Stakeholder Engagement and Start-up Company Growth

A Qualitative Study of Swedish Start-up Companies

Authors: Qiuping Du;
Aida Kadyova

Supervisor: Natalia Semenova

Student
Umeå School of Business and Economics
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Aida Kadyova & Qiuping Du
ABSTRACT

In today’s dynamic business environment, stakeholders are seen as essential and companies are expected to engage stakeholders in mutually productive areas such as innovation and product development, market and sales development, sustainability, etc. However, prior literature of stakeholder engagement has mainly focused on large companies and the benefits of stakeholder engagement are usually narrowed to one specific area of growth. Therefore, this thesis focuses on the micro level of start-up companies and examines benefits of stakeholder engagement in terms of different aspects of company growth (namely financial performance, product development and innovation, marketing/sales development, reputation, sustainability and CSR, knowledge learning and information.).

Literature review of concepts of stakeholder engagement, start-ups and company growth has led to the theoretical framework of the thesis. It serves as guidance for the overall methodology. In order to meet the research objectives, we conduct a qualitative exploratory study on eight Swedish start-ups from different industries and with different characteristics. The data collection technique we use is semi-structured interviews with the eight owners (CEOs) of the start-ups. Through the interviews we examined the stakeholders that start-up companies are engaging, the benefits of engaging different stakeholders, the costs which may prevent them from engagement and the relationships between stakeholder engagement and their company growth.

The thesis has found that start-ups do engage different stakeholders for various growth aspects, and identified major focus areas and main stakeholders that start-ups attach more importance to than others. Customers and suppliers are frequently mentioned for driving product, market and sales development, which leads to direct financial growth. Owner-managers, employees and investors are in the second group of growth drivers, while the third group includes personal network, government organizations and communities. Meanwhile, the thesis has also categorized the benefits of stakeholder engagement into two groups according to the relative importance found out. Market and sales development, innovation and product development and financial performance are the primary, more frequently mentioned benefits than sustainability/CSR, Knowledge Learning/Information and reputation. Thus, the thesis has extended the theoretical framework by fitting it to the start-up context. The thesis has contributed to prior literature by reinforcing the prior research on stakeholder engagement and also filling the research gap in micro start-up company context. The thesis can give practical implications to start-up companies in terms of how to engagement stakeholders to drive company growth. We could conclude that start-up company context carries certain difference from large companies in stakeholder engagement, and start-ups should be encouraged to engage stakeholders more to drive company growth.

Key Words: stakeholder engagement, start-ups, company growth
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CHAPTER 1  INTRODUCTION

This chapter aims to introduce how we have selected the topic for the thesis and give the theoretical and empirical background discussion of the chosen topic. Research gap is generated from the theoretical background which leads to the research question and objectives. In the end, we also described how we would answer the research question and fulfill our research objectives.

1.1 CHOICE OF SUBJECT

We are two students in strategic project management completing the final semester of our Master of Science programme at Umeå School of Business and Economics. Both of us are from different backgrounds, nevertheless, we share a common interest in exploring contemporary issues in the business world. Our academic and work experiences in private and public sectors have given us broad perspectives on how business world functions and companies drive their growth. When we were having lectures on business topics, we came upon stakeholder theory and became greatly interested in it.

Stakeholders have always been important for companies and a popular topic in recent literature. In today’s dynamic business environment, having good relations with stakeholders is becoming more and more expected from companies. Companies with stakeholder oriented practices would benefit both the company and its stakeholders and build competitive advantage (Freeman et al., 2007, p. 313). Stakeholder theory incorporates mutually beneficial agreements, teams, trust, honesty and care into the traditional practices of the company (Freeman et al., 2007, p. 311). There have been lots of literature and research connecting stakeholders to different benefits to the companies and thus contributing to companies’ competitive advantage and better performance (e.g. Agle et al., 1999; Berman et al., 1999; Welcomer et al., 2003, in Ayuso et al. 2006, p.476; Rodriguez et al., 2002, p.135). These researches are mostly focused on large companies since they usually engage lots of stakeholders and have more social impact. Thus, we come to wonder how companies actually engage stakeholders to drive company growth, and particularly in small start-up company context. What can be the stakeholders for start-up companies and how will these companies engage different stakeholders to drive the growth?

Start-ups are new business creations from the very start and are independent because they are not initiated by already existing companies (Luger and Koo, 2005, p. 19). They are very important for economic growth, especially under the situation when the global economy is gloomy and unemployment is high. Lots of literature have attempted to show start-ups as a major source of job creation, technological innovation, and consequent regional growth (Luger and Koo, 2005, p. 17). Company growth is also considered an important objective for start-up companies (Mazzarol et al., 1999, p. 48). Growth in start-ups could be driven by various factors like the entrepreneurial skills,
external environment, etc.

In light of the stakeholder theory which aims for creating values for both the companies and stakeholders, we have come to think if start-up company growth could be explored from the aspect of stakeholder engagement. In fact, research gap does exist in these areas and more exploration needs to be done to fill the gap to contribute to both the theory and practice. It would also broaden people’s understanding of both themes of stakeholder engagement and start-up company growth since they are relatively new in literature and research. This challenging and interesting topic would be beneficial to the economy and the society as well. Therefore, we have come up with this thesis which aims to explore how stakeholder theory functions for driving company growth in start-ups context.

1.2 PROBLEM BACKGROUND AND RESEARCH GAP

Stakeholder theory is one of the most well-known theories in the business management field. After the publication of Freeman’s landmark book *Strategic management: A Stakeholder Approach* (Freeman, 1984), the concept of stakeholder engagement has been discussed more recently in scholarly articles. These concepts provide a new way of thinking about company management and creation of value for company growth. In his book, Freeman argues that for any business in order to be successful, it needs to create value for customers, suppliers, employees, communities and financiers. A stakeholder is “any group or individual who can affect, or is affected by, the achievement of a corporation’s purpose” (Freeman, 1984). The process of involving different stakeholders is considered strategic by Strand and Freeman (2013, p.1). Stakeholder engagement should be used to aid value-creating and competitive advantage (Verbeke and Tung, 2013). According to Gouillart (2014), the more stakeholders are involved, the more value is created. This view is in line with the mutually benefitting aspect attached to the concept of stakeholder cooperation (Phillips, 1997, p.51).

However, in the literature, there exists a relatively broad discussion on stakeholder engagement and there is no common understanding on the actual meaning of the concept or on the characteristics of effective engagement (Sloan, 2009, p.25). Theoretical and empirical researches are generally insufficient in contexts other than large companies; lacking in qualitative approach of managers’ perspectives; and how do companies benefit from stakeholder engagement to promote company performance (Laplume et al., 2008). Moreover, stakeholders or companies have different characteristics and the relationship to stakeholders can differ among companies (Rodriguez et al., 2002, p. 140), the areas of which remain to be studied.

It is also important to know the exact benefits of stakeholder engagement that may be connected to company growth. Benefits of stakeholder engagement are not frequently and clearly exemplified in a specific manner in related prior literature, neither are the empirical studies sufficient on the effect to corporate performance (Berman et al., 1999, p. 488). Allen et al (2007, p. 31) have analysed that in certain circumstances stakeholder-oriented companies are more valuable (financially) than
shareholder-oriented ones and companies may voluntarily choose to be stakeholder-oriented because of the increase of value. Berman et al. (1999, p.488) are among the few researches which show that certain practices were proved not to be related to company financial performance. Thus we need further exploration in literature and by more empirical research to find out if there can be financial benefit of stakeholder engagement for the company. Moreover, it should be emphasized that one of the three major tenets of stakeholder theory is in the rejection of a narrowly economic view of the company (Strand and Freeman, 2013). Literature review also frequently indicates that stakeholder theory is closely linked to the ultimate benefit of sustainability. Strand & Freeman (2013, p. 19) see that in creating shared value, “cooperation between companies and their stakeholders is necessary for social and environmental sustainability of the world”. Moreover, stakeholder engagement is also strongly connected to corporate innovation and companies can develop new opportunities from engaging different stakeholders (Ayuso et al., 2011; Ramaswamy and Ozcan, 2013; Sloan, 2009).

In terms of start-up company growth, it is necessary to define first what a start-up is. However, there is a lack of precise definition of the concept. Luger and Koo (2005) defined the start-up as: “a business entity which did not exist before during a given time period (new), which starts hiring at least one paid employee during the given time period (active), and which is neither a subsidiary nor a branch of an existing company (independent).” We believe this definition is suitable for our study as it is broad, inclusive and entails possible stakeholders. Moreover, the newness of start-ups concerns the entrepreneurial characteristics. Gray (2002, p. 62) defines entrepreneurs as: “individuals who manage a business with the intention of expanding that business and with the leadership and managerial capacity for achieving their goals”. This definition expects there is intention for growth by the individual for the company and this intention is linked to the willingness for change implementation. We want to focus more on entrepreneurial start-ups because they differentiate from other small business ventures in that they engage more in innovation (Carland et al., 1984) and is more concerned with company growth. Therefore, start-ups for the purpose of our study will be regarded as entrepreneurial start-ups working towards growth enhancement. Moreover, Gray (2002, p. 62) emphasizes that entrepreneurship implies interaction between the individual and the situation. The successful entrepreneurship entails “high competence in social and commercial interactions both inside the company and outside the company with other companies, regulators and, above all, customers and consumers”. Thus, we see engaging stakeholders is also a vital characteristics for entrepreneurial start-up companies.

Start-ups generally face internal and external barriers to business entry and growth (Bartlett and Bukvić, 2001, p. 180), like entrepreneurs’ knowledge and competence, lack of resources, market environment and access to finances, etc. Stakeholder engagement could serve as a good strategy since more companies are devising and developing new opportunities together with customers, partners and other stakeholders (Ramaswamy & Ozcan, 2013), thus possibly removing the barriers and contributing to
growth. In Westrenius et al. (2015, p.481)’s research, responsiveness to stakeholders is also encouraged as a strategy to enhance company performance for small business including start-ups. With regard to the different benefits of stakeholder engagement, we would like to consider company growth in broad aspects and explore the correlation between the benefits and start-up company growth.

Therefore, the research gap exists in terms of how to engage stakeholders, what are the stakeholders for start-up companies, what are the benefits leading to company growth and what are the possible costs, in the start-up company context. As empirical research remains meagre in the context of small start-up companies (Ahmad et al., 2005; Ayuso et al., 2011), we believe research in this area could fill the gap and give practical implication to start-up companies on how to engage stakeholders to drive company growth.

1.3 RESEARCH QUESTION

The gap in current literature has led to our development of the research question that will help give insight on the company’s perspective of how stakeholder engagement impacts start-up company growth:

How do start-up companies benefit from stakeholder engagement to drive their growth?

1.4 PURPOSE

Our main purpose of this thesis is to explore and develop a deeper understanding of how start-up companies engage stakeholders for company growth. An exploratory study is relevant according to the research gap identified and the vagueness of relative concepts in the literature. With the research question, our main purpose is further divided into three objectives serving as guiding elements for our exploratory research study. This research aims to explore:

1. What are the major stakeholders that start-up companies are engaging? Since most researches are focusing on large company context, we need to discover whether the major stakeholders identified from research literature also fit the start-up company context, and what can be the different focus of stakeholders in start-up companies.

2. What are the benefits for start-up companies when they are engaging different stakeholders and if the benefits are connected to company growth? By identifying the benefits of engaging stakeholders, and connecting these benefits to company growth, we will answer the question of “how” in the main research question.

3. What are the possible costs of stakeholder engagement that are preventing start-up companies to engage stakeholders? By understanding the possible costs of stakeholder engagement for start-up companies, we contribute to relative research gap and further understand the topic better.
To answer our research question, we will develop a conceptual framework out of literature review which shows how stakeholder engagement can be related to start-up company growth through the possible benefits driven by engaging different major stakeholders. Next, according to the exploratory nature of this topic, we will conduct a qualitative study where we interview several start-up company owners. They will give us insights on their perception of how different stakeholders are engaged and how the engagement leads to company growth for them. The discovery from qualitative interviews would enrich and complement the framework, thus proving the theory in start-up context. From the theoretical perspective, our study would help to bridge the gap for stakeholder theory in terms of how to engage stakeholders for company growth on the micro level of start-up companies. From practical perspective, our study would also give implications to start-up company owners on understanding stakeholders and how to better engage stakeholders to finally drive company growth.
CHAPTER 2 THEORETICAL FRAMEWORK OF REFERENCE

In this chapter, we present the theoretical framework of reference through literature review of the main concepts of stakeholder engagement, start-ups and company growth, so that we could dive more into the topic, identify possible research gap in detail, and give implication for the thesis in terms of possible connection of stakeholder engagement to the aspects of company growth. We conclude the chapter by developing our theoretical framework of reference which serves as guidance for the subsequent methodology and analysis.

2.1 THEORY OF STAKEHOLDER ENGAGEMENT

2.1.1 THE STAKEHOLDER THEORY

General Stakeholder Theory

The history of stakeholder theory is actually longer before the time when Freeman developed and popularised the stakeholder thinking in his book Strategic Management: A Stakeholder Approach (Freeman, 1984). Literature review shows that the general stakeholder theory is relatively new, under-explored, with no common understanding of its meaning (Greenwood, 2007, p.315), which encompasses broad discussion and diverse arguments about stakeholder capitalism, stakeholder engagement, stakeholder management, etc. (Donaldson and Preston, 1995, p. 66; Freeman, 1994, p.409). Each of them may have different focus, yet, the general stakeholder theory becomes a rich genre that serves the common goal of solving the problem of modern business and capitalism by connecting business with ethics (Freeman, 1994, p.410). In Freeman’s foundational theory stakeholder thinking is about being interactive, mutually-engaged and responsive with stakeholders in doing business, thus building the foundation for transparency and accountability. It serves to understand and remedy the business problems of creating values, connecting capitalism with ethics and helping management development to address the first two problems (Parmar et al., 2010, p.404). It is also seen as opposite to shareholder theory because shareholder theory focus on the sole financial stake of shareholders while stakeholder theory considers all stakeholders into account (Freeman et al., 2007, p. 309; Kakabadse et al., 2005, p. 289)

In terms of the nature of stakeholder theory, Donaldson and Preston (1995, p.65) specifically studied the relationship among the three main aspects: descriptive accuracy, instrumental power, and normative validity. It concludes that these three facets are mutually supportive and that the normative base is fundamental. Thus, it justifies the managerial nature of the theory and supports its connection to the economic performance of the company. Cooperrider and Fry (2010, p.3) also reinforced the generative nature of stakeholder engagement as a designed interaction to generate innovative ideas challenging the status quo as well as the desire and actions to work on those ideas together.
**Defining and Identifying Stakeholders**

Definitions on stakeholders are various. There is little consensus of what exactly constitutes a stakeholder (Mitchell et al., 1997, p. 855). Freeman (1984) suggests that there should be either “narrow” or “broad” definitions of stakeholders. The narrow definition includes groups which are vital to the organizational survival and success. The broad definition is also the frequently cited one (Freeman, 1984, p. 46): “individuals and organisations who affect or are affected by the activities of an organisation”. While showing the interdependency between the company and the stakeholders, this definition is rather broad and can include a lot of different stakeholders who may have different stakes in the company. We believe that the broadness is reflecting the reality that various parties could be the stakeholders engaged by the company for the common goal of creating values, thus the definition is adoptable for our thesis.

There are also numerous ways for identifying and classifying stakeholders. Crane and Ruebottom (2011, p. 77) tried to refine our understanding of stakeholders by conceptualizing stakeholders based on their social identities, which has raised our attention to “the social glue, the bonds of group cohesion, identity and difference that typically form the basis for claim making in relation to the company”. Mitchell et al. (Mitchell et al., 1997, p.853) provided important guidance for the management to classify stakeholders according to the three relationship attributes: power, legitimacy, and urgency. Power and urgency of the claim should also be taken into account for the groups that hold legitimate and possibly stable claims on managers and the company, which would affect managers’ ability to meet legitimate claims and protect moral interests (Mitchell et al., 1997, p. 882). We believe both the social identities and the three attributes are important reference for managers to choose which stakeholders to engage.

Clarkson (1995, p.105) identified primary and secondary stakeholders. Primary stakeholders are vital for the survival of the organization and the interdependence is high. They typically include shareholders, customers, employees, suppliers and public stakeholders of governments and communities. Secondary stakeholders are those who affect or are affected by the organization, but without direct interaction with the organization and they normally include interest groups and the media which the organization does not depend on but sometimes can have negative impact on business (Clarkson, 1995, pp. 106–107). It is in line with Sloan’s (2009, p. 26) classification into stakeholders which are close or distant to the company. This classification drives companies to focus on the primary stakeholders. Yet, in our thesis, we believe both primary and secondary stakeholders who are close or distant from the companies are possible for engagement for company growth.
2.1.2  STAKEHOLDER ENGAGEMENT

Defining stakeholder engagement

Although stakeholder engagement has been recognized as important in general for companies, scholars have not reached common understanding about what stakeholder engagement means or what should be the characteristics of effective engagement (Sloan, 2009, p.25). Similar to the whole concept of stakeholder thinking, stakeholder engagement is also an under-theorised area (Greenwood, 2007, p. 315). In Freeman (Freeman et al., 2007, p. 311)’s new narrative of capitalism, stakeholder engagement is one of the several principles for realizing stakeholder capitalism: “To successfully create, trade and sustain value, a business must engage its stakeholders.” However, it does not indicate a lot of specific aspects about how to engage, who are the stakeholders, what is the power distance, and etc. Greenwood (2007, p. 315) defines stakeholder engagement as “practices that the organization undertakes to involve stakeholders in a positive manner in organizational activities.” This definition has reinforced the emphasis on the positive nature of stakeholder engagement for creating values with benefits to both the company and the stakeholders. We adopt this definition because we believe the positive nature is more in accordance with the principles of stakeholder theory for the final goal of creating values. Stakeholder engagement is frequently seen as trust-based, dialogue and interactive process between a company and its stakeholders, while stakeholder management is more one-sided process and serves more for company interest by identifying stakeholders, determining their importance to the company and then managing them appropriately (Curzon, 2009, p. 273). Sloan (Sloan, 2009, p.25) also differentiates between active and passive involvement of stakeholders’ role in the company’s activities and further elaborates engagement for risk control and for collaboration. Stakeholders are seen as risk to manage traditionally, but they are more and more viewed as active collaborators and partners to create opportunities for companies (Sloan, 2009, p. 40). Therefore, stakeholder engagement put more emphasis on the equal status between business and different stakeholders, thus is possible to make companies act more ethically.

