

The TeliaSonera Institute at the Stockholm School of Economics in Riga: Activity Report 2007

1. Introduction

In January 2004 TeliaSonera endowed the TeliaSonera Professorship at the Stockholm School of Economics in Riga (SSE Riga) and at the same time the TeliaSonera Institute at the Stockholm School of Economics in Riga (TSI) was founded. The Institute is a think tank whose aims are to promote and undertake high quality policy-oriented research in the fields of entrepreneurship, telecom and information technology. Furthermore, the Institute should promote entrepreneurship in Latvia.

To fulfil its mission, the Institute works along two lines: academic research and outreach activities. The academic research initiated and undertaken during the period 2004-2006 continued in 2007 and resulted in several publications, research papers, and presentations at several international academic conferences.

TSI's outreach activities were focussed around the 2006 Global Entrepreneurship Monitor for Latvia and the Regulatory Seminar in the spring, and the conference Towards a New Mobile Horizon in the autumn. In addition to cooperation with Connect Latvia continued in order to support entrepreneurs and entrepreneurial development in Latvia.

The TeliaSonera Institute has since it was launched financially supported Arnis Sauka while undertaking his Ph.D. studies in the field of entrepreneurship at the University of Siegen, Germany. Sauka's thesis was submitted in late 2007 and was successfully defended in January 2008.

2. Research

The Institute's research activities during 2007 were organised around four themes:

- Entrepreneurship in Latvia
- Entrepreneurship in an Enlarged Europe
- Women and Entrepreneurship in Latvia
- Opportunity Recognition.

Entrepreneurship in Latvia comprises the following sub-projects:

- Global Entrepreneurship Monitor (led by Olga Rastrigina),
- The Latvian Panel Study of Entrepreneurial Dynamics – PSED (led by Vyacheslav Dombrovsky and Friederike Welter),
- Survey of Innovative Business in Latvia – SIBiL (led by Vyacheslav Dombrovsky and Olga Rastrigina),
- Business Failure and Insolvencies in Latvia (led by Friederike Welter and Arnis Sauka) and Productive,
- Unproductive and Destructive Entrepreneurship (led by Arnis Sauka)
- The Role of Personal and Family Background on Entrepreneurship in a Post-Soviet Context (led by Vyacheslav Dombrovsky and Friederike Welter).

The Global Entrepreneurship Monitor constitutes Latvia's participation in the worldwide 2007 Global Entrepreneurship Monitor (GEM) study covering 42 countries through a cross-national assessment of entrepreneurial activity. GEM focuses on three main objectives (all of them highly policy relevant):

- To measure differences in the level of entrepreneurial activity between countries
- To uncover factors determining the levels of entrepreneurial activity (within a country)
- To identify policies that may enhance the level of entrepreneurial activity (within a country)

The TeliaSonera Institute has prepared a Latvian country report based on the 2006 survey. Another report based on the 2007 survey is under preparation and will be presented in late spring 2008.

The Latvian Panel Study of Entrepreneurial Dynamics (PSED) is concerned with the process leading to the creation of a business, and about would-be entrepreneurs, i.e., those persons wishing to start a business or actively involved in developing a venture. Relevant studies so far have been undertaken in mature market economies, neglecting the specific settings and background in the new EU member countries. In this context, this project suggests to research nascent entrepreneurship in Latvia with the goal to develop policy recommendations on how to best foster an entrepreneurial environment in Latvia.

The project involves the implementation of an ambitious and multi-faceted data collection program on businesses and entrepreneurship in Latvia. Within the project, the approach to data collection is to identify, and then adhere to the best practices in the field. The essence of the PSED project is to collect panel (longitudinal) data on entrepreneurial dynamics over a period of three years. The first survey (out of three) was launched in November 2006 and completed in April 2007.

The data collection has resulted in a random and nationally representative sample of about 400 nascent entrepreneurs. Each venture will be tracked across time through a set of recurring interviews over a period of three years. PSED will be the first nationally-representative dataset to offer systematic and reliable data on the process of business formation in Latvia.

The first report based on the PSED study is under preparation and will appear in 2008.

The Survey of Innovative Business in Latvia (SIBiL) project focuses on Latvia's businesses' ability to innovate and move into more knowledge-intensive areas of production. It is well-known that too many firms in Latvia have not been very successful in this area. However, the knowledge about the driving forces behind business innovativeness remains very limited.

The SIBiL project, designed by researchers at the TeliaSonera Institute, will address these issues. The survey instrument employed is based on, and is consistent with, the Community Innovation Survey (CIS), which is conducted in all countries of the European Union according to guidelines developed by EuroStat and OECD. However, SIBiL enjoys important advantages as compared to the CIS. First, the SIBiL questionnaire is much larger than the on

used in the CIS – giving an opportunity to cover additional aspects of innovative business formation. Second, also smaller firms (which are excluded by the CIS) will be included in the data collection.

