humanities in Civic Activities and Youth Work -Master's degree in Social, Healthcare and Cultural Well-being, Turku, Finland	-DJ, Music events manager, Jyväskylä, Finland (5y) -Supervisor and Manager in Housing-accompanying asylum seekers, Jyväskylä, Finland (2y)	skilled professional	Jyväskylä, operating in whole Finland, mainly Tampere and Helsinki	Music Industry- Record selling, DJ courses DJ live set playing, musical events	0-5	6	Closing down due to no Demand	30 min	15.3.2022

Blue box – presence of Finnish co-founder / company representative

(to be continued)

Table 6 (to be continued)

Entrepreneur L	Taiwan	Work	Serial	-Master's degree in Business Administration, Taiwan -Bachelor of International Business, Marketing, E-commerce, Helsinki, Finland	-Sales and Managing Director- turnkey plant machinery field, Taiwan (10y) -Serial entrepreneur-globally, Taiwan, France, Germany, Finland..	skilled professional	Lahti, operating internationally	Industrial Machinery	2	1	Closing down due to no Demand	30 min	16.3.2022
Entrepreneur M	Russia	Work	X	-Master's degree in Teaching English as Second or Foreign language, Russia -Additional studies as Vocational Teacher, Helsinki, Finland	-Part-time University English teacher, Russia (8y) -English Teacher, Finland (3y)	skilled professional	Kotka	Education Industry, English Teacher	0	1	Closing down due to better job offer	10 min	17.3.2022

Blue box – presence of Finnish co-founder / company representative

(to be continued)

Table 6 (to be continued)

Entrepreneur N	Russia	Work	Serial	-High School Moscow State University of Foreign Relations Economic department -Business High School-Finnish as foreign language Helsinki, Finland	-Attaché to General Consulate of Russia. Turku, Finland -Import/Export manager Russia, Finland (8y) -General Manager, Russia, Finland (15y) -Representative of small businesses, St.Petersburg, Russia (30y) -Marketing and business advisor for Finnish company with foreign ownership from abroad	skilled professional	Imatra	Electronics and IT Industry	1-5	1	Closing down due to regulatory changes	30 min	17.3.2022
Entrepreneur O	Tanzania / Kenya	Family, married	Serial	-Undergraduate studies of Business Administration	- Business Developer, Tanzania/Kenya -Entrepreneur, Tanzania/Kenya -Logistics, Finland	skilled professional	Espoo	Bicycles Industry	(1 co-founder, Finnish) 0	1	Close down due to not being able to open business bank account	35 min	19.3.2022

Blue box – presence of Finnish co-founder / company representative

4.3.2 Qualitative Informal, Semi-structured Interviews

Methods of data collection in qualitative research range from observations, focus groups and informal, structured, or semi-structured interviews to surveys. Informal interviews can be described as casual conversations without following any specific guidelines, structured interviews strictly follow a set of questions, and in semi-structured interviews, the researcher partially asks a set of predetermined open questions but at the same time leaves space for himself to dive deeper through allowing the informants the freedom to express their thoughts in own view (Eriksson & Kovalainen, 2008; Creswell, 2014). Semi-structured interviews represent one of the most common and preferred interview methods in qualitative research (DiCicco-Bloom & Crabtree, 2006).

Bearing in mind this study's primary objective, which is finding out the role of liability of foreignness in business failures, together with the secondary objective, which is finding any possible additional causes or sources of business failure, this study will primarily employ the method of semi-structured interviews while adopting some informal elements. This means that during the interview, the researcher tries to follow a set of prepared, open guiding questions within the main themes, mostly following the semi-structured form, however, the informal element is present when the informant is asked to describe his entrepreneurial failure. The researcher is allowed to step in at any point and ask further questions to get the full understanding and clarification of the situation, but the main goal is to allow the informant to speak freely and openly and express his attitude, thoughts, feelings, and beliefs while describing the whole experience the way he sees and perceives it. This way, the informant does not feel pressured, which may create some level of trust between him and the researcher, possibly allowing him to delve deeper into the informant's personal or sensitive issues (Patton, 2015). Additionally, while the informant is describing the causes, and factors based on their point of view, they are also asked to distinguish between facts and assumptions. An example of fact would include the business not showing any demand for the product or service, while an assumption would be due to a non-traditional nature of the product, or wrong pricing of the product. Since business failures are usually the result of multiple complex factors, the informal element in an open and honest conversation also allows for a new topic of interest to be discovered as the process progresses (DiCicco-Bloom & Crabtree, 2006).

In this study, open guiding questions of qualitative semi-structured interviews follow themes regarding (1) information on immigrants' educational and professional background, immigrants' living experience in Finland, immigrants' previous self-employment experience, all prior to establishing the business, and immigrants' motivation of moving to Finland. Followingly, (2) company background including the geographical area of its business operations, industry, motivation to start the business, stage of the company during the occurred failure as well as the type of failure. (3) The general description of the entrepreneurial failure is divided into two subcategories, in which one aims to describe causes and factors for business failure with the influence of foreign background, and the other aims to describe the same without the influence of foreign background, while both distinguishing between facts and assumptions. This is done in order for the researcher to have a clearer understanding of the objective

facts and the informants' personal interpretations of their business failure. Further themes involve (3) foreign background yielding advantage, (4) network and resources, and (5) cultural integration while leaving space for any other further comments and insights of the informant. An additional question regarding the influence of the Covid-19 pandemic on the business performance is included to eliminate any possible bias in the results that would have been caused by this external factor. The full list of the guiding questions for the conducted semi-structured interviews is in Appendix 1.

The primary goal of the qualitative open semi-structured interviews in this study is to get a full understanding of participants' background and level of integration within the Finnish social, cultural, and business environment prior to and during their business operations as well as how it affected their ability to utilize social, financial, and human capital when running the business in Finland. Secondly, a strong focus is also put on identifying and/or discovering the existence of possible challenges connected to the foreign aspect of the immigrant entrepreneur and his business, primarily regarding his foreign name, perceptions, and level of trust towards his business from the native population.

Lastly, the inductive approach of the study as Thomas (2006) explains increases data's validity and reliability as the data is obtained from various sources while being refined through different stages including the process of data collection, establishing, and describing the link between summary findings and research objectives, and concluding a theory or model. The inductive analysis of data also allows for combining insights from existing literature with observations made during the interviewing process, thus reaching conclusions through managing the data inductively (Patton, 2015).

In the process of data analysis, the interview data were transcribed with added additional notes and/or comments if needed. The example form of a transcript of an interview with categorized themes for this study is found in Appendix 2.

4.3.3 Practicalities of Data Collection

Interviews are conducted with 15 opportunity-driven immigrant business owners who experienced early staged entrepreneurial failure in Finland, out of which 4 fall under the group of students or fresh graduates and 11 belong to the group of skilled professionals. All interviews are conducted in the English language lasting from 20 to 40 minutes while being recorded and later transcribed. Due to the location as well as the continuation of the COVID-19 pandemic, 2 of the participants agreed to be interviewed in person, face-to-face with the rest being conducted via video conference platform Zoom or Google Meet. Before each interview, the researcher was granted verbal approval from all participants to record the interview. As for the personal data protection, all processed data were in line with the GDPR Guidelines of the University of Jyväskylä, while the researcher was the only person with the access to the data, which was safely stored on his personal computer, and was only to be used for the data analysis. After transcribing the interview material from audio to text format, through the thematic analysis method, the data analysis process began by identifying similarities, differences, and patterns of the participants' answers as well

as behavioral changes. Once the data analysis was finished, findings and conclusions were formulated.

4.4 Data Analysis

In qualitative research, the transcribed data is commonly assessed through inductive data analysis with the patterns, codes, and themes usually built from the bottom up. Following Creswell's description of the data analysis process (Creswell, 2014), in this study, the raw empirical data is being reviewed and analyzed, and once the patterns across cases are identified, the data is further coded into categories out of which based on the theoretical framework, the researcher derives more detailed themes and concepts through interpreting the data (Figure 4).

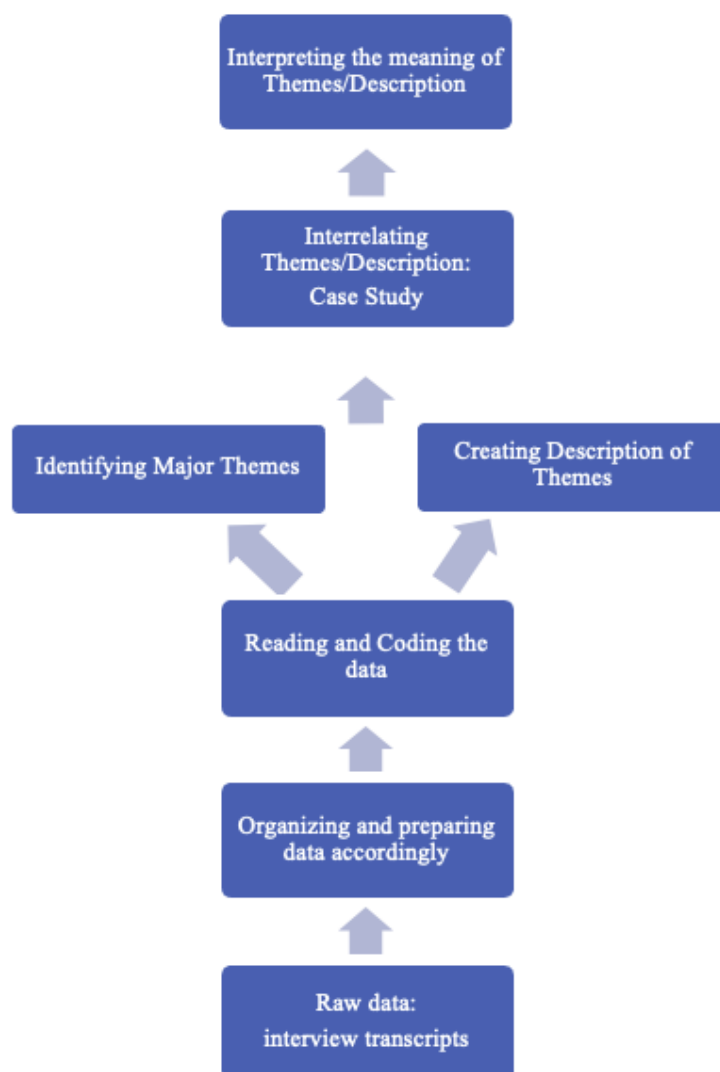


FIGURE 4 Data Analysis Process (Creswell, 2014, p. 197).

In multiple-case analysis, the analysis process typically starts with analyzing each case individually while creating case descriptions after which cross-case analysis

is performed where the researcher looks for commonalities and differences with the aim to organize them under different categories and develop generalizable theoretical propositions. As this study possesses a greater level of complexity and explores the underlying factors and determinants that led to business failures in connection to the foreign aspect of the immigrant's background, individual case descriptions are initially created to get the full understanding of each case, however, the next stage of the analysis involves the coding process with emerged themes as this represents a more appropriate method for analyzing and better understanding why the informants feel a certain way about certain things.

When generating data from qualitative methods, in this case, semi-structured interviews, coding is a process that enables systematically identifying parts of the data such as sentences and phrases, which are referred to as codes, to further organize and structure the data, search for commonalities across the cases to find recurring patterns, come up with certain themes and compare them to the existing literature to finally develop new theories and concepts with the aim to discover something new (Creswell, 2014). The identified codes for this study can be found in figure 5 (Figure 5). In some cases, having too detailed literature increases the risk of bias and may act as a disadvantage (Thomas, 2006). To sum it up, the ultimate goal of the inductive approach is to construct a valid theory that might combine insights from a theoretical framework but mainly emerges from the empirical evidence.

Precisely, the analysis of this study starts with an account of the immigrant's professional and educational background while understanding its effect on the immigrant's familiarity and isomorphism with the host-country's local as well as business environment. The analysis further investigates the overall business process, starting from the motivation to start a business including business idea generation, going through the initial stages of the business, and moving to the stage of the business closure. In addition, one of the main aims is to examine what each individual considered as the determinants that led to the business failure while distinguishing between the determinants with and without the foreign background influence. The analysis continues with the focus on understanding the role of liability of foreignness in each case of the business failure in terms of utilizing financial, social, and human capital and the possible influence of immigrant's background as well as attitudes and perceptions of the native population towards the foreign-owned business. The analysis also involves identifying possible differences between the groups of students and skilled professionals, as well as between entrepreneurs with and without a native Finnish person in the team or ownership of the business. Finally, recognizing various strategies entrepreneurs used that helped them with minimizing the effect of LOF is also part of the analysis process.

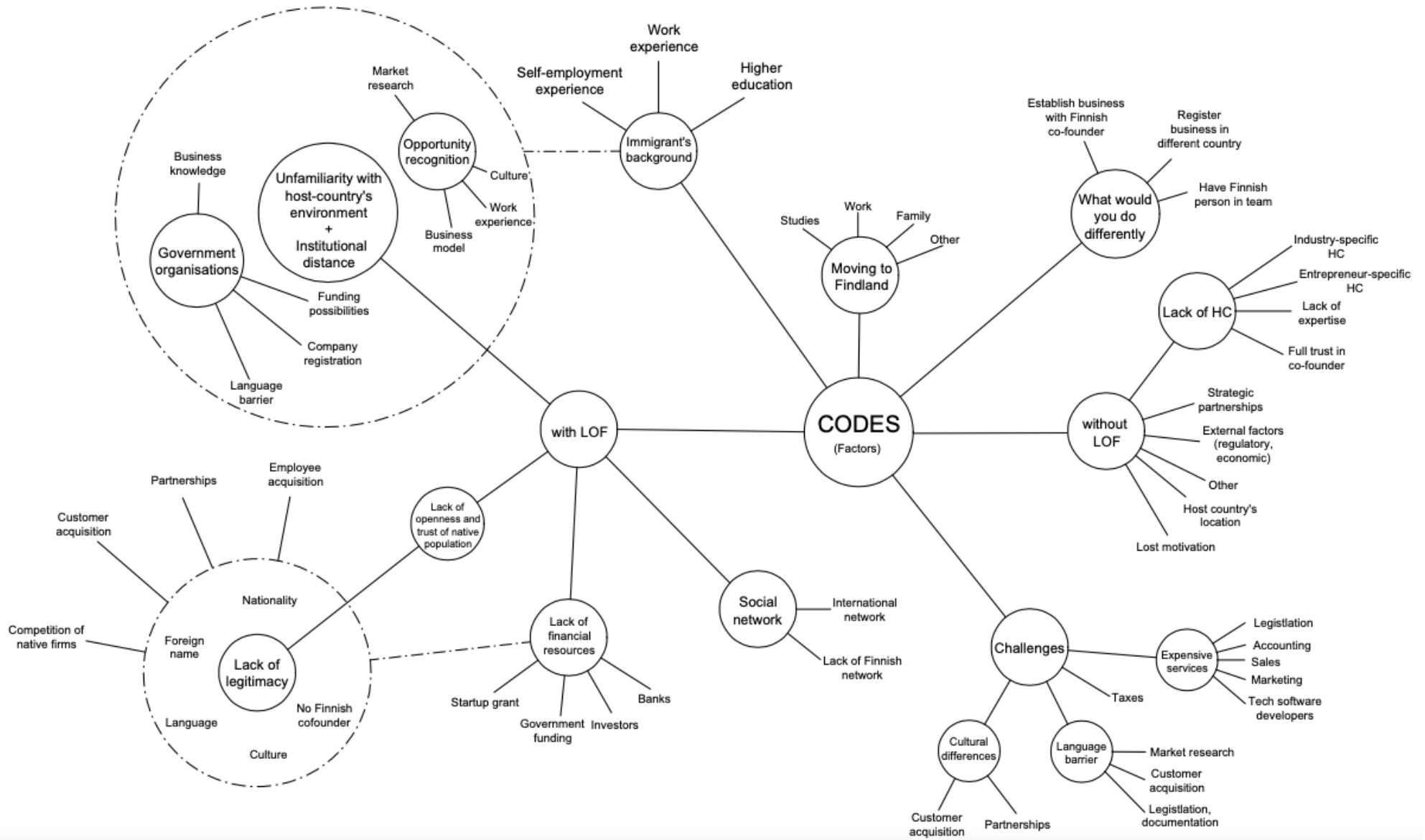


FIGURE 5 Identified Codes

5 RESULTS AND ANALYSIS

This chapter presents the results and findings from the analysis of the empirical study obtained from the semi-structured interviews with 15 failed opportunity-driven immigrant entrepreneurs in Finland. Interpretivism was used with the purpose to get an understanding of the context and entrepreneurial journey of each foreign-born entrepreneur in Finland to recognize and identify the underlying factors and determinants that led to their business failures, with a specific focus on the role and extent of LOF in these failures.

