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Master's Degree Program

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CIS Tech Startups' Opportunities In Baltic and Nordics Startup Ecosystems

Master's thesis, 2020

Abstract

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CIS Tech Startups' Opportunities in Baltic and Nordics' Startup Ecosystems: 50 pages
LAB University of Applied Sciences
Business Administration, Lappeenranta
International Business Management
Thesis 2020
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The ultimate objective of this thesis is to gain insights and opportunities of Finnish and Baltic (Estonia, Latvia and Lithuania) startup ecosystems in terms of a jurisdiction choice for Russian tech startups founders of early stages. The opportunities for startup immigration, residence permits, company registration and growth are considered. The data is collected from various sources including academic articles, professional blogs and official documents, the national start-up and business development authorities, international analytical agencies and accelerators reports.

The secondary aim is to clarify the question regarding the startup ecosystem as an enterprise generating revenue for the host country and understanding it's economy: expected revenues from the startups activities and understanding the range of expenses available for startup acquisition and ecosystem maintenance.

The startups incorporated in the target countries were interviewed, the outcome data was then analysed, synthesized with findings from the papers, and processed to generate research findings.

The result of the study indicates that the most challenging startup ecosystem is Latvian and it is recommended for startups on the bootstrapping or pre-seed stage, or in the non-popular venture domain. The Finnish startup ecosystem is the most saturated, with high level of access to venture and private equity capital and mature ecosystem shareholders. Finland is recommended for seed-round startups with mature product and customer database. The «golden mean» among the considered countries is Lithuania, which has a rather mature startup ecosystem along with relatively good talent access and low business expenses.

Keywords: Startup, Startup Ecosystem, Innovation Ecosystem, Startup visa, Startup immigration, Russian entrepreneurs, investment, funding, growth strategy.

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1. Introduction:

CIS in general and Russia in particular is a motherland for numerous successful tech startups' founders. Several of them even became unicorns, which means companies with more than $1 Billion dollars market capitalisation. But were these companies founded in Russian or CIS jurisdiction? The answer is NO.

Russia is on the first rate among other CIS countries in terms of startup ecosystem maturity: numerous venture funds, incubators, accelerators where entrepreneurs can develop and work on their ideas. Moscow is rated #10 in the global Startup-friendly cities according to the Startupblink's Startup Ecosystem Ranking, whereas Kiev (Ukraine) is ranked #34 in the same list (StartupBlink, 2019)

Russia and Ukraine are considered to be the "brain-suppliers": countries which give to the world a bunch of successful founders, not companies. The local IT market is very different from the rest of the world, projects born for the Russian domestic market – generally cannot become "born global", it's usually a big mistake of the authorities and the startups themselves that first they should capture the local market and then scale up to the rest of the world.

The key distinctions, from the author's point of view are: the different structure of the consumer market for of IT services (especially in B2B and B2G sectors), as well as various legal aspects of high-tech entrepreneurship in the CIS and the rest of the world. Also, the problems of B2B sales while entering foreign markets include the diversity of decision-making and motivation schemes for CIS and the rest of the world companies. The diversity also regards IT environment and user's habits: e.g. all the world uses Google and Facebook, Russians use Yandex and "VK" instead, and all the other IT-infrastructure is not connected to the rest of the world.

Not only technical solutions or limitations are considered, but logical and cultural diversity of innovative business and consumption patterns in general. A similar situation in terms of IT industry diversity is observed in China, where limitations are even stricter and are also associated with the Chinese Internet isolation. However, in China, the capacity of the domestic market is large enough to create unicorn companies for Chinese market, and even companies that precisely copy American business models, have a chance to

become a unicorn in the Chinese segment. (Moffat, 2018) Numerous success stories and the unicorn list of Chinese market prove that even business model replicas can reach a $1 billion capitalisation in China. (CBinsights, 2019).

The structure of the venture market is focused only around startups that have a potential to become unicorns, most funds and private equity investors are interested only in such projects. The CIS market is too small and monopolized for this. Such market situation is called oligopsony – when there are many suppliers and only several customers (Encinas-Ferrer, 2013).

Separately, the author would like to admit that CIS startup market is not so pessimistic: large corporations create internal startup accelerators to grow reliable suppliers of goods, services and solutions for their own consumption, but they do not have creating global companies with the unicorn potential as a goal.

Therefore, companies that are aimed at rapid growth in the global market are not recommended to work in the Russian and CIS jurisdictions. A huge variety of global IT companies have Russian and Ukrainian roots. Starting from such famous as Google or Telegram and ending with such specific ones as, for example, Nginx or MEL Science – have Russian-speaking founders, but were registered in different jurisdictions (Barchukov, 2016, RVC, 2019).

To accomodate a potential unicorn from a less mature economy into the startup ecosystem should be considered as a good result for any accelerator and a good tax acquisition for any jurisdiction. This is why most developed economies strive to create a favorable climate, both for nurturing their own startups and attracting them from the third countries.

The thesis will examine startup ecosystems and their attractiveness for startups from Russia in the following countries: Finland, Estonia, Latvia, and Lithuania.

1.1. Objective and delimitations

The objective of a study is to clarify the common points and peculiarities of Finnish and Baltic startup ecosystems and to make conclusions for CIS startup teams to clarify the incorporation strategy. The jurisdictions, ecosystems and opportunities of the target

countries should be considered and compared by the meaningful for the startups criteria, the benefits and barriers of each ecosystem should be revealed and explained. The outcomes could be used by the entrepreneurs as a go-to-market strategy and as a guide to export their business assets to the target countries.

The study concentrates on certain results and therefore the clear limitations should be made. The current study has been conducted in 2020, and has four main delimitations:
(1) the study is focused only on Russian startups among all the CIS countries;
(2) the study is focused only on the pre-seed and seed stages startups;
(3) only tech startups with at least minimal viable products and traction list will be considered;
(4) the study does not consider the effects that COVID-19 caused the industry.

The limitations choice is based on the choice of the particular target group of startups the author faced during his consulting work and which can be considered as the main stakeholders for the current research.

1.2. Research question

Within the framework of this thesis, the main aim is to identify the most suitable jurisdiction and ecosystem for the Russian founders to register a company and present the reasoning for the founders to base while the decision-making. The result of choosing the improper jurisdiction can inflict the lost opportunities and founders' regret on choosing the proper country to incorporate in.

The main research question of the study, based on the objectives abovementioned, is determined as:

Which jurisdiction and startup ecosystem among Finland and Baltic countries is more perspective for CIS-based tech startups and why?

Subquestions:
1. What are the most crucial factors of success within these case companies;
2. Based on the studies results – What are the main patterns and form recommendations to the CIS startups concerning jurisdiction selection: the cons and pros.
3. What are the economic reasons for building sustainable national startup ecosystems

The answers to the main research questions can be used by the CIS tech startups of early stages as a guidance to follow. The answer to the Subquestion #3 can be used by the startup regulation authorities of target countries in order to build an effective strategy of startup nurturing and attracting them to the ecosystem from the third countries.