How to engage stakeholders

The engagement of stakeholders for creating values can take many forms. Greenwood (2007, p.315) argued that engaging stakeholders is actually a morally neutral practice and may or may not be related to corporate responsibility. It means there is not always a moral treatment of stakeholders and both parties may or may not be equal, especially in reality, it is more likely that the organization is the more powerful party which sets the terms of cooperation. Dawkins (Dawkins, 2014, p.283) proposes to use the principle of good faith in stakeholder engagement, which advocates dialogue, negotiation, transparency, and totality of conduct (consistency in pursuing good faith). Sloan (2009, p.25) also proved that engagement based on collaboration with stakeholders can create more opportunities in terms of learning, innovation and fundamental corporate transformation, compared to the traditional and common practice of controlling...
stakeholders for managing risks.

Proactivity is also important in the way to engage stakeholders. It is rather up to managers to decide how they want to do business and develop relationships with their stakeholders for creating values. “Managers must develop relationships, inspire their stakeholders, and create communities where everyone strives to give their best to deliver the value the company promises” (Freeman et al., 2004, p. 364). Therefore, managers should take the proactive role in developing relationships with stakeholders. Corus and Ozanne (2012, p. 1734) also emphasized the deliberative effort of business to build dialogue and exchange platform in a genuine two-way relationships that can bring unexpected advantages. It also justifies our thesis to talk about stakeholder engagement from the company’s point of view in analysing the relationship to company growth.

In terms of practical capabilities of how to engage, Ayuso et al. (2006, p.475) specifically talked about stakeholder dialogue and stakeholder knowledge integration: “stakeholder dialogue leverages organizational resources that promote two-way communication, transparency and appropriate feedback to stakeholders, stakeholder knowledge integration relies on non-hierarchical structures, flexibility and openness to change.” Despite these two specific capabilities, literature is generally lacking in the engagement mechanism and companies can vary in who are the stakeholders and how to engage.

In all, we believe the focus on neutral morality, cooperation and business proactivity in the way to engage stakeholders is in line with our assumption to connect it with company growth because companies may seek to engage stakeholders in a cooperative and proactive way and aim at company growth with a neutral morality view.

**Benefits and costs of stakeholder engagement**

Since the final goal of stakeholder engagement is to create values by building a sustainable relationship between business and different stakeholders (Freeman et al., 2007, p. 311), it is quite natural to link stakeholder engagement to the benefits to the company, thus leading to the final company growth. The overall conclusion of stakeholder theory is that managing stakeholders’ interests will maximize the company’s performance (e.g. Agle et al., 1999; Berman et al., 1999; Welcomer et al., 2003, in Ayuso et al. 2006, p.476). Increasing studies suggest that large competitive advantages in the forms of trust, reputation and innovation could be achieved from strengthening stakeholder relationships (Rodriguez et al., 2002, p.135). Different stakeholders have different views on what is value to them and they may have competing viewpoints on what is valuable (Lepak et al., 2007, p. 185). For this thesis, we are focusing on the company’s view and the linkage to company growth instead of different views of stakeholders. Therefore, the advantages and costs would also be more focused on the company side. Overall, little literature addresses the costs of stakeholder engagement and the benefits still overweight the costs.
In terms of the benefits of stakeholder engagement, they can be first understood from the principles of creating values vastly illustrated by Freeman and Liedtka (1997, p.288): The idea of creating values is different from value capture and leads to change of thinking because companies reinvent values instead of adding values by working together with suppliers, business partners, customers, etc. in a value-creating system. It serves as a broad picture in which the specific benefits should still be explored. In Parmar et al. (2010, p. 404)’s review of the major uses and adaptations of stakeholder theory across a broad array of disciplines including business ethics, corporate strategy, finance, accounting, management, and marketing, there is evidence of the positive nature of stakeholder theory in terms of solving the interconnected business problems of creating values, connecting ethics and capitalism and helping management address the first two problems. Stakeholder management should be associated with higher financial performance, avoiding negative risks, enhanced adaptability through effective management of multilateral contracts, etc. (Parmar et al., 2010, p. 416). In Sloan’s (2009, p. 36) elaboration of better collaboration model than control model, “effective stakeholder engagement and integration into strategic business processes is producing tangible and valuable results, including new products, stronger supply chains as well as more diverse workforces—all of which yield competitive advantage.”

The following is further illustration on the benefits and the costs:

1) **Benefit of Financial Performance**

As we could see from previous literature that stakeholder theory differs from shareholder theory in that it caters to the interests of all stakeholders, yet the final goal of creating values indicates that stakeholder engagement plays an instrumental role in enhancing company performance (Laplume et al., 2008, p. 1158). Laplume et al. (2008, p. 1167)’s literature review indicates that more research show the positive relationship between stakeholder management and company financial performance.

Post et al.(2002, p.6) developed the view of "extended enterprise" that modern companies are engaged with stakeholders in the course of its operations, and the strategic position enhances the company's sustainable competitiveness and potential for wealth creation. “The development and maintenance of favourable and productive stakeholder relations is a "core competence" for management, a means of enhancing the enterprise's value and earning capacity and of improving its ability to respond to problems and challenges” (Post and Preston, 2002, p. 25).

In Berman et al. (1999, pp. 489–490)’s testing models of stakeholder engagement and company financial performance, several stakeholder relations in terms of employees, environment or sustainability, community and customer/product safety were chosen to prove the positive impact on company financial performance either directly or indirectly. Among them, customers and employees were found to have the most significant impact on financial performance. The study also supported that relationships with stakeholders
have a direct impact on financial performance and fostering positive connections with key stakeholders can help company profitability (Berman et al., 1999, p.493).

2) **Benefit of Innovation/Product Development**

Stakeholder engagement is frequently elaborated as the basis (Sloan, 2009, p. 37) and prerequisite (Ayuso et al., 2011, p. 1411) for corporate innovation. Companies can also develop new opportunities by actively involving stakeholders(Ramaswamy and Ozcan, 2013, p. 7). The shared innovation or co-innovation is also emphasized by scholars as necessary for companies to capture the strategic approach of innovation, cooperation and sustainability, thus realizing sustainable competitive advantage (Iturrioz et al., 2014, p.104). By connecting the innovation potential of companies and the needs of society, companies could share innovation among various parties, integrate different resources and capabilities, thus systematically building new schemes, and producing sustainable value over time for the both through the necessary cooperative innovation strategy (Googins and Escudero, 2014; Porter and Kramer, 2006. In Iturrioz et al., 2014, p.104).

We believe in these articles, the stakeholders are seen as important partners, resources and catalysts for innovation. In another model developed by (Szekely and Strebel, 2013, pp. 457–458), based on cooperation with different stakeholders, different degrees of innovation results could be achieved: common incremental innovation is usually reached by single company-single stakeholder collaboration which always focuses on a specific topic; while radical innovation could be realised by deep and multiple partnerships with a variety of stakeholders and the impact of change can go beyond the organization. Therefore, companies need to consider which stakeholders to involve to reach which types of innovation.

Stakeholder engagement for innovation can lead to a competitive advantage and it is difficult for other companies to copy as companies are having different stakeholders and the ways of engaging stakeholders are also different with the production of different intangible knowledge (Rodriguez et al., 2002, p. 143).

3) **Benefit of Knowledge Learning and Information**

From the benefit of innovation, we can also see the benefit of knowledge learning which is essential for leading to innovation. Knowledge that can be accessed from stakeholders can be a very valuable asset to create innovations (Rodriguez et al., 2002, p. 143). Networks are vital providers of various kinds of knowledge and engaging different stakeholders facilitate knowledge transfer (Iturrioz et al., 2014, p. 106). Ayuso et al. (2006, p.475) finds about companies’ important capability of stakeholder knowledge integration which relies on non-hierarchical structures, flexibility and openness to change in order for innovation and sustainable development. In this process, essential knowledge from stakeholders is integrated into the companies’ process. Stakeholder dialogue also helps to capture the constantly evolving knowledge and future change (Ayuso et al., 2006, p. 476).
4) **Benefit of market or sales development**

Since stakeholders are engaged for innovation of products or services, naturally one can also conclude that stakeholders are more likely to accept and demand the products and services that the company creates (Rodriguez et al., 2002, p.135). It is a natural process because when co-creation with stakeholders focuses more on customer experience and value-creation, the needs and interests of customers are communicated into the innovation process. The previous research supporting stakeholder engagement for company financial performance also reinforces the benefit of market and sales development (Berman et al. 1999, p.493; Laplume et al. 2008, p.1167)

5) **Benefit of Reputation**

Romenti (2010, p.306) used case studies to prove that engaging different stakeholders would enhance the reputation drivers (identified by Van Riel and Fombrun 2007, in Romenti, 2010, p.306), namely vision and leadership, financial performance, internal climate, social responsibility, quality of products and innovation, thus leading to better business reputation.

In talking about the example of Shell company, Lawrence (in Andriof et al., 2002, p. 192) argues that stakeholder engagement offers the chance for dialogue, which enables the company to be closer to customers, learn about social expectations, draw on outside expertise, generate creative solutions and gain stakeholder support to implement them, thus potentially neutralise critics and improve reputation.

6) **Benefit of Ethics, CSR, Sustainability**

Ethics, CSR and sustainability are most frequently linked to stakeholder engagement in literature. Stakeholder theory in combination with sustainability has received increased attention in academic literature (Ayuso et al., 2006, p.475). Ayuso et al. (2006, p.475) found that through stakeholder dialogue and stakeholder knowledge integration, organizations are able to innovate for sustainable development. The social implication of the word stakeholder shows that business has social responsibilities (Carroll, 1991, p. 43). Parmar et al. (2010, p. 404) stated that with the emergence of stakeholder theory, the main problem risen is how to create value, connect business operations with ethics, and how to manage these two problems. The balancing of business with ethics has been the most difficult problem for managers in regard to stakeholder theory (Parmar et al., 2010, p. 405).

7) **Benefit of Risk Control and Mitigation**

With the benefits of innovation, reputation and sustainability, companies have already controlled or mitigated risks in these areas. Therefore, this benefit can in included in the above benefits. Managing stakeholders for risk control is a rather more traditional view on stakeholders, which was well exemplified in Sloan (2009, p.25)’s control model in which companies can use stakeholder engagement to control risks for the company and
for its stakeholders. Stakeholders “provide and control critical resources needed for company survival and success, including financial capital, knowledge, skills and reputation” and so the company aims at fulfilling their interests and needs (Sloan, 2009, p.26). Managers consider that social responsibility means managing risk and avoiding harm to stakeholders and corporations can create substantial risks for themselves if they don’t manage stakeholder relationships well (Sloan, 2009, pp. 30–32).

8) Costs

Few costs of stakeholder engagement were identified in academic literature. Prahalad and Ramaswamy (2004, p. 6) mentioned the resource and time cost associated with co-creation with customers and possible lack of control for the company. On the other hand, if managed badly, negative risks like bad image or reputation or negative results could be entailed for the company (Sloan, 2009, p.30). In Berman et al. (1999, p.501)’s quantitative study of the relations of companies’ engagement with different stakeholders to their financial performance, only customers and employees were found positive in contributing to company financial performance while other stakeholders like communities failed to exhibit statistically significant impacts. It implies that engaging the wrong stakeholders could generate costs and risks. Orts and Strudler (2009, p. 612) are among the very few scholars who try to criticize stakeholder theory on its promise to solve the fundamental problems of balancing different interests and how to determine companies’ moral responsibilities beyond economic value. While questioning stakeholder theory, their proposal is to go back to scratch: to reconsider the role of business companies in society and to address the most serious and toughest ethical questions surrounding business and its social obligations. We believe their notion is rather talking about the gap of stakeholder theory in terms of lacking mechanisms for solution. However, this kind of criticism is still few and more research has been done to support the positive benefits of stakeholder theory.

Research Gap

As indicated in literature review, discussion on stakeholder theory, more specifically on stakeholder engagement, is generally varied and vague. Prior research has identified a lot of opportunities for future research or limitations. In Laplume et al. (2008, p.1152)’s literature review, they identified several common areas for future work: more empirical research should be carried out across a broader set of organizations apart from large publicly traded corporations (Laplume et al. 2008, p.1174); more qualitative research is needed for the cognitive aspects of how managers respond to stakeholder expectations (Mitchel et al. 1997, Berman et al. 1999, in Laplume et al. 2008, p.1176); and more emphasis should be given to the strategic benefits of stakeholder engagement with a broader view of company performance beyond single financial performance (Berman et al. 1999, p.488; Laplume et al. 2008, p.1177).

Detailed engagement mechanism connecting the corporation with its stakeholders is still underdeveloped and the method of engagement is “an open question” (Dawkins, 2014,
There is no common understanding on the actual meaning of the concept or on the characteristics of effective engagement (Sloan, 2009, p.25). Dawkins (2014, p.283) adapted the concept of good faith based on dialogue, negotiation, transparency, and totality of conduct into stakeholder engagement. Yet, this concept serves more as a mechanism for dispute resolution. The general mechanism for how to engage and how to balance stakeholder interests is still waiting for more discussion.

Curzon (2009, p.271) found out in students’ perception of stakeholder engagement in the empirical cases that the current level of stakeholder involvement adopted was generally inadequate and that more should be done to encourage partnerships and higher levels of engagement. It indicates a lacking of research on what are the specific benefits that companies would get from stakeholder engagement and what are the perceptions from the managers and companies in terms of stakeholder engagement.

Although a lot of benefits of engaging stakeholders were implicated in academic literature, there is not enough empirical research supporting the connection between a company’s stakeholder engagement and the benefits. Meanwhile, most of the empirical research is very specific in terms of different industries, different company backgrounds and contexts. Lots of studies are centering on large companies (Strand and Freeman 2013, p.1; Laplume et al. 2008, p.1173). Cottrell et al. (2015, p.13) also identified the industry-specific benefits of stakeholder engagement based on their empirical research in medical industry which can be different from benefits in other industries. The way how companies engage stakeholders also differ (Laplume et al. 2008, p.1173). The generalizability of the research results need to be broadened with more empirical research. We need more empirical research based on more contexts to prove the generalizability of the theories and give practitioners more specific implications.

Moreover, very few costs of stakeholder engagement and the impact were talked about in literature. It remains to be studied whether there are more costs of stakeholder engagement and what is the impact toward various parts of company life. Further, literature does not give any insight into what are the factors preventing companies to engage stakeholders.

Last, in terms of company contexts, scholars normally relate the theory to large companies which have a lot of stakeholders and more social responsibility. They believe the popularity of stakeholder theory is closely relevant to the increasing role of large companies and “Large companies have an abundance of finances and therefore can have a negative or positive impact on society and the environment, which includes all stakeholders” (Laplume et al., 2008, p. 1153). For example, Freeman and Strand (2013, p.1) did research based on large Scandinavian companies to show a focus on cooperative advantage as a more accurate depiction of value creating strategies. In their research, value creation from stakeholder engagement is mostly related to the big companies’ sustainability and social responsibility activities. Berman et al. (1999, p.494) also used sample companies from Fortune 500 which enjoy stakeholder database to find
out that customer and employees are more directly connected to company financial performance. They also found out that these companies address stakeholder concerns because of their moral commitment which drives strategic decision making. Ayuso et al. (2011, p.1399) analysed data of 656 international large companies to show the positive relations of stakeholder engagement to companies’ sustainable innovation. In studying the engagement of internal stakeholders in the decision making processes of organisations, Ahmad et al. (2005, p. 347) also claimed that empirical research appears to be particularly meagre in the context of small and medium-sized enterprises. There are much fewer researches based on smaller companies. With the growing prominence of small companies as important contribution to economy, we believe there should be a growing need for research in small company context in this area, which could fill a big gap and give implication to small companies on how to engage stakeholders.

Therefore, we believe our research project could contribute to theory in terms of providing more empirical evidence to answer the question of how companies engage stakeholders, how companies view stakeholder engagement, what are the benefits and how engaging stakeholders is connected to company growth in small start-up companies. Meanwhile, possible costs and the factors preventing start-up companies in engaging stakeholders may also be identified.

2.2 THEORY OF START-UP COMPANY GROWTH

2.2.1 START-UPS

Defining Start-ups

In the literature, there is no precise and widely accepted definition of a start-up (Luger and Koo, 2005, p. 17). According to Luger and Koo (2005, p. 17) three different criteria associated with start-up definition exist in the literature, namely: “new”, “active” and “independent”. They need to be taken into consideration together in an attempt to classify a business as a start-up. The “new” criterion refers to all newly created companies, but it should be distinguished from those companies which become new because of changing their names, owners or status (Luger and Koo, 2005, p. 18). The second criterion “active” implies engagement in trade of goods or services. Last, a business should be not only newly established and engaged in trade of good and services but also “independent” in order to be considered a start-up. Taking the three criteria together we adopt the definition of a start-up proposed by Luger and Koo (2005, p. 19): “as a business entity which did not exist before a given time period (new), which starts hiring at least one paid employee during the given time period (active), and which is neither a subsidiary nor a branch of an existing company (independent).”

Entrepreneurial characteristics

Westlund (2011, p. 201) states that the start-up is the most common concept of entrepreneurship. Entrepreneurship theory is most closely related to start-ups (Gedeon, 2010). Gartner (1988, p. 11) points out entrepreneurship is associated with activities
involved in organization creation. We argue that entrepreneurial characteristics are essential for start-ups in driving company growth and thus important concept for discussion here. As indicated in the introduction chapter, we will focus on entrepreneurial start-ups in our thesis.

Casson (2005, p. 423) points out that theories of entrepreneurship have always been general and abstract, while according to Westlund (2011, p. 200), the mainstream empirical research on entrepreneurship is giving a more simple and robust definition: one that is related to the starting-up of new business and being self-employed. Most of the general definitions of entrepreneurship are centering around business opportunities and resources with which to exploit them (Westlund, 2011, p. 200). According to Shane and Venkataraman (2000, p. 220), entrepreneurs have different perceptions on the value of resources with which to exploit the opportunities. One important condition for entrepreneurship is the discovery of opportunities, although it is followed by a decision to exploit them or not. This decision will depend on the nature of the opportunity and the individual differences of entrepreneurs. Mainly their decision is influenced by the value of the opportunity against the cost to generate that value and also by optimist thinking, which is considered to motivate the exploitation of opportunities (Kahneman and Lavallo, 1994, cited in: Shane and Venkataraman, 2000, p. 223). Therefore, it implies that entrepreneurship is beyond new business creation to include the influence of the actor with opportunity discovery and exploitation.