5.1 Reasons for Business Failures

When it comes to the type of the respondents' business failure, out of the 15 cases, in 6 cases the reason for closing down has been identified as (1) not having any demand thus being unprofitable. In 5 cases, the foreign founders stated the reason for closing down due to (2) unprofitability but for different reasons i.e., lack of financial resources for further development, leadership disagreements, firm-specific factors, or the need to find a side job and thus not being able to balance the time. In 1 case the respondent referred to the reason for his business failure as (3) unprofitability as well, however without officially closing down the business due to his inability to repay all debts, while still not filing for bankruptcy. Furthermore, 1 respondent decided to close down because of long-term financial struggles while receiving (4) a better and more lucrative job offer. Another case involved a respondent who was forced to close down his business due to (5) regulatory changes. This case has been identified as a single business failure without the influence of LOF but instead the result of an external factor. In the final case, the respondent had to close down due to (6) multiple times being rejected by the bank in opening a business bank account. For better illustration, see Table 7.

TABLE 7 Classification of Business Failures according to reason

Case	Description	Classification of the reason
A	During his studies, experienced entrepreneur from Germany developed an idea to import luxury, well-conditioned cars from Germany and sell it in Finland for lower prices. He used the knowledge from other markets to estimate the purchase behavior and designed wrong pricing/business model. Finnish people questioned the legitimacy of the business with the result of showing no interest in his products.	No Demand: Unprofitability
B	Skilled entrepreneur started same media company as she used to run in Russia. The company was selling advertisements and sponsorship for different movies in	No Demand: Unprofitability

	Russian. Later she found out there is no market for this offer in Finland.	
C	Skilled accountant from Lithuania recognized opportunity in distributing high-quality Japanese diapers in Finland. Despite speaking fluent Finnish, she was unable to find local partners and as a result of lack of legitimacy, the customers showed no interest in her products.	No Demand: Unprofitability
D	Skilled professional from Spain with degree in natural medicine from Netherlands, started a homeopathy business selling services and natural products in Finland. Despite of speaking fluent Finnish, she was unable to find any local customers as they questioned the quality of her services, making her target international customers. In addition, she experienced problems when registering her company under wrong scheme, significantly increasing her costs.	Unprofitability: other reason
E	During his studies, entrepreneur from Vietnam started a business in e-commerce selling dog's equipment. His clients were mostly international; however, the model of drop shipping was not familiar in Finland, he lacked financial resources and could not find specialized accountant. He had to find a side job to support himself and was unable to balance the time and financial resources to keep the company alive.	Unprofitability: other reason
F	Skilled entrepreneur from Hong Kong came to Finland on startup visa and started his company with a friend and one Finnish person in food and beverage industry selling the famous bubble tea. After successfully running 2 operations in Helsinki, they sold franchise to another party who opened their 3 rd store. To save costs, they drafted the agreement by themselves, which cost them lot of additional operational and maintenance money after the party was able to withdraw, forcing them to shut down the business.	Unprofitability: other reason
G	During his Master's degree, experienced student from Bangladesh started a business in IT, selling software that analyzed customer data and provided decision-making. His team consisted of all the possible international expertise either gained through university or outsourcing it from home country, but despite the product	Unprofitability: other reason

	having pig potential as many local customers showed interest, he was unable to close any deal in the end because of Finnish language, cultural differences, or competition from natives.	
H	Skilled professional from USA started a business with another 7 co-founders, including 1 Finnish, in travel industry, introducing a mobile app that provided domestic travel recommendations. On top of the disagreements in the leadership stemming from cultural differences and language barriers, they found out there was no market for this offer in Finland as local people already knew about the attractions. They missed the technical expertise for going international.	No Demand: Unprofitability
I	During his Master's degree, experienced student from Bangladesh started a business with his classmate in IT, introducing a food delivery mobile app targeting Muslim communities and small restaurants who have problems with major brands such as Foodora or Wolt. They experienced problems with funding, outsourced services from abroad or paid expensive local agencies who provided local marketing and selling activities. The co-founder withdrew and he ended up being in enormous debt.	Unprofitability: unable to close down due to unpaid debts
J	Skilled professional from Serbia with previous labor market experience in Finland started a business with a Finnish co-founder in IT and Music industry, offering a website that provided recommendation engine for musicians. Without any entrepreneurial knowledge, he fully relied on his co-founder who later withdrew. Without expertise, financial resources for further development or business model, he had to close down the business.	Unprofitability: other reason
K	Skilled professional from France came up with an idea to sell unique French music records and provide DJ courses in Finland. Despite speaking fluent Finnish, he failed in designing business model and there was no market in Finland for this offer as local customers showed no interest.	No Demand: Unprofitability
	Skilled professional and experienced serial-entrepreneur started a business in Finland in industrial machinery. Despite speaking fluent Finnish, soon she found out that the market potential for the field was too small.	

L	She also faced Russian sanctions and crises, was unable to face strong competition from China and Italy and ran out of cash after experiencing difficulties in obtaining funding.	No Demand: Unprofitability
M	Skilled professional from Russia with labor market experience in Finland, started own business as an English teacher offering private English lessons. Due to the high taxes, she had to price her lessons too high while still not earning enough. The company was not profitable and as soon as she received a job offer from university, she closed the company down.	Better job offer, Unprofitability
N	Skilled professional from Russia with long history and experiences in Finnish and Russian market, started a company in Finland that rented cheap electronic devices with internet connection for foreigners (mainly Russians) as a result of high roaming prices. After major regulatory changes, he lost majority of his clients and as a result had to close down the company.	Regulatory change
O	Skilled professional and entrepreneur from Tanzania started a business with a Finnish co-founder in bicycles industry, with the main idea of collecting abandoned but still usable bicycles in Finland and exporting them to South Africa. Their business plan was approved, they had promising potential deals with customers from recycling centers, however, they were unable to open a business bank account in Finland due to their business being classified as high-risk business. They could not proceed without any financial resources while losing the motivation after being questioned about money-laundering activities.	Unfavorable bank decision in opening bank account

5.2 Factors Leading to Early-stage Business Failures of Opportunity-driven Immigrants in Finland

After analyzing the data, the sources of liability of foreignness have been identified in (1) the unfamiliarity of immigrants with Finland's local environment, (2) constraints imposed on immigrants from Finland due to lack of legitimacy, and (3) institutional distance between immigrant's home country and Finland. Other sources involve a lack of cultural integration and insufficient Finnish language skills.

Based on the empirical data analysis, the following factors that led to the business failures of 15 immigrant opportunity-driven entrepreneurs in Finland have

been identified: Prior knowledge and experience in opportunity recognition, prior entrepreneur-specific human capital in access to business information and knowledge, lack of openness and trust of Finnish native population, access to financial capital, lack of expertise and expensive professional services, access to social capital, and lost motivation.

Liability of foreignness had a strong impact on immigrants' ability to utilize country-specific social, financial, and human capital in terms of responding to local market demands, designing a proper business model, building strong relationships with local customers, suppliers, and vendors, facilitating effective communication within the leadership, gaining local networks, receiving funding, dealing with legislation and administration, or building brand reputation.

5.2.1 Prior Knowledge & Experience in Opportunity-recognition

The empirical data showed that prior knowledge and experience gained from abroad acted as a strong source of their business ideas, either in business idea discovery or business model design. 6 entrepreneurs (A, B, F, K, M, O) identified an opportunity that was directly associated with their home country, out of which in 3 cases (F, N, O) the aspect of foreignness was anyhow associated with the business failure. Interestingly, out of these 3 cases, 2 entrepreneurs (F, O) had a Finnish co-founder and 1 (N) was fully targeting his own nationality group living in Finland. 6 entrepreneurs (D, E, G, I, L, M) followed their previous knowledge and field-specific work experiences from their country of origin or another country on which they based their business ideas, out of which 4 (D, E, L, M) being negatively affected by LOF. The remaining 3 entrepreneurs (C, H, J) discovered a unique business idea based on their hobby, interests, or observations, without the presence of LOF. In summary, Table 9 illustrates that the evidence gathered based on the experience of 15 immigrant entrepreneurs showed that in 7 cases (A, B, D, E, K, L, M), the liability of foreignness represented a negative factor in their opportunity recognition process (Table 9).

In terms of institutional distance, supporting the view of Mata & Alves (2018) who claim that the smaller the living experience and greater institutional distance between the immigrant founder's home country and the host country, the lower the chance of survival of the business founded by an immigrant, 1 entrepreneur (A) from Germany, who had a Finnish spouse directly noted: *„I understood the culture, but later I figured out I never actually thought like a Finn, the more years I spent here the more I realized the institutional distance and cultural differences are bigger than I initially thought.“*- Entrepreneur A

Furthermore, the empirical data also showed that few entrepreneurs who during their opportunity-recognition process drew on their previous knowledge and experience gained from abroad were only able to make the whole business idea realistic due to utilizing their international network. However, due to being unfamiliar with the host country's market situation and consumer behavior, the critical problems in connection to the liability of foreignness appeared once entrepreneurs failed to design a proper business model, as also noted by 4 entrepreneurs (A, B, E, K) (Table 8).

Also, according to the empirical evidence that contradicts Mezas (2002) about international experience reducing LOF, the international experience that entrepreneurs gained prior to establishing business did not help them in running their business in Finland. Table 8 shows 4 entrepreneurs (D, H, I, L) who directly stated that their experience gained from other markets had no value for them when running a business in Finland (Table 8).

In summary, according to this evidence, the source of liability of foreignness in prior experience and knowledge in the opportunity-recognition process has been identified as a combination of institutional distance and unfamiliarity with the host country's environment.

TABLE 8 The impact of previous knowledge and experience on immigrant entrepreneur's opportunity recognition process

Entrepreneur A	<p><i>„I used the knowledge from other markets and transformed it to Finland. Private purchase, purchase behavior and demand for cars is different in Finland compared to Middle and Majority of Europe.</i></p> <p><i>I underpriced the cars by 10-20%, they were in great condition and I didn't understand why there is no interest, so I continued dropping the price. Now I realized people might have thought it's a scam and what is undervalued in EU is valued here.”</i></p> <p><i>“I always wanted to change the business model but never did it.”</i></p>
Entrepreneur B	<p><i>„When you build up anything in Moscow it will work, there is so much extra and people spend without thinking but when you bring that to Finland with this kind of lifestyle and price, it doesn't work. There was no market for this offer which I didn't realize. This is the main mistake most foreigners do. Especially Russians, they pivot something in Russia and come to Finland and expect it to work.”</i></p> <p><i>“Most people fail even before setting up a business, they have great idea but no business model.</i></p>
Entrepreneur C	<p><i>“I thought that Japanese high-quality products would be on demand. Maybe it was the wrong product, maybe it was the fact that I'm a foreigner and no one wanted to buy from me. We will never know.”</i></p>
Entrepreneur D	<p><i>“With the work experience and degree I had in homeopathy from living in Netherlands, I thought I could start a business here. But it meant nothing in Finland.”</i></p>
Entrepreneur E	<p><i>„I think the model of drop shipping is not so familiar in Finland. “</i></p>
Entrepreneur H	<p><i>“I do have all this experience from abroad, unfortunately that is not so valued by Firms. After this experience I really don't think that this was the right market where different smaller municipalities really had unique tourists' attractions.”</i></p>

Entrepreneur I	<i>"I had a lot of experience and knowledge from other markets Asian market, Europe and Middle East, but it did not help me here."</i>
Entrepreneur K	<i>„I had a great deal to buy records from France and I sold products and services that nobody else sold. Unfortunately, there was no market in Finland as I had no customers." "Also, I had no realistic vision of what I was doing, I had no business model."</i>
Entrepreneur L	<i>"I have a long rich experience in selling to global markets over 65 countries, but unfortunately, this is not useful being in Finland. Now I know that local market size was too small, it was not the right market fit for industrial manufacturing machinery field. I was not aware of the shrinkage of manufacturing activities in Finland and Scandinavia "</i>
Entrepreneur M	<i>"I had self-employment experience in Russia, so I thought why not to try it here, but in Russia everything is different-vice versa from Finland. I made more money with being self-employed than working for a company and taxes were much lower compared to Finland."</i>
Entrepreneur O	<i>"We saw that so many abandoned bicycles that are still usable are problem in Finland and yet somebody can use them on the other side of the world. It is very expensive to maintain it here, so people rather buy new one. Our aim was to solve Finnish environmental problem and help people in Africa."</i>

TABLE 9 Liability of foreignness in immigrant entrepreneurs' opportunity-recognition process

	Source of Business Idea			
	Country-of-origin	Country-of-origin without LOF	Previous experience from country-of-origin/other countries	Other
A	✓			
B	✓			
C				✓
D			✓	
E			✓	
F	✓	✓		
G			✓	
H				✓
I			✓	
J				✓
K	✓			

L			✓	
M			✓	
N	✓	✓		
O	✓	✓		

Blue box – presence of LOF

5.2.2 Prior Entrepreneur-specific Human Capital in Access to Business Information & Knowledge

Empirical evidence showed that prior general human capital, i.e., living experience and/or labor market experience in the host country had no effect on the access to business information and knowledge. On the other hand, it is entrepreneur-specific human capital, i.e., entrepreneurial studies and/or previous self-employment experience in the host country that directly affects access to information and knowledge in terms of registration of the company, legislation, and funding possibilities.

6 entrepreneurs (C, D, E, I, J, M) who started their business with limited previous living and labor market experience ranging from zero to four years, but without self-employment experience or entrepreneurial education in the host country had no access to information on how to start a business or what funding possibilities do they have. In addition, they had no knowledge of governmental organizations supporting immigrant entrepreneurs, namely, Business Finland. Instead, they reached out to the general public governmental or entrepreneurial organizations, i.e., TE-Keskus, after which they expressed their strong dissatisfaction with the services and help, they were provided with as these organizations do not possess enough expertise to provide the help and guidance foreign entrepreneurs would need. As a result, few entrepreneurs fully relied on the advice they received from these organizations, making them pay much more than they needed, making them register the company under the wrong business structure, for instance, as a private sole proprietor instead of a LLC, which in the end acted as one of the crucial decision factors when being rejected by an investor, or taking advice on not applying for another funding due to the long process. Another liability that has been detected independently of the LOF was regarding location issues within the host country, namely, in sparsely populated regions, i.e., Oulu and Rovaniemi, the services and information provided to foreigners were even at a poorer level compared to urban areas and it proved to be harder for them to get the information they needed.

