

The TeliaSonera Institute at the Stockholm School of Economics in Riga: Activity Report 2006

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 in 2004-2005 continued in 2006 and resulted in several presentations at European and North American academic conferences, among them the world's leading conference for research in entrepreneurship, the Babson College Entrepreneurship Research Conference. For 2007 it is reasonable to believe that several of the research papers should be accepted for publication in refereed academic journals.

TSI's outreach activities were focussed around the 2005 Global Entrepreneurship Monitor for Latvia in the spring, and the TeliaSonera Business Day on Creative Industries in the autumn. In addition to cooperation with Connect Latvia continued in order to support entrepreneurs and entrepreneurial development in Latvia.

2. Research

The Institute's research activities during 2006 were organised around four themes: Entrepreneurship in Latvia, Entrepreneurship in an Enlarged Europe, Opportunity Recognition, and Women and Entrepreneurship in Latvia.

Entrepreneurship in Latvia comprises five projects *The Global Entrepreneurship Monitor* (led by Vyacheslav Dombrovsky), the *Latvian Panel Study of Entrepreneurial Dynamics* (led by Vyacheslav Dombrovsky and Friederike Welter), *Productive, Unproductive and Destructive Entrepreneurship* (led by Arnis Sauka), *Business Failure and Insolvencies in Latvia* (led by Friederike Welter), and *Growth Expectations vs. Growth Reality* (led by Ruta Aidis, Arnis Sauka, and Tomek Mickiewicz [SSEES/University College London]).

The Global Entrepreneurship Monitor constitutes Latvia's participation in the worldwide Global Entrepreneurship Monitor (GEM) study covering 35 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 2005 survey. Another report based on the 2006 survey is under preparation and will be presented in late spring 2007.

The Latvian Panel Study of Entrepreneurial Dynamics (L-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. The approach to data collection within the project 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.

There are three principal modules of the PSED project:

- (i) To identify and interview the highly elusive group of nascent entrepreneurs. The first survey (out of three) started in late November 2006 and is supposed to be completed end of January 2007. Projected final sample size is 300-400 nascent entrepreneurs. It will be followed up by additional interviews in January 2008 and 2009.
- (ii) To identify and interview regular small firms (with less than 10 employees). During 2006 the focus has been on developing the study objectives as well as the proper survey instruments. The first survey of 600-800 owners-mangers of small firms is scheduled to begin in March 2007, and to be followed by surveys in 2008 and 2009.
- (iii) To identify and interview knowledge-based entrepreneurs. The work on techniques how to identify and survey such entrepreneurs was initiated in 2006 and will be finished in the first quarter of 2007. The survey is scheduled to commence in April 2007 and will have a sample size of 400-600 owners-mangers of knowledge based firms.

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 has been carried out. This unique data set was analyzed during 2006, and has so far resulted in two research papers:

- *Productive, Unproductive and Destructive Entrepreneurship in an Advanced Transition Setting: the Example of Latvian Small Enterprises* by Arnis Sauka and Friederike Welter. The paper was presented at the European Conference on Entrepreneurship Research in Regensburg, 2006. The paper has been published in the book *Empirical Entrepreneurship in Europe: New Perspectives*, (M. Dowling and J. Schmule, editors, Edward Elgar, 2007).

- *Environmental influences and involvement in unproductive entrepreneurship: insights from and advanced transition setting* by Ruta Aidis and Arnis Sauka. Presented at the RENT – Research in Entrepreneurship and Small Business Conference in Brussels as well as at the 14th Nordic Conference on Small Business Research in Stockholm.

The Business Failure and Insolvencies in Latvia project focuses on potential entrepreneurs who never realised their ideas and on the 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. Currently, the TeliaSonera Institute and the Latvian State Agency "Insolvency Administration" are co-operating in an empirical examination of the Latvian insolvencies. The TeliaSonera Institute will get access to the "official" database of Latvian insolvencies hosted by the State Agency "Insolvency Administration".

