



Estonian entrepreneurial environment for Finnish entrepreneurs in 2021

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Abstract

In recent years, Estonia has established a reputation as a digital state and business-friendly environment. Estonia has given credit for its driven and dynamic market with advanced network infrastructures and exceptional information and communications technology. Estonian innovative project e-Residency, launched in 2014, has achieved a considerable recognition globally. The e-Residency gives foreigners an opportunity to launch and establish a business, manage all banking matters, declare their taxes, and digitally sign documents. Another key feature of Estonian business appeal lies in the Estonian unique corporate income tax system. In Estonia, companies pay income tax only when the profit is distributed, and from the profit they distributed. This combined with the relative closeness to Finland has awakened interest in Finnish entrepreneurs, and the overall estimation is that there are about 6000 such companies in Estonia that base entirely or partially on Finnish capital. This research aimed at finding out how those Finnish entrepreneurs who operate in Estonia perceive the Estonian entrepreneurial environment today, and whether they still find advantages there compared to Finland.

A qualitative research method was chosen to obtain data from a focus group through open-ended discussions. Data was collected by conducting in-depth interviews with six Finnish entrepreneurs in Estonia. For data analysis, grounded theory as a qualitative research methodology was used.

The research results show that minor amount of bureaucracy, and favourable corporate tax were seen as Estonian advantages to Finnish entrepreneurs. However, the results also reveal that entrepreneurs in Estonia are challenged with workforce problems. Not only is there an insufficient amount of people in working-age but population ageing has also brought along changes in the age structure in the labour market. The perspective of Estonia being the country of interest for Finnish entrepreneurs also in the near future provided mixed responses. Three respondents believed that as long as the corporate tax and the overall entrepreneurship mindset stays the same, Estonia will attract even more entrepreneurs from Finland. Another three respondents saw no particular reasons why Finnish entrepreneurs should come to Estonia.

Keywords/tags (subjects)

Estonian entrepreneurial environment, e-residency, Finnish entrepreneurs, corporate tax, grounded theory, qualitative research

Contents

1 Introduction	2
1.1 Background	2
1.2 Motivation for the research	4
1.3 Research Question	6
1.4 Structure of the thesis	7
2 Literature review	7
2.1 What is an entrepreneurial environment?	7
2.2 Estonian entrepreneurial environment	9
2.3 Finnish entrepreneurial environment.....	14
2.4 Estonian and Finnish entrepreneurial environments interrelated	18
3 Methodology.....	19
3.1 Research approach.....	19
3.2 Research context.....	21
3.3 Data collection and data analysis.....	24
3.4 Verification of findings	26
4 Results.....	29
4.1 Becoming an entrepreneur in Estonia	29
4.2 Estonian shortcomings and advantages compared to Finland	33
4.3 The future of the Estonian entrepreneurial environment.....	39
5 Discussion.....	40
5.1 Answers to the Research Question	40
5.2 Practical implicatons	42
5.3 Assessment of the results in the light of literature.....	42
5.4 Limitations of the research	44
5.5 Recommendations for further research	45
References	47
Appendices	53
Appendix 1. Initial interview questions	53
Tables	
Table 1. Estonian main sectors of industry	54

1 Introduction

"The country is the European Union's best performer in 'responsive administration' and single market and the second best in entrepreneurship. It performs above the EU average in access to finance, and is in line with the EU average in 'second chance', state aid & public procurement, skills & innovation and internationalisation. Environment is the only area in which Estonia scores below the EU average. Estonia has made substantial policy progress since 2008, implementing most of the SBA recommendations."

European Commission. Small Business Act Factsheet: Estonia 2019, p. 4

During the last two decades, the Estonian entrepreneurial environment has been a phenomenon that has got substantial attention from Finnish business makers. The main focus of this Master's thesis is to examine which factors appeal to Finnish entrepreneurs in order to start a business in Estonia instead of Finland. This chapter discusses the background and motivation for the study. In addition, the Research Question and objectives are detailed, and the structure of the thesis is explained.

1.1 Background

Estonia is a small country of 17,462 square miles and only 1.3 million inhabitants. Estonian mainland neighbours are Latvia and Russia while the Gulf of Finland and the Gulf of Riga establish borders additionally with Latvia, Finland, and Sweden. Estonia became a Soviet Socialist Republic in August 1940 until regaining its independence again in August 1991 and establishing its currency, Estonian kroon in 1992. Ever since, Estonia has radically implemented different reforms, strict fiscal policies and privatization programs which have created competitive advantages for the local enterprises. Moreover, these reforms and programs have also attracted foreign investors to explore their new opportunities since early 1990ties. (Alas & Elenurm, 2018).

Estonia has given credit for its driven and dynamic market with advanced network infrastructures and exceptional information and communications technology. Estonian innovative project e-Residency, launched in 2014, has received a considerable amount of attention globally. The e-Residency gives foreigners an opportunity to launch and run a company, manage all banking matters and access international payment services. E-residents can sign their documents and contracts and declare their taxes digitally – all that within minutes. (Lember et al., 2018.)

The Estonian government has shown a considerable will to endorse a favourable environment for the entrepreneurs, which in turn has encouraged both national and international entrepreneurs. According to the database of Small Business Act Europe (SBA, 2017, 2018, 2019), entrepreneurship in Estonia has gained noticeable popularity even so that since 2014, its early-stage entrepreneurial activity has reached the highest ranking in the European Union. The established business ownership had increased from 0.5% in 2013 to 11.4% in 2017, raising Estonia the third-highest in European Union. In the comparison among 190 countries, Estonia ranked 12th in the comfort of establishing and manage business on everyday basis (SBA, 2018). Estonia has made it easy for both local and foreign entrepreneurs to start their businesses simply online: e-Business assembles legal data of all ventures listed in Estonia and provides a platform to register a new business online (Margetts & Naumann, 2017).

In contrast to Estonia, entrepreneurship seems to be less appealing in Finland than in other EU countries (SBA, 2019). In recent years, though, both government and local governments have put considerable effort into supporting entrepreneurship and start-ups; it has been even stated that the new measures aimed at entrepreneurship and start-up companies come to some extent at the expense of existing companies. The figures of Finnish online trade within and beyond the EU on the single market and internationalization show that Finnish SMEs have to some extent lagged behind, suggesting specific initiatives to increase national e-commerce business. (SBA, 2019).

Since 2000, Estonia established an unique corporate income tax system where income tax is paid only when the profit is distributed. This change has largely encouraged Finnish entrepreneurs to register their businesses in Estonia especially since the geographical closeness makes it easy to operate not only online but being physically present. Estonia and Finland are separated by the Gulf of Finland; the water distance from Estonia's capital and harbour city Tallinn to Finland's port of capital Helsinki is about 80 kilometres, and the shortest land distance is 373 kilometres (Finnish-Estonian Chamber of Commerce, 2021). Estonia and Finland are both members of the European Union, the Eurozone and the Council of the Baltic Sea States. In addition, there are strong cultural bonds between in Estonia and Finland. Linguistically, both languages classify under Finno-Ugric branch, and the countries even share the same melody of their corresponding national anthems. Estonian national identity has been described with terms like "orderly, quiet, stubborn, individualist" (Rausing, 2004, p. 35) whereas the "quiet stubbornness" draws parallels to Finnish "sisu" (Brueggeman, 2008). Being so close both culturally and geographically have made it natural for the

Finnish SMEs to enter the Estonian market, and Finnish entrepreneurs have indeed been active in Estonia since the early years of Estonian regained independence.

1.2 Motivation for the research

While there are plenty of recent studies exploring either Estonian or Finnish entrepreneurial environments, this study will try to explore how Finnish companies can benefit from the modern Estonian entrepreneurial environment. More specifically, does the Estonian entrepreneurial environment still have advantages to the Finnish entrepreneurial environment in 2021?

Estonian digital platform of government to share public data, software and services makes it easy for both local and foreign entrepreneurs to start their businesses simply online. Another key feature of Estonian business appeal lies in the Estonian unique corporate income tax system. In Estonia, companies pay income tax only when the profit is distributed, and from the profit they distributed (Sipola, 2020). However, since 2019 there has been a slight change in taxation concerning the regular dividends paid out as discussed in subsection 2.2 and this change might affect the entrepreneurial appeal of some decision makers.

There is now another completely new phenomenon affecting the economic situation, unemployment rates, limiting free travelling and socializing: the coronavirus COVID-19. The pandemic has led the global economy into a deep recession, bringing along new challenges also for Estonia and Finland. As known so far, both in Estonia and in Finland the information technology and communications sector was the least hit by the first wave of the coronavirus in spring 2020. At the same time, the tourism sector including accommodation providers, caterers and entertainment agents, travel agents and related water and air transport providers found themselves in the most difficult situation (Riigikogu Foresight Center, 2020; Open Insights by Nordea, 2021). Both countries have applied national and international measures to revive their economies from the recession but the true consequences will be measured only during the forthcoming years. In 2021, the economic stress continues due to the uncertainty caused by the second wave of infections. More detailed discussion about COVID-19 consequences known so far in chapters 2.2 and 2.3.

According to a recent study, Finnish entrepreneurs find entrepreneurship harder than an average entrepreneur does in the EU. As Sutela and Pärnanen (2018) point out, Finnish entrepreneurs desire to grow but the unreasonable amount of bureaucracy, including corporate regulations and complicity in different layers of taxation, are seen as challenging. In addition, the inability to impact product pricing as well as high employment costs are considered problematic.

"The good news is that approximately one fifth (18%) of respondents had experienced no specific confrontations concerning entrepreneurship. They could not point out any specific hardships that they would have encountered during the past year. However, the rest of the respondents, which makes roughly 80 per cent, had had at least some difficulties. When specified, which difficulties are amongst the most mentioned, the main concerns are a temporary instability of livelihood and an unreasonable amount of bureaucracy. About 40 per cent of entrepreneurs mentioned these as at least one of the challenges they have encountered. In addition, about a third of respondents said that they were not in charge of pricing their own products or services." (Sutela & Pärnanen, 2018, p. 56).

Thus, the economic factors demonstrated in this thesis might give an impulse for responsible institutions in Finland to revise the Finnish corporate law and make some improvements in corporate taxation in order to keep Finnish business makers in Finland. The results of this study could be also encouraging for such Finnish companies that are suffering from high production costs in their homeland, and might now see the opportunity in the neighbouring country. In other words, the study can give a voice for Finnish corporate influencers to express their need for rapid enhancements in the local business environment including taxation and corporate laws. It goes without saying that the greatest beneficiary of Estonian current commercial appeal is the Republic of Estonia where the money goes and the reputation grows.

There is another great neighbour, whom almost 300 Finnish companies and entrepreneurs have commercial relations with: Russia. As the latest Finnish-Russian Chamber of Commerce survey (November 2020) found out, both import and export between Finland and Russia during 2020 have suffered from the coronavirus and a weaker rouble. While the majority of Finnish entrepreneurs have remained optimistic, however, one third have changed their strategy or plans. The changes are due to either problems that the coronavirus has caused, or the new opportunities brought along by the situation. According to Finnish-Russian Chamber of Commerce, "the companies have either lowered their financial targets or stretched the timeframe of their plans" (Yle

News, 2020). In this light, this study might give Finnish entrepreneurs an insight into a business environment where they can benefit from Estonian Russian-speaking employees while still enjoying the benefits of a European Union member state.