Bruyat and Julien (2001, p. 170) sum up that entrepreneurial event is understood by first understanding the individual and the new business and later on the interrelationships between them through the start-up development and survival. The environment provides various resources and influence which also have an impact on entrepreneurship phenomenon ( Bruyat and Julien, 2001, p. 177). Gray (2002, p. 62) emphasizes once more that entrepreneurship implies interaction between the individual and the situation and treats the entrepreneur as an economic phenomenon. For him, essential elements of entrepreneurship include innovation, change, growth and continuously sustaining the growth. Human motivations play a critical role in the entrepreneurial growth process (Shane et al., 2003, p. 258) along with the non-motivational and external factors like political factors, market forces and resources (Shane et al., 2003, p. 275). Moreover, Westlund et al. (2014, p. 975) argues that traditionally the determinants of entrepreneurial start-up growth has focused on the individual, i.e. the entrepreneur and his qualities, however more recently the contextual approach is given more popularity in the literature. The successful entrepreneurship entails “...a high level of managerial competence...... a high competence in social and commercial interactions both inside the company and outside the company with other companies, regulators and, above all, customers and consumers” (Gray, 2002, p. 63). Thus, the inclusion of “social and commercial interactions” indicates interaction with stakeholders as important for entrepreneurial start-ups.

Carland et al. (1984, p. 358) make a distinction between the small business venture and the entrepreneurial start-ups. The small business venture does not engage in innovation
and is not dominant in its field. In contrast, the entrepreneurial start-ups entail innovative strategic practices and is concerned with profitability and growth, while the small business owners do not engage in new and innovative practices and only establish the business as a primary source of income and for the purpose of pursuing personal goals. Runyan et al. (2008) examined the differences between entrepreneurial orientation (EO) of start-ups and small business orientation (SBO) and their impact on small business performance. The authors characterise the EO as tendency towards innovation, proactiveness and risk taking. SBO includes the owner’s personal attachment to the business and implies an emotional relationship. Within the SBO, small business owners usually reach levels of business performance which is personally accepted by themselves, rather than maximizing performance (Runyan et al., 2008, p. 570). The small business owner, as suggested by Carland et al. (1984, p. 358) is risk averse, which can also explain why they are less prone to engage in innovative practices or new marketing to grow the business eventually. Consequently, start-ups for the purpose of our study are entrepreneurial start-ups, because they engage in innovation, opportunities and work towards growth enhancement which is an important concept for our study. They are taking risks, being proactive and striving towards maximizing business performance and company growth.

2.2.2 START-UP COMPANY GROWTH

Company growth is considered an important objective for new start-up companies since they are the driving force of the modern economy and foreseeable future (Mazzarol et al., 1999, p. 48). Theories of company growth indicate the broadness of its definition to include several different factors beyond numbers like employees or turnover (Hynes, 2010, p. 89). Literature still lacks consensus and features a wide range of growth measures. New theoretical perspectives still need to be developed in understanding growth in small businesses like start-ups (Dobbs & Hamilton, 2006). In the existing literature, different factors of growth have been studied for start-up companies, such as “the profile of the founding entrepreneur, the characteristics of the business environment, the different business strategies formulated and implemented, the different business models adopted and their adaptation over time” (Balboni et al., 2014, p. 33). In our literature review on stakeholder engagement benefits, we could also see that companies seek multiple goals of growth including financial growth, company expansion, innovation of new products/services, increasing sales/market share, risk control, sustainability, better reputation, etc. In our thesis, we wish to keep the definition of company growth as broad as possible but connected to the concept of start-ups and stakeholder engagement so as to explore the contribution of stakeholder engagement to start-up company growth.

Growth with the Different Areas:

Company growth is an “internal process of development” and an “increase in amount” as well (Costin, 2012, p.109). Therefore, while financial performance contributes to increasing capital amount directly, other aspects of innovation/product development,
marketing/sales development, reputation, sustainability/CSR, and knowledge learning/information contribute to the process of growth development internally and externally.

First, financial performance, product development/innovation, and marketing/sales development are mostly frequently connected to company growth. As mentioned by Hynes (2010, p. 89), the three aspects are the different ways and measures for company growth together with the increase in number of employees, turnover, etc. Successful marketing is fundamental to start-up company growth because choosing the right markets can offer favourable conditions (Balboni et al., 2014, p. 135). The four strategic directions Ansoff (1968) mentioned that companies generally undertake to achieve growth include product development, market penetration, development and diversification. The relationship between innovation and new companies affects the business model, which drives start-up company growth (Balboni et al., 2014, pp. 137–140). Technological opportunities and demand for new products are both part of the start-up business environment which affects company performance and growth regardless of its strategic orientation or company resources (Lumpkin and Dess, 1996; Zahra and Ellor, 1993). They prove again innovation/product development and market/sales development are the key for growth.

Second, in terms of other aspects of stakeholder engagement benefits: reputation, sustainability/CSR, and knowledge learning/information, they are implied more indirectly for company growth. Each of them constitutes company business performance and growth is about evaluating the effectiveness in increasing the business performance (Colin, 2012, p.111). Colin (2012, p.111) also states that what constitutes growth is dependent on the start-up companies’ perception and intentions for growth and it can result in a variety of growth outcomes. Helping the community (sustainability/CSR) and product quality can also be start-up companies’ growth objectives or measurements; knowledge learning/information (particularly in terms of their business environment of customers, competitors, etc.) provide them with an insight into various strategic options to gain a competitive advantage, thus contributing to company growth (Colin, 2012, p.113). Sustainability/CSR concerns how companies deal with economic, environment and social issues, and is a fundamental and strategic asset which drives companies’ sustainable and organic growth (Gao and Zhang, 2006, p.723). Building reputation is found to be one of the growth objectives for start-up companies when they are concerned of increasing in publicity, recognition of the brand, and achievement of recognition such as awards (Colin, 2012, p.118). A strong reputation is the strongest sustained competitive advantage for an organization and it is most difficult to repair if damaged (Firestein, 2006, p.25). Limitation in knowledge learning, sales capabilities and lack of innovation have all been pointed out as hindrance to start-up company growth (Carland et al., 1988; Terpstra and Olson, 1993). The ability to access external resources through relations and networks with other companies is particularly listed as a strategic factor to determine start-up company growth (Balboni et al., 2014).
Possible Stakeholders Related to Start-up Company Growth:

The personal traits and individual skills of the entrepreneur/start-up company owner have considerable influence on start-up growth (Carland et al., 1988; Terpstra and Olson, 1993; Balboni et al., 2014), indicating the owners as fundamental stakeholders for growth. The above factor also applies to the management team and employees internal to the company. Bartlett and Bukvič (2001, p. 181) identified the lack of human resources needed to grow the business as another internal barrier of growth. The government can be another stakeholder because it can create important context for start-up company growth since companies grow more and faster in countries characterised by efficient markets and effective financial and labour regulations (Balboni et al., 2014, p. 136). “Factors such as low demand for the product, access to raw materials (indicating suppliers), difficulties in exporting, public procurement rules and the late payment of bills by business customers and even the government can all obstruct the growth of companies” (Bartlett and Bukvič, 2001, p.181). Access to external finance (indicating banks and investors) is also crucial, especially for the small companies as it can impact the establishment as well as expansion and growth (Falcetti et al., 2003, cited in Krasniqi, 2007, p. 80). Friends and family are also found to influence start-up companies in planning for growth (Colin, 2012, p.121). The community is necessary when the company is involved in organic growth fulfilling sustainability and CSR goals, as mentioned before.

2.3 START-UP GROWTH FROM STAKEHOLDER ENGAGEMENT

Having reviewed theories on stakeholder engagement, start-ups and company growth, we are going to further explore the connection between stakeholder engagement and start-up company growth in this section, thus leading to our theoretical framework which serves our research question and as a guide to our research methodology.

Linking Stakeholder Engagement with Start-up Growth

As literature has indicated scarce research on stakeholder engagement in the context of small companies like start-ups, the direct research on stakeholder engagement and general start-up company growth is even fewer. However, we could see the literature review of the benefits of stakeholder engagement for general companies could include start-up companies as well. In the elaboration of the characteristics of start-up company growth, we could also argue that based on the benefits relating to company growth, stakeholder engagement could serve as a good strategy to contribute to growth in terms of different aspects.

Terpstra and Olson (1993, p.5) studied data on 500 companies to identify problems for entrepreneurial start-up growth. The main problems identified for the two stages are: sales/marketing, obtaining external financing, internal financial management problems, general management problems; human resource management problems, regulatory environment problems, organization structure/design. Among them, sales/marketing is
the most mentioned problem for both the two stages. Stakeholder engagement contributes to sales/marketing by seizing new opportunities for development. Stakeholder engagement is mostly about seizing opportunity and managing risk (Sloan, 2009, p.25), and we believe a start-up is more concerned about opportunity-seizing according to the characteristics of start-up company growth. More and more companies are devising and developing new opportunities together with customers, partners and other stakeholders (Ramaswamy and Ozcan, 2013, p.5). Stakeholders are important providers and controllers for the critical resources needed for a company’s survival and success, including financial capital, knowledge, skills and reputation (Sloan, 2009, p.32). Therefore, most of the major problems or barriers for start-up growth could be managed or mitigated through companies’ active engagement with relative stakeholders and generating the benefits for growth.

Although there’s research gap for stakeholder theory in the context of small companies, we could still find evidence in the limited literature connecting stakeholders to small companies, in which a positive impact of stakeholder engagement could still be implied. Westrenius et al. (2015, p.481) specifically analysed stakeholders for small business which includes start-ups. In small business, responsiveness to stakeholders is encouraged as a strategy to enhance financial performance. In Wang and Wu (2012, p.708)’s study, team member commitment is positively linked to start-up competitiveness and the growth period. The team is always fundamental for start-ups as human resource problem is also identified as a major issue for start-up growth (Terpstra and Olson, 1993, p.12). Stakeholder engagement is mostly regarded as important or essential for the small business growth in terms of sustainable development (Rotheroe et al., 2003; Stewart and Gapp, 2014), CSR (Retolaza et al., 2009), and shared innovation (Iturrioz et al., 2014, p.104). Berman et al (1999) talked about the concern for environment and sustainability that could contribute to company financial performance by lowering cost of complying, enhancing company efficiencies and driving down operating costs. It can also form competitive advantage by creating distinctive, eco-friendly products that appeal to customers, avoiding the costs of negative reactions on the part of key stakeholders, improving a company’s image and enhancing the loyalty of such key stakeholders as customers, employees, and government. Therefore, we believe stakeholder engagement contributes to start-up company growth through environment, sustainability and company responsibilities indirectly. The same applies to shared innovation as “sustainable, well-conceived, and well managed innovation networks can offer clear benefits to SMEs” which include start-ups (Iturrioz et al., 2014, p.104). Since innovation is particularly important as an attribute of entrepreneurial start-ups, stakeholder engagement could help start-ups create innovative products and solutions because information and knowledge could be obtained and organizational learning improved (Tether, 2002, p. 951). In addition, when stakeholders’ needs and wants are better understood (Sloan, 2009, p.30) in the co-innovation process, it leads to a higher market acceptance of new products and/or services (Rodriguez et al., 2002, p.135; Tether, 2002, p.947). Thus, knowledge and information from stakeholders contribute to growth as well.
While start-up companies may enjoy advantages by engaging stakeholders, there are also possible costs. Limited literature shows the costs of stakeholder engagement related to resource and time cost (Prahalad and Ramaswamy, 2004), this may prevent start-ups to engage stakeholders especially when they face internal financial management problem as indicated to be one of the major problems (Terpstra and Olson, 1993). Dialogue with consumers may also cost development time and reduce speed to market (Prahalad and Ramaswamy, 2004, p.8) which is important to start-ups. Therefore, it is possible that certain costs which may prevent start-up companies to engage with stakeholders could be observed during our research.

Literature has indicated the common stakeholders for company engagement. For this thesis we focus on five primary groups of stakeholders for start-ups: employees, customers, suppliers, the community, and investors. Investors include the common shareholders as they are always an important stakeholder group (Freeman et al., 2004, p.364), but in this thesis we change the name to “investors” as it fits more to start-up context. In Berman et al. (1999, p.488)’s study connecting stakeholder engagement to company financial growth, they focused on five major stakeholder areas as important to company operations: employees, the natural environment, workplace diversity, customers and issues of product safety, and community relations. These areas also re-emphasized the importance of all the primary stakeholders. Westrenius et al. (2015, p.481) also found out several primary stakeholder groups which are important for small business: customers enjoy the highest stakeholder salience, the next come the employees and the suppliers; the need to engage community is acknowledged but it’s possible to be dropped when it becomes a burden in the small business context. Another stakeholder the government was also studied in the research, but it does not show a productive relationship. Considering the community as important stakeholder for sustainability, we will keep it in our research. Meanwhile, due to the context limitation of these researches, it remains to be explored whether there are other non-primary stakeholder groups which contribute to start-up company growth and start-up companies are engaging, which could be different and specific from small business context.

**Theoretical Framework**

Overall, we could conclude that engaging stakeholders is vital for start-ups and their growth. In order to solve our research question, after the above literature review, we try to link our concepts through the design of a theoretical framework in below figure 1. There are also questions and themes remained to be explored in the theoretical framework in order to increase our understanding of stakeholder engagement in the context of start-up companies.
Figure 1: Theoretical Framework

Engaging Stakeholders

Major stakeholders for start-ups:
- Employees
- Customers
- Suppliers
- Community
- Investors
- And more?

Benefits of Stakeholder Engagement:
- Financial Performance
- Innovation/Product Development
- Marketing/Sales Development
- Reputation
- Sustainability/CSR
- Knowledge Learning/Information
- And more?

Start-up Company Growth
The theoretical framework shows our major focus areas from the literature review and they are divided into three parts: engaging stakeholders by start-ups, benefits of stakeholder engagement and start-up company growth. The causal relationship is that engaging stakeholders will finally lead to start-up company growth by contributing to a major list of benefits concerning different company growth aspects. It is common in the literature that to achieve one benefit, companies need to engage more than one stakeholder group and engaging one stakeholder group could lead to several benefits. Therefore, we are not linking one stakeholder to one benefit but keeping them as general causal relations.

All the list of stakeholders and benefits in the start-up company context are generated from the literature. We dropped risk control as a benefit contributing to growth here because as indicated in the literature review part, risks are controlled when other benefits are achieved and it can be included in the elaboration of other benefits. Achieving other different benefits means avoiding and controlling relative risks. However, there are still the question marks because it remains an area to be explored whether there are more stakeholders and more benefits contributing to start-up growth in the specific context. In the process of discovering the linkage between engaging different stakeholders and different benefits for growth, we believe we will find out how start-ups engage stakeholders and how it contributes to growth in different ways. Moreover, possible costs for start-up companies to engage stakeholder could also be shown.

The theoretical framework will serve as the theoretical perspective and be used as the foundation to establish our whole methodology including developing our themed questions in the interview guide and the analysis.
CHAPTER 3  RESEARCH METHODOLOGY

This chapter outlines and justifies the methodology for this thesis work in terms of both the scientific and the empirical methods. The scientific part includes the research philosophy, research approach, research design and the choice for data collection. The empirical part includes how we actually carry out data collection and data analysis, where our selection, access and samples were all elaborated. Relative advantages and limitation of the chosen methods are also discussed with actions undertaken to overcome the limitations. Last, we addressed our method in the choice of literature, the quality and truth criteria, and ethical consideration.

3.1 RESEARCH PHILOSOPHY

Research philosophy concerns the development and nature of the knowledge and relates to important assumptions about the way in which the researcher views the world. Assumptions about human knowledge and the nature of reality are made at every stage in the research (Saunders, 2012, pp. 127–128). According to Long et al. (2000, p. 190), “the case for any research method cannot be presented in the abstract, since the choice and adequacy of a method finds its roots in the assumptions a researcher holds about the underlying nature of the objects of his or her research.” These expectations are related to the ontological and epistemological nature of the society and social science.

3.1.1 ONTOLOGY

Ontology describes our view on the nature of reality, the basic belief on how we see the world. Central to the essence of ontology is the idea whether social entities should be considered objective and having an external reality to social actors (Bryman and Bell, 2015, p. 32; Saunders, 2012, p. 130). The ontological philosophical stance concerns if social phenomena can exist independently of the social actors, or they are continuously being accomplished by social actors and cannot exist by themselves (Bryman and Bell, 2015, pp. 32–33). There are two main ontological positions – objectivism and subjectivism (or constructionism). Objectivism implies that the reality is external to the individuals who inhabit it, therefore, the existence of social phenomena is independent and separate from social actors (Bryman and Bell, 2015, p. 32). We consider objectivism as not suitable for our thesis since the phenomena of stakeholders implies interdependency between stakeholders and companies. The second ontological position subjectivism holds that phenomena exist because of the social actors and their actions. Organisations are seen as constructed by people (Bryman and Bell, 2015, pp. 32–33). Reality is seen as a projection of human nature and the social world is a set of relationships and meanings assisted by the process of human action and interaction (Morgan and Smircich, 1980, p. 494). Individuals can work together and share a common reality but that reality is a subjective construction which can disappear at any moment the members within fail to sustain it (Morgan and Smircich, 1980, p. 494). Therefore subjectivism focuses on social phenomena and its meanings that are
dependent on social actors. Our research purpose is to develop a deeper understanding of the company’s perception of engaging stakeholders for start-up company growth. We adopt the subjectivist ontological position as we believe that the stakeholder engagement phenomenon cannot be separated from its actors, and that the concept of start-up growth cannot be separated from the social actions. The subjectivist position will be the most appropriate for our thesis as our purpose is to gain deeper understanding by using qualitative method of interviewing company owners and allowing them to describe their views on how stakeholder engagement is done. Therefore, our research is based on a subjective reality constructed on an individual basis and the company owner’s views are fundamental to our research.

3.1.2 EPISTEMOLOGY

Epistemology refers to the study of knowledge and it concerns the question of what should be regarded as acceptable knowledge. Central to the epistemological consideration is whether or not the social world can be studied according to the same principles as the natural sciences (Bryman and Bell, 2015, p. 26). There are four main positions within epistemology: positivism, realism, interpretivism and pragmatism (Saunders, 2012, pp. 134–137). Researchers adopting the positivism position believe that science is conducted in an objective way and the generation of new theory comes from the testing of hypothesis (Bryman and Bell, 2015, p. 26). Realism shares two features with positivism: social and natural sciences can apply the same data collection approach and that there is an external, objective reality (Bryman and Bell, 2015, p. 29; Saunders, 2012, p. 136). However, the objective reality may be understood differently and therefore the laws from natural sciences cannot be applied in full (Saunders, 2012, p. 136). We are not into positivism or realism because we aim to explore the subjective views of companies and generate new findings instead of testing hypothesis. Interpretivism is a contrasting position to positivism and realism. Interpretivist researchers claim that there are differences between studying objects and human beings. The complexity of the business world would be lost if methods intended for the natural science are applied to it (Bryman and Bell, 2015, p. 29; Saunders, 2012, p. 137). Therefore the study of the social world requires a different logic of research that regards human beings as distinct from the natural order. Pragmatist point of view is adopted when the research question is the one to define the researchers’ view of the world and they tend to use mixed methods as long as they serve the research question (Saunders, 2012, pp. 130–164).