Interestingly, 2 entrepreneurs (I, J) possessed prior general human capital but no entrepreneur-specific human capital gained in the host country, which acted as the main factor for their decision to find a co-founder. In 1 case (J) the co-founder was of Finnish nature, however, did not possess any entrepreneur-specific human capital either, therefore relying on the general governmental organizations as well, directly affecting their access to financial capital without receiving a startup grant. He mentioned: *“My co-founder was looking into it but we didn't get it since he had no knowledge and enough information about what we were eligible for.”* - Entrepreneur J. On the other hand, he reduced LOF in the language barrier and took care of the administration, but in the end, withdrew from the business. Similarly, an entrepreneur I also fully relied

on his co-founder, who in the end betrayed him and withdrew as well. In both cases, it had a negative impact on their access to resources that were critical for the business. Entrepreneur I explained: *“I had no previous entrepreneurial experience and knowledge of how to do entrepreneurship, I only had good intention and motivation, so I trusted him with other things. After he withdrew, I had no money for further development of the business and started going into debt. After seeing the progress, the investor who already invested stopped funding the business.”* - Entrepreneur I.

As a result, it can be concluded that previous self-employment experience or pursuing entrepreneurial studies in the host country acts as a stronger determinant when it comes to accessing required information and/or making decisions when running a business as compared to general human capital. For detailed reports see table 10. In summary, this evidence presents the source of liability of foreignness in accessing the business information and knowledge required for launching a business in unfamiliarity with the host-country’s environment as well as in language barrier.

On the contrary, 7 (A, F, G, K, L, N, O) entrepreneurs with previous labor market experience and especially with previous entrepreneurial studies and/or self-employment experience in the host country naturally had access to a greater amount of information and experienced no problem in obtaining required help and guidance. 1 entrepreneur (H) had no such human-capital endowments, however, shared ownership with 7 other co-founders including Finnish ones who possessed entrepreneur-specific human capital. Business Finland was found to be the most helpful public entrepreneurial governmental organization, but others such as Uusiyrityskeskus, Kevytyrittäjä, which provides invoicing and counseling services if all clients are from Finland, or Finnvera, which is a private financing company, were mentioned as well. For detailed records see table 10. Finally, one entrepreneur (J) obtained additional information from Business Finland: *In the case of my second company, I showed my business plan during a meeting with my advisor, and he openly told me: “No need to apply for a startup grant because you are getting unemployment benefit and that is more.”* He further added: *“Finland really uses startup grant to get the numbers of how many people are unemployed, so it lowers the % in total of the unemployed people as they are getting this money for starting a business which is smaller than unemployment benefit.”* - Entrepreneur J

For a full comparison and summary, see table 11.

TABLE 10 Access to business information of immigrant entrepreneurs with entrepreneur-specific human capital gained in host-country

Entrepreneur A	<i>„Thorough my university, I reached out to entrepreneurial organizations and one school branch-Tiimiakatemia- where entrepreneurs and founders provided me with guidance.”</i>
Entrepreneur C	<i>„I also contacted one organization for getting some support in marketing and sales, but they are just acting like they are helping people, but it is really hard to get some emergency help from them. They only provide help with really basic things.”</i>

Entrepreneur D	<p><i>„I found out that National and Governmental organizations are totally useless for foreigners. TE keskus gave me a list of what should I do, with little English. They told me to register as full-time entrepreneur which was a mistake as I worked part-time due to not having enough work as not everyone spoke English. As full-time entrepreneur, I struggled paying all the insurances and I was paying more costs as I was earning.</i></p> <p><i>My complaint now would be that the organizations did not look at my individual situation and didn't give me a tailor-made solution. This cost me a lot of time, energy, frustration, money, and tears because I worked for nothing.”</i></p>
Entrepreneur E	<p><i>„These supporting entrepreneurship offices in every city, they care about numbers and do not believe in the ideas which can be sometimes discouraging. I also thought about taking a loan so I asked about it, but the organization would not tell me automatically.</i></p> <p><i>The organization office where they help you with registering the company in Rovaniemi is not so business oriented. The staff was not skilled at all, it was also confusing for them. When I wanted to close the company, they had no idea about the process.”</i></p>
Entrepreneur F	<p><i>“I have one company already, so I knew about Business Finland that offers free consultation or mentoring. Registration process in Finland is pretty straightforward and simple”</i></p>
Entrepreneur G	<p><i>“Business Finland provided consultation for free, information about registration of the company, funding, startup grant. I was satisfied, there was no language barrier as everything was in English.”</i></p>
Entrepreneur I	<p><i>„Finnish organizations do not provide enough help for foreigners in starting a business, they don't have English version of required documentation.</i></p> <p><i>If an organization sees that a person is foreigner and has no previous experience or knowledge on how to run a business, just motivation and good intention, they should be cooperative and help him when they see he is struggling with filling up forms, provide him with all the needed information. There should be more trained and younger people because now it's mostly older people and they have no idea how to treat a foreigner.”</i></p>
Entrepreneur J	<p><i>„Business Finland helps a lot in filling up applications for public funding and they provide required information in English. I did not know this in case of my 1st company as I fully relied on my Finnish-founder.”</i></p>
Entrepreneur K	<p><i>„I had knowledge of governmental policies, funding possibilities etc.. because I attended entrepreneurship class.”</i></p>
Entrepreneur N	<p><i>“I became a member of Finnish Entrepreneur Society, so I have been in touch with business advisors and local business promotion and support municipal borders. I had all the required information. “</i></p>

Entrepreneur O „When I started my Business Administration studies, I got access to a lot of information. on all support system, how to establish business in Finland.“

TABLE 11 Access to business information of immigrant entrepreneurs according to the type of governmental organization based on their entrepreneur-specific human capital gained in host-country

	Entrepreneurial studies in HC	Prior self-employment experience in HC	Co-founder /expertise possessing one of the above	Governmental organization
A	✓	X	X	Business Finland
B	X	✓	X	Business Finland
C	X	X	X	Basic gov.org
D	X	X	X	Basic gov.org
E	X	X	X	Basic gov.org
F	X	✓	✓	Business Finland
G	X	X	✓	Business Finland
H	X	X	✓	Business Finland, Kevytyrittäjä
I	X	X	X	Basic gov.org
J	X	X	X	Basic gov.org
K	✓	X	X	Business Finland, Finnvera
L	X	✓	X	Business Finland
M	X	X	X	Basic gov.org
N	✓	✓	X	Business Finland, Finnish Entrepreneur Society
O	✓	✓	✓	Business Finland, Uusiyrityskeskus

Entrepreneur possessed the source ✓
 Entrepreneur did not possess the source X

5.2.3 Lack of Openness & Trust of the Finnish Native Population

One of the most significant factors majority of respondents identified was lack of openness and lack of trust of the native population towards everything that is not of their native origin. 8 respondents (B, C, D, E, G, I, L, O) strongly feel that this aspect directly affected their network, customer acquisition, closing partnerships with local companies and other partners, receiving funding from governmental organizations as well as investor decisions. 3 of these respondents (I, L, O) specifically mentioned that Finland lacks openness toward other markets, especially toward Asia. All these points are individually discussed below. In fact, these entrepreneurs believe that it has been the major factor that caused their business to fail. This is in line with Zimmerman & Zeitz (2002), according to whom lack of legitimacy of the native population towards immigrants restricts their access to resources that are critical for the growth and survival of the business. The remaining respondents (A, F, H, J, N) were either fully targeting the international market, i.e., in e-commerce, group of their nationality, i.e.,

Russian population at the Eastern border, or interestingly, had a Finnish co-founder or a Finnish employee who acted as a representative of the company. The other 2 cases (K, M) did not fall into either category. Entrepreneur K was an English teacher and the main factor leading to the business closure was the ratio of high taxes compared to small income, thus the preference of rather being employed. As in the case of entrepreneur M, the main factor has been stated as his lack of entrepreneurial knowledge and experience resulting in designing a poor business model.

Finnish Language Skills & Cultural Integration

In this study, empirical evidence showed two other sources of LOF, namely insufficient Finnish language skills and lack of cultural integration that restricted businesses from further growth and development. Language represented a barrier in (1) performing market research, i.e., contacting and interviewing potential customers and/or reading local news or other sources of information, (2) acquiring business knowledge, and in (3) legislation, documentation, or accounting/taxation making entrepreneurs either to hire expensive local professionals, rely on someone less skilled but local, such as co-founder or hiring cheaper services with higher risk, or in case of possessing the required skills, they ended up doing it themselves with the use of Google Translate. Furthermore, in some cases (E, G), language represented a limitation in (4) acquiring customers, thus restricting the business from its growth as there exists only a limited number of firms or potential customers who work or are willing to work, communicate and cooperate in English language. Specifically, in the case of entrepreneur G, not speaking the local language as well as significant cultural differences in ways of communicating with each other was stated as the main reason for losing potential customers. He explained: *“We only had only the product, and that product was really something useful in infrastructure development and Finland did not and still does not have that technology. The customer was impressed and agreed to send them a pilot project. We never heard from them. It totally discouraged me and I lost interest because I did not like that kind of communication.”* He further added: *„We had 4 attempts and neither of them worked. One Swedish company contacted us and there was big potential but that did not end well because it was purely in Finnish language and they didn't even talk to us after, they said we cannot talk in English.”- Entrepreneur G.* In 1 case (H) language and differences in work culture was a source of disagreements inside the leadership as 1 Finnish co-founder refused to speak English during their meetings, and entrepreneur H explained: *“It was difficult for me to learn the Finnish work culture and networking style, you need to kind of be able to work in a way as Finns do which is very passive in communication.”- Entrepreneur H.*

However, in other cases (B, C, D, L, O), entrepreneurs spoke Finnish and according to them, it did not make a difference in increasing their legitimacy. One entrepreneur (C) specifically noted: *„Either they do accept you as a human being and you can speak English, or they don't and then they can look for excuses like f.i. you don't speak Finnish, or you don't look like us. Whatever the reasons, if they are basically not ready to accept you as a human being, they will find a reason or excuse like language, but that's not the case.”* On the other hand, what had a negative effect were differences in the work culture and communication as these entrepreneurs commented:

- *“Finns don't reply to emails.” - Entrepreneur C.*

- *„In Spain, people don't think before they talk. I say things as I feel them and I don't filter that, and people in Finland can see it as an offense, they think I'm being rude and they don't always understand, I lost some customers as I have had my behavior misunderstood many times.” - Entrepreneur D.*

- *„Business Culture is very complicated as Finns are not so open immediately, they are not so flexible with a giving chance to others and that affects a lot. It becomes very complicated as you don't know what a Finn is thinking, even though they don't mean rude, they just don't know how to express their thoughts which is necessary.” - Entrepreneur O*

In 2 cases (K, N), the entrepreneurs spoke Finnish, wherein the case of K the knowledge of the local language increased his legitimacy and improved his customer acquisition through word-of-mouth, whereas in the case of entrepreneur N, the knowledge of the local language did not necessarily increase his customer acquisition but increased his network and recognition. For detailed records, see table 12.

TABLE 12 *Lack of openness and trust of native population towards everything of foreign origin*

Entrepreneur B	<p><i>“It is very dangerous mentality here. And trust issue. I think one of the main problems is trust issue. Finns they don't trust anybody else, even Swedish, how weird is that?”</i></p>
Entrepreneur C	<p><i>„Finns trust Finnish (Moomin diapers) and Swedish (Libero diapers) products and products other Finns recommend.”</i></p> <p><i>“I found 1 Finnish woman who helped me with digital marketing, social media posts with clear Finnish and with approaching the shops. In 1 shop one Finnish manager expressed real interest but then when I contacted him, he found out that I am foreigner and never contacted me again (and this happened 3x in a row). “</i></p>
Entrepreneur D	<p><i>“The fact that I spoke Finnish didn't matter. People were reluctant with me the moment they saw my foreign name. I went to shops selling natural products, one owner gave away my card many times a day, but when people saw that the person is a foreigner they asked the owner, does she speak any Finnish and is she any good? So this is how I knew they don't trust me, they see a foreign name and they back off. They have so much fear for things that are non-Finnish. “</i></p>
Entrepreneur G	<p><i>„We were communicating in English with our customers, but the hardest thing was to find customer because we were not local.”</i></p> <p><i>“When I was looking for an investor, I realized that investors are looking for local people. “</i></p>

Entrepreneur I	<i>“I was way too optimistic because Finnish people don’t know the culture outside their culture, and even the big corporations in Finland struggle since they do not know the Finnish culture. I could have brought lot of benefits and knowledge to Finland, but they don’t know how to do the business in Middle East, and it will take them long time, but I already know, so it was a huge perspective. “</i>
Entrepreneur J	<i>„From business perspective it is much difficult to connect with Finnish people and get their trust, especially when it came to Finnish investors and funding. I also tried targeting Finnish customers but it was extremely hard to almost impossible. I reached out to Finnish larger companies, exporters but we don’t get response 90% of time. Now we are looking globally, UK and US.“</i>
Entrepreneur L	<i>„Finland basically lacks openness to global markets and accepting industrial equipment from outside Finland especially from Asia, there’s no funding for this type of traditional business that requires lots of money. Not even bank has a proper knowledge of triangle trade and the payment terms with letter of credit.“</i>
Entrepreneur O	<i>„They trust more Finnish people and Finnish companies and that is affecting even when they do business abroad.“</i>

5.2.4 Access to Financial Capital

Firstly, as previously mentioned, access to business knowledge had a direct effect on the access to financial capital. Entrepreneurs who did not possess entrepreneur-specific human capital in Finland had limited knowledge of funding possibilities, therefore, did not apply for the startup grant they were eligible for, making them struggle from their early beginning. Entrepreneurs who possessed entrepreneur-specific human capital and reached out to Business Finland referred to the business environment in Finland as being very supportive and resourceful to early-stage companies. In terms of the startup grant, another observation has been made, namely, in some cases when entrepreneurs were aware of their right to apply for a startup grant, they did not possess the knowledge about the need to apply before registering the company, thus losing this benefit.

Secondly, in terms of accessing financial capital, one of the issues entrepreneurs reported was in the connection with a lack of legitimacy from the host-country. In a few cases, entrepreneurs reported problems when applying for funding from governmental organizations, i.e., Business Finland, which showed to be critical for the survival of the business. These entrepreneurs associated it with the lack of legitimacy of the host country, specifically, they saw the core of the problem of the host-country’s organizations’ distrust through entrepreneurs’ foreign surname. Entrepreneur B noted: *„In Finland, you can easily get early-stage funding (Business Finland, Yle Keskus) but it’s very difficult to obtain investment in further rounds especially if you are a foreigner. If you apply to Business Finland for funding and there is not a single Finnish name, you will never get anything. I applied 7 times and got money at 8th time when I put 5 Finnish names and my name, I never changed a single letter inside the application. The feedback I received*

from Business Finland was that the business did not have enough expertise, so I added more talent and experts but nothing happened. " - Entrepreneur B.

This entrepreneur also pointed out the aspect of her nationality, and the possibility of perceptions and lack of legitimacy of the Finnish native population towards specific nationality, in this case, Russians. Another entrepreneur (H), who was at the same time a serial entrepreneur, referred to a situation when in the case of her other business, she applied for funding and for similar reasons as entrepreneur B, did not receive it. However, she made a similar assumption and made a decision to change her surname to a Finnish-sounding name, after which she applied for the funding again and surprisingly, received it.

In one particular case (O) lack of legitimacy from the host country towards the business directly restricted the entrepreneur's access to the financial capital, which acted as a decisive factor that led to the business's failure. He explained: *„Uusiyritys approved our business plan, saying that it is a promising idea. The supply was also very big. The crucial problem was opening a business bank account. Because we were going to export the bikes, sell them and bring the money back, the banks would not trust us that within the system, there are high chances that there could be some money laundering activities there. There was no trust of the banks in developing countries having enough money to sustain. „*

When it comes to further ways of accessing financial capital, a great number of entrepreneurs mentioned problems with obtaining money from Finnish investors. Few entrepreneurs felt that the problem lies in the lack of legitimacy from Finnish investors towards a fully international company, but this has been disproved by entrepreneurs who had a Finnish co-founder and therefore reduced the effect of LOF in investors' decision-making process. On average, entrepreneurs referred to general challenges associated with Finnish investors without the aspect of LOF. Entrepreneur B noted: *„It is hard to obtain investment from Finnish investors, they are hard to convince and there is no money in Finland so founders start looking for investment internationally. Also, they invest too little for too much „*- Entrepreneur B. This view has been shared by entrepreneur J who also had a Finnish co-founder and explained their process when trying to secure investment: *„It is shame that in Finland there are so many funds but for a promising startup it is extremely hard to get funding so they have to get it from outside. Everyone goes into too many details here and thinks about all possible ways of how it could go wrong, I felt exhausted after each meeting and of course, everything is a question, but I felt all the negative emotions compared to other meetings I had in the US. I had 20 min. meeting with VCs and accelerators from US where they invested in the end. In Finland, I had two meetings that took 2 to 3 hours when it was rejected after 2 days. “*

For a better comparison and summary, see table 13.