1.3. Research methods and data collecting:

The study performs a qualitative method of collecting data as main. This kind of research obtains deep analysis of the subject of the research from all the sources available. It includes acquiring data from academic articles, companies' reports, blog posts, startup ecosystem stakeholders' reviews and press-releases and also the previous research considered within the subject.

A qualitative method helps to acquire a helicopter view over the problem. The goal of the qualitative method is to get data to interpret the observed phenomenon (Saunders et al, 2009). Semi-structured interviews were applied in the current study for collecting data. The author's intention was to compare the sources and previous research of each ecosystem as itself, to compile it into a structured study, compare the benefits of each ecosystem and to share outcomes with the future stakeholders of the CIS-based startups.

The following tools are supposed to be applicable:

1. Semi-structured interviews for startups with CIS founders who succeeded in Finland and Baltics.

The semi-structured interviews were held with the top-management and co-founders of the startups. Interviews are an effective tool for qualitative research. The Interview is a qualitative research method that allows a close one-on-one talk with little number of respondents to understand their point of views within a particular case or issue (Boyce 2006). Interviews are a very thorough method due to ability to aquire detailed information within the research questions. Hence, this type of primary data collection method allows the researcher to have a direct control over the process and to have an opportunity to clarify the issues missed during the process. Semi-structured interviews can be considered as a hybrid of structured and unstructured interviews. In semi-structured interviews, the researcher prepares a set of same questions to be answered by all the respondents. Consequently, the additional questions during interviews can be

asked and the structure of the interview can vary due to the particular interviewee. The interviewees met the following criteria:

1. The company can be considered as a startup, meeting the criteria described in the section 2.1 of the current study;
2. The company's business should be no older than 5 years;
3. The company incorporated to the target countries from Russia not later than middle of 2019;
4. The company still is running it's business in 2020;
5. The company's founders used the startup immigration programs.

The goals of the interviews is to find out the motivation of the founders' in terms of choosing the particular jurisdiction to incorporate and to compare it to the author's discussion after analysing the sources.

All the interviews were held using Zoom video conference software in order to have more detailed answers than email questionnaire. Of course, personal interviews could have been better in terms of closer contact and feedback, but since founders are residents of target countries and the COVID-19 is a barrier for personal interviews, the video calls were the best solution.

As long as the interview was semi-structured, the basic compulsory questions discussed with the respondents were the following:

1. What’s the name of your company
2. What’s the industry your working at?
3. When did your team start working over the project?
4. Which country did you incorporate in and when?
5. What was the stage of your company when you incorporated in the target country?
6. What were the main reasons to choose the exact country to incorporate? (attractive migration politics, business opportunities, investment climate, corporate laws, Employment regulation, tax exemptions, accelerators or incubators commitments, personal preferences or your own answer.

7. How do you estimate your choice of your startup's host country? If there would be a second try – would you incorporate in some other country? If not the same - what would it be?

2. Empirical data about the startups performance was acquired from the databases like https://startupestonia.ee and others with figures and data on the startups success and failures. This data was used for calculating the startups performance in terms of turnover and taxes they pay. The following criteria were used for the data collection:

- startup must be registered in the target country's jurisdiction;
- startup must pay taxes in the target country's jurisdiction;
- startup must hire at least one employee.

The criteria chosen make sure that the startups meeting it are mature enough to be in the «successful» cohort and be representative enough.

3. The data analysis was held using the inductive approach to conclude the data to the structured study: acquiring the data on the startups with CIS roots succeeded in Finland and Baltics, gathering the recommendations from founders with CIS origin: what jurisdiction will serve them best depending on the scale, niche and startup focus (Goddard, W. & Melville, S, 2004).

According to Gillham (2010), the case study is method, used along with its sub-methods: observation, documents and records analysis, interviews etc.

To conclude the outcomes of the methods mentioned, the triangulation was used. Triangulation is using of more than one data collection methods. It is a tool to enhance the sustainability of the research by dealing with various methods to collect data on the same issue (Gillham 2010).

2. Startup ecosystems overview.

As long as the study is mostly considered as empirical and answers the particular research questions, the theoretical framework as itself helps us to understand wider issues beyond the meaning of startup ecosystems:

The startup ecosystem basements:
What is a startup ecosystem, what does it consist of, what are the main synergetic factors that make odd social and business institutions work as a whole cluster;

Target countries ecosystems opportunities:
What are the particular host (target) countries startup ecosystem opportunities and what benefits can the startups get. What are the most challenging startup domains in the country and what can inflict on the founder's decision on this stage.

Startup visa opportunities:
Where to get particular information on the start-up immigration programs/startup visa opportunities for the target countries comparison;

Each of the points gives a place for a separate section of the study as follows.
The literature overview includes official documents from the national start-up and business development authorities, international analytical agencies, accelerators reports and professional articles. The books and academic articles are taken in consideration minor due to the high speed changes in the hi-tech industry.

2.1. Startup ecosystem basements:

The definitions of the most important terms in startup ecosystem are the following.

The ***target country*** – in the Current study would be considered one of the countries from the list: Estonia, Latvia, Lithuania or Finland – separate all altogether.

A ***startup company*** is a newly formed business with particular momentum behind it based on perceived demand for its product or service (Landau, 2017). It's key difference against the traditional business ventures are:

Focus on rapid growth.

Comparing the startups and traditional business ventures in matter of growth, startups are expected to grow fast (Graham, 2012).
According to Graham, growth is the obligate, but not the least attribute of the startup company. Practically it means, that from the particular moment (stage) the startups' key performance indicators (KPI) should increase. If the startup has revenue – then the KPI is the revenue. If the startup doesn't have revenue – it should have another important growth metric (e.g. users database) to show the stakeholders (investors and others) that the company is growing and in the future it will have promising revenues.
The week-to-week growth and month-to-month growth (MtM) are important metrics showing the stakeholders the investment worthiness of the startup (Espinal, 2019) Graham claims that the weekly growth of 5% - 7% in the initial stage of a startup is obligate, Espinal's estimations on the WtW growth are more about the top startups like Groupon or Facebook, which the author considers not to be representative.

Focus on global markets.

The global expansion promises good opportunities for startups to sell their products and services on a wider market. Global expansion is one of the most important success drivers that can give the startup better valuation and growth opportunities. When a startup goes on global markets it increases its success and valuation significantly (Singh, 2018).

Startups from countries with less than 50 million population start international expansion

twice as fast as startups from countries with than 50 million or more population: 17 months as opposed to 35 months. Small countries like Baltics, Nordics and other East European countries need to think of international growth from an early stage. Russia and Ukraine are more than 50 million population, nevertheless their markets are small, poor, undiversed and very diverse from global tech-market, hence products developed for the local markets have small chance on global success and the startups – for high valuation. Founder from USA or China can focus 100 percent on their home market and comfortably build a unicorn startup (Moffat, 2018)

Paul Graham claims that a barbershop cannot be scaled globally (Landau, 2017) hence it cannot be a startup. On the author's point of view, the barbershop and even a barbershop's local chain network cannot be claimed as a startup. But, e.g., the barbershop's business model encased in a franchise model with a definite growth model can be claimed as a startup – because it can be delivered globally, it has a chance to grow week-to-week and be interesting from the venture investors point of view.