The Growth Expectations vs. Growth Reality project draws on interviews conducted in Latvia in the summer of 2005 and on a follow-up survey of the same companies conducted a year later. The project focuses on the relationship between growth expectations and the growth reality of Latvian SMEs. The project goes beyond the studies that have researched the factors influencing an entrepreneur's decision to grow the firm, and hence focuses on the accuracy of growth expectations compared to the real outcome. By analysing the responses from the repeated surveys, the project investigates the relationship between growth expectations, actual performance and the personal satisfaction of the entrepreneur. A report based on the preliminary findings from this project has been submitted for presentation to the ICSB World Conference 2007 in Turku.

Entrepreneurship in an Enlarged Europe is led by Friederike Welter and comprises three sub-projects; *Entrepreneurship in an Enlarged Europe*, *Innovation and Entrepreneurship in the New Europe*, and *The Role of Personal and Family Background on Entrepreneurship in a Post-Soviet Context*.

The Entrepreneurship in an Enlarged Europe project is carried out by Friederike Welter. Findings from this project were presented at the TeliaSonera Professor Inaugural Lecture by Friederike Welter. The findings have been further developed into a research report titled "Exploring Entrepreneurship and SME Development in a Post-Soviet Context", which will be published in the TeliaSonera Discussion Paper series in early 2007.

The Role of Personal and Family Background on Entrepreneurship in a Post-Soviet Context project is joint work by Friederike Welter and Vyacheslav Dombrovsky. The project has resulted in a research paper that was presented at the best academic conference on entrepreneurship, the Babson College Entrepreneurship Research Conference 2006, Bloomington, Indiana. The paper currently is under revision by the authors, and it will be submitted to a refereed journal in 2007.

The Innovation and Entrepreneurship in the New Europe project involving Friederike Welter, Arnis Sauka, and Ruta Aidis, studies a number of innovative enterprises in Central and Eastern Europe with the aim to analyze the influence of the specific transition context on the creation of new innovative business ideas and the ability to convert these into successful

businesses capturing institutional, environmental as well as personal dimensions. The research has resulted in a book edited by Ruta Aidis and Friedreike Welter, *The Cutting Edge: Innovation and Entrepreneurship in New Europe*, to be published by Edward Elgar. Among the chapters are *A Case Study of a Latvian Innovative Entrepreneur* by Arnis Sauka and Friederike Welter, and *A Case Study of a Lithuanian Entrepreneur* by Ruta Aidis.

Opportunity Recognition, Firm Creation and Firm Exit is led by Jurgita Baltrusaityte-Axelson. Research within the project focuses on what motivates nascent entrepreneurs to start a new business. In the research two groups of entrepreneurs are identified: proactive entrepreneurs who actively look for business opportunities and reactive entrepreneurs who happen to find a business opportunity. The research has resulted in two papers:

Is Reactive vs. Proactive Opportunity Recognition a Personality Trait? Examining the NBV Motivators: The Real Options Approach, which was presented at the 3rd Annual PSED Symposium, Clemson University, South Carolina, USA in October, 2006, and will be presented at the International Council of Small Business World Conference in 2007.

The Opportunity Recognition Process and New Venture Start-Up Motivators: The Real Options Approach, which will be presented at the 4th AGSE International Entrepreneurship Research Exchange, Brisbane, Australia, in February, 2007.

Furthermore, the research involves collaborative work with researchers from the Center for Entrepreneurship and Business Creation at the Stockholm School of Economics and from Chalmers. The research focuses on opportunity recognition, real options, and the role of entrepreneurial networks.

Women Entrepreneurship in Latvia is led by Friederike Welter and involves Susanne Kolb as well. The project includes a statistical overview on women and entrepreneurship in Latvia, an extensive review of the literature in the field and of previous studies as well as interviews with women in leading positions in Latvian small and medium sized enterprises. Initial findings were presented in TeliaSonera Discussion Paper No. 4, *Women and Entrepreneurship in Latvia*, which was published in 2006.

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 two EU-funded projects; the Hansepassage project and the ACRE project, respectively.

Findings based on the research undertaken at the Institute were presented by TSI researchers at seminar for HRH Crown Princess Victoria of Sweden. In addition the TeliaSonera Institute and the Stockholm School of Economics in Riga were represented at the Latvian President's state visit to Israel.