On a minor level, the digital advantages of the Estonian entrepreneurial environment presented in this study might appeal to small businesses or service providers such as consultants, information technology suppliers and other technology-focused businesses and start-ups. The personal motivation for this research stems purely from practical reasons. Currently, the author is preparing to launch a new business. Being an Estonian living in Finland, it is only natural to speculate whether the owner would benefit more from Estonian or Finnish corporate law and taxation.

1.3 Research Question

Estonia has long had a reputation of having certain advantages to Finland such as taxation, advanced e-solutions, a welcoming atmosphere in the form of swift bureaucracy, and an overall optimistic and supportive mindset towards entrepreneurship. To find out whether these advantages still hold true, a selected group of Finnish entrepreneurs in Estonia will be approached. A set of preliminary interviewing questions were prepared to answer the Research Question:

- Which advantages the Estonian entrepreneurial environment has compared to the Finnish entrepreneurial environment in 2021?

Initially, the preliminary questions of this research concern corporate taxation in both countries, the lack and quality of the Estonian workforce, the importance of entrepreneurial education, and a possible impact of coronavirus. However, the author reserves a right to develop questions about subjects not mentioned above, shall something relevant to answer the Research Question come up during the interviews, if not to work on in this study then for further investigation.

In this research, the author relies on qualitative research. Data collection focuses on in-depth qualitative interviews while data analysis is conducted by grounded theory methods. According to Charmaz (2003), qualitative interviewing enables an open-ended, in-depth investigation about the topics where the interviewees have a substantial experience and can thus provide their valuable

knowledge. Grounded theory methods help particularly well to develop new questions whenever new issues emerge, and group data by particular areas of interest.

1.4 Structure of the thesis

The remainder of the study is structured as follows: Chapter 2 will review key concepts of the entrepreneurial environment, and go through previous studies concerning economic aspects in both Estonia and Finland. Chapter 3 outlines the research methodology in detail about data collection and analysis, after which the results are presented in Chapter 4. In the empirical study, the author pursues a qualitative research approach by collecting data from interviews with Finnish entrepreneurs in Estonia. Chapter 5 discusses the findings of this research and concludes with the limitations of the study and recommendations for future research.

2 Literature Review

This chapter will first define the concept of an entrepreneurial environment. Then, both Estonian and Finnish entrepreneurial environments at their current state are described and given an overview of recent interrelations between those two countries based on available academic literature.

2.1 What is an entrepreneurial environment?

The concept of an entrepreneurial environment, also called an entrepreneurial ecosystem, has been tried to explain in various extent within contrasting research designs and data (see Malecki, 2017, p. 6). For the sake of consistency, this research will use the term *entrepreneurial environment* for coherent reading.

The Financial Times Lexicon (2018) approaches the entrepreneurial environment as an ecosystem created by private and public performers, where the enterprises are being nurtured and sustained, and which are either helping or hindering the actions of entrepreneurs. While the presence of functioning companies, new prospects for start-ups, patent systems and overall business friendliness is seen as a good base for entrepreneurship, corrupt societies or societies without developed technical standards clearly keep innovational ideas coming to the market. (The Financial Times Lexicon, 2018). Most definitions emphasise the mixture or interaction of elements that inevitably grow through network. Produced shared cultural values in turn support entrepreneurial activity.

Entrepreneurial environment is defined as a combination of "social, political, economic and cultural elements within a region" that strain to attain establishing and supporting high-risk investments (Spigel, 2017, p. 50). Similarly, Cukier et al. (2016) stress the regional aspect within entrepreneurial environment stating that the area is limited to only 30 miles or 1 hour travel. By this definition, these 30 miles are shaped by network of enterprises and institutions that aim at developing existing businesses and creating new ones. Feld (2012) has a more social approach emphasising that entrepreneurs who are committed to the environment long-term, for at least 20 years, should form an entrepreneurial environment. Such environment is inclusive but offers events and gatherings to meet up and form a base for new entrepreneurs (Feld, 2012). However, Mack and Mayer (2016) have also brought up that modern definitions of entrepreneurial environment still lack the features of less-performing communities as these definitions are mainly built up on well-doing societies and where the growth-oriented enterprises are at the centre of attention.

Perhaps the clearest definition that consists all the key elements discussed above is the one provided by Stam (2015): "The systemic conditions are the heart of the ecosystem: networks of entrepreneurs, leadership, finance, talent, knowledge, and support services. The presence of these elements and the interaction between them predominantly determine the success of the ecosystem" (Stam, 2015, p. 1766). While the definition might also incorporate interconnections to and from outside the local environment, the central idea is that an entrepreneurial environment is a *system* (Malecki, 2017). The so-called *systemness* of entrepreneurial environments, and the interaction of their different elements and factors are all-important, Malecki (2017) emphasizes; whenever there are changes in the system, its components reorganise, and interaction between all its elements change as well.

Cavallo et al. (2018) point out that in order to understand the essence of entrepreneurial environment, it is important to recognize the factors affecting all entrepreneurial activities in changing market demands. What are the elements that create growth in a given entrepreneurial environment and how are these perceived by the entrepreneurs operating in those environments, is very much context-related. Peculiarly, countries with small domestic market are being recognized as having a strong drive for innovative environment (Luostarinen & Gabrielsson, 2006) but at the same time, smallness also brings along challenges in leverage concerning different resources, one of them being workforce. Velt et al. (2020) suggest that as an opportunity, small entrepreneurial

environments might find it mutually beneficial to congregate certain areas and policies, which would lead to a transnational entrepreneurial environment regionally.

Thus, Estonia and Finland, both representing small domestic markets but encouraging start-ups in their own entrepreneurial environments, are suitable ecosystems to explore further. Those neighbouring countries have the necessary elements to form a transnational region. In both Estonia and Finland, a considerable amount of workforce is concentrated around their capital area (Sergeevich & Alekseevna, 2015) which brings us to another exciting phenomenon explored. As it is, in every city, region and country there are their own creative leaders and prevailing ideas formed that are considered one of the fundamental building blocks in a given entrepreneurial environment (Cohen 2006). Often, those likeminded people attract each other and join their powers to create favourable conditions for establishing and expanding the new businesses. The closeness and similarities in social culture as well as in the entrepreneurial mindset give Estonia and Finland great opportunities to tribute into each other's resources like workforce, services and merchandises. This, in turn, enables them to collaborate regionally (Velt et al., 2020).

2.2 Estonian entrepreneurial environment

Estonia has given credit for its driven and dynamic market with advanced network infrastructures and exceptional information and communications technology. The Estonian government has expressed a significant will to endorse an advantageous environment for the entrepreneurs, which in turn has encouraged both national and international business makers. Entrepreneurship in Estonia has indeed gained considerable popularity and since 2014, especially early-stage entrepreneurial activity is ranked the highest in the European Union (SBA, 2019). The established business ownership had increased from 0.5% in 2013 to 11.4% in 2017, raising Estonia the third-highest in European Union. In the comparison among 190 countries, Estonia ranked 12th in the easiness of establishing and maintaining a company (SBA, 2018).

Estonia is also recognized for its digital platform of government to share public data, software and services. There is i-Voting to vote from any location, e-Police for police services, eHealth for individual health history, e-Notary for professional notaries and e-School for communication between school and home, to mention a few. As to the service providers like rescue and police, emergency

and other security and health-care related services, the extra benefit comes from real-time monitoring that allows shortened action-taking period to save lives. From the customers side of view, driving licenses are now issued in two days instead of two weeks as it was before, and all that without any need to physically go anywhere (Lember et al., 2018). All those e-services have obviously paid off as Estonians show an exceptionally high faith toward solutions provided by the e-government to the point where matters concerning privacy have almost no influence on political discussions. By now, information and communication technologies have actually become one of the strongest bases of country branding (Lember et al., 2018).

In Estonia, it has made easy for both local and foreign entrepreneurs to start their businesses simply via online: e-Business assembles legal data of all ventures listed in Estonia, and provides a platform to register a new business online (Margetts & Naumann, 2017). Moreover, Estonian innovative project e-Residency, launched in 2014, has received a considerable amount of attention globally. The idea was to challenge traditional conceptions of residency, citizenship and territoriality - thus, globalization (Kotkas et al., 2015) and was developed completely from scratch (Lember et al., 2018). In short, the e-residency gives foreigners an opportunity to launch and run a company, manage all banking matters and access international payment services. The e-residents can declare taxes, and sign their documents and contracts digitally, all that within minutes. In other words, the e-residents can find different public and private services and institutions all in one place (Lember et al., 2018). According to the e-Residency portal, the top five application countries by January 2021 are Finland with 5730 applicants, Russia (5276), Ukraine (4743), Germany (4603) and China (3836). Then again, by the number of companies each foreign country has e-launched by January 2021 in Estonia, Finland ranks 10th with 565 enterprises (while the total number of companies based on Finnish capital is estimatedly 6000 (Finnish-Estonian Chamber of Commerce, 2021)). Here, the preceding 9 countries are Ukraine (1159), Germany (1110) Russia (1059), Turkey (835), France (806), Spain (716), Italy (667), United Kingdom (593), and India (570). Referring to the above mentioned e-Residency 2021 data, one can conclude that Estonian virtual business environment includes entrepreneurs both from inside and outside the European Union securing all the entrepreneurs with the EU legal framework and providing trust within Western business environment.

In Estonia, there are at least six such universities that offer business-related degrees: Estonian Business School, TalTech School of Business and Governance, Business Administration in University of Tartu, Faculty of Business Management in EuroAcademy, School of Governance, Law & Society in Tallinn University, and the Institute of Economics and Social Sciences of Estonian University of Life Sciences. In addition to those, there is a unique, only entrepreneurship-focused higher education institution, Estonian Entrepreneurship University of Applied Sciences. Curiously, even a so-called "Estonian entrepreneurial mindset" has been studied (Wannamakok et al., 2020) while researching how the Estonian institutional environment effects on entrepreneurial intentions of Estonian students. Here, the definition of *institutional environment* is divided into three conceptual parts: regulatory, cognitive, and normative. Regulatory environment refers to a codified set of laws, legislation and government policy; cognitive environment reflects people's beliefs and knowledge about founding new businesses; and normative environment deals with standards and norms supporting entrepreneurship in a given country. All three have found to have a major impact on entrepreneurship and overall willing to start a business. National institutions in cultures with high individualism and long-term orientation are perceived affecting business-making intentions more likely than the institutions in cultures of collectivism and short-term orientation (Wannamakok et al., 2020), and the Estonian mindset is described as rather driven by individualism and long-term orientation. The findings seem to indicate that the institutional environment in Estonia does encourage people with higher education to seek entrepreneurial possibilities.

In addition to local entrepreneurs, it is also relatively easy for the foreign entrepreneurs to enter Estonian market despite the lack of common culture or language (Ranaweera, 2020). Actually, the most influencing factor to become an entrepreneur in Estonia, for both local and foreign entrepreneurs, is the prevailing social norm or "start-up community in Estonia" (Ranaweera, 2020, p. 22) i.e. the mindset, easiness of making business, and, surely, an innate drive for innovation. Although Estonian market is very small, Estonian legal frame is described rather compliant and transparent thus giving the business-minded persons opportunities to launch and develop their businesses to other countries.