The relationship with funding

Along with the different ways of thinking about "growth" issue, startups seek for funding very much different ways than traditional small business. Focus on growth is very much funds consuming. The company willing to become global fast needs to hire the best talents available, to find better marketing and technical opportunities which is rather expensive. Additionally, all the profits gained should be reinvested to growth and even more – thus the aggressive growth is not possible without extensive funding. Usually startups search for capital that comes from angel investors or venture capital funds, whereas traditional small business operations may rely on bank loans, grants of private equity investment (Landau, 2017).

Usually the investor grants a funding round in exchange of the part of the startup's equity. Startup funding usually is made within rounds - series of investments for each growth stage of the business. The funding rounds usually are the following: pre-seed, seed, A, B, C rounds. Pre-seed funding is the very beginning of a startup, the founders usually invest own money along with friends and family, sometimes – grants. The seed round occurs when, investors usually angels, provide funds as long as the startup starts

to operate. The seed checks are between $10k and $2M. The seed investment can be made by an accelerator, venture fund or a business angel. (Stephan, 2019)

As long as a startup expands and becomes more mature, each funding round serves a help towards the forthcoming growth. If the startup showed growth and didn't fail during the seed round the A and B (early stage) and C (and sometimes D) rounds follow – usually they are done within venture funds and private equity funds – depending on the fund specific. Round A can typically collect from $2M to $15M when round B – from $7M to $100M. Depending on the industry, funds, countries and market situation (e.g. COVID crisis), a funding round can take from three months to over a year. (Stephan, 2019)

Planning the exit strategy

A startup as any other venture is built for profit. Stakeholders may gain profits by receiving dividends or by selling shares of the venture. As long as the startup is a private company before it is listed on a stock exchange during the Initial Public Offer of the company's shares (IPO), the investors cannot sell shares of the company at any moment they wish. For that reason the investors needs a strategy on how they are going to get their return on investment. Startups looking for investors both angel and venture capital (VC) need an exit strategy in order to return the investment to the funding stakeholders. "The exit is what gives them a return." – Tim Berry (Landau, 2017). Startups also need an exit strategy because founders need to sell a part of their equity to get cash. The "traditional" business doesn't need an exit strategy, because it is grown as a dividend source of income. A successful exit for a venture capitalist is one of two outcomes – the startup they invested goes to an IPO or is sold to some corporation and the VC goes in cash for exchange of their equity. (Startups Team, 2019)

The difference between startups and other companies' types is described particularly at the table 1 (Business Finland, 2018):

Table 1. Startups and other companies' types comparing table (Business Finland, 2018):

	YOUNG (< 6 YEARS)	SMALL (< 50 EMPLOYEES)	HIGH-GROWTH AMBITIONS / SCALABLE BUSINESS MODEL	REALISED HIGH-GROWTH
High-growth firm (HGF)	Not necessarily	Not necessarily	Most likely	Yes
Gazelle (young HGF)	Yes	Most likely	Most likely	Yes
Small and medium sized enterprise (SME)	Not necessarily	Yes	Not necessarily	Not necessarily
New/young SME	Yes	Most likely	Not necessarily	Not necessarily
Startup	Yes	Most likely	Yes	Not necessarily

Startup accelerators, also known as seed accelerators are one of the most cornerstone institutes of the startup ecosystem. The accelerator is a short-term (usually 3-6 months) program that typically include: networking, seed investment, sales support, mentorship, training and culminate with a public pitch event or “demo day” where all the startups-members present the results of their work within the accelerator. (Cohen, Susan, 2013).

Usually the acceleration programs include the following properties required to be a “seed accelerator” (Christiansen, 2016), least but not last: First, the application process should be open to anyone with a proper idea: whatever the startup fulfills the formal criteria that could be: number of founders, incorporation,definite stage: minimal viable product (MVP) or prototype availability, certain funding round etc. Second, accelerators usually make investment into startups, typically in exchange for equity, at pre-seed or seed stage, which imposes certain commitments to a startup: if there is too much equity given out to previous investors – the accelerator can decline the application, because further investors will not be able to take as much equity as the previous ones. Programme of support for the startup mentors, including events and company mentoring is obligatory. Third, the acceleration programs are typically focused on teams mentoring, not individuals.

Some accelerators use the “tracking” – each startup has an attached accelerator’s employee called a tracker. A tracker is a mix of a mentor and a personal coach working with the team on a daily basis and helping them to achieve their goals using the growth methodology hosted by the accelerator. (IIDF, 2020).

On the opposite, the programs with the following criteria can not be supposed as accelerating: First of all, the programs that don't imply a startup to receive funding or the startups even pay for the acceleration program. Nevertheless equity-free accelerator programs can also be found, but they are also free for startup teams. Second, the programs where the startup pays for mentoring or a discounted rent in return for equity or discounted business services. (Christiansen, 2016)

A ***business incubator*** is an enterprise that helps startups to develop by providing office space, professional training services etc. (Rubin et al, 2015).
Numerous incubators are fully or partly financed by the government or the corporations.

A ***coworking*** is an space designed for several workers from different companies or startups that share an office space, in order to save costs and feel themselves convenient by using the common infrastructure, such as utilities, equipment and receptionists, sometimes refreshments along with custodial and parcel acceptance services (Kiera, 2008). The key difference between the incubator and the coworking space is that a coworking is a fully-commercial structure designed not only for startups but for remote workers of mature companies.

A ***venture capitalist*** (VC) is a private equity investor that provides capital to venture capital funds in order to receive profits exceeding the conservative investment (bonds, «blue chips» stocks, loan securities, real estate property) profitability rates. Venture capitalists are inclined to high-risk investments to companies with high growth potential (startups) in exchange for an equity stake, because they can earn a massive return on their investments if these companies become successful. (Ganti, 2020). VCs expect high return rates (not less than 1000% ROI in 3-5 years) for successful companies along with high failure rates for others in their portfolio: high risks of failure is compensated by high return rates of the successful companies.

Angel investors are usually wealthy individuals which invest on the very early stages into the creation of a new startup, usually in exchange for equity or a convertible note. Angel investors serve as a bridge between the startup funding needs and their own capital needs in the future. Angel investors invest their own money (opposite of the venture capitalists who usually operate with attracted capital), which sources could be: a successful exit of their own startup, or business in another industry, family money, etc:

a primary source of funding for angel investors varies from case to case very much. (Startups Team, 2019).

Venture capital funds are investment funds that manage the capitals received from limited partners (venture capitalists) and invest it to the startups of various stages equity stakes, depending on the fund strategy. Usually VC funds don't invest in pre-seed stages, preferring to deal with more mature enterprises with strong growth potential. Venture funds are usually managed by general partners and the capital involved is attracted from private persons (wealthy individuals) or corporate finance. (Chen, 2020). Venture funds could be funding startup ventures or support small companies that wish to expand but do not have access to equities markets.

Table (2) shows the main startup support programmes and facilities typology (Business Finland, 2018):

Table 2. Startup support programmes and facilities typology.