In conclusion, having restricted access to financial resources affects other aspects of the business that are crucial for its growth and survival, i.e., not being able to recruit skilled workers or not being able to execute further projects. Even in cases when the business has a good product with a competitive advantage, if they do not possess enough financial resources for further developing the business or the product itself, the end customer will be left with prioritizing competitors.

TABLE 13 Problems accessing financial capital according to the source

	Startup Grant	Finnish Governmental organizations: 2nd round	Finnish investors	Finnish banks
A	✓	✓	X	N/A
B	X	✓	✓	N/A
C	✓	N/A	N/A	N/A
D	✓	N/A	N/A	N/A
E	✓	✓	N/A	X
F	X	X	N/A	X
G	X	✓	N/A	N/A
H	X	N/A	✓	N/A
I	✓	✓	✓	N/A
J	✓	✓	✓	N/A
K	X	N/A	N/A	N/A
L	X	✓	N/A	✓
M	✓	N/A	N/A	N/A
N	X	N/A	N/A	N/A
O	✓	N/A	N/A	✓

Entrepreneur experienced problems accessing funding from this source ✓
 Entrepreneur had no problems accessing funding from this source X
 Not Applicable- not reported N/A

5.2.5 Lack of Expertise & Expensive Professional Services

The evidence summarized in table 14 shows that in many cases the decisive factor for entrepreneurs' business failure lay in the **combination of lack of financial resources with high taxes, lack of expertise, and expensive professional services**. In some cases, despite the business having promising customers, with insufficient financial resources, entrepreneurs were either unable to afford local professional services, hire skilled expertise and therefore meet customers' requirements, or develop and grow their business. In addition, when combined with having to pay such high taxes, the business could not maintain its profitability.

One of the commonalities 4 entrepreneurs (A, C, E, F, I) specifically shared was that instead of reaching out to agencies and/or hiring professionals for activities that are crucial to business, i.e., accounting, sales, and legislation, which they referred to as being very expensive in Finland, in order to save costs, they tried to substitute the services by reaching out to their personal network, outsourcing it from other cheaper sources or performing it by themselves, which in the end acted as the decisive factor that led to their business failure. In contrast, those who did reach out to professional services ended up in debt. Entrepreneur E hired an unqualified accountant who made a lot of mistakes and in the end, cost him a lot of extra money. Entrepreneur F, who also had a Finnish co-founder, drafted a franchisee agreement by himself without a lawyer, due to which they ended up in debt as the franchisee was able to withdraw, making them pay a lot of extra money for the operation he was originally responsible for. Ultimately, the critical challenge majority of entrepreneurs faced lay in finding qualified professionals, for an affordable price who ideally would be of Finnish nature

as trust and familiarity with the local environment, i.e., knowledge of talking and reaching out to locals as well as language fluency represent crucial determinants.

Based on previously mentioned reasons, 2 entrepreneurs (C, D) decided to sell their products by themselves after which they concluded that due to lack of legitimacy, the effect of LOF had a negative impact on this decision as they were unable to communicate and connect with the customers. As illustrated in table 15, 4 entrepreneurs (C, D, G, I) shared a view that having a local partner, representative, or employee in their team would significantly improve their chances of success. However, entrepreneurs C, D and I were unable to find local people who would be willing to work with them. Entrepreneur G, on the other hand, had a diverse team comprised of professionals that he outsourced from different parts of the world, which according to him at that time was more important than having a local person in his team. He noted: *“I deliberately chose not to have any Finnish on my team, one reason was that I wanted to see how it works without Finnish. 2 Finnish guys were interested, and I said no because, with the product we were launching, it would be like taking advantage of them being Finnish without having any background in tech or even business, and that’s why I decided not to do it.”*. -Entrepreneur G

As a solution to the expensive services, similarly, to entrepreneur G, 3 other entrepreneurs (H, I, J) used their international network and decided to outsource other services from other countries. As a result, entrepreneur J also added that despite having a Finnish co-founder, unfortunately, they were still missing a qualified and skilled person who would oversee local marketing: *„I did not have the required experience, so I looked for a Finnish partner and I basically said yes to the 1st person that was interested which was a mistake. He was responsible for business development and local marketing, but he had no experience, so it was useless.”* – Entrepreneur J. This view was also shared by 1 other entrepreneur (A) who had a Finnish person on his team. He used his personal network to find unqualified salespeople of Finnish nature, which he later explained did not make a difference as they had no expertise and experience in sales and therefore could not sell the products.

On the other hand, except for outsourcing various services from abroad, the entrepreneur I also reached out to Finnish professional sales and marketing agencies, making his expenditures significantly high which was unbearable for an early-staged company and thus left the business in debt.

In conclusion, this evidence shows that it is important to have a team that would comprise both, required professional expertise as well as a local person. Furthermore, trying to save costs on services that are critical for the business, i.e., accounting or legislation, can end up being fatal for the business. Entrepreneurs who possessed all the expertise but had no Finnish person on their team were negatively affected by LOF in terms of institutional distance and unfamiliarity with the local environment, since they were unable to communicate and connect with local partners and reach and sell to local customers. On the other hand, entrepreneurs who had a Finnish co-founder reduced the effect of LOF, however, without possessing the required expertise, they still weren’t able to grow their business further. Finally, 2 entrepreneurs (H, O) who had the required expertise, as well as local person on their team or as a partner, experienced no difficulties at all.

TABLE 14 Expensive Professional Services

Entrepreneur A	<i>“There was no signal of foreign correspondence as the official salesperson was my Finnish girlfriend. Sales services are expensive here, so one of my other Finnish friends was doing the actual sales, but he could not make a difference. Sales is a crucial aspect of every business, and 4 bad salespeople are worse than 1 really good salesperson. “</i>
Entrepreneur E	<i>“Accounting services are extremely expensive, and it was hard to find specialized accountant for reasonable price. So, I took the cheaper one and he made lot of mistakes, I regret it. “</i>
Entrepreneur F	<i>“Physical store required rental costs, staffing and recruitment process with pension, insurance. Costs are crucial and these were much more higher than my original expectations. Accounting fees were about 100e/month, which is not big but also not small enough for early stage of the company and for other potential entrepreneur who is starting his business. With the franchise agreement and legal documentation we learned a lesson. In order to save costs, we drafted the agreement by our own and it was not protective enough.”</i>
Entrepreneur G	<i>“We outsourced other experience and competence in different fields (legal, tech, presentation advice) from Bangladesh, Spain...”</i>
Entrepreneur H	<i>“We outsourced developers from India. “</i>
Entrepreneur I	<i>„Accounting, taxing, all documentation was hectic and expensive. We found a Finnish guy who was selling the product, he also charged lot of money. Also in Finland, marketing consultancy or agencies extremely charge lot of money, some are asking about 60,000e. We had a big problem with marketing and sales.” „In Finland, it is very expensive to hire Software Engineers/Mobile App Developers, so we thought we should find tech people and develop the product from Bangladesh because it is cheaper.“</i>
Entrepreneur J	<i>“It was hard to find customers. This business is more B2C so there is no other way of how to find customers than through advertising online and social media. Marketing was one of the most important things and we were missing these skills inside the team.” “I used my network in Serbia and hired freelancers for Web Design and Social Media Marketing, but we also needed someone local. “</i>

TABLE 15 Expertise from Finland

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Entrepreneur C	<i>„I would start with building team with at least 1-2 Finns and not put my foreign surname anywhere. In the end I could do everything, but I would take at least 1 front man that would sell, sign the contracts and be the face of the company. “</i>
Entrepreneur D	<i>„If I had a Finnish person next to me I believe I would have gone better because the trust matters.“</i>
Entrepreneur G	<i>„Our team was very diverse and we had all the expertise we needed. It is absolutely true that if I was or had a Finnish person here I would have succeeded because they are local and know how to talk to customers.“</i>
Entrepreneur I	<i>„I did not find good team in Finland that is one reason why I could not develop my business. I would definitely start a business with a Finnish co-founder. I realized if I had a Finnish Co-founder, I might be successful.“</i>
Entrepreneur J	<i>“When my Finnish co-founder withdrew, I published on LinkedIn that I am looking for co-founder. I got 90% applicants who were foreigners, and I did want someone from Finland who would be also skilled this time. “</i>
Entrepreneur O	<i>„I never handled external communication because we understood that there are some challenges in business communication in Finland especially for foreigners. She understood the culture the best. “</i>

TABLE 16 Lack of Expertise & Expensive Professional Services

	Sales	Marketing	Accounting/ Taxation	Tech Software Developers	Legislation	
A	✓		✓		✓	- no expertise
B						
C	✓					- no expertise -no Finnish- person
D	✓					- no expertise -no Finnish- person
E			✓			- no expertise
F			✓		✓	- no expertise
G	✓			✓		-no Finnish person
H						
I	✓	✓	✓	✓		- no expertise -no Finnish- person
J		✓				- no expertise
K						

L						
M						
N						
O						

5.2.6 Access to Social Capital

The empirical evidence in this study showed that in general, immigrant entrepreneurs mostly possess and utilize their social networks gained from abroad, i.e., in partnerships or outsourcing cheaper services, and based on prior experiences, have limited access to local social capital. In addition, skilled professionals without previous working experience in Finland (B, C, D, H) possessed either personal social networks, which in few cases helped with financial support or no country-specific social networks, thus having restricted or limited further access to business knowledge, financial as well as human capital. As a result, these entrepreneurs tried other ways of accessing local social networks, such as approaching people through social media, which they referred to as not being easy as they mostly received a reply from other foreign people in Finland. Additionally, entrepreneur H highlighted the effect of lack of legitimacy when connecting with locals, commenting: *„It was not so hard to connect with Finns for me because I came here married to a Finn, which means they see you as a Finn (they have been taught that if a foreign person is married to a Finn that person is also to be considered as Finn’s family). But when I divorced it was a huge and terrible awakening to the reality of how awful people can be. That was the time when I suddenly had almost no Finnish friends and felt like I didn’t belong.“*- Entrepreneur H.

On the other hand, previous working experience has provided entrepreneurs with more developed social and business networks and helped them in acquiring customers (K, M, N), closing partnerships (F, J, K, M, N, O), finding international or a Finnish co-founder (F, H, J, O), as well as other skilled expertise, therefore extending their access to other essential human, financial and social resources. In fact, as this study shows, finding a Finnish co-founder with the required expertise proves to be one of the best ways in terms of reducing the effect of LOF, which in all cases has been done through entrepreneurs’ previous working experience. Entrepreneur F commented: *“I had 2 co-founders that I met at the data and visualization company where I worked for. 1 was Finnish who had local network and experience in FnB (Food & Beverage) business, and the other one had strong finance and accounting background. „*- Entrepreneur F. Furthermore, Fried & Hisrich (1994) pointed out that entrepreneurs with bigger social networks are also more likely to obtain investments due to their connections, which has been proven by 1 case in this study when entrepreneur J obtained financial investment from his previous job, stating: *“We got 20k for design and marketing from the current company where I worked full-time. “*- Entrepreneur J. Entrepreneur J further pointed out additional factor, in this case, the industry of his previous job, that helped him in extending his local social network: *„It is hard to break into Finnish circles such as Aalto people, but as a developer, I did not have any problems getting into the circles.“*- Entrepreneur J

On the other hand, 2 entrepreneurs (E, I) were additionally influenced by the disadvantaged host-country’s location, namely, Rovaniemi and Oulu, which are

northern cities where according to the entrepreneurs accessing local social networks resulted being twice as hard. Entrepreneur I explained: *„I did not have any Finnish network developed because during my studies in Oulu, I was the only international student in our field and I felt that Finnish people do not want to talk to me as they distanced themselves, so I thought why should I bother if they do not feel comfortable with being around the foreigner. Also, people in Oulu are very conservative, only sticking to their inner circles where foreigners do not belong, and maybe also the fact that I have a Muslim name played some part as well. „- Entrepreneur I.*

Finally, entrepreneurs (A, J, K, L, N, O) with previous self-employment experience, entrepreneurial studies in and outside of Finland, or with a co-founder who possessed entrepreneur-specific human capital, used their knowledge, and extended their social network by joining further Business Social networks, startup ecosystems other entrepreneurial associations.

Based on this evidence, the source of liability of foreignness in accessing country-specific social capital in the host country has been identified as a combination of unfamiliarity with the host country's environment and a lack of legitimacy. In the case of targeting the local market, acquiring a local social network is essential for growing the business. Due to the lack of legitimacy of the host country, it remains challenging for immigrant entrepreneurs to build meaningful relationships and connect with the locals, therefore, the evidence shows previous working experience in Finland proved to be the best means of overcoming this challenge.

5.2.7 Lost Motivation

Finally, in many cases, the failure of the business has also been a result of entrepreneurs losing one of the most essential means of the business survival, their self-motivation. After combining all previously mentioned factors, entrepreneurs reported feeling exhausted, demotivated, and discouraged to firstly (1) continue their business and secondly, (2) do business in Finland in general. Apart from experiencing huge financial losses, entrepreneurs without a Finnish person on their team strongly felt exhausted from trying to do everything in their power to prove their legitimacy to acquire local customers as well as financial capital. They explained that they could have continued with their business, however, they lost the track of their purpose, joy, and interest as it became a constant way of struggling. In other cases, even if they would have wanted, they would not be able to continue due to suffering from huge financial losses. However, all together, 13 entrepreneurs (A, B, C, D, E, G, H, I, J, K, L, M, O) reported losing their motivation in some way in continuing their business due to reasons such as not being able to acquire customers, partners, not making a profit due to combination of high taxes and lack of financial capital or not being able to open a bank account. Table 17 shows entrepreneurs' detailed reports about their feelings of being discouraged.

Furthermore, an observation has been made regarding the 7 serial entrepreneurs (B, F, H, J, L, N, O), out of which 5 entrepreneurs (F, H, J, N, O) continued their entrepreneurial activities in Finland, while successfully running their business until this point. What is interesting to highlight is that out of these 5 entrepreneurs, 4 entrepreneurs were running their previous business that is under investigation in this study, with a Finnish co-founder. The remaining 1 entrepreneur

(N) did not have a Finnish co-founder, however, the main reason for his business failure was fully a result of an external factor. In other words, all 4 out of 15 entrepreneurs in this study, who were running their business with a Finnish co-founder have not been discouraged in running a business in Finland and continued pursuing further entrepreneurial paths. In contrast, the remaining 11 entrepreneurs who were running their business either as individuals or with a fully international team went through a very bad experience and therefore had no further intention of establishing another business in Finland, oppositely, few entrepreneurs reported their intention to register the same company in a different country than Finland (Table 17).