As our main goal is to gain deeper understanding of start-up companies’ stakeholder engagement practices, we adopt the interpretivist position. We will collect data which is subjective because of the different perceptions of the start-up owners. They all have different contexts and various experiences, which has implication towards their perceptions of running the business and engaging stakeholders. It is critical to the interpretivist philosophy that the researcher adopts an empathetic position: entering the social world of the researched subjects and to understand their points of view of the world (Saunders, 2012, p. 137). Our research is mainly based on the opinions and reflexions of the start-up company owners while their interaction with stakeholders and
their contexts all matter a lot for our research, therefore, our appropriate epistemological standpoint is interpretivism.

3.2 RESEARCH APPROACH

Identifying the research approach is necessary and important to inform the research design and all the methodological choices, and cater for the constraints of the research (Easterby-Smith et al. 2008, cited in Saunders et al., 2012, pp. 147–148). Research approach is about the way of reasoning and there are three different approaches identified as induction, deduction and abduction. They are concerned with the extent to which you are clear about the theory at the beginning of your research (Saunders et al., 2012, p. 143). Deduction starts from an existing theory and then collects data to prove the theory, while induction starts from the collection of data and then generates a new theory from the data; Meanwhile, abduction starts with “a surprising fact” and goes back and forth from theory to data, which is used to generate a new theory or modify an old theory (Saunders et al., 2012, p. 144). In fact, there is never rigid divisions among them and it is quite possible and actually advantageous to combine the approaches in one research (Saunders et al., 2012, p. 148).

In this sense, our thesis chooses a hybrid approach combining deduction and induction, which is very much close to abduction. However, we would like to add some clarification to distinguish from abduction. We argue that our approach is not totally abductive because abduction starts from “a surprising fact” and involves collecting data for a second time to test the new theory (Saunders et al., 2012, p. 144), which our thesis does not fit in. First, our thesis starts from the theoretical background which serves as important guidance for the subsequent work; second, because of the theoretical guidance provided ahead, we collect our data which is able to be used to test and explore theory at the same time. A research design guided by theory will avoid random exploration of patterns from induction, thus making a second round of data collecting for testing the theory less necessary. Due to the limit of time and resources, we are neither able to collect data for a second time. Åsvoll (2014, p. 295) also proposes approaches involving induction, deduction and abduction, which indicates that abduction can be differentiated from the approach combining deduction and induction. Thus, we conclude that our approach is simply a hybrid combination of deduction and induction.

The topic of stakeholder engagement is rather underdeveloped theoretically and lacking empirical research practically. Relatively speaking, there is more empirical research in big company context compared to small companies like the start-ups, which gives us the tendency to modify the existing theory concluded in our framework of reference. While deduction is better for testing hypothesis out of a wealth of literature and induction is fit for a totally new topic with very little literature and open for exploration from data, abduction is most suitable with literature in one context but lacking in another context (Saunders et al., 2012, p. 148). In our case, lacking empirical research in start-up context demands an approach more than induction or deduction alone. Our thesis starts
from reviewing relative theories to build a theoretical framework for reference and better understanding. The subsequent data collection aims in one part to test the theoretical framework, and the interview guide is based on the themes in the theoretical framework. Therefore, this part is deductive in nature. However, the existing theories only serve as guidance and we are open to new findings along the process. We aim to discover more from the data to fill different theoretical and empirical research gap, thus answering the research question, and finally the new findings serve to modify the existing framework. This process of finding new elements from data to complement and modify the old theory is inductive. The subjectivist ontological and interpretivist epistemological positions indicate the exploratory and qualitative nature of our thesis (Saunders et al., 2012, p. 140), which further suggests that either deduction or induction alone cannot suffice for appropriate reasoning (Åsvoll, 2014, p. 293). The deductive theoretical guidance is needed for new inductive and qualitative findings, while the deductively rigid relation between theory and data which allows no new interpretation is not applicable in our thesis. Many researchers and philosophers reject the traditional view that the researcher constructs theory from data already there because they believe all knowledge and observations are theory-laden and methods should be driven by theory (Åsvoll, 2014, p. 294). This also supports that we need theory in the first place and it is in accordance with the interpretative epistemological stance which demands the introduction of concepts to raise awareness and further develop the theory (Åsvoll, 2014, p. 303).

### 3.3 RESEARCH DESIGN

The research philosophy and the approach to theory guide the researchers to the way they answer the research question (Saunders, 2012, p. 158). The research design represents a framework on the collection and analysis of data (Bryman and Bell, 2015, p. 49) and is the general plan for answering the research question (Saunders, 2012, p. 159). There are three main methodological choices within the research design employed in business research: quantitative, qualitative and the multiple methods research design (Saunders, 2012, p. 160). The epistemological and ontological considerations as well as the connection between theory and research are some of the factors differentiating the qualitative, quantitative or multiple methods research design (Saunders, 2012, p. 161). Moreover, it also depends on whether the nature of the research design is exploratory, descriptive or explanatory (Ghauri, 2010, p. 56; Saunders, 2012, p. 170). The subjectivist-interpretivist philosophy of our research is in line with the exploratory nature of our research, and thus we have decided to choose qualitative method. The exploratory purpose of a study is valuable to discover what is happening and to gain deeper understanding about a topic of interest. It has the advantage of flexibility and adaptability to change, and can start with a broader focus and later on become narrower with the research progress (Saunders, 2012, p. 171). We have started with broad theories of stakeholder engagement and possible benefits it may generate for companies and later on narrowed it down to the specific context of start-up companies and connecting the benefits to start-up company growth. The descriptive study with key characteristics of structure, precise rules and procedures (Ghauri, 2010, pp. 56–57) is
more close to quantitative one and not what we aim for. Through our research question, we aim to explore and answer how start-up companies engage stakeholders for company growth, which is better to be solved with qualitative research focusing on words and meanings while quantitative study is more concerned with numerical methods (Saunders et al., 2012, p. 163). Our research question is divided into three main objectives serving as guiding elements in our qualitative and exploratory research. This nature of our research will further imply our data collection method below.

### 3.4 RESEARCH METHOD

Research method refers to our method to collect the data we need to answer the research question. Saunders et al. (2012, p. 304) talked about two different types of data as primary and secondary data which infer different methods to collect. Secondary data is already collected for other purposes than the research itself and therefore may not completely fit our research question (Bryman & Bell, 2011, p.320; Saunders et al., 2012, p. 319). Moreover, because of the ambiguity arising from a lack of theory and research for our concepts of stakeholder engagement (Greenwood, 2007, p. 315) and start-ups (Luger et al., 2005, p. 17), it is even harder for us to find suitable secondary data. Therefore, we have decided from the beginning to collect primary new data by ourselves which could suit our specific research purpose. The exploratory nature of our study also demands us to gather in-depth information directly in terms of taking the detailed perspectives of different start-up companies.

There are different methods to collect primary data in research. However, it depends on the nature and the purpose of the research to choose the data collection method. The research interview is one of the most important qualitative data collection methods and includes three broad categories of structured, semi-structured and unstructured interviews (Qu and Dumay, 2011, pp. 238–239). Structured (or standardized) interview is more related to quantitative data collection and analysis and it usually refers to standardized questionnaires (Saunders et al., 2012, p. 374). Therefore, it is not concerned here for qualitative study. In order to collect qualitative data for exploratory study, semi-structured or unstructured (in-depth) interview are suggested (Saunders et al., 2012, p. 376; Bryman & Bell, 2011, p. 465) to understand the “what” and “how” in our research question and objectives. In accordance with a subjectivist ontology and interpretivist epistemology, qualitative interviews either semi-structured or unstructured are suitable to explore different meanings, perceptions, and interpretations of start-up company owners we interview (Cunliffe, 2011, p. 659), thus helping to understand the specific organizational context of start-ups (Saunders et al., 2012, p. 377). It is important to explore the start-up context without limiting the interviewees to a set of standardized questions in structured interviews. Further, interviews will not go in an unstructured way, instead, themed questions based on our theoretical framework will be used in a semi-structured way. It is emphasized that an interview as a complex social event should be guided by theoretical viewpoints to avoid the risk of using interview material in a naïve way and interpretations on shaky ground (Alvesson, 2003, p. 14). Compared to in-depth unstructured interview without theoretical guidance,
semi-structured interview decreases errors from the researcher while still allowing flexibility for the researcher and interviewees to speak about different themes related (Bryman & Bell, 2011, p. 477). In semi-structured interviews, we encourage interviewees to expand on what they think are important (Qu & Dumay, 2011, p.255) in explaining and understanding the certain themes, topics and events provided by the interviewer (Bryman & Bell, 2011, p. 467).

Therefore, as the focus of our research question is to generate a deeper understand of the phenomenon of stakeholder engagement and start-up growth, we argue that semi-structured interview is the right choice for our research. It will help us to understand the “what” and “how” by letting interviewees express themselves with certain freedom that cannot be achieved by following a standardized questionnaire, but also under the themes or topics that are intended by the interviewer. The respondent can freely answer the questions as he or she likes, and the interviewer can ask follow-up questions that may be different for different interviews (Bryman & Bell, 2011, p. 467; Saunders et al., 2012, pp. 374-375), because each start-up company may have different background and thus different situation in stakeholder engagement. According to each start-up company’s focus of stakeholders revealed, the question order and direction may also be tailored. All the interviews of different start-up companies would be compared to generate similarities and differences compared to our theoretical framework, since interviews need to add together to show the final story (Bryman & Bell, 2011, p. 465).

3.5 DATA COLLECTION

This part is about the empirical method of carrying out the data collection process, which includes how to select the samples, what are the sample companies, how to design the interview guide, and how to carry out the interviews.

3.5.1 SELECTION CRITERIA, ACCESS AND DATA SAMPLES

Since it’s impossible for us to access, collect and analyse all potential data due to the limit of time and resources, it is necessary that we use certain sampling technique to choose a group of samples for our study (Saunders et al., 2012, p. 258). For the two general groups of probability sampling and non-probability sampling techniques, we will choose non-probability sampling because we don’t aim to make statistical inferences as probability sampling does mostly in survey research strategies (Saunders et al., 2012, p. 262). Among the different techniques in non-probability sampling, purposive sampling and volunteer sampling techniques lie between the two extremes of quota sampling and haphazard sampling (Saunders et al., 2012, p. 284). The time and resource limit of our thesis research has determined our inability to reach quota sampling in which samples could represent the whole population for a survey strategy as in probability sampling. We choose convenience sampling as the most common form of haphazard sampling to find samples available to us and we argue that the samples we chose have met purposive sample selection criteria that are relevant to our research aim (Saunders et al., 2012, p. 291).
In order to find start-up companies in Sweden that are willing to participate in our research, we first turned to our program coordinator in the university to see if he could provide relative information or contacts since he may have approached companies for research purposes. We have also asked a student who happens to be an entrepreneur and is in relative entrepreneurial meetings and activities. Both of the two have confirmed that Swedish incubators and science parks are a good source to reach out to start-up companies. Our coordinator also provided relative websites and even recommended several companies that may be interesting and willing to be our interviewees. The Swedish incubators and science parks are an important source for helping start-up company development throughout different stages, with government support and particularly favouring innovation (Ulvenblad et al., 2011, p. 446). We have visited the incubators Uminova and BIC Factory in Umea, Sweden, and approached directly companies with offices in the buildings and with people available at the moment. Two companies agreed to take part in our research interviews. There were also other companies that refused immediately or agreed at first but dropped out later, mostly due to their busy schedules. In the meantime, we checked three incubator and science park websites of Uminova, Ideon and GU Ventures based in three different cities in Sweden and mass emailed many companies listed on the websites. We did check the company profile first before sending out email request to see if they fulfil our criteria because companies of different nature can be listed on the websites as related to the incubators. We also tend to contact companies in different industries and in larger scales with more headcounts since the companies we approached on site were mostly small with one or two people. Through the mass email invitation, five company founders/CEOs in Gothenburg, Lund and Umea responded positively and finally joined our study. The last company Maynea Records was found through one of our classmates’ personal contact.

In our initial contact, whether it’s during site visit or in our email approach, we have presented our research topic and stated what we expect from the companies so that companies can predict how much time they could spend in our research and how they could help (Saunders et al., 2012, p. 222). We have also informed about their rights in terms of confidentiality and anonymity (Saunders et al., 2012, p. 223) both before and during the interviews. Only one company chose to be anonymous for the company and for the respondent (referred as Company 8 in our thesis afterwards). Company Onsitus chose to be anonymous for the respondent name but open for the company name and his job title. Other six companies are open and free for us to use both the company names and the respondent names and job titles.

In all, we realized interviews with eight start-up companies. Although we found our samples mainly based on the convenience to obtain, we have also paid attention to our theoretical criteria and thus meeting purposive sample selection criteria to most extent. Purposive sampling allows us to use our judgement to select samples that will best enable us to answer our research question and meet our research objectives (Saunders et al., 2012, p. 287). We identified our choice criteria as the main characteristics of start-up companies according to our literature review: small, independent and new. Namely, start-up companies should be small as having fewer than 50 people according to the
definition of the European Commission (2003) since our study is set in Europe; the companies should not be older than 10 years which ensures the newness; the companies should be independent as founded by private people instead of being a subsidiary of any existing organization. Meanwhile, according to the profiles listed below for our interviewed companies, we have achieved data covering different industries, locations, scales (in terms of company headcount), stages of development (pre-launch, launched or growing for many years), thus contributing to the richness of information. Stakeholder engagement could be investigated in these various backgrounds within different start-up companies. All the products and services they offer are mostly new and innovative to different extent for the industry or for the society. During the interview, we have also identified their interest in company growth, which is an important concept of our research topic. Bryman and Bell (2011, p. 441) also stated that most sampling in qualitative research contains purposive sampling to certain extent. We have always kept our theoretical criteria in mind in our search. We have selected samples of a good variety which are relevant to our research question and objectives (Bryman & Bell, 2011, p. 442). Of course, limitation still exists because more samples in terms of bigger scales and more various stages etc. reaching quota sampling can always represent the whole population better, which we could only leave to future researchers with more resources.

<table>
<thead>
<tr>
<th>No.</th>
<th>Company Name</th>
<th>Industry</th>
<th>Establishing year</th>
<th>Start-up stage</th>
<th>Location</th>
<th>Headcount No.</th>
<th>Interview type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>InventiveBoard</td>
<td>Innovation application and service</td>
<td>2015</td>
<td>Launched</td>
<td>Gothenburg, Sweden</td>
<td>3</td>
<td>Telephone</td>
</tr>
<tr>
<td>2</td>
<td>AgainNutrientRecovery</td>
<td>wastewater treatment solution</td>
<td>2011</td>
<td>Launched</td>
<td>Gothenburg, Sweden</td>
<td>6</td>
<td>Skype</td>
</tr>
<tr>
<td>3</td>
<td>Core Process</td>
<td>treasury management software, service and consulting</td>
<td>2013</td>
<td>Launched</td>
<td>Lund, Sweden</td>
<td>4</td>
<td>Skype</td>
</tr>
<tr>
<td>4</td>
<td>Frans-Oskars</td>
<td>Beard Oil, beauty products</td>
<td>to be Decr 2015</td>
<td>not launched</td>
<td>Umea, Sweden</td>
<td>1</td>
<td>face to face</td>
</tr>
<tr>
<td>5</td>
<td>Mayne Records</td>
<td>Music production, record label</td>
<td>2008</td>
<td>Launched</td>
<td>Umea, Sweden</td>
<td>about 20</td>
<td>face to face</td>
</tr>
<tr>
<td>6</td>
<td>Integpro</td>
<td>Business Intelligence software solution</td>
<td>2005</td>
<td>Launched</td>
<td>Umea, Sweden</td>
<td>11</td>
<td>Email</td>
</tr>
<tr>
<td>7</td>
<td>Onsitus</td>
<td>Emergency management training and testing service</td>
<td>2011</td>
<td>Launched</td>
<td>Umea, Sweden</td>
<td>3</td>
<td>Email</td>
</tr>
<tr>
<td>8</td>
<td>Company 8 (anonymous)</td>
<td>Web-page development and consulting</td>
<td>2011</td>
<td>Launched</td>
<td>Umea, Sweden</td>
<td>2</td>
<td>Email</td>
</tr>
</tbody>
</table>

**Figure 2: List of Companies**

We have interviewed the founders/CEOs of these start-up companies because they could speak on behalf of the company to give their best insight on stakeholder engagement throughout the different stages of their company development. We could not interview all the different people including employees and the management team in one company.
to present more complete pictures, which we consider as a limitation of this thesis study due to time and resource constraint. However, we have stated from the beginning that we will limit our research to the start-up company’s view on stakeholder engagement to company growth. While the employees and managers could also be considered as stakeholders to a company (Clarkson, 1995, p. 106), the founders/CEOs are considered better representatives to speak on a company’s viewpoint.

In terms of sample size for non-probability sampling, it is rather ambiguous and the logical relationship between the sample selection technique and the purpose and focus of the research is considered more important (Saunders et al., 2012, p. 283). However, data saturation is commonly recommended as a principle to see if the sample size is enough. In the eight interviews we have conducted and the variety of backgrounds we have achieved, we consider we have reached data saturation as “the additional data collected provides few, if any, new information or suggests new themes” and this number is also within the minimum sample size of 5-25 suggested for semi-structured interviews (Saunders et al., 2012, p. 283).

3.5.2 INTERVIEW GUIDE

The questions in our interview guide were developed in themes using the literature review and the theoretical framework. We use semi-structured interview for the purpose of answering our research question. According to Saunders (2012, p. 374) the semi-structured interview consists of list of themes and some key questions to be covered and are usually used to gather data for a qualitative analysis. Saunders (2012, p. 377) mentions that semi-structured interviews are also suitable for exploratory studies as they provide background information and contextual data. We constructed the themes for our interview-guide based on the research question and the theoretical background of our thesis. We have first started by deciding upon which themes we want to include and then wrote down all the corresponding questions. We made sure that the questions are open ended and not pointing to a specific direction to the respondent as it is an important feature of the interviewer to be neutral (Saunders, 2012, p. 391). We came up with the main questions and also included several follow-up questions and probing questions. The interview guide can be shared with the respondents upon their request (Bryman and Bell, 2011, p. 473). We have sent the interview guide to all of our interviewees in advance and we always brought an extra copy of it to each interview setting in case respondents would like to check it before we start. Our interview guide can be found in appendix 1.