FEATURES (1)	ACCELERATOR	INCUBATOR	PRE-ACCELERATOR	ACTIVE SEED / VC	CO-WORKING SPACE
Open and competitive application process	Yes	Yes/no	Yes/no	No (not open)	No (open for all)
Provision of seed-investment (typically for exchange of equity)	Yes	No	No	Yes	No
Focus on small teams (not individual founders)	Yes	Yes	Yes/no	Yes	Yes/no
Intense mentoring	Yes	Yes	Yes	Yes/no	No
Fixed duration (time-limited programmes)	Yes	No	Yes (very short)	No	No
Cohorts or 'batches' (instead of individual startups)	Yes	No	Yes/no	No	No
Office space	Yes/no	Yes	No	No	Yes
Selectivity	High	Medium	Medium	Very high	Low
Main role	Deal flow / match-making	Incubation / support	Ideation / formation / training	Scaling / exits	Networking / facilities

A separate challenging model of a startup ecosystem unit is a ***venture builder*** (VB), also known as startup builder, startup studio, startup factory. VBs quickly and efficiently co-found and accelerate new ventures off the ground, partnering with entrepreneurs, by leveraging knowledge and resources that are used along with the companies in their portfolio (Liuzzi, 2018). The following activities can be considered as universal to most of them:

Elaborating business ideas that commonly are a result of in-depth concept exploration synthesis, market research or just copying the existing successful business models in on new markets. A good example of replicating business models on new markets is the «Rocket Internet» venture builder (Rocket internet, 2020) which started as a accelerator growing copies of successful American startups on German market. The proactivity of a VB should be considered in the conception whereas its portfolio companies are directly related to VB's level of participation in the companies it participates as a shareholder. (Liuzzi, 2018).

Consolidating teams — challenging ventures can be built only by means of endowed execution. By meshing highly effective talents with various background on a talent pool, VBs can quickly form cross functional teams with the common expertise needed for a launch of the particular venture. (Liuzzi, 2018).

Raising capital — startups inside a VB have a comparingly easy access to capital. VBs conduct funding for their portfolio startups as by their own capital along with connecting the startups with external investors and partnering funds (both methods can be used simultaneously, Liuzzi, 2018).

Management support — VB's provide operational and strategic support and consulting of the startups they co-found, participate in startups' activities such as market research, team forming, product management, R&D, financial and legal consulting, fundraising etc. (Liuzzi, 2018).

Shared resources — venture builders provide shared facilities for their startups: information, mentorship, methodologies and a number of services: HR, Legal and Finance. The reduced operational costs as the outcome of shared facilities ecosystem, collective business, in which information of the successes and failures is also the common possession of the VB’s companies: existing and future. (Liuzzi, 2018).

The difference of the VB and VC fund is the following: VB's function is not just providing access to capital, but are also providing other resources as knowledge, shared services and other activities making them highly engaged in the businesses they help to create (Liuzzi, 2018). That makes their difference with venture capital funds or traditional

holdings. Venture builders are also different from accelerators —applications process or demo days are not needed (although they might be happening). Instead, together with startups founders, VBs are in pursuit for innovation along with developing and creating new businesses from scratch proactively.

In Nordics the first (and the only one according to Musgrove, 2019) Nordic venture builder is «52nd Ventures» founded by Taneli Tikka, Mikko Riikkinen, and Stefano Mosconi in 2019. (Musgrove, 2019).

2.2. Target countries ecosystems opportunities

In the current section of the study an overview of the ecosystems in target countries is made: what accelerators, funds, networking opportunities could be found in target countries, and some average figures and indicators that can show the maturity of the startup ecosystem.

Finland

The motivation to move the startup to Finland can be divided between several reasons (Startupgenome 2019).

The first reason is appealing to the relatively low costs along with high quality of the infrastructure: The Greater Helsinki region offers entrepreneurs all the benefits of a Scandinavian lifestyle at a lower cost of living than larger tech hubs. Startups can hire excellent local talent at lower salaries than other ecosystems. The area attracts founders and investors from across the world to Slush each November, which has become a major global startup event.

The second reason is a growing startup infrastructure financed by the government: «Maria 01» coworking in Helsinki (StartupBlink, 2019) it is a former hospital that was converted to a startup home base with minimal rebuild. At Maria 01 there are currently 105 startup companies and 10 venture capital companies and there are plans to expand so that the number could be multiplied and also the R&D activities of large companies could expand to Maria 01.

Third, Finland is very active in startup scouting overseas. The author met several startup scouts from various regions of Finland on the startup fairs he visited and also relocating private initiatives as FinLanding could be mentioned (Finlanding, 2020)

Another important advantage of Finland for startups is Business Finland (before 2018 – a separate organisation named «Tekes» that is currently merged with internationalization service «Finpro»). Business Finland is the fully-government organization for innovations funding and trade, travel and investment promotion. It considers itself as a is an accelerator of global growth. "Tekes" name comes from Tekniikan edistämiskeskus (Center for Advancement of Technology) and it's core point

of activity is innovations support. (BusinessFinland, 2020)

The Tekes program of Finnish startups' support gives the following opportunities (Tekes, 2018):

- «Tempo» grants for product-market fit search and testing business concepts;
- «R&D funding» (loans) for product and service development;
- funding for business development in young innovative companies programme (YIC).

Tempo grants are targeted for innovative ventures not more than 5 years of activeness, legally found in Finland and have sufficient assets for delivering the project to it's the point of bifurcation whereas the company will start to be profitable or fail (usually €30k of company's owned capital). The core intent of Tempo funding is that the companies can test the business concept functionality, get feedback from potential clients, clarify the international markets pull, demonstrate working prototypes. The maximum amount of funding is €50k covering 75% of the total company's budget (Tekes, 2018).

Startup R&D funding, is a competitive grant for research, development and making pilot implementations. It is targeted for innovation ventures that have left their product or service functionality test period behind and are ready to expand to the international markets. The funding is provided as a loan and needs to be returned to Tekes. However, if the project fails or its results cannot be used for profit, the loan can be converted into a grant and doesn't require to be refunded. The covers from 50% to 70% of the total startup's costs. A the payback period could be up to ten years (Tekes, 2018).

Young Innovative Companies (YIC) funding is given to the most perspective and fast-growing startups. The funding can be used for the business activities development including finding the best talent for the team, improving the business model and growth strategies, entering new markets. YIC is a three-phase combination instrument. The funding for the first year is a €250k grant. The maximum amount of funding amounts to €1.25M, whereas a maximum of €500k may be funded as a grant, and €700k - as a loan. The funding might cover up to 75% of eligible costs except product/service development or R&D activities that are funded separately (Tekes, 2018).

The Sub-Sectors of Strength in Finland are considered: AI, Big Data, & Analytics and

gaming. (Startupgenome 2019).