It is rather finding the right-minded employees that hinders the smoothness of business making in Estonia, especially for entrepreneurs of foreign background with no local knowledge or language

(Ranaweera, 2020). While immigration might raise problems in many countries, Ezeoke (2020) emphasizes how Estonia has actually benefitted from workforce flow from abroad since Estonian employees gladly accept professionals from around the world. The research results show that Estonian start-ups appreciate straight communication about expected results, and a great importance is placed on the teamwork where everyone's ideas are being heard. Indeed, the international workforce in Estonia has more than doubled over the recent years, which in part explains the reputation of Estonia as "the Europe's most entrepreneurial country" (WorkEstonia, 2021).

Besides an easy e-access, Estonia also has a unique corporate income tax system. In fact, Estonia and Latvia are the only countries in Europe where companies pay income tax only when the profit is distributed, and from the profit they distributed (Sipola, 2020). The corporate income tax rate is generally 20 per cent, calculated as 20/80 from taxable net payment (Estonian Tax and Customs Board 2021). Because Estonian companies do not necessarily pay income tax every year, Estonia is thought to be a tax heaven by a misconception (Sipola, 2020). Namely, income tax is assessed monthly, thus taxable amount must be also declared monthly whenever profits get distributed or there are other expenses subject to tax. Therefore, regardless of profits or losses, submitting tax return yearly is not necessary (Estonian Tax and Customs Board 2021). Shortly, whenever a company wants to distribute its profit will trigger the income tax liability (Sipola, 2020).

However, during the recent years there have been a slight change in taxation concerning the dividends paid. Since 2019, if an Estonian resident company pays out dividends *regularly*, a lowered rate of 14/86 is implemented to part of dividends paid. Such scheme has to match certain criteria. Since 2018 it is required that the total of the profit distributed in a calendar year cannot exceed the average sum of the last three calendar years and that the resident company has paid income tax during those years (Estonian Tax and Customs Board, 2021). Now, if that is a natural person and not a company receiving dividends taxed at a lower rate, he or she has to pay an additional income tax of 7% (Estonian Tax and Customs Board, 2021).

In addition to a mostly positive outlook on Estonian technological and economic growth and unique taxation, there are also critical approaches available concerning the same topics. For example, there are complaints about Estonian public sector where the technological capacities are sometimes seen as outdated in the otherwise technology-friendly environment. While there are

no major privacy-related matters that interfere with these anticipated technological developments, there is still a strong pressure both from budget and productivity-wise. Most of the public sector influencers admit being somewhat guarded in respect to create new, or adapt advanced technological solutions (Lember et al., 2018). It seems that there are some more dynamic organizations that have modernized their solutions, and clearly benefitted from digitalization in terms of providing their services more effectively while considerably cut down in expenses. At the same time, there are other, more static service providers that for a reason or another have not yet achieved the same goals.

There are also some concerns about seemingly successful economic growth in Estonia especially after its innovative years straight after gaining independence in 1991. Laaser et al. (2015) claim that in spite of its apparent success, Estonian productivity level still has considerable catching up to do with many other members of the European Union to achieve the wealth gap. Estonia has not entirely gotten rid of the reputation being "a low-wage country with a low value-adding product range in the first decade of the new millennium" (Laaser et al., 2018, p. 5). To combat that, both employment principles and export patterns need considerable revisions. Finland, Singapore and Ireland are set as examples of relatively small countries that have succeeded in continuous economic growth by focusing on suitable institutional framework and human capital formation (Laaser et al., 2018).

Now, in 2020 the global economic crisis caused by the coronavirus COVID-19 has had obvious consequences also on many economic sectors in Estonia. The first appearance of the virus in Estonia was diagnosed in February 27, 2020 and soon after that, the state of emergency in Estonia was announced on March 12 (EAS, 2021).

According to Nordea Trade Portal (2021), the COVID-19 pandemic has had a serious impact on Estonian economy. GDP dropped by 2.9% in 2020, mostly due to the shrinkage in private consumption and investment. IMF forecasts growth of 3.4% in 2021, and 4.2% in 2022 if the global situation normalizes. In the period when this research is written, the pandemic still spreads and there are no academic research about the damage done on Estonian economy yet available; however, several national and international measures have been taken to revive branches suffered from the

coronavirus the most. The European Commission (EC) approved eight support schemes with a total estimated budget of 77.5 million euros to aid the economic damage due to the coronavirus outbreak throughout the European Union. Amongst the supported providers were also the four international passenger ferry operators who operate between Estonia, Finland and Sweden. Since March 2020, the Estonian and Finnish authorities set travel restrictions in order to prevent the coronavirus spreading. As a result, these restrictions led to a deterioration in travellers, which in turn led to losses of profits for the ferry operators. Other support receivers in Estonia were the state-owned aviation company and other tourism service providers as well as small and medium-sized companies active in the food processing sector. There were also businesses and organisations active in the culture and sports sectors that were affected by the coronavirus. Institutions carrying out industrial research and experimental development as well as coronavirus-related research and development were also supported by the funds. (EC, 2021).

2.3 Finnish entrepreneurial environment

In 1990, Finland was the pioneer state to establish country's national policy on the concept of national innovation system (Miettinen, 2013). Focusing on innovation, development and research, Finland has been successful in its knowledge-based strategy (Sabel & Saxenian, 2008). In terms of innovativeness, Finland has been ranked among the top nations (Dutta et al., 2015). Finland is seen as an example of the structured knowledge economy, and praised for the efforts in adopting modern innovation policies that base on wide-ranging and far-reaching approach. Particularly in the early 2000s, the concept of distinguished Finnish education, a highly educated and talented workforce, and confidence in research and innovation combined with solid society gave Finnish entrepreneurs a great confidence to compete globally in business environment (Laasonen et al., 2020).

However, in spite the excellent performance in the rankings, Finnish innovation system has not efficiently applied to those new directions of economic development. Although Finland is being regarded as successful in innovation policies and its efforts innovation and R&D are noticed in the whole world, the initial concept has receded (Sabel & Saxenian, 2008). There have been blaming voices pointing at the Finnish government in the period 2015–2019 for decisions affecting adversely on Finnish innovation policy overall. Critics also indicate that compared to many other European countries, Finland's economic growth has not kept up during the same period of prolonged

economic crisis (Laasonen et al., 2020). Lately, numerous research have shown that Finland's innovation policy is in crisis, and suggested revitalization (Lemola, 2020). Some critics warn that the consequences will be severe reforms in such public organizations that are bound to execute the innovation system, and the whole innovation policy is in a state of slight chaos (Laasonen et al., 2020). The same concerns were expressed by OECD (2017) in the evaluation of national innovation policy, and by the Finnish innovation policy officials (Koski et al., 2019; Ormala, 2019) after the launch of the national strategy in 2008. Critics wonder whether there are right tools and operational measures to conduct the Finnish innovation policy at all, or has the innovation policy remained just words that have lost their initial focus. Some Finnish entrepreneurs feel that the main goal of innovation policy nowadays is the maintenance of old industries instead of being active in exploring new solutions (Laasonen et al., 2020).

However, Finland at its current state is experiencing a great interest in ecosystem-based development, and the most recent nation-wide attempt is development of new platforms to boost its performance on both entrepreneurial and public sectors. The most ambitious such initiative taken in Finland concerns the period 2014-2020 and is called the Six City Strategy (6CS). It is a national programme executed in the Finland's six biggest cities: Helsinki, Espoo, Vantaa, Turku, Tampere and Oulu. These cities accommodate about 30% of the Finnish population. The 6CS targets start-ups and entrepreneurs and as well as establishments of education and research. The focus of the strategy is on supporting entrepreneurs and starting businesses but also on developing some services in public sector. The even greater purpose is to create shared values between separate economic elements and activate mutual co-operation to enhance both regional and national competitiveness (Nordling, 2019). The strategy relies on digital technology and provides various innovation platforms, originally financed by public funding, for both entrepreneurs and public organizations. The final aim is to create a smooth marketplace for entrepreneurs on the one hand, and synchronize public service structures on the other hand. All in all, the 6CS binds together the advantages of these six biggest cities to produce an innovative service provider which in turn shall lead to improved local ecosystems, and thereby boost the overall national entrepreneurial environment. The 6CS initiative is considered a part of Finland's structural funding scheme for sustainable development and employment. 100 million Euros is estimated to be the full amount of public funding for the whole initiative period (Nordling, 2019).

There have been attempts to measure different variables covering internationalization and the level of absorptive capacity in Finnish companies. Absorptive capacity here means how a company evaluates and acquires new knowledge (Onwuzuligbo, 2017) which is executed through interactions between individuals, groups, organizations or even between countries (Torodova & Durisin, 2007). It is more probable that companies that do not invest in its absorptive capacity may not benefit from the emerging opportunities in the modern competitive entrepreneurial environment (Luciano et al., 2014). The survey on more than 600 Finnish medium-sized companies (Onwuzuligbo, 2017), however, ensured strong relations between an organization's level of potential and realized absorptive capacity. This ability not only has a great impact on firm's level of internationalization but it also has a significant influence on firm's entrepreneurial environment which is especially important considering this research. The awareness of Finnish entrepreneurs of competition, technological changes, regulations and cultural behaviour in Estonian business environment determines whether the company should invest in Estonia or not.

Laasonen et al. (2020) suggest that that at the present time, the network of public innovation service in Finland is getting more compressed. Public innovation service network is now seen directing into internationalisation and innovation, looking for grow-oriented entrepreneurs and absorbing ideas from knowledge hubs. For instance, Team Finland was launched in 2013 in order to provide all state-funded internationalization services for companies from one institution: the Prime Minister's Office. Before that, these services were ran by numerous different ministries, Business Finland (formerly Tekes and Finpro), Finnvera and a wide co-operation of other partners and contractors. (Laasonen et al., 2020).

Compared to Estonia, Finnish corporate income tax is practiced on different foundation. In Finland, a company's income tax requirements are largely defined by the legal form of corporate entity of a company. According to Finnish Tax Administration 2021, there are two entity forms which are responsible to pay income tax such as the limited company (Finnish: *osakeyhtiö*; Swedish: *aktiebolag*) and the cooperative society (Finnish: *osuuskunta*; Swedish: *andelslag*). Corporate income tax rate is 20 per cent alike in Estonia. The limited company has to follow a certain taxation procedure specified by Finnish Tax Administration every time when it distributes dividends to its shareholders.

Similarly, if the corporate entity is a public institution or an association that provides public commodities or services, their profits will be taxed. Even if the institution is not regarded as a public service provider, it will be still taxed 20% of all income. In addition, all benefits from real property for public institutions are under liability to pay tax. (Finnish Tax Administration, 2021).

Finally, looking back at 2020, the impact of coronavirus was, and is still felt in Finland. The first appearance of the COVID-19 in Finland was confirmed on January 29, 2020. Since then, the virus started to spread quickly worldwide so that the World Health Organisation announced the coronavirus expansion already as pandemic on March 11 (WHO 2020). By that date, Finland had verified 61 cases (Statistics Finland, 2020).