3.5.3 INTERVIEW PROCEDURE

We can see from Figure 2 that our interview forms include telephone, face-to-face, internet-mediated/electronic skype and email interviews, which are based on companies’ free choices according to their schedule and location. According to Saunders et al. (2012, p. 405), these forms have limitations but also advantages. One obvious advantage is to allow us to have the convenient and flexible access to these companies according to their schedule, saving us from travel time and cost while collecting more data. For
telephone interviews, a disadvantage can be a lack of face to face observation of how they react to questions (Saunders et al., 2012, p. 405); for skype interviews, it is felt that they still lack the face to face communication convenience and the talk quality is easily affected by internet data speed and thus causing difficulty in transcription; for email interviews which belongs to asynchronous (not real time) electronic ones (Saunders et al., 2012, p. 405), the disadvantage is even more obvious with further lack of real time interactivity and the companies’ response to questions are actually more limited without real time push for input. However, we still tried to email back to ask for clarification or with follow-up probing questions to achieve as much interaction as possible. Companies did feedback with more clarification as requested, except one company Onsitus whose owner could not reply further due to their busy schedule.

For all interviews, we have addressed the ethical issues of confidentiality and anonymity by informing them in the interview guide before the interview as well as carrying it out during the interviews. We stated that the thesis would be published online in Umea University website, asked for their permission for recording the interview, and if they wanted to be anonymous for themselves and the companies. We have never shared any email response of one company with another company. All communication including interviews was in English. Although all interviewees were Swedish, they basically had no problems with language. We did encounter difficulty when some interviewees mentioned some Swedish names of organizations, but these were all later clarified by email when they confirm our transcription. Overall in terms of achieved quality of information richness and level of interactivity, we see that face-to-face interviews are better form than skype ones and email response comes the last.

Whether we made site visit or not, we have all sent formal emails introducing us, our thesis topic and confirming with companies the interview form and time. The interview guide with question list was subsequently sent before any interviews. For email interviews, companies only need to respond with answers directly and make clarifications required by us later all through email. For face-to-face, telephone and skype interviews, companies could know what we are going to talk about instead of feeling pressed for answers on spot. Before the interview, we have also checked their company websites to get familiar with the companies, their business and possible stakeholders they have, which would help us understand and interact in the interview. During the interview, we actually asked follow-up questions based on their answers in a flexible way and the question order may also be changed. We tried to remain balanced instead of talking too much as research interviewers, and avoided using leading questions (Bryman & Bell, 2011, p. 475). These real time interviews were basically finished within one week and the transcription was done after the interview. We never scheduled two interviews within one day and we took turns to ask questions and take notes, in order to maintain our focus. An average of forty minutes was spent on each interview and about two hours on each transcription for the recordings. The transcription was soon sent to the interviewee by email for confirmation and possible clarification. Certain words that may be confusing due to telephone or skype quality were also clarified by the interviewees by email. For the transcription, we also aim to
catch all the content in the recordings, which is in line with our subjectivist-interpretivist stance and exploratory nature of the study.

3.6 DATA ANALYSIS

In terms of how qualitative data should be analysed, there is no clear-cut or standardised rules or approaches (Bryman & Bell, 2011, p. 571; Saunders et al., 2012, p. 556), which is different from quantitative data analysis (Bryman & Bell, 2011, p. 571; Collis & Hussey, 2009, p. 163). Based on the interpretivist nature of the research, non-quantifying methods should be used as the way of quantifying qualitative data into statistical analysis is for positivists (Collis & Hussey, 2009, p. 163) and we don’t aim to count our data for frequencies (Saunders et al., 2012, p. 563). For non-quantifying methods, coding is the main feature in most of the approaches and entails reviewing transcripts to categorizing data with potential theoretical significance (Bryman & Bell, 2011, p. 571, p. 578). As researchers are usually faced with large quantity of qualitative data, categorizing data is a useful way to reduce data by restructuring and the categories can emerge particularly when a theoretical framework is used (Collis & Hussey, 2009, p. 167). This is consistent with the deductive-inductive research approach we have taken guided by our theoretical framework (Saunders et al., 2012, p. 556). In identifying categories and “unitising” data into the appropriate categories, we are already engaged in the qualitative data analysis process and trying to find relationships in the categories. Similarities and differences were compared across companies to see patterns. “Testable propositions” are developed (Saunders et al., 2012, pp. 558–560) which could be subject for future research testing. Thus, our method for analysis falls into part of the generic approach suggested by Saunders et al. (2012, p. 557).

The data transcribed have been categorised by using main categories identified from theories and they correspond to answering the research question and meeting the objectives. The four main categories are further divided into sub-categories which are driven by both theory and data (Saunders et al., 2012, p. 558). Although most of the categories and sub-categories are the question themes from the Interview Guide, the answers are not restricted to each themed question since the interviewees may provide related information in addressing similar or related questions. We consider the categorization is exhaustive because we could not identify new and recurrent categories emerging from the data. Only the sub-category of “the most important stakeholders for start-ups” is identified as a relatively new category from the data because the interviewees frequently put emphasis on which they perceive as the most important stakeholders in answering related questions.

<table>
<thead>
<tr>
<th>Category 1: stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Identifying stakeholders;</td>
</tr>
<tr>
<td>2) The most important stakeholders for start-ups;</td>
</tr>
</tbody>
</table>
3) Strategic level consideration of stakeholders;
4) Other additional stakeholders

<table>
<thead>
<tr>
<th>Category 2: company growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>5) Engaging stakeholders for company growth</td>
</tr>
<tr>
<td>6) Correlation of different benefits of engaging stakeholders with company growth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category 3: the benefits of engaging stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>7) Innovation/Product Development;</td>
</tr>
<tr>
<td>8) Marketing/Sales Development;</td>
</tr>
<tr>
<td>9) Knowledge learning/Information provision;</td>
</tr>
<tr>
<td>10) Company Reputation;</td>
</tr>
<tr>
<td>11) Financing/Resources</td>
</tr>
<tr>
<td>12) Sustainability/Corporate Social Responsibility</td>
</tr>
<tr>
<td>13) Financial Performance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category 4: costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>14) Costs for engaging stakeholders</td>
</tr>
</tbody>
</table>

**Figure 3: Categories For Analysis**

All the eight company transcripts were assessed by this categorization to place relative quotes into the corresponding categories. The same data may be placed more than once into different categories as it serves multiple purposes. Similarities and differences are compared among these companies under the same category. The findings are also compared with theories to see if they match the existing knowledge. In the end, we extend our theoretical framework based on our findings, which corresponds to the induction process of our research approach.

### 3.7 QUALITY AND TRUTH CRITERIA

Research should be subject to assessment in order to judge the quality of the study and its findings (Saunders, 2012, p. 192), yet, the criteria have been subject to extensive debate. Terms like “trustworthiness” and “authenticity” were introduced as appropriate for qualitative study which enjoys subjective nature and difficulty for replicating (Bryman and Bell, 2011, p. 408). However, reliability and validity are the two general and more common criteria for establishing the quality of any research (Bryman and Bell, 2011, p. 394; Saunders et al., 2012, p. 192), and they are still essential for ensuring rigor in qualitative research (Morse et al., 2002, p. 14). Therefore, we are still using reliability and validity as quality criteria while focusing on the specific qualitative nature of our research.

Reliability concerns the degree to which a study can be replicated (Bryman, 2011, p. 395), which corresponds to the new term of “dependability” for qualitative research (Saunders et al., 2012, p. 194). The aim of a qualitative study is usually not replicability as each research is unique. We agree with this view given by Bryman and Bell (2011, p. 408) as the main purpose of our qualitative study is to gain deeper understanding of a subject rather than to be able to replicate the study in another setting. Nevertheless, throughout
our study, we have addressed the several threats to reliability given by Saunders et al. (2012, p. 192), namely participant error, participant bias, researcher error and researcher bias. During our interviews, we have minimized the participant errors and bias which concern the factors negatively influencing their performance and responses. We have ensured that the context and the timing when data was collected is suitable and convenient for all respondents so that their responses are not negatively affected, nor they provide falsely positive answers. Regarding the researcher error and researcher bias which concern factors that may alter researcher interpretation and recording of responses, we have taken corresponding measures. In order to avoid the misunderstanding of the subtle meanings of our interviewees, we made sure we have a well prepared interview schedule as well as proper preparation from our own side. On the other hand, we have also ensured that a subjective view or disposition does not get in the way of fairly recording and interpreting the participants' responses.

Validity is concerned with the accuracy of scientific findings (LeCompte and Goetz, 1982, p. 32). In order to establish the validity of a research, we need to assess the extent to which conclusions effectively represent empirical reality. According to LeCompte and Goetz (1982, p. 43), two measures of validity are internal and external which correspond to the relative new terms of “credibility” and “transferability” claimed for qualitative research (Saunders et al., 2012, p.194). With internal validity, we assess the authenticity of scientific observation and measurements and their representation of reality. External validity ‘addresses the degree to which such representations may be compared legitimately across groups’ (LeCompte and Goetz, 1982, p. 32). In terms of our research project, we evaluate our internal validity as high, mainly because of our semi-structured interviews. By using semi-structured interviews, we have the possibility to ask follow-up questions depending on the answers of participants, which has allowed us to measure what we wanted. We could also clarify concepts and ask additional questions to participants if they discussed additional themes that were not focused in our research. With regards to external validity, Bryman and Bell (2011, p. 395) explain that qualitative findings are not typically generalizable in different settings than the one where they are studied. Therefore internal validity for qualitative studies is low. According to Miles and Huberman (1984, p. 278), the internal validity refers to credibility of the data. In this light, our thesis ensured credibility in several ways. First, we collected primary data from individuals directly involved in the companies’ ownership. Second, we have sent all transcripts from the interviews to ask respondents for approval and validation in order to allow only correct information usage. Furthermore, our internal validity was ensured by selection of appropriate research methods and data collection techniques. We have also ensured anonymity of the respondents who wished to remain anonymous, ensuring that they provide real unbiased and trustworthy answers.

3.8 ETHICAL CONSIDERATIONS

When conducting research, it is highly important to recognise ethical aspects that have risen throughout the study. Ethical concerns could emerge from the design and planning phase of the research and also when seeking access to organisations and individuals to
collect data (Saunders, 2012, p. 226). Ethics within the context of research refers to behavioural standards that will guide the researchers’ conduct during the research process. These guidelines are directly related to the rights of the research objects, affected by it (Saunders, 2012, p. 226). Therefore one of the most important objectives for us while writing this thesis was to distinguish from unethical conduct and to try to perform every stage of the process in an ethical manner. In the following section we will discuss upon the most important ethical issues which may arise in conducting research and we will argue how our study has followed the recommended ethical guidelines.

An important topic of ethics in business research is to show respect to the individuals affected by the research as well as to establish trust and respect between the researcher and the participants (Saunders, 2012, p. 231). We carefully composed a template email with the purpose to use it for the different companies we wanted to contact. We wanted the email to give a good and respectable impression to the companies and we have carefully decided on the wording and the volume of information we were giving in the first introductory email. Later on, once we had a response, we were always replying within the day providing further information on our request for the respondents who were interested to participate and also thanking those who refrain from participation. With our respect and appreciation to the organisations, we wanted to make very good first impression by being as professional as possible in our letters.

The topic of confidentiality and anonymity of the research participants is a second area of ethical issues which we have delicately distinguished. According to Saunders (Saunders, 2012, p. 231), privacy of the participants is a key principle which underpins several other ethical principles such as avoidance of harm, informed consent of participants, voluntary participation, confidentiality and anonymity. Potential respondents should not feel pressured in any way to participate in the study and when asking people to take part in the research, their privacy is of great importance and should be respected. For a researcher it is important not to “confront” people or to make them feel uncomfortable in order to get their acceptance to take part in a project (Saunders, 2012, p. 237). To the greatest extent, we have tried not to cause any harm to our participants. Since the beginning during the phase of gaining access to organisations and possible respondents we made sure to arrange short meetings within convenient time of the respondents for the purpose of presenting ourselves and requesting their voluntary participation. On the other hand, during the interviews we have always maintained a positive and pleasant environment so that the interviewee felt relaxed and comfortable. As mentioned before, we have provided the interview guide in advance to all participants and have also brought a hard copy at the time of interview to show our professional manner. During the interviews we also considered people’s privacy and made sure the respondents are not pressured to answer a question which is uncomfortable for them. In case a respondent has asked for clarification of any of the concepts within our interview guide, we have given such according to the literature review but in brief in order not to lead the respondent to a certain direction in his response. We have informed in a thorough manner each respondent about the voluntary nature of his/her participation and also about the right of their withdrawal from the
research at any point of time. We have also provided sufficient information to all participants on the implications of their participation in order for them to make a fully informed, freely given and considered decision on whether to participate and without feeling pressure or coercion. We believe this gave the respondents considerable assurance that we would not extend the promised duration of the interview nor would we increase the scope of the research without first seeking agreement and asking permission. Assuring confidentiality of data and keeping anonymity of the respondents is another key area within ethics in business research.

According to Saunders et al. (2012, p. 238), deception is whether the researcher is researching something else than he has informed the participants about. We were always open with the purpose of our study. The questions in the interview guide were the ones that will be analysed. Therefore, no form of deception has been applied to our research.

Overall, we have followed the ethical guidelines as we have taken the organizations’ needs and preferences into consideration at all times.
CHAPTER 4 EMPIRICAL FINDINGS

This chapter details the empirical findings based on the categories in the interview guide which has been listed in the previous chapter. It is only by presenting each category with results found out in all the interviews that we could further identify similarities and differences, and make generalizations which could give light on possible extension of the theoretical framework in the following chapter.

4.1 CATEGORY 1: STAKEHOLDERS

We have added the common definition of stakeholders from theory and adopted by us in the interview guide to let companies have some idea about what they will talk about instead of getting confused about the terminology. However, after letting them introduce about their company background and products, we also asked them about their perception of stakeholders in terms of what they think are the stakeholders, what are the important stakeholders for their companies and whether they consider engaging stakeholders in strategic level.

Identifying Stakeholders

This part is concerned with how start-up companies perceive stakeholders in general. When asked about how they understand the definition of “stakeholders”, start-up companies give answers as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Company Name</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>InventiveBoard</td>
<td>“Stakeholders are persons or companies related to InventiveBoard.”</td>
</tr>
<tr>
<td>2</td>
<td>AgainNutrientRecovery</td>
<td>“People, organizations which have specific influence in our solution.”</td>
</tr>
<tr>
<td>3</td>
<td>Core Process</td>
<td>It did not give direct answer to this question, but sees stakeholders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>from its company point of view: “The stakeholders are of course the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>owners; and we also see our software vendor partner as our stakeholders.”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>And it considers stakeholders as “indirectly involved” in company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>decisions.</td>
</tr>
<tr>
<td>4</td>
<td>Frans-Oskars</td>
<td>“Basically anyone who is involved in the business, like a customer”</td>
</tr>
<tr>
<td>5</td>
<td>Maynea Records</td>
<td>“I’m not sure. If with mutual benefit, I think it will be our partner.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mostly it’s our partners, they affect our company and they gain something</td>
</tr>
<tr>
<td></td>
<td></td>
<td>out of it for sure. Our customers,</td>
</tr>
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</table>
I’m not sure. For us, our products are like our artists, songwriters, producers. They also get something out of it as well. They get a share of what they bring in, so it’s tricky in definition.”

“As we see it, there is among our customers we have our stakeholders. By discussing with the customer about their needs, we get feedback about what problems they want to solve, and can then offer a customer-specific solutions based on our product portfolio.”

It did not answer this question.

“Individuals and organisations which affect or are affected by the activities of an organisation.”

In all, companies may not have confident and clear definitions for stakeholders. Opinions include the broad and narrow definitions as well as no ideas: four companies gave the definitions which include “relation” or “influence” to their company and business, which can correspond to the broad definition adopted by us in literature review. Among them, Company 8 just quoted the definition given by us directly, which is susceptible that it does not have a clear idea of their own and is in similar situation as Onsitus which did not answer the question. Some companies (Core Process, Maynea Records and Integpro) only consider those which are mostly important to business as stakeholders, which are corresponding to the narrow definition from theory.

In terms of identifying the stakeholders for the companies, most of them identified customers, suppliers, employees, and investors as the stakeholders, take InventiveBoard for example: “We have several, of course, the customers, the employee. And 10% of InventiveBoard is owned by GU Ventures (investor) …… we have suppliers, ……which does our webpage, and then one ……which has been doing the application.”

Companies may not list their stakeholders to the fullest when faced with this question and they may use different terminologies, but overall, they talked about all these stakeholders. For example, AgainNutrientRecovery identified the importance of certain companies which could help them to sell products to their private customers due to the characteristics of their products which could not enable them to reach customers directly. These companies can be summarized as their distributors or service supplier partners. They have specific customers as “the small one family houses” and investors like GU venture and another “state-owned investment company”. Core Process: “We have several different companies we have contracted as partners, all we are using in our projects together with our clients. We also sell software with our partners……we also have outsources as our service partner……So the partners are the suppliers to our company.”
The business partners talked by companies here can refer to suppliers for different services and products that companies need. They are interacting more with start-up companies or even cooperating to serve customers together, so they are considered important or even crucial for business, which is why they are considered as partners.

Although Core Process considered owners as stakeholders in the beginning, it changed its stance when asked about decision-making: “Stakeholders are indirectly involved, but not in business direction. Mainly the owners and the management take decisions.” It shows the confusing idea whether owners should be counted in as stakeholders.

AgainNutrientRecovery also identifies personal network of contacts and similar companies (as suppliers or competitors) as stakeholders which broadens the definition further:“That is product developer, consultants, former colleagues, people that I know from my personal network, companies who are working with parallel or almost the same type of sewage solutions as we do …… They may have a patent solution which we can buy from them so we don’t have to make that for example (patent-suppliers or competitors).” Frans-Oskars mentioned personal contact about her boyfriend who is giving advice and even making the product. These personal connections can give valuable ideas, thus affecting the company, but they don’t take a stake in the company and are not affected by the company so much. Still, engaging them as helpful to the company, they still could contribute to company growth.

Swedish incubators like GU Ventures, Uminova and BIC factory etc. serve as special government-owned stakeholders to Swedish companies as Swedish government promote the development of incubators to help start-up companies to establish business and grow. “We get support of course, market support, relation support …… from the experts they have.” GU Venture is more different because it invests in start-up companies and therefore participates in company decision-making as well.