Estonia

According to the Global Startup Ecosystem Report 2019 (Startupgenome, 2019) the reasons to move the startup to Estonia are claimed for several reasons. First of all, Estonian company is easy to operate due to it's pioneership in digital government services, as for the common citizens along with the entrepreneurs. The online business registry allows entrepreneurs to quickly establish companies online. Along with the E-Residency program Estonia enabling digital entrepreneurs to register an EU-based company online remotely from any country in the world.
The Sub-Sectors of Strength in Estonia are considered: Cybersecurity and Fintech. (Startupgenome, 2019)

Latvia

According to the Baltic Startup Mag (StartupLavtia, 2019) there are several reasons to move the startup to Latvia. First of all there are no residence requirements for the management board, which means that the company can be registered as by the residents along with non-residents, hence the residence permit for all founders is not needed for operating a company. Second the dividends received by a Latvian company can be distributed without further tax liability, along with 300 eur fixed employee tax and 45% compensation for an employee taxes make an obvious taxation relief which is quite attractive for a startup. Another taxation opportunity is 0% tax rate for distribution profits of a startup. Credit politics in Latvia are quite supportive: credit guarantees up to €1,5M, available in state-supported sectors, and subordinate or mezzanine loans are available up to €5M for state-supported sectors startups along with innovation vouchers: a government-supported grants for R&D, certification and IP registration co-financing.
The Sub-Sectors of Strength in Latvia are considered: Fintech and biotech. (Startupgenome, 2019)

Lithuania

The motivation to move the startup to Lithuania (Startupgenome, 2019) are:

- Attraction policy: Unlike most countries, Lithuania's Startup Visa Programme has no capital or employment requirements.
- Universities: Vilnius University, Vilnius Gediminas Technical University, and others support Sunrise Valley Science and Technology Park which provides space, support, and talent.
- Ease of doing business: It takes three days to start a business, and Lithuania ranks 14th for ease of doing business globally.

The Sub-Sectors of Strength in Lithuania are considered: Fintech and Mobility.

In order to estimate the costs of maintaining a startup company in the target countries the author suggests to use such metric as Expatistan's cost of living rate. Expatistan is a cost of living calculator that allows to compare the cost of living between cities around the world. Each city's cost of living rate is a value of 100 compared to a central reference city (Expatistan determines Prague as a central reference city). As long as the reference point has been established, the cost of living rate of every other city at Expatistan's website is calculated as comparing it's cost of living to the cost of living in the central reference city. Hence, if a city has a cost of living rate of 157, that means that living in it is 57% more expensive than living in Prague (Expatistan, 2020).

Additional data on the target countries startup ecosystems is presented in the table 3.

Table 3. Main target countries startup ecosystem data. Data is acquired from: (Startupgenome, 2019), (StartupWiseGuys 2019), (Finland database, 2020), (Business Finland, 2018), (Paaomasijoittajat 2020), (Expatistan, 2020)

	Finland	Estonia	Latvia	Lithuania
Ecosystem value, $	3400M	1200M		156M
Early-stage funding (per startup), $	306k	114k	86k	75k
Total Early-Stage Funding, $	239M	69M	2M	<50M
Software Engineer Salary, $	48,3k	28,2k		26,6k
Total investment (2019), $	1569,7M	329,6M	85,5M	183,3M
Number of startups registered (2019)	2726	650	518	920
Number of startups per 10000 inhabitants (2019)	5,29	4,9	2,7	3,3
Main Accelerators	"Default VIGO" “Default VC (fund)” Vertical Nestholma x-Edu Startup Sauna "Life Science Accelerator" Startup Journey (Boost) Levelup Startup Accelerator Avanto Ventures Turbiini business accelerator	Superangel Startup Wise Guys TalTech Prototron	Commercialization Reactor Buildit Latvia Overkill Ventures Startup Wise Guys	Baltic Sandbox 70ventures Kaunas Startups Startup Wise Guys
Expatistan's Capital cost of living rate	Helsinki, 171	Tallinn, 115	Riga, 111	Vilnius, 105

2.3. Startup immigration rules

As mentioned in the previous section of the study, one of two options to nurture the local economy with startups is attracting entrepreneurs who can bring new knowledge and create jobs within the local economy from other countries, usually less developed.

The ***Startup Visa*** is a temporary residence permit provided by certain countries to attract entrepreneurs which raise funding and wish to establish a company in the jurisdiction of the issuing the permit countries. A wide range of countries with developed economy apply the startup visa and some immigration rules, following which, the foreign founders of promising business can establish and execute their companies in a better environment (Hegazy, nda).

As long as the migrant entrepreneurs often face legal and cultural obstacles to registrate and run their businesses, anticipating the startup visa should be a good opportunity for their startup businesses. Almost every EU country has startup visa program, which allows highly-skilled entrepreneurs and their employees to get a temporary residence permit in the country of the startup registration. (StartupWiseGuys 2019).

All four target countries listed in the study provide their Startup Visa programs.
The main data on the target countries Startup Visas figures is presented in the table 4.

Table 4. Main target countries Startup Visas figures. Data is acquired from: Migri, nda, Migri, 2019, BusinessFinland, 2020, (StartupWiseGuys 2019),

Startup visas reviews	Finland	Estonia	Latvia	Lithuania
Program launch, year	2018	2017	2018	2017
Time it takes to register and receive a decision	10	30-60	30	30-60
Online application	yes	yes	no	yes
Application 100% in English	yes	yes	yes	yes
Price, €	350	60-180	100-400	120-240
Level of innovation will be reviewed	yes	yes	yes	yes
Length of stay		1 year	3 years	1 year
Interview required	no	no	no	video
Application location	Online	Online	Home embassy or in Latvia	Online, then in Lithuania
Amount of financial “buffer” required in bank account, €	12 000	1680	5160	none
Prior investment necessary, €	30 000	none	none	none
Total amount of founders who received the Startup Visa	23	407	54	160
% of approved Startup Visas	<60%	28%	95%	35%

3. The economic reasons for building sustainable national startup ecosystems.

This section of the study reveals the reasons behind prestige and non-material purposes that drive government-controlled authorities to raise their own startups and import them from third countries. An explanation of the reasons why the countries with innovation economies struggle to host startups from the economical point of view is given below.

Generally there are two main purposes to build a competing startup ecosystem - to grow domestic startups and to attract foreign entrepreneurs to incorporate their countries in the host countries.

According to Startupblink COVID-19 report (Startupgenome, 2020), that the «ecosystem with 1,000 startups (approximately the size of the Montreal ecosystem), each startup adds on average $5.1M in economic value while at 2,000 startups, each startup adds on average $6.9M. That figure is $8.7M for ecosystems with 3,000 startups, and $10.6M for ecosystems with 4000 startups (approximately the size of the Boston ecosystem).

Looking through a different angle, a rule of thumb is that ecosystems that are 3 times bigger (from 1,000 to 3,000 startups) produce 5 times more economic value: a multiple of 1.7X.4 Similarly, an ecosystem that loses half of its startups could lose more than half of the previously created economic value».

The data provided by Startupblink is mainly concerned to USA and Canada startup ecosystems, while the study is devoted to the Baltic and Finnish ecosystems.

The calculations in the current study will be made for Estonian ecosystem as the mediocre one among the target countries. The startup infrastructure is not so developed as in Finland, but more competitive than in Lithuania or Latvia. The estimation is based on official reports of the Estonian Startup Database (Estonian Database, 2020).

