

Why has the Nordic tech ecosystem been so successful?

The Nordics has been one of the fastest growing tech startup hubs in recent years, with a number of unicorns to its name already. So how has the region managed to punch above its weight on the global stage?

In a technology landscape dominated by US and Asian conglomerates, it's hard to believe that two early tech successes emerged from the northern corner of Europe, in the Nordic region.

Nokia and Ericsson entered the world stage as early players in the mobile phone industry. Nokia's phones were, at one stage, the world's best selling mobile phones: at its peak, the company accounted for 4% of Finland's GDP, 21% of exports, and 70% of market capital on the Helsinki Stock Exchange. Ericsson, meanwhile, released one of the early smart phones, while also pioneering Bluetooth technology.

Both companies were quickly left behind by a fast-moving smart phone revolution—but they left a firm imprint on the Nordic region, and more importantly, what it was capable of on a global scale.

In their wake has emerged a glut of recent tech stories—Skype, Spotify, and Klarna to name a few—which have cemented the Nordics' reputation as a startup hub able to compete with technological and industrial powerhouses. So why has the Nordic tech ecosystem been so successful?

The scale of Scandinavia's success

It's fair to say that the Nordic tech companies are having a moment right now. A region which once boasted giants of traditional industries—like IKEA, Maersk, Volvo, and H&M—has developed a new reputation for technology and software companies.

Spotify is by far the region's biggest homegrown success, founded by Sweden's Daniel Ek and Martin Lorentzon. Their brainchild has not just disrupted the music industry but transformed how we consume music and podcasts, going public in 2018. It now rakes in nearly \$10B in annual revenue, with a market cap of \$32B.

Fintech has been a major focus of talent in recent years. Klarna, once rejected in a university entrepreneurship competition, is now a buy-now-pay-later leader. Last year, they received \$639M in investment from SoftBank, valuing the company at \$45.6B. They've just launched their new physical card, which already has 400,000 people on their waiting list. Pleo, a company card and expenses platform, is one of Scandinavia's latest unicorns, founded by Danish entrepreneur Jeppe Rindom: it tripled its value over the second half of 2021.

It's not just the startups that are supporting Scandinavia's tech ecosystem. Nearly 9000 people descend on Helsinki-based Slush, which has fast become one of the world's top tech and startup events. There's also a slew of tech accelerators that have been a huge asset to the region's growth. Sting, in Stockholm, has worked with 200 startups, investing more than €400M. Oslo is also home to regional outposts of global tech accelerators Antler and Techstars.

Competing on a global stage

One of the most impressive elements of the Nordic success story is how quickly they've established themselves, and been able to attract fundraising from around the world.

Part of this is the financial success of companies like Klarna, and Spotify—all quick to reach unicorn status and to become major players in their respective industries. For investors, this showed what the region was capable of, and why Nordic startups should be considered with the same admiration as those hailing from Silicon Valley and the like.

The success of Nordic unicorns has also fed directly back into the ecosystem. Skype founder Niklas Zennstrom set up prominent venture capital fund Atomico, which as well as its global investments has funded Nordic companies

like Klarna and Rovio (developer of the *Angry Birds* franchise). Other unicorn founders—like Klarna’s Sebastian Siemiatkowski and Niklas Adalberth, as well as Spotify’s Daniel Ek—have followed suit, helping the Nordic ecosystem to grow while attracting global attention to the Nordic fundraising market.

There are also a number of tax incentives in place to encourage private individuals to invest in startups. In Norway, for example, you can claim an income deduction on personal investments up to NOK 1 million (around £84K).

The speed of the Nordic success story has certainly caught the attention of investors. Oscar Hetting, Director at Corporate Finance advisory firm NOR Capital, has seen the transition in how Nordic companies are perceived by the global investor and buyer community. At NOR Capital, he works with businesses in the telecommunications, media, and technology (TMT) sector, helping advise across the many financial decisions that his clients have to make.

NOR Capital’s financial advisory service can prove crucial to founders looking to reach a broad range of investors, or even acquirers, across their startup journey. This is particularly important for Nordic companies: the market, while blooming, is still comparatively small, so Nordic companies will look to go international much earlier than other European or US companies.

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As an international advisor, NOR offers a much greater reach than local advisors. “Many Nordic startups will make the mistake of going with a local advisor, either because they have a personal relationship or because they’re sometimes more visible to them,” Oscar says.

NOR Capital’s global network, meanwhile, offers startups a real competitive advantage. They’re able to bring in key international investors to the table, which will prove beneficial for a number of reasons. For one, it gives founders access to a much wider pool of capital, which will in turn create more competition during a funding or sale process, ensuring companies can achieve the highest possible valuation. These international investors can also provide strategic connections in key target markets for those companies who are looking to expand internationally. If Nordic startups have the ambition of going

global—which, as recent years have shown, they have every right to—then working with international financial advisors is instrumental.

What's the recipe for Nordic success?

If you're trying to understand Nordic startup success, you undoubtedly need to dive into Nordic culture. Oscar, who himself hails from Sweden, identifies a number of key features in Nordic society that have created a propitious environment for tech entrepreneurs.

For one, the region had a very early adoption of technology, particularly computers and the internet. This no doubt contributed to early success stories like Nokia and Ericsson, but also to a general technological literacy across the population.

Some of the contributing factors are less tangible—like the strong sense of community. Social cohesion runs through Nordic society, entrenched in a welfare state that provides access to healthcare, education, and more, but also extends to strong social institutions.

“Everything is always very focused on the collective, rather than the individual,” Oscar says.

Companies, Oscar highlights, operate with a very flat hierarchy in which employees at all levels are encouraged to contribute to innovation and decision making. This is very conducive to entrepreneurship, which requires self-starting, creative individuals who feel empowered to bring ideas to the table. It also creates environments where founders and CEOs are encouraged to draw the most out of their employees.

“It doesn't matter how smart and ambitious your CEO is if people don't buy into their ideas.”

Oscar also believes the general happiness among populations contributes to this thriving ecosystem. The Nordics generally rank highly for happiness, with Finland and Denmark bagging the top two spots in the most recent *World Happiness Report*. Many factors contribute to this, including good work-life balance, flexibility over where and how long you work, and progressive parental leave policies. All this creates a healthy relationship with work in which employees feel inclined to give more.

“When people are happy, they create great things,” Oscar says.

Maddyness, media partner of NOR Capital