Community as a stakeholder was scarcely identified initially and are generally considered less important compared to those more directly related to business. Maynea Records mentioned them at the beginning as this company is very devoted into helping the community: “We would also like to engage ……this kind of free public organizations, they help people to do what they want to do basically and the government is funding them. We also work with that kind of organization as well……collaboration with the school is to help those teenagers to see what they learn at school…… we use our resources to help them see if they really want to do that (by providing make-up, hair-dresser internships).” It recognizes the mutual influence as imbalanced: “But we are not so affected by them as we affect them more.”

Company 8 responded that it does not engage stakeholders, but still in answering other questions it claims that partners are important to them (similar to clients in their situation): “Most of them work as our "sales persons", so they will handle the
end-customer contact and will hire us for the more technical advanced parts in the project.” They don’t have employees or investors, but they also have “pay as we go” suppliers.

The Most Important Stakeholders For Start-ups

Throughout the interviews, we can see the companies are emphasizing on certain stakeholders over other stakeholders.

InventiveBoard considers suppliers as the most important stakeholders: “They are very important because they do all the technical work for us……So we have lots’ of suppliers and we are very dependent on them……They help us develop products and marketing strategy.” Then it put customers as equally important: “I think the most important stakeholder is the customer, and we need to involve more customers. It’s necessary to engage our suppliers as well.” The third comes the employees as start-up companies may have very limited number of employees and they need to rely on them: “The employee is extremely important for InventiveBoard as everything is dependent on his success……We are trying to build a company together.”

Due to the policy specification of agricultural chemicals, AgainNutrientRecovery considers agricultural authorities as important since they need to achieve mutual understanding to mark their products as ecological and possible to sell in these markets. Equally for sales reason, they consider their service partners (suppliers) which could help them sell products and services to private homes as crucial. “We also think it is crucial to find companies or network of companies which can sell our product. We can’t sell it to private people……they will mostly likely ask some authorities.”

Core Process sees owners and partners (similar to suppliers and clients at the same time) as most important: “The stakeholders are of course the owners; and we also see our software vendor partner as our stakeholders. They are important and see us as the partner because they don’t have subsidiary (service branch) on the Nordic Market, so they use us as the service partner.” “We see the partners we are working with are the stakeholders, and they are very important in order to show the market the development of our product.” They don’t consider their direct customers as equally important: “The ground rule is always to listen to customers, but it also depends on how you interpret their needs and see what we have, so it’s not only to listen to clients.”

For Frans-Oskars, since it’s a one-person company which is still to be launched and does not rely heavily on any stakeholders so far, it is more difficult to identify which stakeholder is more important. Relatively speaking, the owner talked about “customers are first” as contributing to financial growth and finding bigger customers in the future, we infer customers are relatively more important.

Maynea Records also mentioned their partners (marketing supplier) frequently: “So the
partners are the most important in business.” Their direct customers as the artists to whom they serve as “mentor and parents” should be in the second place. “We reach the end consumers through our artists, and our partners for marketing and launching.”

The concise answers from Integpro may also indicate their partner (software provider) and customers as the most important. “As we see it, there is among our customers we have our stakeholders.” This is similar with Onitus as it considers it “Important to test our services with clients and that way enlist them as references” so as to increase their sales.

For Company 8 with two people, the owners are mainly developing their service and then they consider their partners (clients in this context with them to face end customers) as important: “Most of them work as our ‘sales persons’, so they will handle the end-customer contact and will hire us for the more technical advanced parts in the project.”

**Strategic Level Consideration of Stakeholders**

When asked whether they consider engaging stakeholders in their company strategy, most of the companies admit that stakeholders are important and therefore should be involved in their company strategies:

InventiveBoard: “It's important. We are a very small company, only one employee, and I work only part time with InventiveBoard, so stakeholders are very important (for our business), especially our suppliers……” and their investor like GU Ventures “mainly help with strategy, seek money for the company and expect return.”

AgainNutrientRecovery: “It is totally crucial; we will have no future without engaging more or less independent stakeholders……We must be pro-active…… we must seek their advice.”

Core Process: “They are important and part of business strategy. We make decisions for our business strategy and involve them. For the business area of software, software selling and service, we involve our partners in developing business strategy. When it comes to consulting and treasury outsourcing, the partners are more into business development.”

Maynea Records: “Yes. That’s basically what our ambitions are. If you really have talented and hungry people, we can both win out of it. And we can also create the ambition for young people as well. So definitely that’s something we want to work with.”

As a one-person company, Frans-Oskars is not sure about this question at first but still considers engaging social media to increase sales.
Integpro and Onsitus did not answer this question, while Company 8’s answer is “not at this time” because they are not thinking of stakeholders overall. However, Company 8 does engage partners to help with their sales.

**Other Additional Stakeholders**

In order to be exhaustive about any possible stakeholders that may have not been listed in our theoretical framework and that start-up companies may have in different stages of development, we also asked them if they would have other stakeholders in the future and which they may not mention before.

InventiveBoard mentioned “The government, the tax authority, the auditor, the bank” and also confirmed that “It’s important to engage different stakeholders in different degrees” and it does not need new categories of stakeholders for engagement. AgainNutrientRecovery thought about bigger or more customers that they should engage in the future: “that is mostly in my mind the European stakeholders maybe also in China and in India.” Core Process: “I think there will be new stakeholders, maybe key clients, if we lose one of these clients, it would be difficult to grow. There can be potential clients that we are not engaging.” Frans-Oskars: “Customers but really big customers like Åhléns and Kicks……I would love to bring a wider range of who is the customer of this store……customer group that they are not even targeting right now.”

Maynea Records is concerned about new partners who help it grow: “Those partners we are in negotiation today are because we need the change today. I can’t say I won’t engage any more stakeholders in the future, that means we don’t grow any more.” Then the owner talked about their private connection who gives them advice on management. Company 8 was in the same situation when he mentioned his father who helped him in the start-up initiation phase.

Integpro included all the network: “All of our employees, our entire network, both private and in our profession and networking among our customers.”

**4.2 CATEGORY 2: COMPANY GROWTH**

In this category, we aim to discover if start-up companies talk about engaging stakeholders in helping the growth and see their opinions on the positive correlation of different benefits of engaging stakeholders with company growth.

**Engaging Stakeholders For Company Growth**

It can be identified that these start-up companies generally engage stakeholders in the process of growing their companies.

InventiveBoard aims to break even at this time and they want to reach customers to
increase sales. To sell their really new product, they are concerned with their ability to communicate with customers and they are “launching big marketing strategy with social media focus.” “It’s 99% of our goal in the next six months to find new customers”. Their suppliers are crucial in developing the marketing tools: “We have at least two suppliers to develop the webpage tool.”

AgainNutrientRecovery aims to get a huge EU funding at this moment to enable future commercialization of their product and is using a consultancy company to help them. They also engage both private and formal networks like GU Venture investor, universities, consultants and even students in their developing of technical solutions so they “are not stuck on one specific technical solution”.

Core Process wish to get a new market segment by direct marketing targeting to potential customers and maintaining well the current business. They even “employ people direct from the clients of competitors making increasing advantage in the human capital by actually knowing the service”. The owner emphasized a lot of relying on their current business to explore the new market segment, while their current business relies on their partners as important stakeholders.

Frans-Oskars’ growth goal is to have employees and more customers because the company is getting to sell its products. The owner wants to develop her product array and find out ways to target potential customers as well. “The more people that you involve the more ideas you get the better you can develop what you are doing. Even if I am alone in this business I must have had 50 or 60 people involved just by asking my friends who run businesses, how do they do and I think it plays a big part.”

Maynea Records is very concerned on organic growth focusing on quality and community. “We only want to work with partners or whatever if they support our idea. Our idea is to grow and at the same time we can do something good for our community. That's how we are successful now, and hopefully also later.” The growth goal is already taking stakeholders into consideration, instead of thinking as being “stuck in the old way.......and care only numbers”. “If you want to survive and grow with the whole community, the people having families and all that, you have to change shapes.” They achieve growth by focusing on what they want and having “smarter people than yourself in the company.”

Integpro is also determined to have organic growth without external investors. They aim to increase sales of product and services and the customer base. Therefore, they consider “marketing as well as employee skills and the ability to implement successful projects that provide customer benefits” as contributing to growth.

Onsitus aims to increase employees, get the correct qualifications, “expand our services and to be responsive of the client’s needs”.

Company 8 simply stated that they want to be better at what they do and “do good work”. “As we don't have our own sales position in the company, we have to do "high quality work”, both to get others to see our work and hopefully want to work with us as new customers, but it’s also important for us to keep our existing customers.”
**Correlation of Different Benefits of Engaging Stakeholder with Company Growth**

In terms of the correlation of different benefits of engaging stakeholders with company growth from theory, companies all admitted as “yes” or talked in broad sense, that there is the correlation. At the same time, some companies admit that focus should be given to different aspects in different times. Some main answers are given below:

**InventiveBoard:** “Yes of course. It’s very difficult to make it mathematically, but it’s related. The most important factors are marketing and technical parts, we need to communicate with customers and provide top solution.”

**Core Process:** “what you mention here are aspects of growth...... all of them are very important when you position the company in the market. If you don’t have them, you are not viewed as a long-term company, you need to look from an outsider’s view of your company. You have to look at your company in the same way as the large organizations are having those in order to provide for your company.”

Frans-Oskars particularly emphasized sustainability as contributing to growth because she wants to make it an advantage of her products for people who care. “you need to make it like it should not be a question of ‘is it going to be sustainable or not’, but “how sustainable is it going to be” because you can always do better and it is insulting when people are not in the process of trying to make things better and more eco-friendly......it’s an easy way to make people think if they buy a product and they buy the organic one instead of the non-organic one......All my products will be organic, they must be and with as few middle hands.”

**Maynea Records:** “at one point, everything counts but not at the same time. In our business, marketing stuff is like given thing, you have to have that. It’s always one thing. Then the quality. Reputation is also one of the most important things, and finance of course. But it depends on which period of time you are in, what we are today, and what we have to focus, like now when we are expanding, I think the product and partners are the main aspects.”

**4.3 CATEGORY 3: THE BENEFITS OF ENGAGING STAKEHOLDERS**

In this part, we have addressed each benefit of engaging stakeholders from our theoretical framework by asking the start-up companies specifically how they carry out activities to achieve the benefits and whether they think stakeholders are contributing in these processes.

**Innovation/ Product Development**

All start-up companies engaged different stakeholders in their process of developing their products. Meanwhile, they all admit the importance of stakeholders in giving valuable ideas for product development:

InventiveBoard “get feedback from customers” and then engage their partner to “help
with the development of our application”.

AgainNutrientRecovery already talked about engaging all the networks in their technical solutions and the owner stressed that they have to “listen to our future customers or our investors or any investors in the future.” In talking about finding potential customers, the owner also mentioned the eager private customers who are “early adopter” of their solutions: “They are very important for us because they can accept things that are not sometimes perfect, they want to be included, they want to measure what is actually happening. They want to have an application in their smartphone so they can follow or maybe browse grams or kilos of phosphorus or grams that we recycle...... they want to be part of the technical evolution.” In this we see the strong interaction with the potential customers who are participating in the company’s product solution.

Core Process talked about engaging their employees or their team: “You involve the whole business group in the business sector to think of which way to work with instead of having a top-down organization, to have efficiency, to have a straight through process in the area we work, and to show the market that this is where we excel.”

Frans-Oskars mentioned different parties: “I’ve had one hair dresser that has been involved in the recipe and the main developer of the recipe is my partner because it’s his oil, he wanted it for his beard but then we’ve had a really beardy test group as well that are potential customers” and her potential customers from the “test group” are giving her valuable ideas like changing the container type for the oil product.

For Maynea Records, they insist that their customers and partners were actually engaged at different stages: “We have the ground work, we find the talent, nurture for a year, develop a sound, and represent with our partner. Our partner comes at the last stage for launching. But they are not engaged at the beginning.” Their artist customers are essential as their products: “The artists don’t pay at the beginning, but if you believe in them, you cover the initial expenses, and then when the recording starts to sell and make money, we take certain percent and cover the cost.” The company also try to differentiate itself from other big companies as giving artist more freedom in developing their music: “They owe us from the beginning to do basically what we say to earn back the money, but at the same time, they do what they want to do. But we have a mutual thing. The artists are very free-spirited in music, they get the freedom to do that, not all the labels do that (like us). Big labels don’t give you the opportunity but they tell you what to do and what sound you should have. We want the creativity from them, that’s what we want to do.” It considers the mutuality with customers as higher.

Integpro is providing upgrading service to customers for its software product provider partner and still they get feedback from customers to improve overall products and services.

Onsitus as a safety training and testing service provider also thinks it’s important to “test our services with clients and that way enlist them as references.”

Company 8 may engage to the least extent stakeholders as currently they mainly improve software service by themselves. Still they will consider ideas given by stakeholders but “nothing we have tried yet though”.

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**Marketing and Sales Development**

Marketing and sales development is a common area closely related to stakeholders like customers and some marketing service supplier partners who could help with marketing strategy and implementation.

InventiveBoard’s marketing strategies involving using “telemarketing company which made cold calls to book meetings with customers” and social media to “pinpoint specific persons who want to meet.” “Jimmy (the employee) is also participating in different fairs and meetings to meet potential customers.” The company also maintains customer database and interact with potential customers in different ways “via email, phone/Skype and personnel meetings”.

AgainNutrientRecovery targeted specific customer group which are “early adopters” of their solutions by participating in exhibitions for public education where they meet these private people. Some customers are even engaged as shareholders and influencing the company’s product development more: “Some of them are actually small shareholders now in the company, the private people. They have told themselves – ‘I am investing in three or four glass windows and etc. not because I think I will earn a lot of money but because ...... I want your solution, can I buy it now’ – no not yet. They are so eager, so we have ...... a long call every second month or something like that.” By accepting customers as investors and discussing about product development with them, we consider customers are better retained.

Core Process have contracts with consultancy companies which “are selling out information, in webpages and emails” to make them “visible in the market in different ways”. “We do activities together with consultancies, clients, etc., telling the market that we are here.” They also rely on old customers: “We do new forums, contact clients we have been working with, discover new projects with existing clients.” “We involve our customers as reference points......Prospective clients can talk with them for advice, opinion, if they are happy with our services and solutions......We talk to our clients regularly if they have problems, what they like and don't like.”

Frans-Oskars did market research by directly approaching potential customers in the town and engage them by giving products for trial sale. The owner also plans to make future customers subscribing to the products to save cost for them and have long term sales.

Maynea Records treats their artists as customers, but they still have end consumers who will buy their music. The marketing toward the end consumers is actually handled by their partners: “the artists don’t have much say about that because it’s not their field. They just basically trust what those people do”. Back in the early stage, they found potential artist customers by approaching certain publishers who could introduce the new company. These publishers were maintained later and referred as “not a partner, but someone we collaborate with.” We consider the publishers as the company’s clients too since they introduce and could represent the artist customers and may not have direct return as a
partner.

Integpro: “Usually we use the previously made solution/project at a customer as a reference… In our relationship with the customer we develop and find ways to new business.”

Onsitus also relies on existing customers a lot: “By working and keeping in contact with our clients, over the phone or setting up appointments and gathering references.”

Company 8 as a service provider to their partner product provider, naturally relies on their partner and their service quality to find new customers.

Knowledge Learning and Information Provision

Knowledge learning is explored in terms of stakeholders being a valuable source for acquiring the information needed to develop company’s product or service.

For InventiveBoard customers are especially valuable in terms of knowledge learning and information provision. “What we have realized is, we think the customers also need help to start the innovation process. We think it’s not enough for some customers only to have our tool, we think it’s also important to help them get started. This is the knowledge we get from our potential customers.”

AgainNutrientRecovery are members of several networks and this is the main way they find information and knowledge about their product development. “We also have connections to several national authorities – The Swedish Agency for Marine and Water Management, The Swedish Board of Agriculture … some of them are former colleagues of mine, now and then I am asking: “Haven’t you been a student of mine 10 or 15 years ago?” I remember them and some of them are quite easy to collaborate.’

Stakeholders for the company are core in terms of knowledge. “…they are the core. Some of them are not just eager and interested. They are also a source or knowledge resource that is connected to or will be an early adopter… So we know from the beginning that they really know what they are asking for and they can ask developing questions to us.”

Core Process are explicit and clear about the role of the stakeholders in knowledge and information provision: “Yes, they are very important and for us to always work with stakeholders.”

Frans-Oscars mentions several ways in which the owner finds out information needed for the product: “I google. I don’t know how many times a day I google… Then The government, the websites, there I take information from and then just go into networking, meeting and meet ups for start-up businesses and asking questions to people like “Hey, you know like marketing and social media, and how do you do it..” and you just stand there next to them and talk about all of this information.”

For Frans Oscars the BIC Factory (the start-up incubator, where the company currently has its premises) is an important stakeholder who provides knowledge and information: “A good thing about BIC factory is that we get a board, and it is sort of like fantasy board because they are only to give advice to me and I am not obliged to do anything for them.”
So BIC factory, my office they pay the people on the board to give me knowledge and to help me. Haven’t got a big board yet because I am really new, but the plan is to have one person that know the beauty business really well, the male beauty business and all the bookings and the economics so then we meet maybe once a month and go through how everything is going.”

For Maynea Records information is to be found from experts in the field: “I read a lot, gain information, from my team basically. They are experts in their field, we have meetings, we go through issues and then we decide. But I only reach out to people who have the expertise in the field. Everybody involving in this company is valuable; otherwise you can’t do what you want to do.”

For Integpro the relationship with customers as a main stakeholder associated with knowledge learning and information provision: “In our relationship with the customer we develop and find ways to new business.”

Networking is also a way to gain knowledge about the product development for Onsitus: “We network with people from universities, industry amongst others.”

For Company 8 mainly information and knowledge are gained through “the internet, by searching.”

Company Reputation

For InventiveBoard company reputation is achieved “through marketing... we need customers who are very happy with our product, that’s the strategy to build our brand. It’s mainly about communication with customers.” Stakeholder communication is important part of company reputation and brand image.

AgainNutrientRecovery believe engaging different stakeholders will help with the company reputation. “…we try to visit important conferences and events. We share our business cards of course and we also have been involved in some competitions with different kind of rewards.”

Core Process are engaging stakeholders for reputation in order to inform the market and achieve popularity. This conclusion can be generalized from the answers provided to the rest of the questions.

In terms of building her reputation Frans-Oscars states “I am thinking about making statements really, because I am organic, as it’s an organic product and that is a huge statement just as it is.... I think I need to target myself, brand myself as ‘I know what I am doing’, like ‘You can trust me.'” Frans-Oscars also believes engaging different stakeholders could help with company reputation: “I think YouTube is great there! To give a try out and to say what they think (the followers) and promote, it’s all about that.”