The 2005 Global Entrepreneurship Monitor (GEM) was together with the TeliaSonera Business Day the major undertaking in terms of outreach activities in 2006. In early June, the first ever Global Entrepreneurship Monitor for Latvia was presented at seminar and a press conference organized by TSI. The Report got substantial media coverage and was the top news in Panorama, Latvia's leading TV newscast.

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.

The TeliaSonera Business Day in the fall of 2006 focussed on Creative Industries. It was jointly organized with the European Council of Small Business and Entrepreneurship (ecsb). Original research prepared by researchers at SSE Riga and TSI was presented and discussed. Among the speakers were leading researchers in the field presenting findings from the UK and all over the world as well as practitioners from Latvia. Close to 100 persons attended one or several sessions of the seminar. Among the attendees were governmental representatives, diplomats, academicians and NGO representatives. The day ended with a roundtable led by Friederike Welter, where government representatives and researchers exchanged ideas about how to foster creative industries in Latvia. The Business Day was followed by a reception at the Swedish Embassy in Riga.

The Journalist Activities involved a study trip for the leading Latvian journalists in the field of telecom to the 3GSM World Congress in Barcelona. The trip included a seminar on the telecom market organised by TSI and meeting with Spanish regulators at la Comisión del Mercado de las Telecomunicaciones in Barcelona. During the trip the journalists were also given an opportunity to meet with Kenneth Karlberg, President TeliaSonera NDB.

The Cooperation with Connect Latvia in order to support entrepreneurs and foster entrepreneurial activity continued throughout 2006. A number of various activities, such as open lectures on for example venture capital and special activities for the network of Latvian business angels took place.

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.

The 2006 Review of the Electronic Regulatory Framework will be the focus of a full day seminar open to participants from the regulatory and competitive authorities in the Baltic countries. Preparations for the seminar started in late 2006, and the seminar is scheduled for February 2007.

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. In early 2006, the printed version of the third Discussion Paper appeared, *Challenges of the EU New Regulatory Framework (NRG) in Electronic Communications: An Economist's Perspective* (by Alf Vanags).

The fourth Paper *Women and Entrepreneurship in Latvia* (by Friederike Welter and Susanne Kolb) appeared in printed form in 2006, whereas the fifth Paper *Exploring Entrepreneurship and SME Development in a Post Soviet Context* (by Friederike Welter) has appeared electronically and is due to appear in printed form in early 2007. The latter Paper is an expanded and revised version of Friederike Welter's Inaugural Lecture for the TeliaSonera Professorship.

5. Research Staff

The number of researchers being involved in TSI's research activities increased during 2006. Jurgita Baltrusaityte-Axelson joined SSE Riga and TSI on a permanent basis in the second half of 2006 as assistant professor. TSI researcher Susanne Kolb earned her Ph.D. degree at the University of Siegen in 2006.

SSE Riga Pro-Rector, Diana Pauna was involved in research in the field of creative entrepreneurship for the TeliaSonera Business Day and the ACRE project. Daniel Heinemann joined the Institute and was involved in the research in business failures and insolvencies in Latvia. Furthermore, Olga Rastrigina (Master's degree from Central European University in Budapest) and Sergei Gubin (graduate from University of Latvia) joined the research team working on the data collection for the GEM and PSED studies.

The following researchers have been involved in the Institute's research activities during 2006:

Friederike Welter, TeliaSonera Professor at SSE Riga;
Diana Pauna, Pro-Rector, 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;
Karlis Kreslins, assistant professor, SSE Riga;
Mark Chandler, assistant professor, SSE Riga;
Susanne Kolb, Ph.D., University of Siegen;
Arnis Sauka, Ph.D. candidate, SSE Riga;
Daniel Heinemann, Ph.D. candidate, University of Siegen;
Olga Rastrigina, researcher, TeliaSonera Institute;
Sergei Gubin, researcher, TeliaSonera Institute;
Ruta Aidis, lecturer, School of Slavonic and East European Studies, University College London.