TABLE 17 Lost Motivation

Entrepreneur C	<i>“I don’t regret it. I learned from it and even though I could have tried going international, after everything I felt discouraged. “</i>
Entrepreneur E	<i>„I also thought about registering the business in different country. Finland has strict business policies, cannot deal with finances and when your income is more than 6000/year, you have to pay 30% taxes, it’s not worth it.“</i>
Entrepreneur G	<i>„It totally discouraged me and there was no point in continuing. I would start the business in some English-speaking country. As a foreigner, maybe food business would have been successful as foreigners are doing these kind of things, but I didn’t want that because I wanted it to do something with technology where I have the competence. „</i>
Entrepreneur H	<i>“I think Finland is making entrepreneurship to sound super awesome to attract foreigners and I don’t think it is that awesome except for very small number of young people coming out of the Aalto programs. It is such a small community here but when you go outside of Finland, no one ever heard about those programs. “</i>
Entrepreneur I	<i>“They say failure is good and it teaches you many things but it’s also very expensive and stressful. “</i> <i>“My colleagues encouraged me and told me how Finland has good entrepreneurial environment, but they didn’t tell me that it’s true only for Finnish people, not international people. I feel like 1 obstacle is that Finnish people don’t like to see foreigner being successful. They are afraid of them. I do not recommend any foreigner to start a business in Finland, it is for local people not foreigners. “</i>
Entrepreneur J	<i>“I would do the business in other country but not in Finland, actually I still have intention. Maybe Ireland or USA. My friend started something similar in Ireland, he is very successful. I came to Finland, I am not, instead, I am in huge debt.”</i> <i>„We did not have enough money or energy to switch to new business model. When my co-founder withdrew, from that point it just went down and I didn’t want to continue with it. „</i>

Entrepreneur L

“After being here almost 7 years, I know pretty well how things run here and the only business that might work in Finland is service sectors but for foreigners it is very tough if you do not speak Finnish. “

Entrepreneur O

*“We exhausted every possible help we could have gotten. We would have tried to get other sources of financing, but we felt that if the banks don’t trust us and can’t even open the account, **personally I lost the motivation**. If I got the money, I would get back to it immediately. „*

5.3 Similarities & Differences between Students and Skilled Professionals

When it comes to acquiring and utilizing country-specific resources, the situation differs between immigrant entrepreneurs who started the business during their studies in Finland and skilled professional talent who already possessed some level of labor market experience, either from Finland or abroad. The main difference is that in terms of access to the resources that are crucial for growth and survival, ultimately, skilled professionals start their businesses from more advantageous position.

Firstly, according to the empirical evidence, an interesting observation between students (A, E, G, I) and skilled professionals has been made in terms of business idea generation and performing market research during entrepreneurs’ process of opportunity recognition. Entrepreneurs who belonged to the group of students were provided with all necessary resources by their universities that allowed or even encouraged the students to perform detailed market research before making their business idea realistic. 3 students (A, G, I) specifically noted:

“The business idea was initiated by entrepreneurial courses, so I did the market research and discovered opportunity and potential in cars.”- Entrepreneur A.

“Whole business was very well pre-planned. During my Master’s degree we conducted big market research, proving applicability and scalability of the product, and started to build team, which took about 6 months. “- Entrepreneur G.

“The idea came during my studies when me and my friend came up with the idea of developing software mobile application. Throughout the next 4 months we were able to do the market research as part of our studies and develop the product.”- Entrepreneur I

Due to the thorough market research and building a market value proposition, all 4 students proved their market potential for their businesses, and established their potential customer base therefore, their business failures were a result of other factors than not having a market for their products, such as designing wrong business model, lack of legitimacy, lack of financial resources or lack of local expertise.

When it comes to the group of skilled professionals, before starting the business, market research was only performed in a few cases when entrepreneurs possessed previous self-employment experience. *„It took almost a year for us to do the market research and another months to develop the business, and we started reaching out to organizations even before establishing the business”*. -Entrepreneur O. In the remaining cases, entrepreneurs failed to perform market research which showed to have a negative effect on their businesses. Entrepreneur K noted: *“In a software company, you should not start building something too fast, there should be space for research, drawing, MVP and planning out. We did not think about that, which was a mistake.”* - Entrepreneur K. Entrepreneur C also noted: *“I did the market research 2 years after starting the business. It’s funny why I haven’t thought of it before, because from what I found out, if I did it before, I would never have started it.”* - Entrepreneur C.

Secondly, the findings show that the initial motivation for moving to Finland, the number of years spent living in Finland together with the activities and experience gained in Finland impacted the extent of the immigrant founder being isomorphic with the local environment. All 4 students moved to Finland with the primary aim to pursue their studies, out of which 2 (A, E) were interested in social and cultural integration due to personal reasons and motivation to stay in Finland after their graduation while the remaining 2 (G, I) expressed no such interest as they had no initial plans whatsoever to continue their lives in Finland after graduating. Therefore, the initial motivation affected the immigrant founders’ attitudes toward cultural and social integration, which later resulted in the extent of suffering from LOF and thus affected the business performance. Naturally, this situation differs when compared to skilled professionals who initially came to Finland for work with the intention to stay in Finland for a longer period of time, therefore expressing greater interest in integrating into the local society, i.e., learning the local language, extending the local social network, etc...

Having said that, in terms of the social networks, when it comes to students, universities provided entrepreneurs with very limited amount of resources and access to social networks, as in the case of entrepreneur A, who noted: *„I couldn’t utilize any beneficial network from my studies except for some little guidance I got from professors.”* - Entrepreneur A as well as in the case of entrepreneur G, who also obtained help from professors while additionally composing his team out of his classmates who possessed all required expertise. 2 students (G, I) also found a co-founder through their studies, however, as immigrant students have attended the international programmes, the downside was that they had access primarily to an international social network, which in turn did not prove to be as beneficial in obtaining access to country-specific resources. On the other hand, the access to local social networks of skilled professionals showed to be determined by their previous labor market experience in Finland. As previously mentioned, labor market experience in Finland prior to establishing a business provided the immigrant founder with extended local social networks, which further had a positive impact on acquiring and utilizing other country-specific human as well as financial capital, therefore reducing the effect of LOF on the business. Because of their prior work experiences, many entrepreneurs were able to start their business with a Finnish partner, hire cheaper local professional services, or find an investor. However, skilled professionals who came to Finland had

no labor market experience in Finland, and only built their businesses on the experiences gained from abroad showed to be even more disadvantaged than students in terms of accessing local social networks. These entrepreneurs found it extremely challenging to connect with local professionals and build meaningful relationships with them since, in comparison with the rest, they did not fall under any organization or institution that would help them with networking and therefore had to come up with their own ways of accessing local social networks.

When it comes to accessing financial capital, because of the status of being a student, students did not possess the right to receive a startup grant, and as a result, mainly used bootstrapping to kickstart their business, or in other cases, tried taking a loan. For the same reason, all students reported suffering from huge financial losses after the experience, while one of the entrepreneurs (I) is still not able to officially close down the business due to his inability to repay all his debts. Based on this evidence, all 4 students regret their experiences and have no further intention and motivation to continue with any future entrepreneurial activities in Finland. On the contrary, the group of skilled internationals had greater access to financial capital for starting their business, whether it was the case of supporting their businesses with their savings from previous jobs, receiving the startup grant, or obtaining investments. For a more detailed comparison, see table 18.

TABLE 18 *Similarities & Differences in Resources & Networks between Students and Skilled Professionals*

	Students	Skilled Professionals
Opportunity-recognition & Market Research	<ul style="list-style-type: none"> ⇒ 3/4 Business idea was initiated by studies ⇒ 2/4 started business in their study field with classmates ⇒ Strong market research due to studies 	<ul style="list-style-type: none"> ⇒ Business idea came from previous working experience --> Transformed knowledge from other markets to Finland ⇒ Poor market research
Social and Cultural Integration	<ul style="list-style-type: none"> ⇒ 2/2 refused to socially integrate due to not initially planning to stay in Finland after graduation 	<ul style="list-style-type: none"> ⇒ More interested in social and cultural integration due to staying in Finland long-termly (work/personal ties)
Access to Social Networks	<ul style="list-style-type: none"> ⇒ Prevailing international social network due to attending international study programmes ⇒ Restricted access to local social networks 	<ul style="list-style-type: none"> ⇒ With labor market experience in Finland: <ul style="list-style-type: none"> ⇒ Great access to local social network, further affecting access to human and financial capital ⇒ Without labor market experience in Finland: <ul style="list-style-type: none"> ⇒ Restricted access to local social network

Access to Human Capital	<ul style="list-style-type: none"> ⇒ Not experienced but easy access to international expertise and guidance from university (professors, classmates, student organizations) ⇒ Restricted access to hiring local skilled expertise ⇒ ¾ had no entrepreneur-specific HC 	<ul style="list-style-type: none"> ⇒ Greater access to hiring local skilled expertise
Access to Financial Capital	<ul style="list-style-type: none"> ⇒ Restricted Access to Financial Capital ⇒ Not eligible for startup grant/unemployment benefit due to student status ⇒ Bootstrapping, support from family/friends ⇒ Challenging to obtain business loan from bank 	<ul style="list-style-type: none"> ⇒ Eligible for startup grant/unemployment benefit ⇒ Savings from previous jobs ⇒ Local social network extends access to FC (companies, investors)

5.4 Similarities & Differences between Only Immigrant Founders and Immigrant Founders with Finnish Co-founder/ Company Representative

The empirical study showed that in Finland, the lack of legitimacy of the native population towards everything of a foreign origin is surprisingly high, which is reflected in customer acquisition, closing partnerships, obtaining funding from investors as well as government organizations, therefore, having Finnish native person in the team showed to significantly increase the legitimacy of native population towards the business.

Entrepreneurs with a Finnish correspondence in the business (A, F, H, J, O), i.e., Finnish co-founder, Finnish Marketing/Salesperson, or someone representing the company on the local market had no problems with the language barrier in market research, company registration process, or legislation, taxation, and documentation, neither did they experience cultural differences and problems regarding local customer acquisition, creation of meaningful partnerships, access to the local social network as well as in obtaining financial capital from government organizations. However, two cases (H, J) involved conflicts and disagreements in the leadership between immigrant founders and Finnish co-founders stemming from LOF in form of cultural differences and lack of language skills of the immigrant founder.

In contrast, various entrepreneurs without a Finnish person on their team experienced extreme difficulties in communicating their value to customers, proving their legitimacy, and gaining the trust of potential customers, partners, and government organizations, while at the same time having a limited customer base due to the language barrier. Language also showed to be a barrier during the company registration when reaching out to basic governmental organizations. On top of that, most of the entrepreneurs had challenging time when trying to access local social

networks, which limited their access to further country-specific resources that are crucial for survival and growth of the business.

Moreover, an interesting observation between these two groups was made in terms of their attitudes towards any future entrepreneurial activities in Finland. All 4 immigrant founders that had a Finnish co-founder (F, H, J, O) started another business after the business failure that was a subject of investigation in this study, therefore were not discouraged, and continued their entrepreneurial journey in Finland. Oppositely, majority of only immigrant founders without a Finnish co-founder expressed strong negative feelings and attitudes toward any future entrepreneurial activities in Finland. Few of them reported that they might be open to the possibility of starting another business, however, somewhere else than Finland. Entrepreneur I noted: *"I would do the business in other country but not in Finland, actually I still have intention. Maybe Ireland or USA. My friend started something similar in Ireland, he is very successful. I came to Finland, I am not, instead, I am in huge debt."* - Entrepreneur I

In the end, when being asked if there is something they would have done differently, most of these founders directly answered that they would start their business with a Finnish person as they believed in that case, they would have been successful. The detailed records of the immigrant founders regarding this can be also found in table 15 that presents expertise from Finland. Table 19 shows the summary and comparison of both groups of immigrant founders.

TABLE 19 Comparison of immigrant entrepreneurs with and without a Finnish person on the team

Only immigrant founder(s)		Immigrant founder(s) with a Finnish co-founder/ representative	
+	-	+	-
⇒ No risk of disagreements/conflict in leadership as a result of cultural differences or insufficient language skills	⇒ Increased LOF ⇒ Lack of legitimacy ⇒ Smaller access to local networks ⇒ Language barrier in administration, taxation, legislation ⇒ Language and cultural barrier in acquiring customers and partners ⇒ Higher costs to acquire local knowledge ⇒ Negative attitudes toward future entrepreneurial activities in Finland	⇒ Reduced LOF ⇒ Greater access to country-specific resources and networks ⇒ Greater trust of native population (customers, partners) towards the business ⇒ Ability to talk to local people without language barriers or cultural differences (customers, partners) ⇒ Positive attitudes toward future	⇒ Language and/or cultural difference as source of disagreements between founders

		entrepreneurial activities in Finland	
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5.5 Summary of Empirical Study

The full summary of results obtained from empirical study regarding all the reasons and factors that led to the business failures, with and without the effect of LOF, sources of LOF, and identified LOF are presented in Table 20.

TABLE 20 Summary of Empirical Study

	Factors leading to failure	Reason/Result	Source of LOF	Identified LOF	Other factors without LOF
Entrepreneur A	<ul style="list-style-type: none"> ⇒ Prior knowledge and experience in opportunity recognition ⇒ Access to Financial Capital ⇒ Expensive Services ⇒ Lost motivation 	No Demand	<ul style="list-style-type: none"> ⇒ Institutional distance ⇒ Unfamiliarity with host-country's environment 	<ul style="list-style-type: none"> ⇒ Opportunity-recognition: wrong business model ⇒ Language in market research, administration, taxation 	<ul style="list-style-type: none"> ⇒ Lack of local strategic partnerships
Entrepreneur B	<ul style="list-style-type: none"> ⇒ Prior knowledge and experience in opportunity recognition ⇒ Access to Financial Capital ⇒ Access to Social Capital ⇒ Lost Motivation 	No Demand	<ul style="list-style-type: none"> ⇒ Institutional distance ⇒ Unfamiliarity with host-country's environment ⇒ Lack of legitimacy 	<ul style="list-style-type: none"> ⇒ Opportunity-recognition: no market ⇒ Foreign Name in access to Financial Capital (Business Finland, investors) ⇒ Cultural difference 	<ul style="list-style-type: none"> ⇒ No market research ⇒ Access to Financial Capital: Finnish investors
Entrepreneur C	<ul style="list-style-type: none"> ⇒ Access to Business Knowledge ⇒ Access to Financial Capital ⇒ Expensive Services ⇒ Lack of expertise ⇒ Access to Social Capital ⇒ Lost motivation 	No Demand	<ul style="list-style-type: none"> ⇒ Institutional distance ⇒ Lack of legitimacy 	<ul style="list-style-type: none"> ⇒ Foreign Name in customer acquisition, getting partners ⇒ Cultural difference 	<ul style="list-style-type: none"> ⇒ Poor market research ⇒ No entrepreneur-specific HC

Blue box - presence of Finnish co-founder / company representative

(to be continued)

Table 20 (to be continued)

<p>Entrepreneur D</p>	<ul style="list-style-type: none"> ⇒ Prior knowledge and experience in opportunity recognition ⇒ Access to Business Knowledge: registered as full-time instead of part-time entrepreneur ⇒ Access to Financial Capital ⇒ Expensive Services ⇒ Lack of Expertise ⇒ Access to Social Capital ⇒ Lost Motivation 	<p>Unprofitability</p>	<ul style="list-style-type: none"> ⇒ Institutional distance ⇒ Unfamiliarity with host-country's environment ⇒ Lack of legitimacy 	<ul style="list-style-type: none"> ⇒ Foreign Name in customer acquisition, getting partners ⇒ Cultural difference 	<ul style="list-style-type: none"> ⇒ No entrepreneur-specific HC
<p>Entrepreneur E</p>	<ul style="list-style-type: none"> ⇒ Prior knowledge and experience in opportunity recognition ⇒ Access to Business Knowledge ⇒ Expensive Services ⇒ Access to Financial Capital ⇒ Access to Social Capital ⇒ Lost Motivation 	<p>Unprofitability</p>	<ul style="list-style-type: none"> ⇒ Institutional distance ⇒ Unfamiliarity with host-country's environment ⇒ Lack of Legitimacy 	<ul style="list-style-type: none"> ⇒ Opportunity-recognition: unfamiliar business model ⇒ Language in access to business knowledge, customer acquisition ⇒ Unfamiliar with regulatory and economic environment 	<ul style="list-style-type: none"> ⇒ Expensive services (accounting) ⇒ High Taxes ⇒ Strict business policies ⇒ Host-country's location (sparsely populated region) ⇒ Had to find side job