The data collection started in 2007 and by the end of 2007, 840 out of 1,400 interviews were undertaken. Each firm will be tracked across time through a set of recurring interviews over a period of three years.

Business Failure and Insolvencies in Latvia starts with the observation that little is known about potential entrepreneurs who never realised their ideas, or about those small entrepreneurs who set up a firm and failed in the short or long run. This project sets out to analyse factors leading to enterprise failure, with particular emphasis on the role entrepreneurs and learning abilities and willingness play for a successful turnaround in the Latvian context.

The project has so far resulted in a Bachelor thesis at SSE Riga and a conference paper to be presented at the IECER 2008 Conference in Regensburg. The paper is prepared for submission to *Small Business Economics*. A longer version of the paper is planned for the TeliaSonera Institute Discussion Paper Series.

The Productive, Unproductive and Destructive Entrepreneurship project focuses on various aspects of entrepreneurship and its contribution to economic development. During 2005 a survey of 133 small and medium sized enterprises in Riga was undertaken. This unique data set was analyzed during 2006 and 2007.

So far the project has resulted in several conference papers and two book chapters. The most recent outcome is the Ph.D. thesis by Arnis Sauka with the final exam in January 2008. Title: *Productive, Unproductive and Destructive Entrepreneurship: a Theoretical and Empirical Exploration*.

The Role of Personal and Family Background on Entrepreneurship in a Post-Soviet Context project analyzes the impact of these factors on the individual's choice whether to engage in entrepreneurship activities. The paper has been presented at the Babson Entrepreneurship Conference (the leading conference in the field of entrepreneurship) and is currently under revision to be submitted as a journal article.

Entrepreneurship in an Enlarged Europe comprises three sub-projects:

- Conceptualising Entrepreneurship in a (Post)Transition Context (led by Friederike Welter),
- Entrepreneurship Policies and Support (led by Friederike Welter),
- Formal Sector Entrepreneurial Entry: Where do Reforms have the Best Impact? (Arnis Sauka in cooperation with a number of internationally renowned researchers).

Conceptualising Entrepreneurship in a (Post) Transition Context searches for concepts and theories to explain entrepreneurial behaviour in the new EU member state of Central and Eastern Europe as well as the CIS countries. The project has so far resulted in several conference papers and articles, and some books are to be published in 2008. This includes two unique edited volumes with innovative cases from Central and Eastern Europe as well as a unique monograph on entrepreneurship development in Central and Eastern Europe.

Currently, one main project is concerned with analyzing the process of creation and development of new ventures in transition economies. Empirical material demonstrates the potential for venture creation that exists starting from 'simple' petty trading activities, in a context where a more conventional (in a mainstream literature sense) approach to venture creation is difficult. By focusing on entrepreneurial activity that is both informal and formal, this project seeks to make a conceptual and empirical contribution to the transition literature. The empirical evidence encourages a different perspective, namely one of accepting entrepreneurial activities outside the legal framework as adding value to economic and social transformation, thus refuting any simple attempts of classifying entrepreneurial activities into entrepreneurship/proprietorship categories.

Another project is concerned with the factors influencing the development of different types of cross border entrepreneurial activity in transition economies. This is used as a vehicle assessing the conceptual significance of cross border entrepreneurship in such conditions to the wider literature of trust and entrepreneurial learning. The results obtained so far confirm the important role trust plays for initiating and developing cross-border entrepreneurship. This refers to the geographical location of the border region, its physical and institutional infrastructure, but also the respective cultural heritages and joint history. Personal trust dominates and apparently also has gained importance in recent years, because of new regulations and EU enlargement.

Entrepreneurship policies and support critically examines progress made with institution building in new member states and transition countries, in order to derive recommendations for policy makers and those involved in delivering enterprise support. So far, the project has generated conceptual papers on entrepreneurship policies as well as conference presentations. Currently, the main project is an edited volume on entrepreneurship policy in the new Europe. The book will assemble up-to-date information and analysis on how entrepreneurship policies have evolved in the new wider Europe, whether and where this is distinctive compared to the old Europe and which challenges arise in designing and implementing entrepreneurship policy for policy-makers, entrepreneurs and researchers in these countries.

Formal Sector Entrepreneurial Entry: Where do Reforms have the Best Impact? involves Arnis Sauka and a team of other researchers (Z. Acs, A. Audretsch, S. Desai and I. Welp). The project uses an experimental questionnaire method to test for two key themes in the literature on entrepreneurship and institutions: (i) Causal effects of key institutions on formal sector entry, (ii) The decision to bribe and the effects of "reforms" by imposing a range of "consequences" imposed on the person found giving a bribe.

