

# Activity Report 2009-2010 for the TeliaSonera Institute at the Stockholm School of Economics in Riga

## 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: (i) academic and policy relevant research, and (ii) outreach activities in its fields of specialisation. The academic research was to a large extent focussed on entrepreneurship, whereas predominantly various aspects of telecom were discussed at several outreach activities.

## 2. Research

The Institute's research activities during the period were organised around a number of themes:

- Entrepreneurship in Latvia
- Entrepreneurship in Europe
- Regulating telecom

Entrepreneurship in Latvia was comprised of the following sub-projects:

- Global Entrepreneurship Monitor (GEM) (led by Olga Rastrigina)
- The Latvian Panels Study of Entrepreneurial Dynamics (PSED) (led Vyacheslav Dombrovsky and Friederike Welter)
- Innovation and Entrepreneurship in Latvia (led by Vyacheslav Dombrovsky)
- Business Failure and Insolvencies in Latvia (led by Friederike Welter and Arnis Sauka)
- Productive, Unproductive and Destructive Entrepreneurship in Latvia (led by Arnis Sauka)
- Informal Entrepreneurship Index for Latvia (led by Arnis Sauka)
- Does Ethnicity Matter for Business Growth and Financial Performance? (led by Arnis Sauka)
- Venture Capital in Latvia (led by Alf Vanags)

Entrepreneurship in Europe:

- Entrepreneurship and Philanthropy after Socialism (led by Arnis Sauka)

- Locating Entrepreneurial Creativity and Knowledge to Foster Growth of European Cities (led by Arnis Sauka)

Regulating Telecom:

- Mobile Termination (Alf Vanags)

Below will follow a short description of each of the research projects. Most of the projects have already resulted in publications – many of them in the TeliaSonera Institute Discussion Paper Series (see the list of publications below).

The Global Entrepreneurship Monitor constitutes Latvia's participation in the worldwide Global Entrepreneurship Monitor (GEM) study covering 54 countries worldwide. GEM is the largest study of entrepreneurial activity in the world. The Monitor 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 Global Entrepreneurship Monitor is published annually. The TeliaSonera Institute has been responsible for the Latvian GEM since the first report on Latvia was published in 2005. Currently the work on the report using the 2010 data is being undertaken. The report, being highly relevant to policy makers, is published in Latvian as well as in English language.

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 who are actively involved in developing a venture.

The project involves the implementation of an ambitious and multi-faceted data collection program on businesses and entrepreneurship in Latvia. The essence of the PSED project is to collect panel (longitudinal) data on entrepreneurial dynamics over a longer period. The first two surveys (out of three) have been carried out. The first findings of the PSED project have been published in book covering various PSED initiatives worldwide.

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. The findings show that too many firms in Latvia have not been very successful in this area.

The empirical work is survey based and a new survey, following up on the first one, is planned for 2011. The findings of this research will also contribute to the understanding of Latvia's competitiveness.

Business Failure and Insolvencies in Latvia addresses the issue of factors determining the failure of firms. This is a highly neglected area in the field of entrepreneurship research, where research mainly has focused on the factors contributing to the success of firms. Accordingly, this project has analysed the factors leading to enterprise failure, with particular emphasis on the role of entrepreneurs and their learning abilities.

The Productive, Unproductive and Destructive Entrepreneurship project starts with the observation that profit and various form of self-fulfilment usually are highlighted to be the major drivers of entrepreneurial activity. In this light a key question concerns which activities entrepreneurs pursue in order to create value, pointing to the necessity to distinguish between 'positive' and 'negative' activities, where the latter, e.g., could be various illegal or shadow activities.

The Informal Entrepreneurship Index in Latvia project aims at developing an index measuring the level of informal business activity in Latvia. The first index was presented in spring 2010. In addition to developing the index as such, the research addresses highly policy relevant issues such as: the main reasons behind such activities and what, in the eyes of the entrepreneurs, is needed to reduce the level of this type of activities. The index will be calculated annually.

Does Ethnicity Matter for Business Growth and Financial Performance? Has its point of departure in the observation that there are two big ethnic groups in Latvia, Latvians and Russians, respectively. The project investigates the relationship between growth expectations, performance and ethnicity for small- and medium-sized business owners/managers in Latvia. The project is a joint research project involving researchers at SSE Riga and University College London.

Venture Capital in Latvia is a follow up of one of the first projects undertaken at the TeliaSonera Institute. The current project analyzes the Latvian venture capital market, its actors, the supply and demand for venture capital and the role of the government in terms of supplying and allocating venture capital.

The project on Entrepreneurship and Philanthropy after Socialism looks at the link between successful entrepreneurship and philanthropy in a post-Soviet context – i.e. an institutional framework which is very different from the one in developed markets, such as e.g. the United States and Western Europe. The project is undertaken together with researchers at University College London and Katholieke Universiteit Leuven.