According to Ministry of Finance (2020), compared to most other European countries, Finland suffered less consequences economically at least during the first six months of 2020. However, taking into consideration that the virus is still spreading, the speed of recovery is still slow. The Finnish economy is rather going through a period of cautious expectation in an era of unpredictability. The Ministry of Finance's estimation is that the GDP recessed to 3.3% but the IMF estimated even a lower number of 2.9 in 2020 due to the effects of the coronavirus pandemic. Nevertheless, the expectations for 2021 are that Finland'd growth is about 2.3% and for 2021 about 2.5%. The expected growth is anticipated stemming from businesses starting investing again and from newly found shopping activity of consumers. (Nordea Trade Portal, 2021).

Despite the hopeful expectations stated above, the coronavirus pandemic started to spread again in the end of 2020, bringing along even more cautiousness to different economic sectors. Several new restrictions were announced that increased the uneasiness in the current state in Finnish economy so that the real recovery could still not fully begin. (Ministry of Finance, 2020).

In addition to national measures, The European Commission approved funds for a €3 billion scheme to support these Finnish companies whose situations was affected the most by the pandemic. These funds were admitted in different forms like state guarantees and loans, various taxation compensations and advance payments or repayable advances but also as direct grants and equity injections. (EC, 2021).

2.4 Estonian and Finnish entrepreneurial environments interrelated

As small and medium-sized enterprises (SMEs) have an increasingly important role in any country's economic development, Shahzad and Elenurm (2020) explore the operating modes in which Finnish SME's have entered the Estonian market. Based on their research on seven Finnish SMEs in service and manufacturing industries operating in Estonian market, they find that that one of the first strategic decisions has been whether to buy an already existing local company (i.e. acquisition), or to launch a completely new enterprise (i.e. greenfield method). The results show that the choice is mostly dependent on the previous experience of the company: if the chosen mode was successful in another country, the same mode was also chosen to enter the Estonian market. In addition, Shahzad and Elenurm (2020) state that entering the Baltic region is relatively uncomplicated for the EU countries but examined whether the preferred entering mode might have specifically to do with Estonian institutional factors since institutions interrelate between the entering company and the local market. Shahzad and Elenurm distinguish between formal and informal establishments: the formal establishments regulate laws and related legal context while informal establishments reflect existing principles, ideologies and standards of home and host countries' environments. The results affirm that Finnish entrepreneurs find Estonian formal establishments encouraging while the informal establishments were of little importance considering the cultural similarities between the two countries.

Velt et al. (2020) study the Estonian and Finnish entrepreneurial environments by comparing those two ecosystems. Both countries have a small domestic market and as neighbours, there are great opportunities for a transnational, regional collaboration. It is recognized that on the one hand, countries with small domestic market have a strong drive for innovative environment (Luostarinen & Gabrielsson, 2006) but at the other hand, the smallness also brings along challenges like lack of resources. Velt et al. (2020) suggest that Estonia and Finland might find it mutually beneficial to congregate workforce, services and merchandises to create a regional, transnational entrepreneurial environment.

One of such forms, for example, is crowdfunding as a most recent phenomena in the finance sector created by the internet and digitalization. Since the recent financial crisis 2008, the renewed bank regulations have made is challenging for SME's to receive financing by traditional methods. As the world is moving toward online services quickly, crowdfunding offers financing opportunities

to businesses in different stages from projects and start-ups till well-established businesses. The idea, in short, is that a great amount of people (hence the 'crowd') give each a small amount of money to support a project; this typically happens in means of the internet (Costley, 2017). Usually, crowdfunding holds three main stakeholders: the platform where the transactions take place, the investors or supporters who give a certain sum of money, and the project host raising funds from a large pool of potential investors. There are different forms to do that, for example a so-called debt crowdfunding which is commonly used in the Finnish market (Wuorimaa, 2020) and means raising money as a loan from the crowd, for a pre-determined interest over a fixed time period (Costley, 2017). Real estate crowdfunding refers to crowdfunding that is involved solely with real estate related projects as in both Estonia and Finland, one of the benefitting industries of such funding form is real estate sector (Wuorimaa, 2020). There is nowadays a variety of financing opportunities available for real estate companies ranging by estimations of Wuorimaa (2020) from 20 000 € - 1 650 000 € with interest rates varying from 5,25 % to 18%. Although for the time being, the real estate crowdfunding platforms have served only a small niche in Estonian and Finnish markets, both countries have seen an opportunity to serve an underserved marketspace and provide their services in co-operation to neighbouring countries.

3 Methodology

This chapter introduces the grounded theory method and how to apply its fundamental procedures. In the beginning, the author provides a short description and explanation of the grounded theory methodology that is used to provide data for this research. Next, the latest economic indicators of Estonia are presented to obtain an objective insight into the country of interest. Thereafter the discussion moves on to discuss data collection and analysing methods and finally, it comes to verification and justification of research results.

3.1 Research approach

As the previous chapters revealed, Estonia has long had a reputation of having certain advantages to Finland such as taxation, a welcoming atmosphere in the form of swift bureaucracy, an overall optimistic and supportive mindset towards entrepreneurship, and advanced e-solutions to name some. To find out whether these advantages still hold true, the author uses grounded theory methods for collecting and analysing data at the same time.

Khan (2014) summarizes the essence of grounded theory as a data collection technique amongst qualitative research methods and that is characterised by completely basing on data instead of arising a theory from data. In other words, the grounded theory involves theory-building instead of empirical testing of the theory. Grounded theory gets another well-explained description from Glaser and Strauss (1967) who state that the concept is actually a gradual theory development in social settings. Khan (2014) supports the concept by drawing attention to the fact that also the research questions and literature review do not support empirical testing of the theory but rather provide for theoretical contemplation and theory construction.

As the author is unaware beforehand what exactly are the most significant factors in the Estonian entrepreneurial environment, the grounded theory methods allow to seek participants whose experiences speak to their areas of interest. Thus, a researcher can form preliminary interviewing questions to open up these areas. Further questions will develop as the issues and concerns of research participants arise. This process will be repeated again and again throughout the whole data collecting process. (Charmaz, 2003). This method ensures that the researchers keep their focus on the concrete data rather than on their own expectations or assumptions.

Wolcott (1980) states that the grounded theory technique gives appropriate measures to explore human behaviour on a profound matter even when the cultural diverges. Therefore, the author considers it suitable to use grounded theory methods while collecting data for this study. For qualitative research, data collection by means of semi-structured in-depth interviews with focus groups is especially suitable in a grounded theory approach (Khan, 2014). In other words, gathering and analysing data leads to exploring and identifying the factors associated with the Research Question.

Thus, the author will approach a selected group of Finnish entrepreneurs in Estonia by preparing a set of preliminary interviewing questions in order to answer the Research Question: which advantages the Estonian entrepreneurial environment has compared to the Finnish entrepreneurial environment in 2021? According to Charmaz (2003), grounded theory methods are especially suitable for in-depth qualitative interviewing. Grounded theory methods call for the researcher to seize their data collection and data analysis while providing methods for a more analytic approach to the material. An open-ended, in-depth investigation of a topic in which the respondent has a

considerable competence and therefore a substantial insight is one of the characteristics of qualitative interviewing. Such interviews enable the interviewer to create a framework of these insights by grouping the topics and developing the questions whenever new issues emerge. The interview data will then be transcribed and analysed by means of examination, comparison and coding.

Grounded theory methods rely on analogous flexibility. At the same time while being prepared for new issues and topics during the interviews, the researchers also learn from data already collected. This way, they can return to collect more information and find responses to their questions, and to fill in possible conceptual inconsistencies adding some analytic insight to flexible in-depth interviewing techniques. Glaser & Strauss (1967) mention qualitative data gathering methodologies such as meeting in person, focus group interviews, and conversations on the telephone. To answer their research questions, the researchers have to follow the pattern where data is collected and analysed, then again collected and analysed, until there is no new information found or the volume of collected data is enough (Khan, 2014). The difference between grounded theory interviewing, and in-depth interviewing lies in arrangement: the grounded theory research explores specific data from quite a narrow circle of matters discussed in the interviews (Charmaz, 2003).

Initially, the preliminary questions for this research investigate the reasons behind establishing a business in Estonia, the quality of the Estonian talent pool and workforce, the importance of an entrepreneurial mindset and education, and a possible impact of coronavirus. However, the author reserves the right to develop questions about subjects not mentioned above, shall something relevant to answer the Research Question come up during the interviews: if not to work on in this study then for further investigation. See the interview questions in Appendix 1.

3.2 Research context

Taking into consideration that this research focuses on doing business in modern Estonia, it is relevant to take a look at how the country's economy has developed during recent years, and what is its current economic state. Estonia became a member of the European Union on May 2004. Six years later, in May 2010, Estonia joined the OECD as a first state from the former Soviet countries. This Baltic state has turned from a state-controlled and centralized economic environment to a

proactive market that has gradually liberalized and modernized by following strict budgetary principles. Estonia has been successful in the IT sector. Estonians have invented the Skype software, and Estonia was the first country to execute internet voting in local elections. Estonia has done well in the field of cybersecurity, and its national identity card have multifunctional electronic purposes. In addition, Estonia has taken considerable measures in the renewable energy sphere. Curiously, Estonia is one of the most productive shale oil producers in the world, and exploiting shale oil for electricity needs gives the country relative energy independence. (Nordea Trade Portal, 2021).

In general, Estonian public finances base on a stable foundation. According to IMF (April 2021), the latest trends are negative. In 2019, the general government deficit was estimated at -0.9% and in 2020 at 5.3% of GDP. The decline was seen as a consequence of losses in revenue as well as admitted support funds up to 3% of GDP to balance out the effects of the COVID-19 on economy. The IMF foresees the negative trend to continue in the upcoming years as -7.4% for 2021, and -6.1% for 2022 due to further expenditure in the budget. The state budget anticipates overall increase in retirement payments and expenses on defence and security. It is very likely that due to the COVID-19 pandemic also the healthcare sector needs additional resources. Nevertheless, the ratio of Estonian public debt to GDP is still the lowest in the EU even though it vaulted from 8.4% in 2019 to 18.5% in 2020. In 2020, while global energy prices were lower and also excise duties on diesel fuel were temporarily lower, Estonian headline inflation was estimated at -0.6%. However, the economic forecast for Estonian headline inflation in 2021 is 1.8% for 2021 over 2.5%. (IMF, 2021.).

According to the latest analysis by Nordea Trade Portal (April 2021), Estonian GDP fell by 2.9% in 2020 due to coronavirus pandemic and the economic crisis it brought along globally. The IMF forecast for 2021 that Estonian GDP reaches a growth of 3.4%. If the overall global situation normalizes and the economy establishes its 2019 level, Estonian GDP might reach a 4.2% growth in 2022 (IMF, April 2021).

In the previous chapters, it was mentioned that the Estonian labour market suffers from labour shortages while consequently rising nominal wages during the recent years. Although the government was willing to provide a wage subsidy strategy, the Estonian unemployment rate has still risen from 4.4% in 2019 to 6.8% in 2020. In 2021, the unemployment indicator is even expected to

rise to 7.1% in 2021 before foreseen fall to about 6.5% in 2022. According to Statistics Estonia (2021), as much as 21.7% of Estonian people are in danger of poverty while 2.4% are already experiencing absolute poverty. As reported by Eurostat (2021), the real GDP per capita is probably close to EUR 15,760.