For Maynea Records company reputation could be achieved through: “A lot of hard work, and we just focus on quality and deliver on time.” As the company grows it will need: “more advice, we have to have more stakeholders, to maybe help us to do that (growth). People need to have different expertise and experience etc. from other people, but you
need to have the vision yourself and get other people to help you.”

For Integpro existing customer solution/project is used “as references in the context of sales to new customers.”

For Onsitus company reputation is achieved “Through Public Relations, hand out newsletters. To be the best at what we do. Our services will be research anchored.”

Company 8 is building the reputation “By trying to make good work.” They also believe that stakeholder engagement might help with company reputation.

**Financial and Resources**

We explore how companies achieve financial, physical and human resources through engaging different stakeholders.

InventiveBoard is looking for new investors “because we need working capital until we are profitable. One way is through GU ventures, but I also have my personal contacts...We have finance from “VINNOVA” which is a Swedish government organization...GU Ventures... they mainly help with strategy, seek money for the company and expect return... I send figures three times per year to GU Ventures. They are of course not skilled in product development, but more skilled in marketing and developing the company in strategic level, and they help in meeting potential investors.”

AgainNutrientRecovery believe engaging stakeholders helps in obtaining financial resources: “We have private investors, shareholders; most of them are small investors and two big institutional investors. We also have loans from public investors, banks etc..” Some of their investors participate in company decision-making practices. “Of course all investors are more or less interested in our technique, our market share etc. otherwise they don’t want to risk their money. They are more or less experienced so we sometimes really got tough questions from them.”

For core process hiring the right human resources and communicating with correct partners is essential: “We can’t be wrong on hiring a new person or having a new partner. We consider the employees and partners as the most stakeholders for the company.”

For Frans-Oscars achieving financial and physical resources currently comes from her own wage: “Right now I am working part-time as a carer for the Comunen, Umea... But then also my partner is working full time so we live off his wages and then my wages go to paying for this office and the oils.” In terms of relationship with potential investors: “I looked into taking loans from banks but I think I am gonna start giving myself one year and see how it goes up to that... then I will be looking and talking to Almi which is a big organization that helps start-up businesses with loans and money and mentors and all that stuff.”

Maynea Records achieves its finance and resources “through selling”. “We don’t want to engage investors or partners to shape that. We want to be independent... Partners only come at the last stage and say they like the artist and want a piece of cake from that, but they are not involved from the. We work really hard from the beginning so as not to be
dependent on investors.”

Integpro has kept its profits within the company “in order to build up capital in order to grow...The impact of our business growth can be many. But most important for us is marketing as well as employee skills and the ability to implement successful projects that provide customer benefits.”

Onsitus: “We work with small funds, our customers keep the company rolling, and we do not have any funding from the outside of the company.”

Company 8: “We work...” means that they rely on themselves for financing.

**Sustainability and CSR**

Although most of them are small start-up companies, they do care about sustainability and Corporate Social Responsibility (CSR) and they are closely related benefit from stakeholder engagement.

Inventive Board states: “I would say that our application, idea management software, means our customers can use our application to achieve sustainability...if a customer wants to become more sustainable, they can use our application and their employees and customers can give them ideas on how to increase sustainability aspect.” For InventiveBoard CSR practices will be considered to become part of the company activity in the future.

For AgainNutrientRecovery engaging and benefiting the community is crucial: “That is crucial. And all of us are working in that market. Some of the board members have been teachers in sustainability, like myself, I have been a lecturer for 44 years. And our product is in itself a sustainable solution.” Community is involved by “personal connections, person to person”. AgainNutrientRecovery also consider to include CSR practices as part of the company activity in the future. They also believe it can promote company growth.

For Core Process “CSR is very important, and the community, as also to show to external parties and companies that we take social responsibilities to make the world a better place. Part of our profit goes to non-profit organizations like Doctors without Frontiers. We support non-profit organizations for social responsibilities.” In terms of sustainability “...we care about the way we work. We are people business, we care how we travel and how we commute, what we do and how we take responsibility. We have environmental policy about how we should work towards the community. We give away our products for free to non-profit organizations.

Frans-Oscars states: “Well, sustainability of course, in terms of engaging the community, I haven’t got so far, so I am not sure what I will have capacity of doing, but I would love to have like a yearly Frans-Oskars donation to one organization that does really good in the local neighbourhood.” Frans-Oscars believes CSR practices promote company growth: “Of course they promote, not only PR also the people talking about it and getting the reputation as a person that does something...”

Sustainability for Maynea Records is created through involving community: “Through
the cooperation we have, the City Hall, the organizations they have here, the school here. That's the main thing, get them involved in our company, being intern, etc.” The company also considers including CSR practices in the future and that it can contribute to company growth: “I believe every soul walking into our company has value to the company because they will say or do something that will affect.”

Integpro states: “In a small company like ours, it is important that everyone can feel satisfaction at the job and that they should be able to take responsibility and to plan and manage their own working time.” The company does not involve the community for their development.

Onsitus do not consider including CSR practices in the future.
Company 8 does not have CSR practices nor does it involve the community currently however might do this in the future.

**Financial Performance**

To achieve financial performance, InventiveBoard states “It’s directly linked to new customers... It’s 99% of our goal in the next six months to find new customers.”

For AgainNutrientRecovery communication with the stakeholders is key contributor of financial performance: “It is important to nourish them or your potential investors.”

For Core Process there is correlation of different aspects such as product innovation, additional external financing, developing relationship with suppliers and customer loyalty and achieving financial performance.

For Frans-Oscars the customers are key for achieving financial performance and moreover: “I think it makes a big difference if you engage a lot of other people and the other stakeholders, you will come up with new ideas and new things that will make more growth than if you wouldn’t have... by being in collaboration with another business some opportunity may arise that will give me a financial growth.”

Maynea Records are not dependent on investors, as they explore the artists’ talent and do not only engage with customers who are already famous: “Because we don’t have investors, so we have to think in a smart way that if I have this that they want, then they should have a piece of cake, a percentage of what we are having as our product. That's what it helps us to grow at the same time.”

For Integpro new products and increased sales of BI solutions contributes to increased financial performance.

Onsitus: “We are considering looking for funding from outside sources.”

For Company 8 “Making good work” is what contributes to financial performance. Good work may be potentially linked to stakeholders and the degree of satisfaction the stakeholders receive from the good work.
4.4 CATEGORY 4: COSTS

We asked companies if they could think of disadvantages or obstacles for stakeholder engagement as possible costs might be identified.

For the moment InventiveBoard does not have any particular new groups of stakeholders that are not engaged, also they do not think there are disadvantages to engaging since their engagement level is considered enough: “I think the most important stakeholder is the customer, and we need to involve more customers. It’s necessary to engage our suppliers as well. It’s important to engage different stakeholders in different degrees... we are engaging at a right level to different stakeholders.”

AgainNutrientRecovery defines time as the main cost of not being able to engage more stakeholders: “If we could free ourselves from other obligations that would be much more possible. Of course there are social media but that will not build future relations, you have to visit them and that is also a matter of money and not just time.” A possible cost of engaging stakeholders for AgainNutrientRecovery is: ”that someone might be tempted to steal our concept or technology.”

Core Process consider engaging more stakeholders in the future, however: “We are still start-up company, when we grow, we will be able to add these large accounts. But now we don’t have them in our company.” With regards to some costs of engaging stakeholders Core Process mention about the dependency factor: “If you talk about vendors, your customers, your partners, you have to be independent in order to be not too close to the stakeholders. If stakeholder is the owner, it’s more difficult because you can’t split the ownership, so better not too many owners.

Frans-Oscars states the financial part as main obstacle to engaging more stakeholders and in terms of costs of engaging stakeholders, copying the product is a big risk: “So People could copy that and that’s a big risk to know what it is.”

For Maynea Records “Stakeholders are important depending on which stage your company is in, they are not important at the same time. Different stakeholders can be important in different time.”

For Integpro the “shortage of time” is the main obstacle of engaging more stakeholders. “Stakeholders are generally very good for the success of a company.”

For Onsitius it is important that stakeholders are dedicated, however they do not know of any particular obstacle or disadvantages of engaging stakeholders.

Company 8 states that they do not have the need to engage more stakeholders currently, however engaging them might be good in general terms.
CHAPTER 5 DISCUSSION AND ANALYSIS OF FINDINGS

This chapter discusses the main findings listed in the previous chapter in terms of comparing the similarities and differences among the start-up companies and with literature review we did before. In this way, we could provide answers to the research question and meet the research objectives. If there are contradicting findings, possible reasons are also explored. The discussion is still centred on the key concepts reflected in the theoretical framework of three main categories. In the end, we aim to enrich our theoretical framework with revisions or extensions incorporating the empirical findings.

5.1 STAKEHOLDERS FOR ENGAGEMENT

As the start-up companies may not have their clear definition of stakeholders, which partly shows that stakeholder theory is under-explored and there is little consensus of what exactly constitutes a stakeholder (Mitchell et al., 1997). Their opinions are divided half and half into the broad and narrow definitions by scholars. Four companies’ opinions correspond to the broad definition that a stakeholder is ‘any group or individual who can affect, or is affected by, the achievement of a corporation’s purpose’ (Freeman, 1984). The rest have the tendency to think only critical stakeholders to their companies (Mitchell et al., 1997). While scholars supporting narrow definitions claim that it is due to the pragmatic fact that companies could not attend to all stakeholder claims, our empirical findings have shown that even when companies claim a narrow definition of stakeholders, they actually attend to more stakeholder claims than they thought. For example, when Maynea Records claimed their partners as the main stakeholders with mutual benefits, they engage the community as well. Yet, as the owner said, the community does not affect the company as it affects the community. For Company 8 which claims that they don’t engage stakeholders, they actually have stakeholders like suppliers and partners/clients. The owner must be thinking in really narrow terms to give us a negative answer. Therefore, whether broad or narrow arrays of stakeholders were identified by the start-up company owners, the broad arrays of stakeholders always exist for the start-up companies. In all, the generic stakeholders we have suggested in our theoretical framework have been confirmed and mentioned in the findings: customers, suppliers, employees, investors, and the community.

The other stakeholders mentioned which are not included in the generic category are: owners; personal network of contacts like former colleagues, consultants, similar companies and organizations, friends and family which may provide advice and help; government organizations:

OWNER-MANAGER: although only one company mentioned owners as the absolute stakeholder for the company, this is also supported by research indicating the importance of owner-manager as a stakeholder (Westrenius and Barnes, 2015, p.482). In our empirical facts, all the company owners are managers at the same time. This should also be specific to start-up company context since most of the literature and researches
consider big companies where the owners are usually separated from the managers’ role and therefore not so frequently talked about as a stakeholder. For start-up companies, the owners are usually controlling the operations, making decisions and are the source for most of the funding (Westrenius and Barnes, 2015, p. 482). This is empirically proved in our findings as well. Therefore, the start-up company owners are internalizing the stakeholder roles of managers and investors. We will adopt the term owner-manager in the start-up company context. The aligning of interests of the manager and the owner has encouraged responsiveness to stakeholders as a strategy for company growth (Westrenius and Barnes, 2015, p. 481).

PERSONAL NETWORK: we also tend to use this term to include all personal connections mentioned above because it is inclusive and specific to start-up context as well. Family as a personal connection is an important stakeholder, which has been shown in Westrenius and Barnes’ research (2015, pp. 483–484) stating that family is fitting Freeman’s definition to a lesser degree. Companies at starting-up phase particularly depend on personal network like family and friends (Anderson et al., 2010, p. 123). In our findings, the owners got advice and help from their family and similar private connection as well. We want to put all the personal contacts mentioned in the findings together in this category because these contacts like former colleagues, consultants, similar companies and organizations, and friends are similar to families and fitting Freeman’s definition to a lesser degree. The start-up companies get advice and help while all the personal network groups are rather private and not taking any formal roles in the companies’ business, thus not getting affected by the companies greatly. This is in accordance with Westrenius and Barnes (2015, p. 482) that small start-up business can be highly personal to include family and friends as direct or indirect stakeholders.

GOVERNMENT ORGANIZATIONS: we consider government organizations also specific to start-up context and to Swedish context because of the Swedish government support incubators with the purpose to flourish Swedish start-up entrepreneurial companies. As in our findings, most of the companies got support from Swedish incubators and some incubators even act as investors which add to the mutuality with the companies. Other government organizations are also policy-makers which would affect companies a lot as in our findings company AgainNutrientRecovery consider interaction with these organizations as crucial to sell their products in certain markets.

Therefore, according to our findings, we want to add the three new categories of stakeholders to extend our theoretical framework.

As it is discovered in the interview process that companies tend to emphasize certain groups of stakeholders over the others, we propose that all the stakeholders identified could be further grouped into three levels to show which stakeholders may contribute most to start-up company growth through the engagement. The grouping is also according to the findings talked above and in Section 4.1.2:
1. Customers, Suppliers
2. Owner-managers, Employees, Investors
3. Personal networks, Government organizations, Community

It is obvious that in Section 4.1.2, customers and suppliers are the most frequently mentioned by start-up companies as the most important stakeholders. This finding is also in accordance with Westrenius and Barnes’ research (2015, pp. 483–485) that they are enjoying the highest level of power, legitimacy and urgency (Mitchell et al., 1997, p.853). In our findings, “partners” are often used by companies, but actually their partners are functioning as clients or suppliers which provide service or contract work to them. We infer that start-up companies tend to rely on partners also because they are small business and thus rely and interact more with their clients or suppliers.

We put Owner-managers, Employees and Investors in the second category of medium importance as all of them are relatively less mentioned in the findings. It also corresponds to Westrenius and Barnes’ finding that Owner-managers and Employees enjoy less salience and seen as fitting Freeman’s definition to a lesser degree (Westrenius and Barnes, 2015, p. 483)

The third category of Personal networks, Government organizations and Community are all fitting Freeman’s definition to a lesser degree and less mentioned in findings. Especially for community, as company Maynea Records said, the company affects the community more instead of vice versa. It is only more important to some businesses than to others (Westrenius and Barnes, 2015, p. 484).

Therefore, by exploring the above, we have achieved in answering the question for the first research objective: what are the major stakeholders that start-up companies are engaging. We have found out that the stakeholder list in literature focusing mostly on large company context is also confirmed in start-up company context, but start-up companies do have their own focus in different stages of development.

5.2 BENEFITS AND COSTS OF STAKEHOLDER ENGAGEMENT

5.2.1 BENEFITS OF STAKEHOLDER ENGAGEMENT

In addressing how the start-up companies engage stakeholders to achieve the different benefits, we have found out positive results that all benefits listed in our theoretical framework are relevant and start-up companies generally need to engage stakeholders in these processes.

Innovation/Product Development, Knowledge learning/Information provision

For Innovation/Product Development, most of the companies engage different stakeholders in the process and consider stakeholders as important in contributing
valuable ideas. Although Company 8 said they mainly develop their software service by themselves instead of engaging other stakeholders, the two owner-managers are still considered as stakeholders in our sense. Therefore, we can see that stakeholders are essential in the product developing process for start-up companies. This is in consistency with theory that engaging and collaborating with stakeholders will lead to innovation and competitive advantages for companies (Sloan, 2009, p. 25).

In terms of which stakeholders are engaged, the findings show that customers are the mostly engaged for product test, feedback and ideas. Still, companies mentioned employees, investors, supplier partners, and personal network of family, friends and different organizations both in terms of giving ideas and developing products and services. It reinforces previous research findings that companies involve mainly customers and other stakeholders in a continuous innovation and learning process to product unique products and services (Gouillart, 2014, p. 2). Ayuso et al. (2006, p. 484) found out that employees and customers are the most relevant interest groups who interact most in stakeholder dialogue with companies in the innovation and product development process. We consider the reason why employees are less mentioned compared to customers is due to our research context of small start-up companies which have fewer employees (only about three companies have employees), which is a difference with large companies.

We could also identify the two capabilities of stakeholder dialogue and stakeholder knowledge integration in engaging stakeholders claimed by Ayuso et al. (2006, p. 475) in our findings. Company Core Process talked about avoiding top-down internal company structure in engaging employees for the most of efficiency, it achieves stakeholder knowledge integration, while companies commonly rely on stakeholder dialogue to encourage interactive communication and feedback.

For Knowledge learning/Information provision, it has been frequently mentioned in the innovation and product development process since start-up companies mainly get knowledge and information for product development. The major stakeholders contributing to knowledge and information are also similar to the findings in innovation and product development. It reinforces scholars’ researches that knowledge accessed from a wide range of stakeholders contributes to dynamic capability creation and the transformation of these knowledge into innovative products and services, etc. (Ayuso et al., 2006, p. 478,485). Cooperating with stakeholders with sustained innovation networks offers clear benefits to small companies like start-ups (Iturrioz et al., 2014, p. 104). For example, company InventiveBoard discovered from customers that they need help for starting the innovation process, which could help improving their service a lot. We see the effectiveness of engaging stakeholders when it supports learning and leads to real change within the organization (Sloan, 2009, p. 35). Only Company 8 claims very little interaction with stakeholders to get knowledge or information, which we consider it is because they are small and lacking in capability to absorb and integrate the knowledge into their innovation processes (Ayuso et al., 2011, p. 1411). Their company
limitation could be reflected in their overall answers and their wish to engage more stakeholders in the future.

**Marketing/Sales Development**

It is found out that all companies engage stakeholders in their process of finding out their market and sales and consider engaging stakeholders important. Customers remain the most prominent stakeholder in this process. Most of them keep close contact with customers, engage them to try products and services and use existing customers as references to find new customers. Meanwhile, they engage different organizations and the media as suppliers for marketing and sales services. As theory indicates that more and more companies develop new opportunities together with customers and other stakeholders (Ramaswamy and Ozcan, 2013, p. 5). Market and sales development is particularly important for start-up companies since they are just starting and eager to grow (Terpstra and Olson, 1993, p. 14). This is also reflected in our findings as several companies claim general growth or direct financial growth as their main concern and market and sales could directly contribute to the growth. Customers are the most for engagement in different stages for their products and services, which shows that companies believe they could remain and develop customers when customers could accept their products and services from their early engagement (Rodriguez et al., 2002, p. 143).