Locating Entrepreneurial Creativity and Knowledge to Foster Growth of European Cities investigates why and how places (cities or regions) attract people and stimulate creativity, which in turn leads to economic growth. The research within this project plays particular attention to activities in the creative and knowledgebased industries. The research within the project is jointly done with a researcher from the New Bulgarian University.

The project on Mobile Termination examines models of mobile termination or interconnection regimes. The background to the project is the EU regulatory timetable and the growing convergence to a multi-service Next Generation Network (NGN) IP-network. Within the project a comparative study of the prevailing European system with the alternative regime of mandatory Bill and Keep is undertaken. Needless to say, the issues raised in this project are of high relevance to mobile telecom operators, in particular those with activities in the European Union.

In addition, the Institute's academic research has been presented at several academic conferences in Europe as well as North America.

### 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, part of the research has been presented to decision makers at TeliaSonera. Research carried out at the Institute has served as input in research reports produced within various EU-funded projects in which SSE Riga is involved. Furthermore, research undertaken at the Institute will serve as input in the report on Latvia's competitiveness commissioned to SSE Riga by the Latvian State Chancellery.

A list of outreach activities would include:

The Global Entrepreneurship Monitor which is published annually is one of the major undertakings in terms of outreach activities during the period. The report is published in a Latvian as well as English version. To promote wider recognition of the GEM study, the Latvian version is 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.

The 2009 TeliaSonera Business Day focussed on "How can investments in telecom infrastructure lead the economic recovery? The TeliaSonera Business Day is an annual event within the framework of the TeliaSonera donation to SSE Riga. The aim of the business day is to promote and discuss entrepreneurship, innovation and telecom. The target group of the business day is decision makers in the public as well as in the private sector.

The 2010 TeliaSonera Business Day addressed "Mobility Services – a Business Model for Motivation, Productivity and the Environment" including topics such as:

- Organisation and human resource aspects
- Benefits and challenges at the societal, organisational and environmental levels
- The role in Latvia with its relatively high penetration of technology and its flexible labour market

The Business Day was followed by a donation ceremony where Håkan Dahlström, President of Business Area Mobility Services, TeliaSonera AB, handed over the 2010/2011 donation of to the TeliaSonera Institute.

The Annual Journalist Trip gives the leading journalists in the field of telecom and business an opportunity to participate in a trip involving seminars and study visits focussing on various aspects of telecom and technology development.

Stockholm Seminar, the TeliaSonera Institute also organizes activities in Stockholm open to journalists and decision makers in the fields of telecom and business. During the period the Institute organized a seminar on "openness" – "Ger större öppenhet ökade affärsmöjligheter inom den mobila världen?".

The Global Entrepreneurship Week takes place every year in November and 2010 was the first time Latvia participated in this global event aiming at promoting entrepreneurship through activities focussing on young entrepreneurs as well as on political decision makers.

SSE Riga, through the TeliaSonera Institute, is the partner responsible for Latvia's participation.

The cooperation with Connect Latvia continued throughout the period in order to support entrepreneurs and foster entrepreneurial activity in Latvia.

#### **4. Research staff**

The researchers currently involved in the activities of the TeliaSonera Institute are:

Friederike Welter, TeliaSonera Professor at SSE Riga;  
Alf Vanags, Director, Baltic International Centre for Economic Policy Studies (BICEPS);  
Anders Paalzow, Rector, SSE Riga;  
Vyacheslav Dombrovsky, Assistant Professor, SSE Riga.  
Arnis Sauka, Assistant Professor, SSE Riga.  
Olga Rastrigina, Researcher, TeliaSonera Institute.

#### **5. Publications**

Aidis, R. and F. Welter, (2009), "Innovation and Entrepreneurship: Successful Start-ups and Businesses in Emerging Economies", Edward Elgar, Cheltenham.

Baltrusaityte-Axelson, J., A. Sauka and F. Welter (2009), Nascent Entrepreneurship in Latvia, Evidence from the Panels Study of Entrepreneurial Dynamics, 1<sup>st</sup> Wave, SSE Riga.

Dainov, E. and A. Sauka, (2010), "Managers and Entrepreneurs in Creative and Knowledge-Intensive Industries: What Determines Their Location? Toulouse, Helsinki, Budapest, Riga and Sofia", in Making Competitive Cities, S. Musterd and A. Murie, Editors, Wiley-Blackwell.

Dombrovsky, V., A. Paalzow, O. Rastrigina, (2010), "Latvia: Panel Study of Entrepreneurial Dynamics Overview", in New Business Creation, P.D. Reynolds and R.T. Curtin, Editors, Springer, New York.