A short look at the main sectors of industry (see Table 2 below) shows that the biggest contribution of 62.5% of the Estonia's GDP is the services sector, which engages approximately 68% of people in working age. The strongest position in the services sector belongs to the information and technology (ICT) segment. ICT currently creates about 7% of Estonia's GDP and provides working places for almost 6% of population. The coronavirus pandemic in 2020 has impacted different subsections unevenly: there were sectors that grew and sectors that suffered severe losses. For example, the total turnover of retail sellers grew by 4%. At the same time, the tourism sector sank down by 47% which is how much tourist arrivals diminished between January and November 2020 compared to the same period one year earlier. (Nordea Trade Portal, 2021). The number of foreign tourists fell by a gigantic 68% (VisitEstonia, 2021).

Estonian industrial sector in whole embodies roughly 22% of the GDP and provides work within 29% of total employment. However, the industrial sector has suffered quite harshly by pandemic. According to Statistics Estonia (2021), the industrial production output diminished 5% in 2020 compared to the same period in 2019. The largest industrial subsectors in Estonia include the foodservice industry, electronics and information technology, the chemical industry and the wood processing industry. An estimated 13% of Estonia's GDP is provided by the manufacturing sector alone (World Bank, 2021).

The agriculture sector contributes with only 2.5% of Estonia's GDP and engages approximately 3% of the workforce (World Bank, 2020). As mentioned above, Estonia exploits its shale oil reserves for electricity up to 60% thus the country is quite self-sufficient in terms of electricity. The agriculture sector has also done well during the economy crisis caused by the COVID-19 pandemic: the overall production of the agriculture sector remained at EUR 980.6 million in 2020 just like in 2019 (Statistics Estonia, 2021).

TABLE 2. Estonian main sectors of industry (World Bank, April 2021)

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (<i>in % of Total Employment</i>)	3.1	29.4	67.6
Value Added (<i>in % of GDP</i>)	2.9	22.7	61.4
Value Added (<i>Annual % Change</i>)	23.0	-1.9	5.9

3.3 Data collection and data analysis

Grounded theory was first brought into attention to scientists by its original authors, Barney G. Glaser and Anselm L. Strauss (1967). They stated that the grounded theory methods give means to explore both narrow, specific conditions as well as larger, social conditions. Grounded theory methods enable to take a look into interpersonal relations but also into relations between individual and society. Relying on this statement, the author considers grounded theory methods an appropriate approach for this research as the experiences of Finnish business makers in Estonia are largely affected by their reflections on personal experiences, motivation, identity, prejudices and interpersonal cooperation.

Qualitative data collection methods like interviews, observation and documents are used in this study. The empirical analysis of data in this thesis bases on grounded theory methods. The empirical data is collected from personal in-depth interviews and is analysed following the grounded theory methods. The data from interviews is gathered with the help of semi-structured questions for Finnish entrepreneurs who have launched their ventures in Estonia.

The discussion with the respondents covered the most important economic factors in modern Estonia, the advantages and challenges in contemporary economic circumstances, and their personal reasons to operate in the Estonian entrepreneurial environment. The interviews were conducted during June and July 2021. All but one interview were recorded in Finnish, then translated into English, and finally transcribed on paper. One respondent preferred to answer in written English due to incompatibility in time schedules. The secondary data in this study is collected from various research reports, theses, previously published articles, books, and websites of various institutions.

For analysing data, grounded theory methods offer a sequence of exploratory strategies from certain facts to a broader result or outcome. The usual procedure is, for example, to start with personal examples or experiences and from them, develop ahead more conceptual, larger categories. Such an approach makes it coherent to combine, explicate and understand the collected data, and to recognize possible internal relationships step by step.

Grounded theory methods incorporate a systematic approach to handle even an abundant qualitative material, and it can be used for quantitative substance as well. Thus, grounded theory methods become handy in organizing and constructing data gathering and analysis, making available effective qualitative research. The determining features of grounded theory methods (Charmaz, 1996, 2003; Glaser & Strauss, 1967) can be listed as follows:

- collecting and analysing data at the same time;
- coding and categorizing data according to the recorded and incoming information instead of pre-determined hypotheses;
- developing middle-range theories to unite theory and empirical research;
- memo-making or writing analytic notes; and
- theoretical sampling.

Next, the essence of each above-listed feature is described in the next few paragraphs. Being able to collect data and analyse it at the same time enables to collect more data about the topics and questions that emerge from interviews, for instance. Furthermore, this method helps to avoid collecting unfocused data that leads nowhere. Instead, grounded theory methods allow the researchers to be open to new analytic topics that emerge from the incoming data. That way, it is possible to follow such themes that emerge as important from interview but might be omitted in others. (Charmaz, 1996).

The first stage of data analysis for the research is coding and categorizing data. The aim of coding is to explore and understand what the data contains. While quantitative coding presumes categorizing before actually even collecting the data, qualitative grounded theory coding expects the researcher to create the codes only after or during the data collection. For this it is possible that the coding process will take the study into topics that were unforeseen before. Coding fills in the role of uniting collected data to a resulting theory. (Charmaz, 1996). In other words, coding then forms a basis for theoretical categories, which will be demonstrated in Results chapter.

The following step is memo-writing. This process unites coding and the final analysis. The aim of memo-writing is to reveal mechanisms and chain of actions behind assumptions and statements gathered behind codes. During memo-writing, coding becomes more than just a data sorting method; it will be rather seen as an exploration process. It is almost crucial to activate codes for memo-writing from the start to avoid overpiling of data. Active memo-writing at the same time while coding data helps to unveil conceptual connections in the early stages and clarifies the process as a whole. (Charmaz, 1996; Glaser & Strauss, 1967).

The idea of memo-writing is to take the researcher exploring the previous categories. A large part of memo-writing is about active comparison, or what Glaser and Strauss (1967) call 'constant comparative methods'. For example, respondent A's beliefs are compared with respondent B's and so on. By becoming more analytic by the process, this method enables detailed comparisons first within different classifications, and then within conceptual connections. The memo-writing phase clarifies categories that are major and minor, forming the developing analysis from the very early stages of a study. (Glaser & Strauss, 1967).

To summarize the essence of grounded theory methods, it is clear that this method unites the research process with theoretical development. That said, it is also clear that grounded theory methods sometimes obscure the concrete phases of data collection and data analysis. (Charmaz, 1996). Grounded theory methods afford thorough ways to review and correct the data, and to get a compact overview of even extent quantities of information. A grounded theory analysis is usually established with data, and it keeps on following data in every step of research; the concepts are derived from data and constantly reviewed and corrected while collecting further data (Glaser & Strauss, 1967).

3.4 Verifications of findings

To evaluate an authentic study, the two most important measurement methods are reliability and validity. The aim of reliability and validity is to increase the transparency of the research on one hand, and decrease possible preconceptions or biases of the author on the other hand (Singh, 2014). Reliability and validity incorporate a justification of processes used for data collection for not just primary but also for secondary data (Saunders et al., 2009). Thus, reliability and validity

aim to verify the credibility and assessment of a study. In addition, altering data gathering methods helps the researcher to verify reliability and validity of the collected data (Tavakol & Dennick, 2011). According to Altheide and Johnson (1994), reliability explores the stableness of data and validity verifies the truthfulness of data. Furthermore, Mohajan (2017) has separated validity into two fundamental sections: internal and external. Internal validity aims to demonstrate whether the research results are authentic in terms of the group selection, data recording or analysis methods. External validity explores whether the results of a research are interchangeable when the groups of interest change.

Interviews are considered a particularly productive way to obtain large amount of empirical data, especially when the phenomenon of interest is "highly episodic and infrequent" (Eisenhardt & Graebner, 2007, p. 28). On the other hand, interviews might awake a suspicion of the biased data, often caused by "retrospective sensemaking". (Eisenhardt & Graebner, 2007, p.28). To mitigate such biases, Eisenhardt and Graebner (2007) suggest using various insightful individuals who are able to approach the matter of research from different perspectives; it is unlikely that these separate individuals would participate in retrospective sensemaking. The primary data in this research is collected from interviews with native Finns who do business in Estonia. The author has specifically selected persons who originally come from Finland but have chosen to live and work in Estonia to ensure the entrepreneurship experience in both countries, and thus to provide grounded reasons for choosing Estonia. Every interview was conducted separately and none of the interviewees was in the same business as the other; this guaranteed each opinion as to their true personal experience of the Estonian entrepreneurial environment.

The initial interview questions were formed as open-ended questions to avoid simple 'yes' or 'no' answers, but they can be thus also interpreted as leading questions. Therefore, the interviews were first recorded, and then transcribed and translated in the order of speaking. Moreover, both the transcribed and translated manuscripts were then sent to each interviewee for double-check. This was done in order to avoid a temptation to subconsciously provide my own, possibly biased assumptions or expectations, and to ensure the truthfulness of the statements by each informant.

Besides evaluating the interview as the source of primary data, also secondary data analysis needs a critical review. The secondary data in the Literature review section covers research papers, articles, books and websites from the last seven years, i.e. 2015-2021 (with one exception of 2006) to provide as recent information as possible. To obtain the reliability and validity of the literature review, only sources of academic, institutional and acknowledged background were utilized. However, the grounded theory methods, discussed in this chapter, have sustained their consistency since its creation in 1967 and are continuously backed up by the same references still used in newer academic studies and articles.

Neuman (2011) calls for each researcher to take responsibility by themselves whether or not the respondents are aware or concerned about ethics. Ethical issues especially concern qualitative research approaches, which often involve other people and their statements, sometimes about delicate matters. Participation should always be voluntary, and the researcher must reveal possible risks and benefits that might affect the respondents (Punch, 1988). In addition to these, the researcher shall avoid unnecessary or irreversible harm to participants including humiliation and degrading, and be aware of not disclosing confidential information about other individuals, collected for research purposes (Neuman, 2011).

Khan (2014) suggests that to avoid the ethical and moral dilemmas, a researcher should avoid looking for respondents through their organizations but rather prefer their personal network for appropriate individuals. All respondents participating in this research have been found through the author's personal contacts and approached by herself either via telephone or e-mail to ensure their confidence, consent and approval. Before the actual interviews, the author has informed each and every one of them that they still had the right to remove themselves from participation.

To make sure that the respondents remain anonymous, their sex, age, and location are concealed. Every interview was conducted separately and none of the interviewees was in the same business as the other. All references to previous companies were made anonymous. The transcripts of the audio recordings were preserved in the author's personal, password-protected computer.

4 Results

This chapter presents the results of the empirical study on the Estonian entrepreneurial environment including the reasons why Finnish entrepreneurs have chosen Estonia and what they think should be done to create better entrepreneurs in the modern, rapidly changing environment. The chapter reveals which advantages and shortcomings they have faced, and how they see Estonian future from the entrepreneurial point of view.

4.1 Becoming an entrepreneur in Estonia

All six respondents have worked as an employee prior to becoming an entrepreneur, and all have had working experiences both from Finland and from Estonia. The most common reasons why they have chosen to become an entrepreneur link to the overall freedom to have an impact on their career paths and benefit from their own work. As reported by Respondent C: "The main reason why I wanted to become an entrepreneur is that I wanted to influence, I wanted to experience the ups and downs."