Blue box - presence of Finnish co-founder / company representative

(to be continued)

Table 20 (to be continued)

Entrepreneur F	<ul style="list-style-type: none"> ⇒ Expensive services: Drafting own franchisee agreement and legal documentation to save costs ⇒ Access to Financial Capital 	Unprofitability	<ul style="list-style-type: none"> ▷ Unfamiliarity with host-country's environment 	Unfamiliar with regulatory and economic environment	<ul style="list-style-type: none"> ⇒ Expensive services (accounting, legal) ⇒ Expensive recruitment costs, rental costs
Entrepreneur G	<ul style="list-style-type: none"> ⇒ Access to Financial Capital ⇒ Lost Motivation 	Unprofitability	<ul style="list-style-type: none"> ▷ Institutional distance ▷ Unfamiliarity with host-country's environment ▷ Lack of legitimacy 	<ul style="list-style-type: none"> ▷ Language in administration, taxation, customer acquisition ▷ Cultural difference in communication with customers, partners 	<ul style="list-style-type: none"> ⇒ No entrepreneur-specific HC ⇒ Access to Financial Capital: Not willing to accept investors (selling his idea)
Entrepreneur H	<ul style="list-style-type: none"> ⇒ Access to Financial Capital ⇒ Disagreements in leadership ⇒ Lost motivation 	No Demand	<ul style="list-style-type: none"> ▷ Institutional distance 	<ul style="list-style-type: none"> ▷ Language and Cultural difference in communication with partners 	<ul style="list-style-type: none"> ⇒ No entrepreneur-specific HC ⇒ Poor Leadership
Entrepreneur I	<ul style="list-style-type: none"> ⇒ Access to Business Knowledge: registered as sole proprietor instead of LLC ⇒ Full trust in co-founder ⇒ Access to Financial Capital ⇒ Expensive Services 	Unprofitability	<ul style="list-style-type: none"> ▷ Unfamiliarity with host-country's environment ▷ Lack of legitimacy 	<ul style="list-style-type: none"> ▷ Language in access to business knowledge affected Access to Financial Capital: investor 	<ul style="list-style-type: none"> ⇒ No entrepreneur-specific HC ⇒ Withdrawal of co-founder

Blue box – presence of Finnish co-founder / company representative

(to be continued)

Table 20 (to be continued)

	<ul style="list-style-type: none"> ⇒ Lack of expertise ⇒ Access to Social Capital ⇒ Lost Motivation 				<ul style="list-style-type: none"> ⇒ Access to Social Capital: Host-country's location (sparsely populated region)
Entrepreneur J	<ul style="list-style-type: none"> ⇒ Access to Business Knowledge ⇒ Full trust in co-founder ⇒ Access to Financial Capital ⇒ Lack of expertise ⇒ Lost Motivation 	Unprofitability	<ul style="list-style-type: none"> ⇒ Unfamiliarity with host-country's environment 	N/A	<ul style="list-style-type: none"> ⇒ No entrepreneur-specific HC: accepting 1st Finnish co-founder without expertise ⇒ Withdrawal of co-founder ⇒ No Business Model
Entrepreneur K	<ul style="list-style-type: none"> ⇒ Prior knowledge and experience in opportunity recognition ⇒ Lost Motivation 	No Demand	<ul style="list-style-type: none"> ⇒ Institutional distance ⇒ Unfamiliarity with host-country's environment 	<ul style="list-style-type: none"> ⇒ Opportunity-recognition: no market 	<ul style="list-style-type: none"> ⇒ No Business Model ⇒ Poor market research
Entrepreneur L	<ul style="list-style-type: none"> ⇒ Prior knowledge and experience in opportunity recognition ⇒ Access to Financial Capital ⇒ Lost Motivation 	No Demand	<ul style="list-style-type: none"> ⇒ Unfamiliarity with host-country's environment ⇒ Lack of Legitimacy 	<ul style="list-style-type: none"> ⇒ Opportunity-recognition: no market 	<ul style="list-style-type: none"> ⇒ Poor market research

Blue box – presence of Finnish co-founder / company representative

(to be continued)

Table 20 (to be continued)

Entrepreneur M	<ul style="list-style-type: none"> ⇒ Prior knowledge and experience in opportunity recognition ⇒ Access to Business Knowledge ⇒ Access to Financial Capital ⇒ Lost Motivation 	Unprofitability	<ul style="list-style-type: none"> ⇒ Unfamiliarity with host-country's environment 	<ul style="list-style-type: none"> ⇒ Unfamiliar with regulatory and economic environment 	<ul style="list-style-type: none"> ⇒ High Taxes ⇒ More lucrative job offer
Entrepreneur N	<ul style="list-style-type: none"> ⇒ Regulatory change 	No Demand after regulatory change	N/A	N/A	Regulatory change
Entrepreneur O	<ul style="list-style-type: none"> ⇒ Access to Financial Capital: opening bank account, taking loan ⇒ Lost motivation 	Unprofitability	<ul style="list-style-type: none"> ⇒ Lack of legitimacy ⇒ Unfamiliarity with host-country's environment 	<ul style="list-style-type: none"> ⇒ Lack of legitimacy towards developing countries: Access to Financial Capital ⇒ Unfamiliar with regulatory environment 	<ul style="list-style-type: none"> ⇒ Trying to open bank account and simultaneously apply for loan

Blue box - presence of Finnish co-founder / company representative

6 DISCUSSION AND CONCLUSION

In this chapter, the main findings of this study are discussed, further linked to greater theoretical and practical issues, and summarized to answer the research questions as a form of conclusion. The end of the chapter presents limitations of the study, suggestions for possible further research, and finally, implications of the study.

6.1 Discussion

In this master's thesis, the purpose was to investigate the entrepreneurial journey of opportunity-driven immigrant entrepreneurs in Finland with different backgrounds, who operated across different industries and in different regions of Finland and try to identify the underlying factors that led to their business failures, with a specific focus on the effect of liability of foreignness on business' performance and outcome.

In summary, the theory explains that early staged companies often face challenges and additional costs associated with their liability of newness and liability of smallness (Shepherd & Wiklund, 2006; Singh, Tucker, & House, 1986). These internal threats of the amount of capital invested, recruiting skilled workers, costs of creating new processes, dividing tasks and responsibilities, establishing an internal trust or business strategy combined with external threats, such as adjusting to the local regulatory and tax environment, building supplier and customer relationship, establishing a brand reputation, are faced by both, foreign-owned firms as well as native-owned firms.

Based on the empirical research of this study, the aspect of LOF foreign-owned firms in Finland additionally suffer from comes into play when trying to find and afford expertise who is at the same time familiar with the local environment, prove its legitimacy to Finnish institutions to gain financial resources for further development, gain the trust of native suppliers, vendors, and customers to establish a good relationship and thus build positive and trustworthy brand reputation in Finland, or being aware of the local socio-economic environment in order to design proper business model and apply an effective strategy. This is of course determined by the level of involvement in the host country in terms of global operations, such as in e-commerce where entrepreneurs might not be profitable but still would be able to survive due to international clients.

The following identified factors leading to the business failures of immigrant founders are discussed below.

6.1.1 Prior Knowledge & Experience in Opportunity-recognition

Firstly, Friedberg (2000) claims that prior knowledge, education, and labor market experience from abroad are insignificant in the host country and are less valued than human capital obtained in the host country, while Shane (2000) addresses that prior knowledge and experience are the key factors in identifying business opportunities. According to this, the smaller previous living experience and labor

market experience in the host country, the greater chances for an immigrant to suffer from LOF (Mata & Alves, 2018).

In line with Shane (2000), the empirical evidence of this study showed that prior experience and knowledge, i.e., general human capital including formal education and practical experience, and entrepreneur-specific human capital including formal education in entrepreneurship and self-employment experience, gained outside of the host-country acts as a strong basis for immigrant entrepreneur's opportunity-recognition in the host country. In 12 cases, when identifying opportunities, entrepreneurs draw on their previous knowledge, experience, and network gained from other markets and transformed it into the context of the host country. In 7 cases, entrepreneurs somehow suffered from liability of foreignness during the opportunity recognition process, either in recognizing the opportunity itself or in designing a business model specific to the country.

Furthermore, Mezias (2002) argues that the international experience of an entrepreneur may reduce the liability of foreignness when running a business in a foreign country. The empirical data of this study contradict this theory since in most cases, entrepreneurs claimed that their international experience from other markets had almost zero value when running a business in Finland. This can be explained by the specific context characterizing Finland and Scandinavia, which is in a lot of aspects very distinctive from the rest of the world, and this is where entrepreneurs initially fail to realize the great differences in the institutional distance. Consequently, this would be in line with Friedberg (2000) claiming that prior knowledge and experience are lost in the host country. However, it is important to note that empirical evidence also showed that without the international network, a lot of the business ideas might have never been able to be brought into practice. Therefore, it is possible to theorize that foreignness and human capital gained before establishing a business can be seen as an advantage in identifying business opportunities, and the role of LOF is mostly present in designing a proper business model for the given country.

6.1.2 Prior Entrepreneur-specific Human Capital in Access to Business Information & Knowledge

Secondly, prior experience and knowledge gained from outside of Finland together with prior living experience gained in Finland showed to have no effect on accessing the business knowledge that is essential for establishing a business in Finland. On the other hand, it was specifically prior entrepreneur-specific human capital gained in Finland, i.e., prior self-employment experience, entrepreneurial studies gained from a higher institution, or attending additional entrepreneurial studies/courses, that determined immigrant entrepreneur's access to business knowledge. Namely, those who possessed this entrepreneur-specific human capital had knowledge about specific organizations supporting immigrant entrepreneurs, more specifically Business Finland, and were provided with all help, support, and guidance in the English language. In contrast, those who did not possess any prior entrepreneur-specific human capital in Finland had no knowledge about Business Finland and instead reached out to the basic governmental organizations which were not equipped with skilled workers who would have enough expertise and knowledge

to be able to provide enough individual support for immigrant entrepreneurs with their business activities. As a result, this restricted these entrepreneurs from acquiring critical resources and utilizing human, social as well as financial capital, which in few cases proved to be decisive.

Additionally, it can also be theorized that the presence of LOF does not lie in the need of possessing previous self-employment experience or entrepreneurial studies in the host country as this liability applies to both foreigners and natives and thus represents a general requirement when starting a business. This is also in line with Bruderl et al. (1992) who highlight the need to have both general human capital, i.e., formal education and practical experience as well as specific human capital, i.e., industry-specific formal education and entrepreneurial specific human capital, when starting and running a business. Therefore, the presence of LOF, in this case, appears once immigrant entrepreneurs do not possess entrepreneur-specific capital gained in the host-country and consequently rely on organizations that are unable to provide enough of necessary information and help in English.

Importantly, the disadvantage of not possessing any entrepreneur-specific human capital in the host country in accessing required business knowledge can be simply avoided by either reaching out to entrepreneurial organizations/schools/institutions that are very common in Finland or investing some time into doing research about these organizations. Finland has a very supportive entrepreneurial environment, with information available in the English language. All entrepreneurs, except for one who was located in the northern Lapland region, who reached out to Business Finland did not experience any problems when accessing the required business information, including information about funding possibilities, or asking for consultancy and guidance, which is offered to every entrepreneur free of charge in the early stages of the business.

Additionally, in 2 cases, not possessing entrepreneur-specific human capital had another negative impact, specifically, on putting entrepreneurs' whole trust in their co-founders, who in some way betrayed them and/or later withdrew, negatively affecting further access to financial, human, and social capital and thus resulted in the decline of the overall performance of the business.

In general, a lack of entrepreneur-specific human capital may cause that the entrepreneur won't have the entrepreneurial mindset that is extremely needed in the initial stages of the business. Facing liability of newness requires dynamic capabilities, managerial and organizational skills, which according to the empirical evidence of this study many entrepreneurs were missing since they were never capable of either designing or changing/adapting their business model to fit the local market environment, setting the business to fail. This, however, also depends on the entrepreneur's individual personality traits, such as the entrepreneur's level of commitment, persistence, or motivation.

One of the ways to cope with this problem might be seeking out consulting services or mentorship from a local person. Many entrepreneurs started their business in their specific field without possessing entrepreneur-specific human capital, and their common mistakes included either finding a local person without any expertise, finding international mentors and professionals without local knowledge, or not seeking any support at all. Therefore, the simplest way would be to find a Finnish

mentor with both expertise and local knowledge, who would guide the immigrant founder in the initial stages of running the business, reducing the aspect of LOF. It is worth mentioning that finding a Finnish person who would be willing to cooperate or provide support to the immigrant founder for a reasonable price might be a challenging task, however, there are ways to face and deal with this challenge, i.e., through social media or entrepreneurial organizations.

Again, many entrepreneurs pointed out that they could have found a way how to continue the business, however, they either reported being generally exhausted from struggling financially or extremely demotivated by the lack of native population's trust in their foreign origin. In the end, instead of adjusting their business model to the local needs or market demands, in many cases, entrepreneurs developed negative attitudes towards doing business in Finland while blaming the native population for their failures.

6.1.3 Lack of Openness & Trust of Finnish Native Population

Thirdly, based on the perceptions of the informants, one of the most interesting observations in this study still involved a finding that the Finnish population generally questions not only the quality and legitimacy of products and services immigrant founders can offer, but also their practices that are based on immigrant's individual values and norms which in many cases are very distinct and even incompatible with local Finnish values.

When asked about the cultural differences, entrepreneurs fell into two different categories according to their type of answers. The first group who had either a Finnish spouse or already developed Finnish local network positively referred to the Finnish culture, characterizing Finnish society as being very honest, straightforward, not that expressive, and not that easy to connect with but once being accepted, very easy to work with, being nice and friendly while recognizing important values such as equality and common sense. The second group that was characterized by not having any developed local network, and having a hard time integrating into the society, including entrepreneurs from sparsely populated regions or geographically close countries such as Russia and Lithuania, referred to Finnish society as very closed-minded, hard to connect and work with, and lastly, rude. One common thing both groups agreed on was characterizing Finnish culture as not being so open to other cultures, which also affects Finnish companies doing business abroad. This represents a nice illustration of the uniqueness of Finnish culture and its distinction from other countries.

As a result, it would be reasonable to assume that the evidence showing such big differences in work culture and communication style that many foreign entrepreneurs are not familiar with naturally causes the native population to be skeptical toward their businesses. Following this and supporting Matsuo (2000), this empirical evidence also identified further sources of LOF in association with insufficient language skills and lack of cultural integration within the host country, together with the finding that in some cases these aspects contributed to the decrease of the lack of legitimacy of the host country's population towards immigrants. In

general, this indicates that having a status of a foreigner in Finland initially has more or less a negative impact, especially on running a business.

Consequently, supporting the theory of Zimmerman & Zeitz (2002), the empirical evidence showed that lack of legitimacy from the native population restricted immigrant-founded businesses the access to other resources that are critical for the growth and survival of the business. Entrepreneurs without a Finnish person on their team were unable to reach out to local potential customers, connect with them and gain their trust, which has also been the case when trying to acquire local partners.

Regardless, what is certain is that many immigrant entrepreneurs strived to prove their legitimacy, and the easiest way of doing this has been found to be through local social professional networks, recommendations, and referrals, or word-of-mouth marketing spread between the native population, which helped entrepreneurs with building their brand reputation in Finland. This in fact can be characterized as one of the major critical points in the survival stage that foreign-found businesses have to cross. Other strategies entrepreneurs used or would have used in order to minimize their lack of legitimacy in Finland is simply starting their business with a Finnish person or hiring a local person who would be responsible for external communication, such as for sales and marketing activities.