The economic impact of startups in Estonia comes from:

employment taxes

According to Estonian Startup Database (Estonian Database, 2020), the top-400 startups brought to Estonian economy €25,5M in Q1, which is approximately €102M annually as the employment taxes, the total amount of employees 5633, and also at least 2 founders for each startup, which means that at least 6470 people are involved in the startup economic activities. In the example of Estonian startups, it is known that startups create five times more and twice the higher paid new jobs (labour taxes per employee) than traditional companies of the same age (Index Venture, 2018)

unemployment expenses savings

Let's also estimate Startups also saves unemployment Estonian government from unemployment allowance paid to the employees, The minimum unemployment allowance rate is €175,15/month (Employment in Estonia, 2020) and the first 100 days an unemployed person receives an unemployment insurance, the average of €1.446/month, so the annual unemployment expenses for one person are an average of €5014/year or €417,8/month. Hence, the total budget savings for unemployment is **€32.44M/year** for only the top-420 startups in Estonia.

VAT taxes

The value added tax amount brought to Estonian economy by top-400 Startups can be estimated as 2020, Q1 total turnover of €200.9M multiplied by VAT rate of 20% (Taxes in Estonia, 2020) and be estimated as €40,2M quarterly or €160,8M/year.

Distributed profits taxes

As far as the startup is considered to be a fast-growing company raised by the funds invested and all the profits is reinvested until the exits are made, the distributed profits should be considered as none and excluded from the estimation (Taxes in Estonia, 2020).

secondary impacts

The following factors could be considered as secondary impacts of a highly-developed startup ecosystem to the host country (Corl, 2019):

- Attract investment to the countries;
- Advance general level of technology;
- Open new markets;
- Boost production of goods and services;

- Increase secondary employment (startups employers need people to provide them goods and services for life);
- Direct local impacts (bring in wealth and a large inflow of graduates and experienced professionals from other locations who are looking for job opportunities).

To summarise the direct impact of the top-400 Estonian startups, one should consider the abovementioned figures. The total direct value that the Estonian Startup ecosystem generates is €281.16M/year, hence an average Estonian startup brings a value of €702 900/year.

Considering the fact that 90% of startups fail and don't create any workplaces and turnover (Patel, N, 2015), even the potential of €70k of annual income for the government is a good reason for creating infrastructure for a startup.

Continuing the discussion on the matters that make the countries to compete for the successful startups (both nurturing their own national startups and attracting best foreign entrepreneurs), the large variety of benefits for foreign startups' founders can be observed and reasoned.

Let us consider the startup ecosystem as an business unit working for profit, hence startups should be considered as the ecosystem's customer. Comparing the business model with a common business sales funnel the author considers that common unit-economy metrics can be also applied to the startup ecosystems, particularly the Customer Lifetime Value (LTV) and Customer Acquisition Cost (CAC). According to common recommendation applicable for sustainable recurring business models, LTV should be at least 3 times higher than CAC (Good, 2018). As long as we cannot predict the lifetime of the startup, the author would like to suggest that at least 1/3 of ecosystem’s earning on an average startup could be spent for attracting the startup.

According to Patel's outcomes that 90% of the startups fail until the three years of their existence (Patel, N, 2015), we could consider that the retention rate is 66%. This metric means that 66% of customers from the first year cohort continue to generate revenue for the ecosystem on the second year.

The ecosystem expenses for startup’s support programmes and facilities maintenance should be defined as the COGS (cost of good sold) (Sandy, 2020).

The author would like to make an accent on the fact, that supporting the ecosystem should be considered as a sustainable and profitable business on the state level and the funds spent to attract startups should be much more than they are actually now. According to the calculations and estimations made above, the ecosystem should spend at least €23 300 for attracting one new startup annually (Estonian Database, 2020).

In order to increase the number of successful startups for at least of 500 units each year the government should spend at least €11.650k annually for attracting entrepreneurs from inside the country and outside it: scouting saturated startup teams of just talented entrepreneurs (Estonian Database, 2020).

The sustainable scouting process should be done through scouting programs like Finlanding (Finlanding, 2020), by national startup ecosystems, their employees or independent scouting agents. By the author's point of view, authorities could also scout startups through national-supported venture accelerators and to widen the incoming startups funnel.

4. Interviews results.

The second method of collecting data after the primary analysis, as mentioned in the research design sector of the study – is holding the interviews and then analysing their results and outcomes.

A series of semi-structured interviews with founders of the startups was done. All the interviews were held during May, 2020. The conversations were made by using Zoom video conference software, the interviews were recorded and then transcripted by the author, the data was analysed and compared between the respondents and than triangulated with the outcomes made by the author himself while analysing the sources.

The interviewed (case) companies for the data collection were chosen meeting the following requirements:

1. The company can be considered as a startup, meeting the criteria described in the section 2.1 of the current study;
2. The company's business should be no older than 5 years;
3. The company incorporated to the target countries from Russia not later than middle of 2019;
4. The company still is running it's business in 2020;
5. The company's founders used the startup immigration programs.

The list of the startups and the main company's qualificatory facts are presented in the Table 5.

Table 5. Case startups overview.

Startup	Industry, type of business	Position of respondent	Founded, year	Incorporation year and country
Startup A	Tourism, marketplace	CEO, co-founder	2017	Estonia, 2018 Lithuania, 2019
Startup B	B2B SaaS, sea logistics	CEO, co-founder	2018	Latvia, 2019
Startup C	B2B SaaS, Virtual Reality	CEO, co-founder	2017	Estonia, 2019
Startup D	AgroTech	CBDO, co-founder	2017	Finland, 2019

Following are the answers from the startups that agreed to take part in the research.

The respondents approved the corresponding sections of the study – that the information given during the interview was correctly interpreted.

4.1. Startup A.

Startup A was founded by two serial experienced entrepreneurs having high expertise in internet business. The CEO of the company had 2 successful exits before starting the Startup A. Startup's main activity is a marketplace for renting yachts, currently there are more than 15,000 boats in 16 countries available for booking in their database. The business started in 2017 in St.Petersburg, Russia and then incorporated in Estonia in 2018. The company bootstrapped, which means that on the early stage they were self-funded. Incorporation in Estonia was made whereas it was easy to apply online along with the fact that it's a common trend for Russian and especially, St.Petersburg-based companies. Estonia is a very popular European country among Russian entrepreneurs to incorporate in. The reasons for Estonian popularity for Russian entrepreneurs will be explained in the Startup C paragraph.

The reason explaining the needs of relocation the company to Europe are quite typical for the Russian startups wishing to expand internationally: the customers are European, while the Russian jurisdiction is very hard to deal with a reasonable amount of issues: legal peculiarities and diversity, payment processing issues, e.g. the world's leader in payment processing, "Stripe" is banned in Russia, etc.

Startup A's path is not very typical because in 2019 they changed the host country to Lithuania for the several reasons. Firstly, the startup was invite to participate in a Lithuanian seed accelerator "Baltic SandBox". The startup joined the accelerator being incorporated in Estonia, but during the acceleration program they were advised to relocate the company to Lithuania.