Becoming an entrepreneur was not always the first choice. Some respondents grew into entrepreneurship gradually after years of gaining experience and becoming professionals at their jobs:

"After graduation, I worked as an employee in several advertising businesses and I noticed that whenever I changed my employer, all my old customers followed me from the former place to the new. This made me think, why would I work for someone else while I can be the one who benefits from my own work. That was the main reason to become an entrepreneur." (Respondent E).

On contrary to the above, others had high expectations right from the start. Their ambition was never just to earn their monthly salaries although they started as a regular employee. Instead, they planned early on to take steps toward ownership and approached this goal purposefully.

"My motivation was to develop the company to the direction of my will. Naturally, the potential earnings were a motivation as well. It had come clear to me that merely being an employee earning a salary is not what I am looking for. My ambition was much higher and my willingness to take the risk as an entrepreneur was appealing." (Respondent F).

Some felt as if they did not return as much as they had invested in their previous employers. Their time and devotion did not always match their salary so they decided to become their own bosses. For example, Respondent A has experience from both the public and private sector but neither could fully meet the Respondent's expectations for various reasons. The work in the public sector offered not enough challenge nor opportunities to earn money. The work in the private sector, however, offered those opportunities but to obtain them, employees were expected to thrive on an aggressive approach, which was against Respondent A's working methods: "So, as I couldn't find my own place in none of these businesses, I thought that the only option for me was to become an entrepreneur."

Two of six respondents grew into entrepreneurship naturally due to their family backgrounds. Their parents and social circle gave them an example from young age. "Somehow, I have always had that spark. We had a family business when I was growing up and I had worked in different roles there first" (Respondent B).

The years the respondents have made business in Estonia varies from 7 to 35 years; the author considers such periods as a solid base of practices for a reliable study. The reasons behind choosing Estonia instead of Finland for their operating environment have to do with overall cost efficiency including corporate tax, supported by the Estonian prevalent entrepreneurial mentality and the start-up mindset.

The most mentioned incentives to live and work in Estonia is the corporate tax: "Estonian tax system is brilliant. The overall tax load is thoroughly considered and the whole system is simple." (Respondent D). Respondents expressed their satisfaction with opportunities to invest further instead of paying the same money for taxes. "Surely, the corporate tax is a huge argument. When a company makes a profit, instead of paying taxes from the profit it can be reinvested without additional costs" (Respondent B). In addition to taxation, Estonian swift and straightforward bureaucracy is seen as supportive for business making and willingness. See more discussion on taxation in Subchapter 4.2.

In addition to corporate tax that reduces expenses and enables entrepreneurs to invest money to boost their businesses, respondents mention lower overall expenditures like taxes on salaries,

manufacturing costs, and affordable price levels on services: "More reasonable rent costs, and also employment costs" (Respondent B).

The employment of skilled professionals is another reason that comes up from the interviews with Finnish entrepreneurs. The most mentioned personal quality that all six respondents seek for is reliability, followed by a willingness to learn, a good attitude, and a generally initiative nature. All agreed that such qualities are valued high in their Estonian employees. For two respondents, Estonian employees were the initial reason to launch their businesses in Estonia. Respondent E had first established a business in Finland where they hired some young Estonian employees. Gradually, these young men started their own families in Estonia and were not interested in spending too long periods in Finland anymore. "This is when I started to think whether we should transfer all production to Estonia, and now I can say it was a very good decision" (Respondent E). Another respondent made a conscious choice to establish a business in Estonia because of skilled professionals:

"Initially, the reason why I went to Estonia, has to do with my field of business. Estonia is a leading country in the field of authentication and digital identification, and so is Finland. Through my business, I had contacts in the Western European countries where there was a need for such solutions, and my idea was to employ professionals in digital identification from Estonia for these projects. [...] In a way, it all started from the impression of e-residency, which was an extremely interesting concept for me. Through my work, I know the people who were developing this concept and out of curiosity, I, too, became an e-resident. Then I thought of launching a firm there and employ those people to continue my field of business." (Respondent C).

Respondents also praise the Estonian entrepreneurial mindset. They feel that "there is an entrepreneurial spirit in Estonia" (Respondent B) and that business-related matters are made easy for entrepreneurs. The entrepreneurial mindset especially arises in comparison to Finland (see Subchapter 4.3).

"All that time I have lived here, I have felt that Estonia wants to advance entrepreneurship, and support people's opportunities to make business, and boost people's success. It is an advantage to the state when people are successful!" (Respondent A).

Other reasons to move their businesses to Estonia instead of staying in Finland were, for example, previous university studies in Estonia, which gave them an opportunity to become acquainted with

local circumstances. "I had been in Estonia previously at the university so the society, language and people were familiar to me" (Respondent F). In addition, Estonian location in relation to transportation costs of goods was mentioned.

"About 80% of our customers are situated in Europe, or at least that was the situation before the coronavirus pandemic. Central Europe is also so much easier to operate transport-wise from Estonia whereas from Finland, first you need to ship your goods to continental Europe and only then choose the next transportation option. So the two main reasons to start a business in Estonia for me were the location of my employees and the transportation of goods." (Respondent E).

All the respondents agreed that while education does not necessarily make a better entrepreneur, it undoubtedly provides individuals with the know-how particularly in specific areas like law or digital solutions. Rather than education, though, the respondents thought that the most important asset for an entrepreneur is the individual's mindset and willingness to succeed.

In Estonia, there are at least six universities that offer business-related studies. In addition, there is a unique higher education provider that is focused on entrepreneurship only: Estonian Entrepreneurship University of Applied Sciences. According to higher education, the respondents suggest that the curricula for present and future entrepreneurs should be as modern and effective as possible and that the subjects shall be in accord with present-day needs. The educational programs must be a mixture of different disciplines; the respondents feel that such multidisciplinary develops adversity and gives thereby advantages to operate in different markets. "Commercial training, mathematics, natural sciences, law. These are the fields that give anyone solid skills to start with whatever kind of business" (Respondent D).

In addition, a real-life experience in entrepreneurship is seen as an important factor to succeed in business. A true entrepreneurial spirit is seen falling down but rising up again, learning from their mistakes but continuing nevertheless. Respondent C argued that the most successful people are in their 50ties because by that age, people typically have a deeper insight into their own field, a considerable network and a vision about how to grow their business. Therefore, the respondents also suggest that experienced entrepreneurs would spread their wisdom either in form of lectures or in seminars talking about their real-life experiences.

"I think it would be good if someone who has experience in entrepreneurship, would come and tell how it really is and what might be expected. All ups and downs. Because it's not going to be easy. And everything really is not going to go as planned." (Respondent B).

The matters related to starting a business in Estonia provided mixed feelings from respondents. Experiences varied from "very, very easy" (Respondent A) to "just as difficult [as in Finland]" (Respondent C).

"In my opinion, it was somehow incredibly easy. Launching a company was easy. All went on smoothly, the bank matters, all was done digitally. After I received my identification card, everything worked out efficiently. Sure, from the beginning, the idea was to continue serving my old customers from Finland but now I did it through my Estonian company. Therefore, I didn't have to worry about customers or marketing my business because I already had a solid customer base. However, it was very easy to launch my own business in Estonia." (Respondent B).

While the majority of respondents had no problems in the establishing phase, one respondent, however, faced concrete obstacles in the process: "The one aspect that has been the most problematic is opening a bank account for a company. [...] Whereas matters concerning e-residency went on smoothly, the bank matters definitely did not" (Respondent C).

4.2 Estonian shortcomings and advantages compared to Finland

Subchapter 4.1 discussed how the skilled Estonian workforce is highly appreciated for their know-how and professionalism. Controversially, also some of the greatest challenges for entrepreneurs in Estonia seem to involve the workforce in one way or another. Roughly, there are three kinds of concerns: a shortage of employees, an uncompetitive wage level, and a perceived attitude of employees.

As a result of population ageing, Estonia is faced with a substantial lack of workforce and an insufficient talent pool. According to Respondent D, the educated workforce is "great indeed" and the younger generation continuously gets more experience from abroad. However, the lack of employees overshadows the full potential of Estonian workforce.

"Many educated and skilled Estonians have moved abroad in search for a better life. There is a shortage of labour for sure although the salary level in Estonia has increased. Estonia needs a clear immigration policy as well as a supporting system for investments in technology, and research and development." (Respondent F).

During recent years, Estonian salaries have increased to more or less the same levels as in Finland. "Prices and wages have risen year by year in Estonia, and our Estonian employees earn more or less the same now as their Finnish colleagues" (Respondent E). In modern-day Estonia, wages are rising at the fastest pace in years, hitting companies' profits. The respondents see almost no competitive advantage anymore in hiring a new workforce from Estonia, especially when it comes to skilled professionals.

"In my field, the professionals in Estonia cost just as much as the professionals in Finland or in any other Western European country. There are only a few professionals with those special skills, they are in demand everywhere, and Estonians earn the same salaries. So the competitive advantage in this matter has actually diminished and the initial idea has melted away. From the employer's point of view, if I want to employ skilled people from Estonia to sell projects concerning authentication and digital identification to Western European countries, this would cost me just as much as if I had employed those people from Finland, Netherlands or Norway." (Respondent C).

There is yet another concern related to the labour force that emerges from the interviews. The respondents wonder about a certain attitude that some Estonian employees seem to have toward working and work-related responsibilities. The employees appear to set strict boundaries to their obligations, and in some case, not show their full commitment to their agreements.

[...] "I think the biggest problems are related to the workforce. Finding good employees is perhaps the biggest challenge. [...] I think that Estonians have somehow a different attitude toward work. Sure, I am not generalizing this to all Estonians but compared to Finns, Estonians seem to have a different approach concerning employment. Being a Finn myself, I was raised to work a lot, and I do work a lot, I even work more than I necessarily have to. Also, I am truly loyal. Estonian working culture seems to centre around people's rights: I want this now, and I have a right to get it. [...] Somehow, their concept of working is very different. I have had quite bad experiences. [...] As of now, I am really wary. I don't believe in people here. I don't trust them. I have to monitor all the time what my employees are doing, and how are they getting their work done. In my opinion, this is the biggest challenge here in Estonia." (Respondent A)

When asked whether this attitude applies to all age groups, Respondent A separated older and younger generations: "Older generation clearly understands that the work needs to be done. But the younger the person, the bigger the attitude." Similar observations concerning employees' attitudes are reported by some other respondents.

"I have found recruiting being somewhat problematic. People don't show up to job interviews! We agree on a job interview and when the day comes, they disappear and become unavailable even to reach them over the phone. This has been a problem. On the other hand, when I have employed an Estonian, and I also had Estonians working for me in Finland, they tend to be hardworking and somewhat more motivated than Finnish employees. So I have to say that when I have had Estonian employees, they have been really good." (Respondent B).

While discussing about Estonian and Finnish entrepreneurial environments in general, concentration on big investors instead of small and medium-sized companies is also mentioned in different conversations. However, this phenomenon seems to concern the whole Europe, not only Estonia or Finland.

"Back then in the 90ties and even at the beginning of 2000s, Estonia received a great volume of investments, small and medium-sized enterprises. Today few foreign small or medium-sized companies enter the Estonian market anymore. The modern trend is big financial investors instead. For example, Estonian start-ups attract investors who are ready to invest, say, one hundred million. [...] So the trend of investments is that they are larger than before and usually to existing companies and at the same time we see fewer green field investments than earlier." (Respondent D).