6.1.4 Access to Financial Capital

Fourthly, Mellahi & Wilkinson (2004) address that during the initial stages of a company, obtaining funding is hard but at the same time it is still one of the most critical resources needed for facilitating the growth and development of the business, and the smaller the business, the harder it is to recruit skilled workers or deal with regulatory issues and tax laws.

In line with the theory (Sausser, 1987; Kotsch, 2017; Lilius & Hewidy, 2019), many business failures in this study showed to be a result of possessing insufficient assistance in obtaining funding or lack of financial resources in general, when combined with high taxes and expensive professional services. Due to the significance of startup capital, it would be worth pointing out that skilled professionals who come to Finland on a startup visa have the right to apply for a startup grant, but those immigrant founders who had prior labor market experience in Finland quit the job and officially became unemployed might reconsider applying for startup grant and instead take the unemployment benefit, which is of a higher amount, as one entrepreneur pointed out. This also applies to fresh graduates who might reconsider starting their business during their studies while losing the benefit of startup grant since, after their graduation, they can apply for an unemployment benefit as well, therefore increasing their capital for kickstarting their business.

More importantly, few entrepreneurs felt that the lack of trust of the native population directly restricted their access to financial capital, i.e., when trying to acquire financial resources from governmental organizations, investors as well as banks. Interestingly, these entrepreneurs felt that the moment customers, partners, government organizations, or investors saw the entrepreneur's foreign name, they immediately developed certain negative attitudes, especially towards certain

nationalities such as Russia, Lithuania, or South Africa, affecting their decision-thinking process and the overall result.

However, this is only based on combining knowledge gained from the evidence in this study that showed a high lack of trust of the native population towards everything of foreign origin, as well as from the theoretical assumptions according to which compared to native founders, foreign founders are confronted with other practical or legal conditions that might restrict them from business growth and consequently its survival. Again, it is true that few entrepreneurs expressed concerning feelings associated with their foreign surname when applying for funding from government organizations. This, however, can only be considered as an assumption rather than relevant evidence, and despite the challenges, might be an interesting issue to study and look deeper into. Perhaps, what effect does Finnish correspondence in the business 's ownership or its operations in immigrant-founded business have on its performance/its legitimacy in Finland in terms of supplier and customer acquisition, obtaining funding or brand reputation?

In addition, when addressing problems with financial matters regarding banks, entrepreneurs might have interpreted it as a lack of trust of Finnish banks toward their business, however, it is also important to point out that objectively and practically speaking, it might not have been the best decision to try to open a bank account and at the same time apply for a loan.

Furthermore, it is also good to point out that according to the theory, apart from lack of legitimacy, human capital of the founder/founders plays another significant role in the success of the business as it is associated with the evaluation and perception of the founder by banks, investors, or customers.

When it comes to Finnish investors, it has been pointed out that this is a problem in general for both, native as well as foreign businesses. The effect of LOF might be present in the form of cultural differences when it comes to immigrant founders, i.e., different practices of the investors, and longer and more challenging processes, that might act as greater demotivators for immigrant-founded businesses. This can represent a potential avenue for further research as well, but practically it can be solved by looking for investment abroad.

6.1.5 Access to Human and Social Capital

Fifthly, the theory explains that building networks represent one of the most essential ways of accessing support and information regarding the host country's local as well as business environment. According to Pickernell et al. (2011), higher education institutions can provide students with access to informal business or social networks to some extent, however, it is mostly working experience in the host country that provides an individual with developed business and social networks. Therefore, students are starting their business from a more disadvantaged position with less developed social networks, thus smaller access to financial as well as human capital. Additionally, Foley (2008) also addressed that individuals make decisions according to the social context they are embedded in, which is supported by the context of students who due to attending international study programmes have mostly access to

international network as well as skilled professionals without previous working experience who have no access to local professional social networks.

Therefore, when it comes to accessing social capital, this study also supports the theoretical assumption in the literature review according to which the essential solution might lie in becoming part of national communities that can provide access to resources immigrants would otherwise have a hard time accessing. This study showed that the labor market experience in Finland besides bringing the immigrant some level of recognition and legitimacy also provides the immigrant with expanded professional social networks, which in turn can give further access to country-specific human, as well as financial resources. On the other hand, it can be assumed that having an established personal local network might not be as beneficial for the business, however, as one entrepreneur with a Finnish spouse pointed out, an immigrant is socially accepted by the native population the moment he is somehow related to a Finnish person. This would support a point mentioned in the previous section, which can have an impact on the immigrant's experience in the country and thus on his formed attitudes towards the native population and culture. Also, based on the general fact that a personal network of family and friends often acts as emotional, financial, or other forms of support, it can be theorized that having a country-specific local personal network might be somehow utilized in the initial stages of running a business, for instance, using local close person's name in legal administration, or as a company representative in order to eliminate any correspondence of foreignness.

Additionally, immigrants with no local social network and/or labor market experience might experience a hard time gaining legitimacy from the native population, especially when referring to finding and hiring local workers or partners. In contrast, if an immigrant founder has greater access to local social networks, it increases his chances to get local professional help, for instance, hiring an affordable local person who will be responsible for marketing or sales activities, which in turn, assuming, would also increase the legitimacy of customers, or possibly of native institutions/investors, towards the business. This is because many entrepreneurs decided to outsource various services that are otherwise expensive in Finland, while still missing local knowledge and practices when it came to crucial activities such as marketing, sales, legislation, and accounting. Afterward, without any local social network, the ultimate challenge was to find a local person who would be willing to work for such a small immigrant-founded company.

6.2 Conclusion & Summary of Theoretical Framework and Empirical Study

This section presents the summary of answers to the main research question together with supporting sub-questions. The main objective of this study was to find an answer to the question:

RQ: What role does liability of foreignness play in early staged business failures of opportunity-driven immigrant entrepreneurs?

In order to explore the research question more widely with a greater depth, it was supported by the following additional questions:

- a) In what ways can immigrants reduce the effect of liability of foreignness on their businesses?
- b) What are the additional determinants, factors, and sources behind early-stage opportunity-driven immigrant's business failure?
- c) How does the effect of liability of foreignness on business differ, if so, between (1) immigrants who initially came to Finland to study and afterward decided to establish a business and (2) skilled professionals who came to Finland primarily for work?

RQ: What role does liability of foreignness play in early staged business failures of opportunity-driven immigrant entrepreneurs?

Liability of foreignness affects immigrant-founded business outcomes depending on the extent of immigrants being isomorphic with the formal and informal institutions of the host country. The greater educational and working experience of the immigrant in the host country prior to launching a business, the increased country-specific social, human, and financial capital, therefore reducing the LOF and its effect on the business outcomes. In addition, greater the living experience in the host country reduces the institutional distance between the immigrant's home country and Finland. This is best illustrated using one entrepreneur's statement: *„I understood the culture, but later I figured out I never actually thought like a Finn, the more years I spent here the more I realized the institutional distance and cultural differences are bigger than I initially thought.“* - Entrepreneur A. In other words, immigrant entrepreneurs come to Finland and do not initially assume great differences between institutions, context, and environment specific to Nordic countries and the rest of the world, which proved to be the number one factor negatively affecting an entrepreneur's opportunity recognition process or business model design process. Entrepreneurs transformed the knowledge they gained from other markets and applied it to the Finnish context, combining all three sources of LOF, institutional distance, unfamiliarity with host-country's environment, and lack of legitimacy. From introducing an unfamiliar drop shipping model that is common in Asia, distributing Japanese high-quality diapers, to offering well-maintained luxurious cars for low prices, is what caused the local population to assume it's a scam. That was the case when entrepreneurs failed in understanding local values, preferences, purchasing, and pricing behavior, and thus failed in proving their legitimacy, as later finding out that what is valued in f.e. Europe or Asia, might be undervalued here and vice versa.

Firstly, general human capital such as skills gained from practical experience, knowledge gained from formal education, and years spent living in the host country decrease unfamiliarity of the immigrant with the host country, which represents one of the main sources of LOF. This means, increasing formal institutions involving knowledge of the regulatory environment of the host country such as local legislation, constitution, and tax laws, as well as informal institutions consisting of cultural capital in a form of understanding local values, perceptions, codes of conduct, and attitudes.

Secondly, no prior entrepreneur-specific human capital gained in the host country significantly decreases access to business knowledge and awareness about the challenges associated with it that are specific to Finland, such as lack of legitimacy from the host country, cost of the business services, a language barrier in legislation and administration, i.e., during the company registration process, and more importantly access to financial capital, as well as social capital. Thus, if not being aware of these challenges, entrepreneur lacks the knowledge and ability to come up with possible ways of overcoming them or turning to the right governmental organizations for individual support, therefore increasing the effect of LOF on the business performance.

Furthermore, not integrating into Finnish culture, failing, or even resenting to understand local culture reflects in not understanding the local market, customers' needs, and states for the number one reason that sets opportunity-driven immigrant entrepreneurs to fail in the first place as they are either introducing products that are not reflecting the market demand and/or are unable to communicate the value of the business to the locals or react to the market environment.

Finally, this also affects social capital, in terms of building meaningful relationships, and gaining the trust of local partners, vendors, potential customers, or even investors who might end up negatively perceiving and questioning the business' ability to adjust to the local environment, deliver the quality of the product/service that native population demands and thus lowering the propensity to succeed. In contrast, the greater labor market skills and educational knowledge gained in the host country, the bigger access to other social actors and networks, while at the same time increasing the access to financial capital. Lastly, with increased social capital comes increased knowledge in form of more information, viewpoints, ideas, and support, therefore, increasing the human capital.

For visual illustration and a better understanding of the extent of LOF in early-staged opportunity-driven immigrant business failures, see table 21.

a) In what ways can immigrants reduce the effect of liability of foreignness on their businesses?

The evidence in this study shows that prior labor market experience and/or self-employment experience in Finland proved to be one of the best means of reducing the liability of foreignness when it comes to accessing country-specific social, financial as well as human capital.

Secondly, similarly to the theory that mentions one of the strategies multinational organizations operating abroad apply to minimize their LOF, which is hiring local employees, in the individual context involving immigrant entrepreneurs, it is equally effective for them to start their business either with a Finnish co-founder or a Finnish person on their team to minimize the effect of LOF on their businesses. Informants in this study were divided into two groups distinguishing between individual founders/founders with a fully international team and founders sharing ownership with a Finnish person or having a Finnish person as a representative of their company. Thanks to this distinction, the findings are the result of two different perspectives, showing a significant difference in the extent of LOF both groups suffered from.

Lack of legitimacy of the native population towards everything of a foreign origin showed to be one of the main factors that led to the business failures, which affected customer acquisition, closing partnerships, obtaining funding from investors as well as government organizations. Entrepreneurs with a Finnish co-founder, salesperson, or someone representing the company on the local market experienced no problems with the language barrier in market research, company registration process, or legislation, taxation, and documentation, neither did they experience cultural differences and problems regarding local customer acquisition, creation of meaningful partnerships, access to the local social network as well as in obtaining financial capital from government organizations. In contrast, entrepreneurs without a Finnish person on their team experienced difficulties in communicating their value to customers, proving their legitimacy, and gaining the trust of potential customers, partners, and government organizations, while at the same time having a limited customer base due to the language barrier. As a result it can be concluded that having Finnish native person in the team will significantly decrease the effect of LOF, increase the legitimacy of native population towards the business and therefore improve chances for the survival of the business.

Thirdly, following the previous point, closing partnerships with local companies represents another very effective way in terms of reducing the effect of LOF and increasing the legitimacy of local customers towards the business. However, due to the lack of legitimacy of the host country, this might be challenging for immigrant entrepreneurs to achieve, which again proved to be easier with a Finnish person on the team.

Finally, access to business information is crucial for the early staged business, and therefore increasing entrepreneur-specific human capital in Finland either through attending entrepreneurship classes, reaching out to entrepreneurial organizations or institutions, joining startup ecosystems, or seeking out local mentorship, provides immigrant entrepreneurs with greater access to the right information in English, support, guidance while extending their country-specific network. This, in fact, also applies to entrepreneurs with a Finnish co-founder in case neither of them possesses entrepreneur-specific human capital, as proved by the empirical data of this study.

b) What are the additional determinants, factors, and sources behind early-stage business failures of opportunity-driven immigrant entrepreneurs?

Apart from immigrant entrepreneurs additionally facing the liability of foreignness, together with other newly established firms, they are suffering from the liability of newness. Through action and learning, newly established firms must adapt to their environment by setting up new processes, practices, and routines to establish their market presence, build their brand reputation and be able to compete with businesses already operating on the market. Because of the generally expensive services in Finland, a lot of entrepreneurs either outsourced activities that are critical to the business, i.e., accounting, legislation, marketing and sales, from abroad or looked for other cheaper solutions of how-to, for instance, develop their product, close

legal agreements or sell/market their product on the local market, which proved to be a decisive factor for the business outcome.

Secondly, excluding the liability of foreignness, what is crucial for all founders is to possess both field and/or industry-specific human capital and entrepreneur-specific human capital. Without having certain expertise within the field or industry, having the required capabilities to make strategic decisions, understanding market situations and not being able to react to them, businesses will eventually be restrained from growing and surviving, raising their chances for failure. In addition, not possessing entrepreneur-specific human capital also resulted in entrepreneurs performing poor market research and proving the market value proposition of their products, which had a direct impact on the demand, not designing any business model at all or leading to a decision to find a co-founder while providing entrepreneur's full trust in him.

Thirdly, in line with the theory, the host country's location can act as a disadvantage for the immigrant entrepreneur as the empirical evidence in this study showed. Entrepreneurs face an additional challenge in their ability to obtain and utilize country-specific resources in smaller cities or sparsely populated regions, i.e., in northern Finnish cities, the Lapland region, or smaller cities along the eastern border. These regions showed to provide services, support, and help for immigrant entrepreneurs at a very poor level, lacking expertise and English language skills. Another challenge involved access to the social networks as these regions were characterized by small, closed circles consisting of native societies or other groups of nationalities along borders that are not being very open and used to foreigners. Furthermore, in line with the theory, urban regions on the other hand provided entrepreneurs with more lucrative job offers compared to the struggles they were experiencing with their business, which also proved to be a direct reason for one case of business failure in this study and additional factor in other cases.

Fourthly, two factors leading to business failures without the effect of LOF have been discovered in terms of securing investment. Firstly, investors in Finland have been characterized in general as very close-minded, with a negative mindset, and hard to obtain reasonable investment from. Entrepreneurs commonly reported problems with obtaining investment from Finland as according to them, there is not enough money in Finland, investors invest too little for too much, and are very resentful when it comes to believing in the ideas. As a result, most entrepreneurs had to look for investment abroad. Secondly, in one case, the entrepreneur even refused to look for an investor as he believed that it would be like selling his own idea to someone else, which in turn restricted him from further business development due to the lack of financial resources.

Other factors without the effect of LOF included environmental factors such as changes in regulation, aggressive competition, generally high taxes, and strict business policies in Finland, and industry-specific factors such as high maintenance and staffing costs for physical stores when compared to e-commerce or IT/Software industry, shrinkage of industrial manufacturing machinery in Finland and Scandinavia, or firm-specific factors such as not having expertise in activities important for the business as well as lacking financial capital with the need of the

entrepreneur to find a side job to support the business resulting in not being able to balance entrepreneur's time.

c) How does the effect of liability of foreignness on business differ between immigrants who initially came to Finland to study and afterward decided to establish a business, and skilled professionals who came to Finland primarily for work?