Along with the company's relocation the accelerator helped the entrepreneurs by introducing to local funds and banks, networking with local community: the Startup A's CEO refers that it was much easier to deal with those negotiations while operating a local company.

The respondent also claims that incentives like grants and government support could be provided only for the Lithuanian resident companies. On his opinion, the relatively lower amount of the startups in Lithuania compared to Estonia gave good opportunities in order to receive those grants: chances to get them are relatively higher than in Estonia.

Regarding the other jurisdictions to incorporate, the Startup A's CEO refers on their probes and ideas to incorporate in Finland, but they found the barrier of very high costs of maintaining the company in Finland and declined this idea. They also have plans to further incorporate in local countries (Germany, France, Italy) because of the language and cultural barriers within those countries: locals prefer to buy physical services from local companies.

From the author's point of view the Startup A has a proper incorporation strategy and incorporation decisions made are reasonable in their situation. Nevertheless the changes in the incorporation are a particular expense, the return on this decision covers all the costs they made.

4.2. Startup B

Startup B is a sea-logistics SaaS solution provider. It delivers the turnkey solutions for automating processes in maritime logistics with competence in IT and logistics. The startup built a ML/AI based platform where the functionality of TOS (Terminal Operating System) and specific systems for shipowners became available to small and medium-size logistics companies in maritime, divided into solutions that are solving complex tasks.

Startup B was founded in 2018 and the R&D cycle until the first prototypes were built – was passed within one year. It was incorporated in Latvia in March of 2019, with support of the startup immigration process by Magnetic Latvia authority. The MVP (minimal viable product) was made before the incorporation, the startup wasn't previously incorporated in Russia because they didn't need to – they didn't have customers and they didn't attract any investment before.

Startup B chosen Latvia as a jurisdiction to incorporate in for several reasons. First of all it is an easy-to-apply startup visa program: Magnetic Latvia agency helps with the immigration process very much. The author researched for the Latvia startup visa program for several coached startups and found that among the other residence programs within the target countries it was really the easiest to apply.

Second reason, from the Startup B's CEO point of view, that after working only in Russia – Latvia is a "gate to Europe": doing business is similar to Europe but still there is a rather large Russian-speaking community with Russian traditions and positive mentality whereas the negative part of the Russian mentality was «left behind the Russian borderline»: all the outcasts, alcoholics etc don't relocate to Latvia.

From the other point of view, there are very few tech startups in Latvia and for that reason, access to media or accelerators are low-competitive: the startup can easily gain attention at the conferences, contests, win startup awards – just because there are very few challengers. After gaining all the traction that were harder to get in more mature and competitive startup ecosystems, these testimonials would be much easier to deal with negotiations: even if you're searching for investment outside of Latvia – e.g. in Germany or Netherlands.

As long as the Startup B is a maritime venture – they consider Latvia as a transit country between Russia and «marine» countries like Netherlands or Germany. The author estimate this «transit» incorporation strategy as a reasonable: after the company is mature enough in a «cheap» jurisdiction where they can afford themself a rather long runway and postpone the investment process as long as they can (hence to keep as much equity as they can for as much longer time they can carry), and then move to a more «expensive» but mature jurisdiction with better access to venture capital.

The Startup B's CEO claimed that they haven't yet decided whether registration companies in "sea-oriented" countries like Netherlands or Germany (Kiel region) would be a relocation of headquarters or just opening the subsidiaries: the decision will be made depending on the particular opportunities and future investors advice and requirements. The reasons for further relocation are supposed to be the following: networking, finance access, customer access.

Startup B's CEO declared that they didn't regret choosing Latvia as a country for incorporation and they would recommend it to all Russian bootstrapping entrepreneurs wishing to relocate and run their startup business in Europe.

4.3. Startup C

Startup C is a immersive VR education for corporate training developer. It's solution is already used by several nationwide enterprises in Russia, because it saves very huge costs for trainers and employees travel while holding corporate training.

The startup was founded in late 2017 in Russia, had a 18-month cycle of R&D, customer development and made 2 pilot projects with Russian enterprises. The company incorporated in Estonia in March of 2019. The startup was bootstrapping but after they incorporated they attracted a pre-seed round from an Estonian accelerator. Currently the company is developing through Estonian and Russian accelerators and also is searching for accelerating in an international venture builder «Demium».

The choice of a country to incorporate within was made between Estonia and USA (Delaware) - for the reason that these jurisdictions were fully online application. The startup has chosen Estonia for it's incorporation. It was done for several reasons, the main was European IP regulations that are much more favourable to IP owners compared to Russian jurisdiction where the Startup C had a company before.

The preference between Delaware (USA) and Estonia was given to Estonia also for the reason that Delaware didn't allow residency in USA, and Estonia granted the startup residence permits. Currently all the activities (office, employees etc) are held in Russia, St.Petersburg. and little distance between St.Petersburg and Estonia was also reasonable - in case they needed to contact any authorities (e.g. banks) personally, that would not be a problem.

The author could mention his observation that in this startup, along with several others revealed in the study, the entrepreneurs didn’t analyse the opportunities of various countries to make decisions – they appealed only to the recommendations they had in the word of mouth or the first available information.

As for the plans to further relocation, the Startup C's CEO claimed that they were looking forward to incorporate in Latvia in the nearest future, because they found that Riga is 1,5 times cheaper to run business than Tallinn, and Riga holds a large enough russian-speaking community which is rather important for their business. This opinion

aligns with Startup B's CEO response and it's not inflicted by him – they don't know each other and they never met (the author checked their contacts on LinkedIn and Facebook). Startup C's CEO also finds that Riga has better networking possibilities for Russian-speaking businessmen and better attitude to Russians in the society.

4.4. Startup D

Startup D is the most successful in terms of revenue and investment among all others in the research. It's business is automated vertical farming. It was founded in June, 2017 in Novosibirsk, Russia and showed very fast growth. The company D provides turnkey technology of fully automated indoor environment for supporting ideal microclimate conditions and guarantees effective growing of healthy and tasty plants.

In 2018 the company had moved to Moscow and had 30 employees, and in July of 2019 they incorporated in Finland. The company was rather mature and still nevertheless they had problems with getting a residence permission for their founders, the process took more than 9 month and they were among the first batch of startup visas in Finland. The stage of the company was seed, so they had enough funds to maintain a company in Finland.

In 2020 the company opened its showroom in Espoo, Finland.

The main reasons, according to the Startup D's CBDO for incorporating in Finland were that the company already had customers in Finland, but they had difficulties on cross-border operations with a Russian company, and, according to respondent's opinion, a level of trust to Russian companies in terms of quality in Finland is rather low. Hereafter, the Startup D's Finnish seed investors didn't consider Baltic companies as reliable and required to register a company in Finland. This fact confirms the pattern observed by the author while interviewing the Startup A's CEO: he also claimed that Lithuanian investors wished to deal with local company. Startup D's CBDO also claimed that along with the Finnish customers, the Startup D's founders were intentionally searching for investment in Finland because it provides access to relatively bigger investment capitals than other countries they were considering.