Other such matters that entrepreneurs find creating strains in everyday matters in Estonia are too short invoice dates compared to Finland, and unnecessary requests for advance payments. One respondent finds shortcomings in Estonian higher education concerning a specific field:

"In Estonia, there are great schools and universities but I am not sure whether the educational level equals to what we are accustomed to in Finland. For example, my major was tax law and before I started, I considered studying it in Estonia. It turned out that this was not possible in here! Actually, Estonian lawyers whose speciality is tax law have obtained their degrees abroad. It is still not possible to get your Master's degree in tax law in Estonia although Estonia, too, needs taxation experts. Apart from tax law, I am not aware of how many other fields are there in a similar situation in Estonia. In other words, you certainly can obtain all general studies but for some special vocations, one must study abroad." (Respondent A).

When talking about Estonian advantages to Finland, the prevailing topic respondents repeatedly mention in comparison of two countries was bureaucracy. Respondents feel that Finland provides too much unnecessary bureaucracy that only hinders daily operations and loads up excessive paperwork. Often, also corporate tax was brought up in the same association. Quite unanimously, bureaucracy and corporate tax are seen as Estonian advantages.

"In Finland, new rules are made up all the time. For example, in the construction sector it is getting desperate. If the company is big enough, they have to hire another person to produce and present numerous reports for different institutions. It's insane! There is nothing like that in Estonia. All work gets monitored but the process is not made exhausting. [...] I think that the Finnish government should seriously consider such taxation changes that will encourage and support entrepreneurs. At this moment, it certainly does not. I don't know what is the right model but why not take an example from Estonia. Estonian continuous economic growth means that Estonia benefits from taxes in spite of being completely different from Finland's taxation system." (Respondent A).

More than one respondent emphasises that having experience with both Estonian and Finnish tax authorities, Estonian system is more straightforward and swift. Respondent B illustrates that when a Finnish tax officer requests for whatever clarification, a person has two weeks to answer and "a whole carousel of explanations and interpretations might follow". In Estonia, one has about three days to reply, after which the case is closed. "For me, it seems somehow fairer. In Finland, tax matters, but not only tax matters, tend to take an unnecessary amount of time. It is just more functional here [in Estonia]" (Respondent B.)

"Finland needs to simplify its taxation principles, and Estonia is a good example of that. The Estonian tax system is brilliant. The overall tax load is thoroughly considered and the whole system is simple. Finnish taxation is so complicated. All possible surtaxes and reductions... Not to mention all those thousands of people hired into the tax system whereas in Estonia they will probably get it done with only with around hundred people. So bureaucracy itself adds workload to authorities which, in a way, is unnecessary. It brings no value to society." (Respondent D).

Taxation is considered as an overall booster to entrepreneurship from different angles. All respondents appreciate the Estonian unique corporate income tax system especially because companies pay income tax only when the profit is distributed. In this way, starting entrepreneurs can use the funds to secure continuity of their businesses, and advanced entrepreneurs can expand their range by reinvesting further.

"Estonian corporate tax surely boosts entrepreneurship. I hold it very smart that income tax is not paid until the profit is distributed. I think it is a great way to grow a company because in the beginning, the entrepreneur usually reinvests all profits back to the company to secure and expand its operations whereas in Finland, you must pay the income tax right away. In that aspect, the Estonian corporate tax system is clearly more entrepreneur-friendly than the Finnish one." (Respondent D).

Contrary to perceived shortages in special vocations of higher education, there were also praising evaluations about Estonian education level in general. The respondents mentioned good language skills and competence in digital environments and solutions: "At least in digital and electronic environments, Estonian employees are much ahead and use actively advanced solutions" (Respondent E).

All six entrepreneurs mention the strong entrepreneurial mindset as an advantage in the Estonian economic environment. The majority of respondents agree that the Estonian entrepreneurial environment has remained more dynamic and sustainable in recent years compared to Finland.

Speaking about other disadvantages than bureaucracy and taxation, some respondents feel that trade unions have too much power in Finland and the collective labour agreements sometimes collide with the entrepreneurs' interests. In addition, high recruitment costs receive criticism. Generally, the respondents express a great need for modern, effective, and operative solutions in Finland in order to rise up from the current economic lowpoint.

"In my special field, Finland was a leading country some 10 years ago but has lost its position ever since. This is what I would like to change. That Finland would be an innovator, that Finland would implement modern, effective, operative solutions more systematically and assertively. In Finland, there has been a period of stillness for a while now. [] In a way, Estonia has remained more dynamic. Finland's dynamics has diminished during the last 10 years significantly, which in turn has diminished interest in Finland. There is this trend where Finnish businesses are sold to foreigners so even though the Finns improve product development in Finland, the big decisions are still made in the headquarters abroad. [...] When looking at the economic growth after the financial crisis in 2008, Finland is one of the worst countries in the world. Finland's financial growth has been more or less non-existent during the last 12 years. There are no constructive implementations, also the labour market has been perhaps more rigid than in other countries. Indeed, there has been an exceptionally low number of projects concerning development and globalization in Finland during recent years." (Respondent C).

While two respondents categorically deny any advantages in the Finnish entrepreneurial environment compared to Estonia, the rest are not so pessimistic. Finland is a bigger country both by size and by population; thus, Finnish bigger markets are found offering greater opportunities. Finland is also seen somewhat better acknowledged in Europe compared to Estonia. In addition, the cooperation between universities and businesses was perceived more successful in Finland than in Estonia.

As mentioned in Chapter 2.2, the COVID-19 pandemic has had a severe impact on the Estonian economy, with GDP dropping by 2,9% in 2020, mostly due to the shrinkage in private consumption and investment (Nordea Trade Portal, 2021). In the period when this research is written, the pandemic still spreads and there is no concluding research about the real effects on the Estonian economy. Based on this knowledge, the author was curious to know how was pandemic affecting the entrepreneurs participating in this research.

Controversially to the above-mentioned, four out of six respondents say that their businesses were actually boosted by pandemic even though few had experienced some short-term setbacks. One respondent suffered from a complete lack of business in Estonia from March 2020 till June 2021 although still continuing with other businesses in Finland. Generally, the respondents are satisfied with the Estonian pandemic-related support system and consider it a reasonable, rational solution although admit that compared to Finland, Estonian volumes are considerably smaller and criteria for allowance is much more limited. Five entrepreneurs are confident that their economic situation would be just as good in either country, while one alleges that the COVID-19 support from Finland probably saved their business. All still have a positive outlook on economic growth in Estonia after pandemic.

"A year ago, the spring 2020 was a shock for everybody because no one knew what was going to happen. However, since fall 2020 businesses started to recover again and we have been actually super busy until today. I mean, continuously achieving new great results. The last time when I have seen such corporate growth was perhaps during 2006 or 2007, before the financial crisis in 2008." (Respondent D).

4.3 The future of the Estonian entrepreneurial environment

The perspective of Estonia being the country of interest for Finnish entrepreneurs also in the near future divides the respondents in two: half of them are positive and the other half less so. From the optimists' viewpoint, once the COVID-19 pandemic would be over, Estonia is believed to retain or even grow its attraction as long as the corporate tax and the overall entrepreneurship mindset stays the same. Estonian location close to Finland is perceived as an advantage. "Many Finnish companies consider it as their home market. It is easy to conduct business here because of the cultural and language similarities" (Respondent F). Some believe that after the standstill caused by pandemic, Estonia would attract even more people from Finland to live and establish their businesses in.

"Sure there are some backlashes due to pandemic but there is the same situation for everyone, everywhere. I firmly believe that once this COVID-19 situation is over, Estonia will fly high. I remember the high trend some years ago when Finns wanted to launch their businesses in Estonia and I am sure the trend will leverage again after the situation normalizes. I have a feeling that Finns are quite fed up with their indecisive government especially during pandemic, and Estonia will welcome even more Finns in the near future. Here things are not getting around but forward." (Respondent A).

The rest three of six respondents express their reservations referring to the current course of events, mainly because their businesses could not benefit from all the Estonian advantages. For example, Respondent C reports that despite the fact that Estonian economy is growing faster and the business environment is more dynamic than in Finland, their sales of know-how mainly goes elsewhere in Europe. Thus, they get no significant advantage from the Estonian location even though taxation would be somewhat more favourable. Another respondent values the concept of entrepreneurship as it is, "always and everywhere", and prefers to unite the powers of two countries: "I'd rather see Estonia and Finland getting equality in all fields. So that it would not matter whether we are in Jyväskylä, Helsinki, Turku or Tallinn" (Respondent D).

The most pessimistic respondent is the one whose business in Estonia stopped for 16 months because of COVID-19. During pandemic, travelling between the two countries was extremely complicated and their Estonian employees were temporarily laid off. Although summer 2021 started to show some signs of recovering, the void caused by pandemic has made Respondent E cautious:

"Pandemic has brought along so many challenges for us that if I had to make that decision now, I would seriously consider whether to go or not. I would cautiously predict that the flow will rather be toward Latvia and Lithuania, also from within Estonia. Both Latvia and Lithuania now attract investors with their overall cost efficiency and price levels." (Respondent E).

5 Discussion

Since 2014, foreigners can become Estonian e-residents, which means a digital identity that is admitted by the government for non-residents. This arrangement allows all individuals no matter where they physically are, to use Estonian e-services via online just like Estonian citizens do. E-residents can establish companies, take care of their bank matters, claim and return their tax forms, give digital signatures to documents, and participate in the management of businesses registered in Estonia.

E-residency, accompanied by many other advantages of establishing and maintaining a company discussed in previous chapters, already has drawn many Finnish entrepreneurs to Estonia. The aim of this research was to find out whether Estonia has retained its attractiveness for Finnish entrepreneurs also in 2021.

The findings of this research are of interest to entrepreneurs and executives not only in Estonia and Finland but also to foreign investors anywhere in the world. The modern digital age, and rapidly changing working and living environments have had an impact also on the Estonian entrepreneurial environment. The results provide a better understanding of challenges and advantages in modern-day Estonia, and about economic trends since 2014 when the e-residency was first introduced. Furthermore, the findings shall especially intrigue law and policymakers in Finland, and any other possible influencers interested in internal and external investments.

5.1 Answers to the Research Question

In recent years, Estonia has established a reputation as a digital state and business-friendly environment. This combined with the relative closeness to Finland has awakened interest in Finnish entrepreneurs. According to the E-residency portal, there were 565 Finnish companies e-launched by January 2021 while overall, there are about 6000 such companies that base entirely or partially on Finnish capital (Finnish Embassy in Estonia, 2021). This research aimed at finding out how those

Finnish entrepreneurs who operate in Estonia perceive the Estonian entrepreneurial environment today, and whether they still find advantages there compared to Finland. Thus, the Research Question was modified as follows:

- Which advantages the Estonian entrepreneurial environment has compared to the Finnish entrepreneurial environment in 2021?

To find out are the most relevant agents in the Estonian entrepreneurial environment, the grounded theory method was used. In the empirical study, the author pursued a qualitative research approach collecting data from the interviews with Finnish entrepreneurs in Estonia. The author chose participants whose experiences spoke to their areas of interest, so that data for research and further analyses could be collected. These participants have made business in Estonia for 7 to 35 years; the author considers such periods as a solid base of practices for reliable research.