**Company Reputation**

In the area of reputation, all the start-up companies talk about things related to marketing. We believe it is because reputation means mostly to be known for small start-up companies for their products, services and brand which contributes to financial performance and innovation, while large companies include other complex reputation drivers like vision and leadership, social responsibility, etc. which reflects a company’s credibility, reliability and trustworthiness (Romenti, 2010, p. 315). One company Maynea Records mentioned having vision for themselves and get stakeholders to help them, which can be due to their relatively good development scale and stage so that they could consider more for reputation. Therefore, for most of these companies, product quality and marketing contribute to reputation to let more people know and more customers could buy the products and services. Therefore, major stakeholders engaged are similar to those for market development. Still, we see the positive relations between engaging stakeholders and company reputation, mostly in terms of developing new opportunities instead of mitigating risks which counts more in large companies (Van Zyl, 2013, p. 46).

**Financing/Resources**

Our findings show that start-up companies are financing from the owners, the Swedish incubators or other government organizations, private investors and banks. Financing can be really important especially when the company is in start-up stage like
InventiveBoard which is not making profit yet. However, it is also reflected that several start-up companies do care about financing from other investors, which may cause them lose independence since investors generally enjoy decision-making power. Meanwhile, they may get other physical resources like offices, product materials and even intangible knowledge resource by getting help from different stakeholders. Human resource is also important since start-up companies are having limited number of employees. Two companies mentioned relying on employees and the criticality of cautiously adding human resource, which corresponds to research findings that team member commitment is positively linked to start-up competitiveness and growth (Wang and Wu, 2012, p. 713). We have also witnessed that stakeholders are important providers and controllers for important resources needed for start-up companies’ survival and success (Sloan, 2009, p. 36).

**Sustainability/Corporate Social Responsibility**

This area is mostly concerned with engaging the community. Since in the part of identifying stakeholders companies are talking less of communities, it is reasonable to expect that two companies claim they did not engage communities for sustainability or corporate social responsibility. It is consistent with previous researches that community enjoys less salience given the small business context with limited resources (Westrenius and Barnes, 2015, p. 481). However, still to our surprise, most of the companies are engaging communities or relating their products and services in these areas, and wish to engage in more corporate social responsibility in the future. Companies talked about donating profit to non-profit organizations, helping community like school students with relative internships, using their products and services for customers to realize sustainability, designing more sustainable environmentally-friendly products, and making internal environmental policies to show their care, etc.. It shows the areas of sustainability and CSR with a growing importance and related to company image, so even start-up companies which may be limited in resources care about these areas. As company Core Process put it, they need to show to external parties and companies that they take social responsibilities to make the world a better place. Company Maynea Records also emphasized in talking about organic growth together with their community as they believe in the new way instead of the old way which cares only direct profit. Company InventiveBoard said by using their product designed for innovation, their customers could innovate for sustainability. They all show the indirect connection of these areas to company growth, especially in terms of sustainable development which could lead to competitive advantage (Ayuso et al., 2006, p. 475; Rodriguez et al., 2002, p. 135).

**Financial Performance**

In this part, we ask companies’ view on what are the factors contributing to financial performance, thus relating specific parts of stakeholder engagement benefits to financial performance. While admitting the positive relations of general benefits of stakeholder
engagement to financial performance, several companies also point out the focus on employees, customers, sales, products, investors etc. based on their different company situations. This is in line with previous researchers that engaging customers and other key stakeholders contribute significantly to financial performance while other aspects of stakeholder engagement impact indirectly (Berman et al., 1999, p. 493). Still, although the same research also showed employees as a key stakeholder group, our start-up company context study shows the difference with the large companies in Berman et al. (1999)’s study because start-ups have fewer employees to rely on.

Thus, we have come to answer our second research objective question by proving the existence of all the benefits for start-up companies in engaging different stakeholders and their positive relations with company growth. Meanwhile, we see the general company focus in product development and market/sales development while the other parts carry significance as well. By engaging stakeholders in delivering the aspects of benefits, start-up companies could overcome the barriers to growth and thus lead to company growth in wide areas.

5.2.2 COSTS OF STAKEHOLDER ENGAGEMENT

When asked about any disadvantages or obstacles in engaging stakeholders, companies generally admit that engaging stakeholders is good for the company and some wish to engage more customers in the future. Only half of them talked about the negative side. They are concerned about the main costs in terms of losing independence especially when there are more investors and the risk of getting their intellectual properties copied or stolen. The obstacles are mainly about shortage of time, money and relative company resources, which can be particularly prominent for start-up companies. This is in accordance with previous research by Prahalad and Ramaswamy (2004, p. 6) that resource and time cost associated with stakeholder engagement and possible lack of control for the company could be the hindrance. We believe these factors can give implication on when and how stakeholders are engaged for start-up companies and thus, we could answer our third research objective question in terms of what are preventing start-up companies to engage stakeholders.

5.3 START-UP COMPANY GROWTH

It has been found that the start-up companies generally engage stakeholders in driving their company growth and consider the different benefits all correlate positively to company growth, while they believe there are certain focus areas in different development stages. When we mention growth, financial growth is definitely the first thing included and which companies must consider. Therefore, we see customers, employees and supplier partners are mentioned for product, market and sales development. Next, companies do consider organic growth which includes more
sustainability and thinking of communities. Increasing resources like employees and tangible knowledge such as qualifications are also mentioned, while financing has been considered cautiously as some companies don’t want to lose independence. Therefore, financing from stakeholders like banks is preferred for these companies instead of other companies or private owners who would enjoy shares and decision-making power. These findings have corresponded to the literature findings stated in Section 2.3.1 in the connection of stakeholder engagement and start-up company growth.

Because of the start-up company context, companies kept product, market and sales development as the key aspects for company growth when they believe certain things are more important than others in different stages. Therefore, we propose to further improve our theoretical framework by sub-dividing the benefits of stakeholder engagement into two general groups as below, with the first group as major aspects for company growth:

<table>
<thead>
<tr>
<th>1. Market/Sales Development</th>
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<tbody>
<tr>
<td>Innovation/Product Development</td>
</tr>
<tr>
<td>Financial Performance</td>
</tr>
<tr>
<td>2. Sustainability/CSR</td>
</tr>
<tr>
<td>Knowledge Learning/Information</td>
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<td>Reputation</td>
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5.4 EXTENSION OF THEORETICAL FRAMEWORK

From the above analysis, we have met our three research objectives and thus answered the research question: “How do start-up companies benefit from stakeholder engagement to drive their growth?” The findings have reinforced the theory, while more focus is emphasized for certain stakeholders and growth aspects. Costs are also included for start-up companies to take caution. The theoretical framework is further extended as below:
Figure 4: Extended Theoretical Framework

Engaging Stakeholders

Major stakeholders for start-ups:
1. Customers, Suppliers
2. Owner-managers, Employees, Investors
3. Personal networks, Government organizations, Community

Benefits of Stakeholder Engagement:
1. Market/Sales Development
   Innovation/Product Development
   Financial Performance
2. Sustainability/CSR
   Knowledge Learning/Information
   Reputation

Start-up Company Growth

Need Caution for the costs:
Independence; Intellectual Property Rights Protection; time and company resources.
CHAPTER 6 CONCLUSION

In this chapter, we make a conclusion by summarizing the above findings to re-visit our research question and purpose of this thesis. Our study has supported previous literature while providing more specifics into the start-up context. Next, we discuss about the theoretical and practical implications of our study, while practical recommendations for start-up companies regarding stakeholder engagement are also given. Last, we address the limitations of our study, and give suggestions for future researchers. The social implication of our findings is also given along the way.

6.1 GENERAL CONCLUSION

The main purpose of this thesis is to explore and develop a deeper understanding of how start-up companies engage stakeholders for company growth. In order to fulfill the purpose, based on the exploratory nature of the research, we have conducted a qualitative study by interviewing the owners of eight start-up companies in Sweden. Our interview guide questions were designed on the basis of our theoretical framework generated from the theory which also serves as the guidance of the whole research analysis method. After generating the findings, we have been able to extend our understanding of the research subject from each category in the theoretical framework, thus answering our research question re-stated below:

How do start-up companies benefit from stakeholder engagement to drive their growth?

We have addressed the findings in the general three categories of the theoretical framework: identifying stakeholders, benefits and costs in stakeholder engagement, and start-up company growth. The findings have generally supported the theoretical framework and prior research, while it is more focused into the start-up company context which may have minor difference with previous research findings mostly based on large companies (see e.g. Strand and Freeman 2013; Laplume et al. 2008; Berman et al. 1999; Ayuso et al. 2011). We have found that start-up companies generally perceive positively about stakeholder engagement and there is positive relations with company growth in different benefit aspects, which is in line with prior research on mostly large company context. However, there are major focus areas and main stakeholders that start-up companies attach more importance to than others. Customers and suppliers are frequently mentioned for driving product, market and sales development, which leads to more direct financial growth. Several companies are partnering with major clients and suppliers, which shows their reliance. The second group of stakeholders as owner-managers, employees and investors are relatively less mentioned. However, these roles are also particular to the start-up context as the owners are the managers at the same time, they have fewer employees and several companies don’t want many investors to dilute the independent decision power. Further in the third category of stakeholders, we have added personal network and government organizations together with communities, from which we see again that start-up companies rely a lot on
stakeholders for various aspects of company growth. We have also categorized the benefits of stakeholder engagement in the original theoretical framework into two groups according to relative importance found in the interviews. Although start-up companies may have resource limitation, they have attached much importance to sustainability and CSR, which we see should be a global and national trend that all companies must take care and contribute to growth indirectly. In the process, we have identified several costs that are preventing start-up companies in engaging stakeholders in terms of independence, intellectual property rights protection, and the shortage of time and company resources. Thus, we have come to extend prior research by presenting an extended theoretical framework which suits more to the start-up company context. In this way, we show how start-up companies could engage stakeholders for different aspects of benefits leading to company growth and what they could take caution in order not to pay too many costs, which contributes to knowledge in this area by filling the relative research gap and practical implications could be generated to start-up companies.

Our findings should have positive social implications since it could help start-up companies better engage stakeholders for company growth. The start-ups are important economy drivers and their growth is beneficial to the economy and to employment. Moreover, the encourage more stakeholder engagement in different growth aspects has the implication for organic and overall growth instead of financial performance only, which is good for healthy development of companies. On the other hand, the limit of our study to focus on the companies instead of stakeholders may not give enough attention to the views of the stakeholders, which leaves the decision to the company owners to make ethical decisions for stakeholders while thinking of company growth.

6.2 THEORETICAL IMPLICATIONS

Through our qualitative study, we have contributed by bridging the research gap regarding the micro level of stakeholder theory in particular Swedish start-up company context. Moreover, we examined in particular the relations of stakeholder engagement with start-up company growth in different aspects, thus contributing to the gap in literature in terms of the engagement mechanism. We have explored how Swedish start-up company owners perceive stakeholder engagement and how they engage stakeholders for company growth. The possible stakeholders, major stakeholders and focus aspects are all found out for start-up companies, which have contributed with an advanced understanding in the field of stakeholder theory in start-up company context.

Previous researchers mostly studied stakeholder engagement in large companies (Ahmad et al., 2005, p. 347; Laplume et al., 2008, p. 1152) and usually examine the relations of engaging stakeholder with one particular aspect of growth like sustainability, financial performance, innovation, etc. (Laplume et al., 2008, p. 1180; Parmar et al., 2010, p. 404). We could be the first research to examine this subject in micro start-up company context and meanwhile relate it to overall different aspects of company growth.
6.3 PRACTICAL IMPLICATIONS

It could be generalized from the findings that start-up companies should have focus in customers and important service suppliers which could help with their product, market and sales development and contribute to financial growth more directly. Meanwhile, start-up companies should pay more attention to sustainability and engage the community to help with the organic growth of the company. In engaging stakeholders, they should also be cautious about appropriate engagement which does not endanger their independence if they don’t want to lose decision power too much and be aware of intellectual property rights protection. From a macro level, considering the importance of start-up companies in driving the economy, governments should give more support like finance and intangible knowledge resources to encourage them to engage more stakeholders. It is indicated that an active integration of stakeholders from different social parties like the media, government organizations, community, etc. are positive for the general success of the start-ups since they are small and need help from different aspects.

6.4 LIMITATIONS AND FUTURE RESEARCH

One limitation we directly encountered is the quality of the interviews based on the time and resource limit of us researchers and the start-up companies. Three email interviews were conducted with less interaction from companies, thus limiting the information we could explore in these companies. Meanwhile, the companies are all in Sweden, which could be different from other country context in terms of for example the government support for start-ups. Our qualitative study nature could also be a limitation as quantitative method could be supplementary and more precise in examining stakeholder salience as in Westenius and Barnes’ research (2015, pp. 483–485). Our preliminary focus is on start-up companies’ perception by interviewing their owners, and our time limit could not enable us to see the views from all the stakeholders for these companies and fill the research gap.

To address all the limitation, it is suggested that future researchers could carry out further study in another country context, use mixed methods of both qualitative and quantitative studies, or consider the perception of all relevant stakeholders of a company, so as to enrich the current findings and give further insight. It might be necessary as well to consider the development stages of start-ups as companies could engage more stakeholders when they grow bigger and stronger.

Despite the limitation, based on the quality we have achieved, we believe our study has achieved certain degree of generalizability to other start-up companies in Sweden or beyond. Our extended theoretical framework could serve as reference for future researchers in similar topics and could be further tested in a wider range.
REFERENCES


Cottrell, E.K., Whitlock, E.P., Kato, E., Uhl, S., Belinson, S., Chang, C., Meltzer, D.O.,


## APPENDIX 1 Interview Guide

<table>
<thead>
<tr>
<th>General Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>(used only by researchers)</td>
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</tbody>
</table>

Organization name:  
Date:  
Time:  
Interview type: (face-to-face/Skype/Telephone/Email):  
Duration:  
Interviewee:  

<table>
<thead>
<tr>
<th>Interview begin</th>
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Thank you for participating in the research for our thesis work.  
We would like to inform you that this thesis will be publicly available in the thesis database of Umea University. You have the free right to stop the interview in any time during the interview.  

**Confidentiality & Anonymity:**  
- Do you choose to be anonymous in our thesis?  
- Can we use the name of the organization?  
- Can we use your job title?  
- What is your job title?  
- The interview will be recorded, is that fine?  

<table>
<thead>
<tr>
<th>1. General: the context of start-up company:</th>
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Could you introduce briefly about your company, the history? What is your team, including partners, the management and employee number?  

Why did you start your company, what was the motivation?  

What is your primary product/service?  

<table>
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<th>2. Start-up company’s perception on stakeholders:</th>
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When we say “stakeholders”, how do you understand it?  

What are the stakeholders that your company is engaging?  

Do you consider engaging stakeholders in your company strategy?  

(Note: definition from theory for reference:  
“stakeholders”: individuals and organisations who affect or are affected by the activities of an organisation.  
“Stakeholder engagement”: practices that the organization undertakes to involve stakeholders in a positive manner in organizational activities.)
3. **Company growth (broad concept of growth):**
What are your goals in terms of developing your company?

What do you think are the main factors affecting your company growth?

What are the actions you take to drive the growth?

Do you think the different aspects like innovation/product development, financing/human resources, marketing and sales, reputation, sustainability can all contribute to company growth?

4. **Innovation/Product Development**
How do you develop your product? Do you engage different stakeholders (customers, suppliers, or other organizations) in the process?

Do you think the stakeholders are providing valuable ideas for your product development?

5. **Marketing/Sales Development**
How do you find and develop your market/your potential customers?

How do you increase sales?

What kind of interaction you have with customers? Example: Does the company do customer surveys, maintain relative database in terms of existing customers? Do you engage customers by giving rewards to increase your sales?

6. **Knowledge learning/Information provision**
How and where do you generally find information/knowledge needed for your company?

Do you think the stakeholders are a valuable source of knowledge/information for your company?

7. **Company Reputation (company name, brand image, etc.)**
How do you take actions to improve your company reputation, or build your brand?

Do you think engaging different stakeholders will help with your company reputation?

8. **Financing/Resources (physical resources like offices, facilities, etc.)**
How do you achieve your finance and get relative resources needed for your company? Do you engage stakeholders to help get financing/resources?

Follow-up question: If the company has investors: what is the relationship with investors? Do they participate with company decision-making?

9. **Sustainability/Corporate Social Responsibility**
Does your company consider corporate responsibility in terms of sustainability measures, engaging and benefiting the community?

Or do you involve the community for your company development?

Follow-up question: Do you consider the CSR practices to become part of your company activity in the future? Do you believe they can also promote company growth?

**10. Financial Performance**

Is your company making a profit?

What do you think contributes/ or will contribute to your financial performance? (For example, your product innovation, additional external financing, developing relationship with suppliers, customer loyalty, etc.)

**11. Other additional stakeholders**

Besides the stakeholders and company growth we have talked about, do you think there are other stakeholders that are important for your company and that your company have engaged with?

**12. Costs: Disadvantage & Obstacles**

For some stakeholders you are not engaging or if you are not engaging stakeholders in general, what do you think are the reasons for not engaging them?

Do you think engaging stakeholders is generally good for the company or may have disadvantages?

**13. Follow-up questions in terms of some stakeholders that are not elaborated enough:**

If the company has partners: how do you manage relationship with partners? Can you elaborate further the cooperation mechanism?

If the company has employees: do you engage the employees in company decision-making? Do you interact with employees in terms of rewarding them for good ideas, sharing company value, ideas for development of products, markets etc.? Do you provide trainings to them?

If the company has suppliers: do you have a supplier network? What is the relationship with suppliers, any measures taken to strengthen trust with certain suppliers, more involvement of suppliers?

We will send you the transcripts of this interview so as to ensure that the correct information is used in the analysis.

Do not hesitate to get back to us in case you want to add information.

Thank you!
Dear Mr./Ms. XXXX:

We are two Master of Science students in Strategic Project Management at Umea School of Business and Economics in Umea University. We are currently in our last semester to complete a 15 ECTS Master Thesis and we are seeking help from start-up companies.

The topic of our thesis is Stakeholder Engagement for Start-up Growth. The purpose to discover on how Swedish start-up companies interact with possible stakeholders (Employees; Customers; Suppliers; Community; Investors; and even more according to company situation) and how this contributes to company growth in different aspects (Financial Performance; Innovation/Product Development; Market/Sales Development; Reputation; Sustainability/CSR; Knowledge Learning/Information; and others).

After we found your company XX through the website of XXX we believe you could be our ideal interviewee. We need to interview (skype or face-to-face at your convenience) start-up company owners/CEOs and it may take about half an hour of his time. We aim to schedule the interviews within this month.

The relative questions could be sent in advance. We will be grateful if you could spare some of your precious time in helping with our thesis and if you need, we could feedback later our discovery on some best practices from our interviewed companies about engaging stakeholders for growth.

Please contact us in case you need further information or have any queries on the above. Looking forward to your positive reply and your available time in the next two weeks if possible!

Aida Kadyova, MSPME student
Qiuping Du, MSPME student
Umea University, Sweden