Sauka, A. and F. Welter, (2009), "Taking advantage of transition: the case of Safety Ltd. In Latvia", in The Cutting Edge: Innovation and Entrepreneurship in New Europe, R. Aidis and F. Welter, Editors, Edward Elgar, Cheltenham.

#### **6. TeliaSonera Institute Discussion Papers**

So far twelve TeliaSonera Institute Discussion Papers have been published. During the period papers number 6-12 were published:

6. *Productive and Unproductive Entrepreneurship in Latvia*, Arnis Sauka and Friederike Welter.

7. *Business Insolvencies in Latvia*, Arnis Sauka and Friederike Welter.

8. *Mobile Termination: How to Regulate or Perhaps Not to Regulate at All?*, Alf Vanags.
9. *Venture Capital in Latvia Revisited*, Alf Vanags, Julija Stasevska and Anders Paalzow.
10. *Entrepreneurship and Philanthropy after Socialism*, Tomasz Mickiewicz, Arnis Sauka and Ute Stephan.
11. *Small- and Medium-Sized Businesses' Growth – Expectations and Financial Performance in Latvia: Does Ethnicity Matter?* Ruta Aidis, Tomasz Mickiewicz, and Arnis Sauka.
12. *Locating Entrepreneurial Creativity and Knowledge to Foster Growth of European Cities*, Evgenii Dainov and Arnis Sauka.

## **7. Conference presentations and participation**

Vyacheslav Dombrovsky (presentations):

Innovations and Human Capital of Business Owners: Evidence from SIBiL, ZEW, Mannheim, Germany, December 2009.

Meide Conference, University of Tartu, Estonia, June 2010.

Arnis Sauka (presentations):

RENT XXIII: Research in Entrepreneurship and Small Business, Budapest, Hungary, November 2009.

BCERC 2010: Babson College Entrepreneurship Research Conference, the International Institute for Management Development (IMD) and École Polytechnique Fédérale de Lausanne (EPFL), Lausanne, Switzerland, June 2010.

Academy of Management Annual Meeting 2010, Montreal, Canada, August 2010.

Olga Rastrigina:

GEM Annual Planning Meeting 2009, Babson College, Boston, USA, January 2009.

Training course “Contemporary Entrepreneurship Research” and presentation of the paper “Is there learning from exporting? Firm-level evidence from Latvia”, Jönköping International Business School, Jönköping, Sweden, June 2009.

Business Creation Symposium (devoted to discussion of comparability of PSED-type studies across countries), Clemson University, College of Charleston, & George Mason University, Washington, USA, October 2009.

GEM Annual Planning Meeting 2010, Universidad del Desarrollo, Santiago, Chile, January 2010.

4<sup>th</sup> Global Entrepreneurship Research Conference, Imperial College London, London, UK, October 2010.

International scientific conference “Innovation driven entrepreneurship”, presentation “Global Entrepreneurship Monitor: the Latvian case”, ISM University of Management and Economics, Vilnius, Lithuania, October 2010.

## **8. Academic seminars organized at SSE Riga**

The TeliaSonera Institute also arranges academic seminars in entrepreneurship and related fields at SSE Riga. During the period the following seminars were held:

“Informal Business in Latvia”, speakers Zaneta Jaunzeme-Grende (Head of the Latvian Chamber of Commerce and Industry) and Arnis Sauka (the TeliaSonera Institute/SSE Riga), March 2009.

“Creative communication in entrepreneurship: Why failing brings results”, speakers Raoul Shah (founder and CEO of the integrated creative agency Exposure), Warren Bramley (co-founder and director of creative studio four23), Gatis Murnieks (Creative Director, FUSE, Latvia), and Arnis Sauka (the TeliaSonera Institute/SSE Riga), May 2009.

“Entrepreneurship and Institutions”, Howard Aldrich (Kenan-Flagler Business School, the University of North Carolina, Chapel Hill, NC, USA), May 2010.

“SSE Riga Informal Entrepreneurship Index for Latvia”, Arnis Sauka (the TeliaSonera Institute/SSE Riga), May 2010.

## **9. The TeliaSonera Institute Advisory Board**

The TeliaSonera Institute Advisory Board comprised:

Anders Paalzow, SSE Riga (Chairperson);  
Anders Alexanderson, SSE Riga;  
Anna Augustsson, TeliaSonera;  
Kjell Lindström, TeliaSonera;  
Ingrid Stenmark, TeliaSonera;  
Bertil Thorngren, Stockholm School of Economics;  
Alf Vanags, BICEPS (Baltic International Centre for Economic Policy Studies);  
Friederike Welter, TeliaSonera Institute Professor at SSE Riga.