Women Entrepreneurship in Latvia looks at facets and development perspectives of women entrepreneurs in an enlarged Europe. Besides the TeliaSonera Business Day in 2005,

the project has led to various publications including two special issues of one of the highest ranked entrepreneurship journals, an edited book, book chapters and several conference presentations. For the DIANA Workshop in Belfast, November 2008, a project will analyze women's entrepreneurship and its manifold facets in a transition context from a conceptual and empirical perspective. A respective abstract has been accepted both for a forthcoming book and as paper to the workshop. The findings will add to our understanding of women's entrepreneurship as a contextual phenomenon, allowing us to better assess the nature of women's entrepreneurship and its different facets. Conceptually, the chapter will add to the discussion on analysing entrepreneurship in its social context. With regard to policy-makers, the chapter will show possibilities how to foster women's entrepreneurship in a given context. In May 2008, there will be a keynote on women's entrepreneurship at the Nordic Small Business Conference in Tallinn.

Opportunity Recognition is led by Jurgita Baltrusaityte-Axelson and looks at different aspects of opportunity recognition. Opportunity recognition (OpR) is one of the central areas of entrepreneurial research and the project addresses issues like:

- Examining the New Business Ventures Motivators: Is Reactive vs. Proactive Opportunity Recognition a Personality Trait?
- When do Entrepreneurial Intentions Lead to Entrepreneurial Actions (joint work with Maija Renko).
- Forming New Venture Expectations: A Comparison of Proactive and Reactive Information Processing Factors (joint work with Mark T. Schenkel).

The study on Proactive vs. Reactive Opportunity Recognition and Start-up Outcomes draws on the data collected within the PSED project discussed above. The PSED project provides a unique opportunity to study opportunity recognition and start-up outcomes since the PSED data set, unlike most other data sets employed in the literature, does not suffer from antifailure bias due to oversampling of successful cases and undersampling of failed ones.

3. Outreach Activities

The TeliaSonera Institute has organised a number of outreach activities with the aim of communicating research undertaken at the Institute and promoting a public debate in its fields of activities. Furthermore, the Institute and its activities were presented at a seminar at TeliaSonera in Stockholm. Research carried out at the Institute has served as input in research reports produced within the EU-funded ACRE project in which SSE Riga is one of the partners.

The 2006 Global Entrepreneurship Monitor (GEM) was one of the major undertakings in terms of outreach activities in 2007. The report was presented at seminar and a press conference organized by TSI. The Report got substantial media coverage.

The Report was published in a Latvian as well as in an English version. To promote wider recognition of the GEM study, the Latvian version sent to all members of the Latvian Saeima (the Latvian Parliament), to key persons in the Latvian Ministries, and to other Latvian decision makers in the private and public sectors.

Towards a New Mobile Horizon Conference was organized in Stockholm in December in cooperation with the Centre for Information and Communications Research at the Stockholm School of Economics. More than 100 participants from the telecom industry took part in the conference. Among the speakers were leading European researchers and business representatives.

The 2007 Review of the Electronic Regulatory Framework was a full day seminar open to participants from the regulatory and competitive authorities in the Baltic countries that took place in early 2007.

The Cooperation with Connect Latvia in order to support entrepreneurs and foster entrepreneurial activity continued throughout 2007.

The EU-funded Project on Accommodating Creative Knowledge (ACRE) started its activities in late 2006. Several TSI researchers participate in the project which will analyze the conditions necessary for creating or stimulating creative knowledge regions in Europe.

4. The TeliaSonera Institute Discussion Papers

The TeliaSonera Institute Discussion Paper series publishes policy oriented research undertaken at the TeliaSonera Institute and plays an important role in the dissemination of research undertaken at the Institute.

The fifth Paper *Exploring Entrepreneurship and SME Development in a Post Soviet Context* (by Friederike Welter) was published in 2007. The Paper is an expanded and revised version of Friederike Welter's Inaugural Lecture for the TeliaSonera Professorship.

5. Research Staff

The following researchers have been involved in the Institute's research activities during 2007:

Friederike Welter, TeliaSonera Professor at SSE Riga;
Alf Vanags, Director, Baltic International Centre for Economic Policy Studies (BICEPS);
Vyacheslav Dombrovsky, assistant professor, SSE Riga and researcher BICEPS;
Jurgita Baltrusaityte-Axelson, assistant professor, SSE Riga;
Arnis Sauka, Ph.D. candidate, SSE Riga;
Olga Rastrigina, researcher, TeliaSonera Institute;