The interview questions were formed to investigate the motivation behind establishing a company in Estonia instead of Finland. The author was interested in the insights about the Estonian economic environment including talent pool and workforce, and entrepreneurs' attitudes and perceived challenges in Estonia. The aim of some questions was to collect information about the essence of entrepreneurship and to what extent education might advance the overall erudition of entrepreneurs. Finally, considering the impact of the COVID-19 pandemic on the global economy, the author was keen to explore the effects on the businesses of the respondents.

The answers to the questions dealing with Estonian advantages and challenges were not entirely unambiguous, which in turn complicates answering the Research Question. While some respondents expressed their unlimited optimism toward Estonian opportunities, the others remained much more cautious. The perceived advantages of Estonia compared to Finland were corporate tax, minor bureaucracy, and the overall entrepreneurial mindset. One of the most disputed challenges concerns employees in one way or another. On the one hand, Estonians' know-how, competence, education and professionalism gathered praises; on the other hand, the Estonian labour market is also criticized not only for an insufficient amount of people but also for wages rising at the fastest pace in years. In addition to that, employees are found sometimes behaving unreliably.

5.2 Practical implications

The research results reveal that Finnish entrepreneurs in Estonia are challenged with workforce problems. Estonia is a small country with roughly 1.3 million inhabitants. According to Statistics Estonia, there were about 990 000 people in working-age 15–74 in January 2021. However, population ageing has also brought along changes in the age structure in the labour market: during the last 30 years, the involvement of people in age 50–74 has continuously risen while the contribution by people aged 15–49 has shrunk. Roughly 66% of people aged 15–74 are active in the labour market today (Statistics Estonia, 2021).

Firstly, Estonia needs to revise its immigration policy, especially concerning foreign students and young experts. The government and universities have an opportunity here to develop programs to enable talented people from other countries to study and live in Estonia on a contract basis to prevent the local talent pool from running out.

Secondly, as the number of people aged 50–74 is increasing due to population ageing, also employers need to come up with new ways to employ those who express their willingness to stay active in the labour market despite their age. It is often the know-how and experience that younger generations lack but older generations possess. There is an opportunity for cooperation between the government and entrepreneurs to develop means and conditions to employ seniors and by doing so, enrich the Estonian labour market with its own resources.

Thirdly, as employees' attitudes seemed to be a concern for several Finnish employers, there might be a need for work ethics courses as a part of the curriculum in upper comprehensive schools. The author of this research is not aware of modern curricula in Estonian schools but suggests this topic as a part of new research that deals with working culture or work ethics in Estonia.

5.3 Assessment of the results in the light of literature

As stated in the Literature Review in Chapter 2, Estonian innovative project e-Residency, launched in 2014, gives foreigners an opportunity to launch and run a company, manage all banking matters, declare taxes, digitally sign documents (including contracts), and access international pay-

ment services - all that within minutes. The real importance of the service lies in connecting different public and private services and institutions that e-residents may find useful (Lember et al., 2018). The results of the present research mostly accord with these statements except for one Respondent who had experienced an exceptionally painful process in banking matters. Investigating how other foreign-owned businesses have succeeded in bank matters while in the start-up phase might be an interest for further research.

Ranaweera (2020) states that it is rather finding the right-minded employees that hinders the smoothness of business making in Estonia, especially for entrepreneurs of foreign background with no local knowledge or language. The results of this research indeed emphasize the need for rather radical changes considering the labour market. The author of this research suggests purposeful collaboration between government and employers as well as implementing courses on work ethics into school curricula as stated in Subsection 5.2.

Estonia has a unique corporate income tax system. According to Sipola (2020), Estonia and Latvia are the only countries in Europe where companies pay income tax only when the profit is distributed, and from the profit they distributed. The results of this research demonstrate that Finnish entrepreneurs in Estonia do enjoy the benefits like endorsing further investments and appreciating minimum bureaucracy that originate from corporate tax. Moreover, the Respondents strongly suggest revising and modifying corporate tax in Finland as a crucial step toward a more entrepreneur-friendly environment.

Also, a so-called "Estonian entrepreneurial mindset" has been studied (Wannamakok et al., 2020). The Estonian mindset is described as driven by individualism and long-term orientation. The findings seem to indicate that the institutional environment in Estonia does encourage people with higher education to seek entrepreneurial possibilities. The results of this research speak loudly for overall supporting attitude toward entrepreneurs that in turn boosts entrepreneurial success in Estonia.

In 2020, the global crisis caused by coronavirus COVID-19 has had obvious consequences also on many sectors in Estonia. According to Nordea Trade Portal (2021), the COVID-19 pandemic has had a severe impact on the Estonian economy, with GDP dropping by 2.9% in 2020, mostly due to the

shrinkage in private consumption and investment. The results of this research contradict with pessimistic views demonstrated in Chapter 2; instead, the majority of respondents expressed that their businesses were actually boosted by pandemic despite having some short-term setbacks (see Subchapter 4.2). The author suggests that the reason for such contradiction lies in the nature of professions these Respondents represent, and a somewhat limited amount of respondents. However, in the period when this research is written, the pandemic still spreads and there are only initial data and prognoses available. The final state of damages caused by COVID-19 will yet to be seen.

5.4 Limitations of the research

Quite a narrow amount of respondents could be considered as a limitation of this research. The author had initially settled interviews with eleven Finnish entrepreneurs in Estonia. Despite the author's best efforts, five of them withdrew for various reasons by the time the interviews were conducted. As the participation was voluntary, and each and every one was informed about their rights to remove themselves from this research, the author considers this as an unfortunate but unavoidable hazard.

However, the author thinks that the remaining six Respondents are reliable sources of information and together they represent a true cross-section of viewpoints and experiences of Finnish entrepreneurs in Estonia. Some were overly optimistic, some quite neutral, and some even wary based on each individual's own reality. There were no identical answers to the same question, and sometimes the answers contradicted each other, which only reflects different experiences in the same entrepreneurial environment and thus emphasises the reliability of this research.

The interview questions had various purposes. Some aimed at ensuring that the person has had enough experience in both Estonia and Finland to express their opinion and thus ensure reliable data. Some questions studied the start-up phase of established businesses, and some compared Estonian advantages and challenges to Finland's to provide concrete examples for data analysis. In addition, the author was interested in different concepts within entrepreneurship such as a mindset, attitudes, and education to match or unmatch the literature findings in Chapter 2. Finally, the author could not overlook the obvious new influencer that has shaken economic indicators globally, the COVID-19 pandemic. Omitting the effects of COVID-19 from research that deals with the

advantages and challenges of an entrepreneurial environment in this specific time period would have left the collected data deficient, and thus made the research unreliable.

Together, the questions formed a unity to answer the Research Question, which investigates the advantages that the Estonian entrepreneurial environment has compared to the Finnish entrepreneurial environment in 2021. The author considers all aspects mentioned in the previous paragraph as important means to explore the Estonian entrepreneurial environment and provide reliable data.

Although it is difficult to evaluate to what extent the findings of this study can or cannot be generalised, the research results are consistent with and supported by the statements and concerns expressed in the Literature Review. While personal biases could probably not be entirely avoided, the author takes full responsibility for presenting data in the most objective way.

5.5 Recommendations for further research

This research explored the advantages of the Estonian entrepreneurial environment compared to the Finnish entrepreneurial environment. The results show that such advantages are corporative tax, swift bureaucracy, overall cost efficiency, and the prevailing entrepreneurial mindset. The subject is relevant in many aspects and provides an applicable base for further research.

Firstly, according to Literature Review and the results of this research, the modern Estonian labour market is clearly facing problems. Due to the small and ageing population, there are simply not enough people to hire. Roughly 66% of people aged 15–74 are active in the labour market today (Statistics Estonia, 2021). Further research on new opportunities to involve more local people in the labour market could follow. As the number of people aged 50–74 is increasing due to population ageing, also the employers need to come up with new ways to employ those who express their will to stay active in the labour market in spite of mature age. There is an opportunity to study how would cooperation between the government and entrepreneurs provide means and conditions to employ seniors and by doing so, enrich the Estonian labour market with its own resources.

Secondly, Estonia needs to revise its immigration policy, especially concerning foreign students and young experts. Another study on purposeful cooperation between government and universities might suggest new programs to enable talented people from other countries to study and live in Estonia on a contract basis to prevent the local talent pool from running out.

Thirdly, there seems to be a need for research that studies working culture and work ethics in modern-day Estonia. This research briefly explored the field from entrepreneurs' and employers' points of view. Further research could focus on what would Estonian employees suggest to improve local working culture and work ethics, or how to contribute to the talent pool. The study might explore if there is a supplementary need for work ethics courses as a part of the curriculum in upper comprehensive schools. The author of this research is not aware of modern curricula in Estonian schools but suggests this topic as a part of new research that deals with working culture or work ethics in Estonia.

Fourthly, investigating how other than Finnish foreign-owned businesses in Estonia have succeeded in the start-up phase (especially in bank matters) might be an interest for further research. This research demonstrated one example of a severe setback in banking matters that hindered normal operations in the beginning stage. In case there appear other such experiences, it might indicate a hidden impeding aspect in an otherwise impeccable course of processes.

And finally, the results demonstrated in this thesis might give an impulse for further research concerning suggestions about corporate tax in Finland. The study can give a voice for Finnish corporate influencers to express their need for rapid enhancements in the local business environment including taxation and corporate laws. Respondents strongly suggest revising and modifying corporate tax in Finland as a crucial step toward a more entrepreneur-friendly environment.

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Appendices

Appendix 1. Initial interview questions

1. How long have you been an entrepreneur? Were you an entrepreneur in Finland before coming to Estonia?
2. What was your motivation to become an entrepreneur?
3. What was your motivation to become an entrepreneur in Estonia?
4. Based on your experience, how do you comment the startup phase considering bureaucracy, easiness of getting started? Where did you seek for help?
5. From your point of view, what are the challenges related to entrepreneurship in Estonia (problems, that you have encountered)? Do you think those challenges are especially applicable to Estonia or are they universal?
6. When you compare Estonia and Finland, do you see fundamental differences in attitudes towards entrepreneurship?
7. What features do you hold important regarding your workforce?
8. How do you feel about talent pool in Estonia? Have you felt shortage in know-how, education, skills, anything? What would you suggest to fix those shortages?
9. Compared to Estonia, what advantages would you see in doing business in Finland?
10. What would you like to change in Finland's entrepreneurial environment?
11. How has COVID-19 affected your business in Estonia? Do you think entrepreneurs are supported or encouraged enough in Estonia during the pandemic?
12. Considering the consequences of COVID-19, do you think you would be in the same situation if you were an entrepreneur in Finland (eg. business funding)?
13. Do you think education makes a better entrepreneur? How do you think entrepreneurship education should be developed?
14. Do you think Estonia will retain its entrepreneurship appeal for Finns in the coming years?

Tables

Table 1. Estonian main sectors of industry (World Bank, April 2021)

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (<i>in % of Total Employment</i>)	3.1	29.4	67.6
Value Added (<i>in % of GDP</i>)	2.9	22.7	61.4
Value Added (<i>Annual % Change</i>)	23.0	-1.9	5.9