Startup D's CBDO regretted that they didn’t like the taxation and employment politics in Finland, consequently Finland is actually a subsidiary, because 95% of employees work in Moscow and Novosibirsk offices. Nevertheless, positive attitude to Finnish companies in Europe makes them a reliable business partner from their European customers’ point of view. Startup D has intentions to register subsidiaries in Switzerland, Germany and

UK in order to closer connection with the corresponding consumer markets. That point also comes along with the Startup A and B CEO's willing to make subsidiaries in the jurisdictions of their target markets.

5. Discussions and conclusions.

The purpose of this section is to summarize research results, to analyse their relationship with the theoretical framework and to move on to the conclusions taking into account the research questions posed. Within the scope of this study, the opportunities for Russian tech startup founders in the target countries (Finland, Estonia, Latvia and Lithuania) were examined.

Theoretical part was sourced taking into consideration available papers: academic articles, professional blogs and official documents: the national start-up and business development authorities, international analytical agencies, accelerators reports. The data from the resources mentioned was collected and qualified according to the theoretical framework. The startup opportunities: benefits and disadvantages along with the additional data for decision-making was acquired and qualified.

The research sub-question regarding the startup ecosystem as an enterprise generating revenue for the host country and understanding it's economy was revealed. The expected revenues from the startups activities and understanding the range of expenses available for startup acquisition and ecosystem maintenance were calculated and reasoned.

The empirical study was focused around the reasoning for startups to choose the country for incorporation among the target countries. The startups incorporated in the target countries were interviewed, the outcome data was then analysed and in the current section has to be synthesized with findings from the papers, and processed to generate research findings. Data for the empirical part of the study was acquired by means of semi-structured interviews with the founders of the companies.

Analysing the Table 3 in the section 2.2. of the current study we can see that:
Finland has the most mature startup ecosystem among the target countries, it shows the highest level of ecosystem value (almost 3 times higher than Estonia and more than 21 times higher than Lithuania) , the highest early-stage funding amount per startup (2,5 times higher than Estonia and more than 3 times compared with Latvia or Lithuania). Total early stage funding in Finland is 3,5 times higher than in Estonia, more than 5

times compared with Lithuania and almost 100 times than Latvia. The total investment from venture capital and private equity funds in 2019 was a total of $1569,7M which makes it the highest level not only among the Target countries, but for the whole Europe (Paaomasijoittajat 2020), and it's 4,7 times higher than in Estonia, more than 8 times higher than Lithuania and 18,4 times higher than in Latvia. It has the largest amount of startups among the target countries: 4,2 times higher than Estonia, 5,2 times higher than Latvia and about 3 times higher than Lithuania. With its numerous accelerators, VC funds and regional startup ecosystem development programs Finland is in its leading position among the startup scene of the target region.

From the costs analysis point of view, Helsinki is the most expensive city among the target countries with Expatistan's cost of living rate of 171. It's 48% more expensive than Tallinn, the capital of Estonia, 54% more expensive than Riga (Latvia) and 62% more expensive than Vilnius (Lithuania).

From the hiring point of view the average annual middle-position software developer's salary is $48.3k in Finland which is 70% more than in Estonia and 80% more than in Lithuania. The high costs for Finnish business maintenance is approved by on founders of Startups A and C.

Author would like to pay attention also to Business Finland agency programs of startups support in Finland that could serve an incentive for founders to strive with Finland's innovation agency barriers and hard bounce rate for startup visas.

Startup immigration and visas processes are much easier to receive in Latvia (95% approve). That is one of the main reasons along with good support benefits that strive Russian founders to apply for Latvian residence permit and move to Latvia as the first and easiest way to Europe. Unless the startup visa application in all the target countries except Latvia are online, the Latvian embassies/consulates are located in major Russian cities, so there is no need to travel to Latvia until you have an approved application.

The result of the study indicates that the most challenging startup ecosystem is Latvian and it is recommended for startups on the bootstrapping or pre-seed stage, or in the non-popular venture domain. The Finnish startup ecosystem is the most saturated, with high

level of access to venture and private equity capital and mature ecosystem shareholders. It is recommended for seed-round startups with mature product and customer database. The «golden mean» among the considered countries is Lithuania, which has a rather mature startup ecosystem along with relatively good talent access, low business expenses.

The main research question was: Which jurisdiction and startup ecosystem among Finland and Baltic countries is more perspective for CIS-based tech startups and why. The answer to this question has been explained above in the sections. To conclude the study, based on the findings of the literature review along with the empirical research, the following main outcomes identified seem to be significant to the author:

1. Venture builders are a very promising form-factor of the startup ecosystem and they are worth to be developed not only in Finland but in all the Baltic countries which can be a competitive advantage for a startup ecosystem. The author will be happy to be implicated in such project himself.

2. The entrepreneurs didn’t have this analysis of the ecosystems benefits to make decisions – they appealed only to the recommendations they had in the word of mouth or the first available information.

3. If the company's stage is pre-seed and there's only a prototype or MVP, the founders need an European company with low maintenance and long runway – the easy way is Latvia, because it's almost 100% approval as the startup residence permit, and the business expenses are relatively low.

4. If the company is mature enough, it has traction and capital (own or investment), ready to market product – the most promising ecosystem is Finland with it's rich opportunities to funding and international expertise.

5. The «golden mean» for levelized startup companies is Lithuania – it has a competitive business environment, good talent access and relatively cheap resources. It can be also confirmed by Startup A's choice of incorporation after they already has been incorporated in Estonia.

6. The Venture Builder model can be the next big step in Baltic startup ecosystems: it requires to hunt not only startup teams, but also the separate lonely talented founders and help them to build a business. In the post-COVID world with VC finance lack coming along with the currency decreases, unemployment and total finance crisis in Russia gives the Baltic states an opportunity to generate a whole bunch of new startups with Russian founders and have a solid share in them as long as the Venture Builder model supposes to keep a large part of equity for the Builder itself.

7. On the author's information based on the website analysis, interviews and dialogues with startup founders, angels and accelerator employees and partners, the tracking methodology is not supposed to be used in most European and US-based accelerators. It is a growth methodology born in Russia and spread across IIDF and several associated accelerators and VC companies in Russia. On the author's point of view it is a progressive method worth to be applied in European accelerators.

8. Innovation agencies (Business Finland, Startup Estonia, Magnetic Latvia, Startup Lithuania) of the target countries should increase their effort on startups teams and single entrepreneurs to their country by increasing the budgets for scouting, conferences, doing road shows in Russian and other CIS festivals for tech students, young entrepreneurs and youth forums. The economic evaluation concluded in the section 3 of the current study shows the spenditure limits.

5.1. Practical applicability of the study results, further research:

The results of the research will be most relevant for startups on the pre-seed and seed stage from CIS planning to incorporate in EU.
The founders can use the outcomes, considering all the advantages and disadvantages of each target jurisdiction for their particular case and make a reasoned decision on the jurisdiction to incorporate.

Having finished with the current study, it would also be interesting to see a new research done on the Finnish and Baltic startup ecosystems done in a few years. After another study is done, the researchers could consider the changes in the startup ecosystems, and their influence on the main decision factors estimated in the current study.

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