As previously mentioned, prior labor market experience in Finland proved to be very beneficial in extending entrepreneurs' social business networks, thus naturally having access to further resources. Since students lack this experience, they have less access to social capital, mostly being surrounded by the international network from their study programmes. In line with this, the empirical evidence showed that students mostly utilize their international network gained from their previous experiences abroad to close partnerships or outsource services that are critical for business, i.e., accounting or software developers, and are otherwise very expensive in Finland for an early-stage business. In addition, because of their status of being students, they do not have the right to apply for a startup grant, making them either bootstrap their starting capital to kickstart their business or reach out to family and friends for financial support. Higher education institution provides students with professional support and guidance to some extent, and more importantly, as part of their studies, it allows and encourages students to perform thorough market research before launching the product. Students proved to utilize all the possible resources the university could offer at the maximum, together with the expertise and skills of their classmates and other networks from their field. However, what all students had in common was their view on this experience that made each one of them suffer from huge financial losses, making them strongly regret it, learn from it, and find a stable job afterwards, without pursuing any further entrepreneurial activities in Finland in their future.

In terms of social capital and access to knowledge, unless possessing some local network prior to their arrival to Finland and starting a business, skilled professionals without any previous working experience in Finland are even more disadvantaged than students since they must search for ways how to access these country-specific resources by themselves. Skilled professionals who come to Finland for work and afterward establish a business start from more advantageous positions compared to students or freshly graduated immigrant founders. Simply put, they are more familiar with the local culture and business environment, and they possess more developed local social and business networks, which provides them with greater access to further human as well as financial capital, making them suffer less from LOF thus having a better predisposition for running their business successfully. All 4 entrepreneurs who started their business with a Finnish co-founder were able to do so due to their previous work experience. In terms of financial resources, skilled professionals have more possibilities to apply for government funding, including the right to receive a startup grant. Apart from this, they are better endowed with financial resources saved from their previous or current jobs. On the other hand, the majority of this group shared one commonality that proved to be decisive in many cases, which was

performing poor market research before starting their business, as compared to the group of students.

6.3 Limitations of the Study

One of the many reasons why researchers do not prefer studying business failures is that it represents a way too complex phenomenon. The complexity lies in the ambiguity of the definition of entrepreneurial failure, finding enough relevant data and respondents directly associated with the failure who would be willing to share their experiences, together with identifying the main critical factors from the enormous number of possible factors that might have contributed, and led to the business failure. This also applies to this study and most likely presents one of the main limitations of the study as well.

Due to this fact, a large body of research on business failures applies quantitative studies, especially when comparing business failures of native- and immigrant-owned businesses with the focus on explaining the ratio between them as well as the reasons behind the results. This study applied the qualitative research method intending to study perceptions of the immigrant founders who directly experienced a business failure in Finland, focusing on their entrepreneurial journey and their explanation of what major factors contributed to their business failures while identifying the role of LOF.

One of the main limitations in qualitative research lies in ensuring the validity and reliability of the research, in other words, to come up with ways of ensuring rigor and trustworthiness of the research (Gibbert & Ruigrok, 2010). The core problem can be found in the extensive role of the researcher in the study, in terms of designing and structuring the whole study, selecting cases fitting the scope of the study as well as interpreting the data. The greatest possible bias lies especially in the role of the researcher interpreting the data as it represents a risk of the researcher being somehow personally involved, while possibly having a partial and empathic understanding for a certain group of respondents, therefore providing an insider's point of view on the subject that is under investigation (Yilmaz, 2013). This limitation would fall under ensuring internal validity of the research, where the researcher must convince himself and the readers that the findings are a result of critical investigation of all the data instead of selecting few suitable cases (Gibbert & Ruigrok, 2010). In this sense, it is important to highlight that despite the researcher in this study being fully aware of this risk and consciously trying to be objective during the interview process as well as the data interpretation process, this study involves the following possible limitations.

Firstly, to ensure reliability of the results and exclude the possibility of the presence of the random error, the researcher must present transparency and replication. Since the researcher collected and transcribed the data himself with no prior experience in interviewing before conducting the interviews for this study, this can be seen as possible limitation.

Secondly, the researcher in this study is an immigrant in Finland himself, therefore, increasing the risk of previously discussed subjective bias, thus decreasing the internal validity. However, in multiple case studies, researchers usually select from 4 to 10 cases depending on their evaluation of the data saturation and a satisfying

number of replicabilities, while excluding the remaining cases. In this study, the researcher did not specifically limit the number of cases according to his preferences and included 15 cases as they all fit the case selection criteria, therefore being considered relevant, despite some of the contrasting results and different contexts. From another perspective, this might be seen as a possible limitation in the eyes of researchers. Moreover, when interpreting the data as well as trying to understand the role of LOF in immigrants' entrepreneurial journey in Finland, the researcher tried to understand and distinguish between the facts and the reasons why in some cases immigrants developed such negative attitudes towards the Finnish business environment, while others reporting significantly different experiences.

However, when it comes to ensuring construct validity, even though this study applied triangulation - obtaining data from different perspectives, which involved cases of founders with Finnish co-founders, to come up with rational set of actions rather than subjective assumptions, the data might be considered even more valid if other participants who were directly involved in each case would be interviewed as well, in this case, the other co-founders or partners. In addition, in terms of data selection process, the construct validity of this study would also increase with a thicker description and comparison of the planned and actual process, including the difficulties faced during the interviews. In conclusion, due to the inexperience of the researcher, the big limitation can be found in generally addressing the rigor of this study, which could have been done more extensively (Gibbert & Ruigrok, 2010).

Another limitation in this study is presented in the imbalanced ratio between the number of respondents falling to the groups of students and skilled professionals. Since one of the supporting research questions aims to explore and compare the differences in the effect of LOF between these two groups, the results might involve some level of inaccuracy or bias as for the case study selection, it was only possible to interview 4 students in comparison to 11 skilled professionals.

Following upon the individual characteristics of the respondents, another limitation can be considered a fact that none of the informants in this study involved immigrant founders from Scandinavia region, such as Denmark, Sweden or Norway, which assumingly could have brought interesting and more accurate observations, and conclusions when it comes to the effect of institutional distance and the distinctiveness of environmental context.

Finally, the scope of the study was purposely set to gather data from all regions of Finland, which was not specified by any time frame. This study was more of a retrospective nature, looking at the past experiences, however, specifying a certain period of time might have been useful as in one case, the reason for the business failure was purely a result of regulatory change that occurred many years ago. In addition, it is also important to mention that the investigation only included cases that had not been influenced by the Covid-19 pandemic, therefore reducing this bias. In other words, the global pandemic did not contribute to the business failures by any means as all cases happened prior to the start of the pandemic.

6.4 Suggestions for Further Research

When it comes to further delving into and exploring these complex phenomena, instead of only studying the context of Finland, one suggestion for the future research would involve cross-country comparison, either within the Nordic context or identifying the differences in immigrant founders suffering from LOF between Finland and a country outside of the Nordics. This in fact might present interesting results as this study showed how the context of Finland significantly differs from the rest of the world, making immigrant founders suffer from LOF even more, especially during the opportunity-recognition process.

Having said that and based on the findings of this study, exploring further avenues in terms of the opportunity-recognition process of opportunity-driven immigrants, with a possible focus on LOF, would represent another interesting topic since previous research mostly focused either on necessity- or ethnic- entrepreneurs.

Furthermore, after the business failure experience, this study also found significant differences in attitudes and motivation towards further entrepreneurial activities in Finland between founders who had a Finnish person on a team and founders with fully international team. Namely, those who had no Finnish partner became extremely discouraged, developing negative attitudes towards immigrant entrepreneurship in Finland compared to the entrepreneurs with a Finnish co-founder, who, in fact, became all serial entrepreneurs and continued their entrepreneurial journey in Finland. Therefore, studying differences or similarities in the entrepreneurial journey, success factors, challenges, or motivation factors for further entrepreneurial activities after a business failure between these two groups would stand as an interesting subject for further research.

In line with this, a large body of previous research focuses on learning from entrepreneurial failure, therefore, applying this to the Finnish context and exploring serial entrepreneurs who failed one time but succeeded next time is another promising topic. In fact, this represented the 2nd choice when choosing a topic for this study, with business failure being the main subject of interest.

Other possible suggestions involve setting focus on the aspect of foreignness as yielding immigrant founders an advantage instead of looking at it as a liability or adopting a contrasting approach and studying perspectives of businesses established by natives towards businesses established by immigrants in Finland, with identifying the level of trust and perceived legitimacy to understand the reasons for their low level of trust. Finally, this can also include studying the determinants of investor decision-making toward immigrant-founded businesses. Based on the findings of this study, this would rather be recommended as a topic mostly for native Finnish students, as the role of LOF could possibly represent a challenge when trying to connect with native established companies, thus affecting the results, effectiveness, and implications of the study.

6.5 Implications of the Study

On an individual basis, firstly, this study has implications for (1) future immigrant entrepreneurs who are considering or planning to set up business in

Finland, and (2) immigrant entrepreneurs who are currently and actively running a business in Finland and might be struggling.

In general, this study presents an overall picture of the extent of the effect of LOF on businesses founded by immigrants in Finland, which is mostly based on the extensive differences between Finnish context, culture, values, and norms and other countries, which creates strong lack of legitimacy of native population towards foreign cultures, therefore also affecting the businesses founded by immigrants. Namely, customer acquisition, local partnerships, and more importantly, securing funding.

Immigrants who initially come here on startup visas intending to straightly establish a business might not be aware of this, which also proves the finding of this study that previous experience in Finland is crucial, and therefore matters. This study also showed that even immigrants who have lived in Finland for some time, including a couple of years, might recognize an opportunity without realizing the big institutional distance between Finland and other countries, thus increasing the risk of suffering from LOF, possibly affecting their business idea generation or business model design. To sum it up, prior experience and knowledge showed to be highly influential in entrepreneurs' opportunity-recognition process.

Furthermore, this study also presents the importance of accessing the right business information that is specific to Finland, as well as it states various useful governmental organizations, including the possible occurrence of their challenges in some sparsely populated regions.

Also, except from only identifying sources and the extent of LOF on immigrant-founded businesses, this study also provides implications in terms of presenting several strategies to minimize the effect of LOF, such as hiring Finnish native employees who would be responsible for external communication and representation of the company or even starting the business with a Finnish local person. Additionally, the findings also revealed that in order to successfully overcome the liability of newness that is inevitable during the initial stages of the business, both general, as well as entrepreneur-specific human capital, are needed and simply a local person without expertise is not enough.

Finally, prior labor market experience in Finland represents one of the best ways for individual immigrant founders to increase their country-specific human, social and financial capital, therefore increasing the chances for business success. This is due to the importance of acquiring knowledge about the local work culture, values, and norms together with acquiring a local professional network which further opens the future immigrant founder the door for other growing possibilities for his future business.

Another implication for immigrant entrepreneurs in Finland is regarding the outsourced services from other countries that otherwise represent way too high expenditures in Finland. Outsourcing services such as software developers or other practices from abroad in order to save costs might act as a practical solution, however, when it comes to outsourcing services that are crucial for the business, especially where the local knowledge is needed, such as marketing, accounting or legislation, entrepreneurs might need to think twice about this option.

Lastly, immigrant businesses that are in the early stages and are currently struggling might need to start looking for investment also abroad, try to connect with and expand their local social or business network, seek out local mentoring, or rethink their business model. The most critical point in terms of early staged immigrant-founded businesses overcoming LOF in Finland is to prove the business' legitimacy to its native population and build a positive brand reputation among the locals, which represents a challenging task, however, not an impossible one.

From an academic perspective, the empirical data of this study revealed other subjects of interest for further research, therefore one of the implications of this study is also aimed to researchers. From an institutional and environmental perspective, considering the importance of entrepreneurship for the Finnish economy, this study can also provide useful implications for government organizations, entrepreneurial organizations dealing with immigrant entrepreneurs, or consultants. Overall, the process of legislation and administration in terms of submitting applications, filling out various forms, or in receiving individual support in company registration has been in a lot of cases referred to as too complex and exhausting, especially for entrepreneurs without prior entrepreneur-specific HC and Finnish language skills. As a result, this process can always be reviewed, updated, and improved, increasing immigrant entrepreneurs' incentives and chances to succeed in their businesses.

Additionally, this study can have another implication for policymakers to some extent. Since many failures were a result of a lack of financial resources combined with high labor or maintenance costs, together with high taxes, it was impossible to grow their business, to maintain its profitability and therefore it was not worth continuing with the business. Basically, the findings of this study prove that immigrant entrepreneurs in Finland are seriously disadvantaged when compared to native businesses since they most often strive to prove their legitimacy to the native population which affects all areas of their operations. Therefore, making more favorable and less strict business policies for early staged immigrant-founded businesses might help them grow the business and thus enable them to overcome the critical stages of the business.

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APPENDIX 1

Semi-structured interview script for **opportunity-driven immigrant business owners who experienced early staged entrepreneurial failure in Finland**

1. Immigrant Background Information (5 min)

1. What is your country of origin? (*Institutional distance*)
2. What is your educational background? (*Human capital-educational resources*)
3. What was the main reason for moving to Finland? (Studies, work, family-ties, other...?)
4. Have you been living in Finland prior to starting a business there, if yes, for how long? (*Informal institutions-to get understanding about entrepreneur's familiarity with the local environment- culture, attitudes...*)
5. Prior to starting the business, did you have any previous working experience in Finnish labor market? In the field of your business? (*Human Capital-familiarity with local business ecosystem, networks*)
6. Did you have previous experience in entrepreneurial activities? If yes, was it in Finland? To what extent did it help you in running the business?

2. Company background (2min)

7. What was the motivation behind starting your business in Finland?
8. Where in Finland was your company based and what geographical regions did your business operations cover?
9. What was the field of your company's business?

3. General description of the entrepreneurial failure (20-25min)

10. How would you define the failure of your business? (Seizing it because of not reaching minimum threshold, exit, discontinuation...)
11. In what stage/life cycle was your business when it failed? How old was the company, what was the annual turnover, number of employees? (Startup, Survival, Growth, Expansion, Maturity)
12. **Tell me about your business failure. What major factors, causes and critical points that contributed to the failure of your business? (Market was not ready, insufficient resources...)**
13. If you have done anything differently, what would it be? Would it make a difference?
14. Were there any other crucial challenges you faced during your business' operations that were related to your foreign background?
15. On the other hand, was there something in your foreign background that yielded your business an advantage? (Diversity, different perspectives, experience...)

3. Network & Resources (5min)

16. How would you describe the role of your social network in the performance of your business? (Benefited in closing partnerships, obtaining investment, increase knowledge about local environment...) What was the main source of your social network (studies, work, governmental organizations, family, other...)?
17. Describe ways you used to acquire resources for your business. (Funding, human, physical...)

18. Did the Covid-19 pandemic somehow play role in the outcome of your business?

Additional... (if time)

1. What role did governmental policies and legislation play in the launch and overall performance of your business? At the launch, did you have the necessary knowledge in terms of legislation, local policies, funding possibilities...? Did you join some entrepreneurial associations?
2. Did you seek additional professional services such as counseling or mentoring to help you with legislation, accounting, tax system, language barrier?

APPENDIX 2

Example form of interview transcript

Name:

Date:

Country of origin:

Type of entrepreneur (Opportunity/Necessity):

Graduate/Skilled professional:

Educational qualification:

Working experience:

Self-employment experience: YES/NO

Previous living experience in Finland: YES/NO # of months/years:

Business Information

Industry:

Geographical Location:

Type of business failure:

Stage of company (# of years):

Notes:

1. Education and Working Experience
2. Motivation
 - a. Moving to Finland
 - b. Starting a business
3. Challenges
4. Causes, Factors for business failure **with** influence of foreign background
 - a. FACTS
 - b. ASSUMPTIONS
5. Causes, Factors for business failure **without** influence of foreign background
 - a. FACTS
 - b. ASSUMPTIONS
6. What would you had done differently?
7. Recommendations
8. Foreign background yielding advantage
9. Network
 - a. International Network
 - b. Finnish Network
10. Resources
11. Cultural Integration
12. Other comments