6. Research Output

Monographs and edited volumes

- Aidis, Ruta and F. Welter (forthcoming June 2008) (eds), *The Cutting Edge: Innovation and Entrepreneurship in New Europe*. Cheltenham: Edward Elgar.
- Aidis, R. and F. Welter (forthcoming July 2008) (eds), *Innovation and Entrepreneurship: Successful start-ups/businesses in Emerging Economies*. Cheltenham: Edward Elgar.
- Smallbone, D. and F. Welter (forthcoming August 2008), *Entrepreneurship and Small Business Development in Central and Eastern Europe and the Former Soviet Union*. London: Routledge, Small Business Series, edited by David Storey.
- Sauka, A. and F. Welter, *Productive, Unproductive and Destructive Entrepreneurship in an Advanced Transition Setting: The Example of Latvian Small Enterprises*, in *Empirical Entrepreneurship in Europe, New Perspectives*, edited by M. Dowling and J. Schmude. Cheltenham, Edward Elgar, 2007.
- Sauka, A., *Productive, Unproductive and Destructive Entrepreneurship: a Theoretical and Empirical Exploration*, Doctoral Thesis, University of Siegen, 2007.

Articles submitted / accepted / published in refereed journals, editorship of special issues and contributions in edited volumes:

- Smallbone, D. and F. Welter, *Entrepreneurship and Government Policy in Post Socialist Economies*, submitted to *Environment and Planning*.
- Smallbone, D. and F. Welter, *Entrepreneurial behaviour in transition environments*. Submitted to: Miguel-Ángel Galindo, Joaquín Guzman and Domingo Ribeiro (eds.), *Entrepreneurship and Business in Regional Economics*. New York: Springer.
- Welter, F. and D. Smallbone (forthcoming 2008), *Women's Entrepreneurship from an Institutional Perspective: The Case of Uzbekistan*. Accepted for special issue "Institutional Perspectives on Entrepreneurship" of *International Entrepreneurship and Management Journal*, published online.
- Aidis, R., F. Welter, D. Smallbone and N. Isakova (2007), *Female Entrepreneurship in Transition Economies: The Case of Lithuania and Ukraine*. *Feminist Economics* 13 (2): 157-183.
- De Bruin, A., Brush, C. and F. Welter (2007), *Advancing a Framework for Coherent Research on Women's Entrepreneurship*. Second Special Issue on "Women's Entrepreneurship Research". *Entrepreneurship Theory & Practice* 31 (3): 323-339.
- Welter, F., D. Smallbone, N. Isakova and E. Aculai (2007), *The role of gender for entrepreneurship in a transition context*. In: L. Iandoli, Hans Landström und M. Raffa (eds.), *Entrepreneurship, Competitiveness and Local Development*. *Frontiers of European Entrepreneurship Research*, Cheltenham: Elgar, 223-251.
- Aidis, R., T Mickiewicz and A. Sauka, *Why are Optimistic Entrepreneurs Successful? An Application of the Regulatory Focus Theory*. Submitted to *Journal of Business Venturing*. Available as William Davidson Institute Working Paper no. 914.

Conference presentations, keynotes, roundtables etc.

- Welter, F., The Emergence of Entrepreneurial Potential in Transition Environments: a Challenge for Entrepreneurship Theory or a Developmental Perspective? (with D. Smallbone), RENT, Cardiff, November 2007, currently under revision as paper to be submitted to ET&P or JBV.
- Welter, F., Entrepreneurship and Government Policy in Post Socialist Economies (with D. Smallbone), Institute for Small Business and Entrepreneurship Conference (ISBE), Glasgow, November 2007 (awarded with Scottish Enterprise Award for Best Policy Paper)
- Welter, F., What we know about the mothers of invention (with C. Brush & A. de Bruin), ICSB, Turku, June 2007, currently under revision as paper to be submitted to a peer-reviewed journal.
- Baltrusaityte-Axelson, J., Examining the New Business Venture Motivators: Is Reactive vs. Proactive a Personality Trait?, Presented at the ICSB 2007 World Conference, Turku, June 2007.
- Sauka A., Optimisms and Realism as Factors of Entrepreneurial Performance: Short Term Performance Expectations versus Performance Reality (with R. Aidis), RENT XXI, Research in Entrepreneurship and Small Business, Cardiff, November 2007.
- Rastrigina, O., Development of Entrepreneurship in Latvia: Evidence Based on the Global Entrepreneurship Monitor in Latvia 2005-2006. Presented at Entrepreneurship, Competitiveness and Life Quality, Problems and Perspectives under Current Conditions, Pavlodar, Kazakhstan, February 2007.
- Rastrigina, O., Family Interactions in the Making of Entrepreneurs in Latvia. Presented at the Global Development Network (GDN) Regional Research Competition VII Conference, Prague, August 2007.
- Rastrigina, O., Family Interactions in the Making of Entrepreneurs in Latvia. Presented at the All China Economics Conference, Hong Kong, December 2007.