

Supporting entrepreneurship and entrepreneurial learning in Estonia

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(Picture by Urmas Luik)

Pre-incubation – key to entrepreneurial youth

The State level – How does Government support?

Republic of Estonia Ministry of Economic Affairs and Communications in collaboration with other organizations has developed a growth strategy 2014 – 2020. Estonian Entrepreneurship Growth Strategy 2014-2020 which Vision is – “By the year 2020, the Estonian innovation and entrepreneurial policy will have considerably improved the welfare of Estonian citizens and enhanced Estonia's integration in the international economy as well as the competitiveness of its enterprises”. One of the vision subparagraphs for Estonia is to become an internationally recognized hub for start-up enterprises. The main activities of the implementation of this vision at the national level are the following:

- Supporting the distribution of learning modules concerning start-up entrepreneurship, the establishment of interdisciplinary teams and spin-offs;
- Contributing to the fast completion of prototypes and to the quick introduction of a minimum product to the market. Supporting services necessary for the completion of test products and make financing widely available, in addition to expediting the development of a domestic investment market;
- Supporting the inclusion and development of management competencies in start-ups and support systems. Helping to recruit managers with international experience, improve leadership skills of ambitious entrepreneurs and raise the quality of coaching.

On the state level, a Startup Estonia is created to achieve these objectives and activities. Startup Estonia is a governmental initiative aimed to supercharge the local startup ecosystem in order to see many more startup success stories to come from Estonia.

Startup Estonia divides its activities into 4 categories:

- Developing the Estonian startup ecosystem – uniting and building the community through different events and activities, creating and executing unified marketing and branding strategies;
- Working on educating the startup founders and employees in areas they currently lack certain knowledge of that keeps them from achieving their (international) business goals; cooperating with higher education institutions to bring quality entrepreneurial education to a wider audience; and developing niche startup areas in Estonia, such as cleantech, healthtech, and cybertech;

- Working on educating the local investors to help them invest more and smarter, as well as attracting foreign investors to Estonia;
- Working on eliminating regulative issues and barriers that are complicating the process of operating a startup, investing or raising funding in Estonia.

On the state level there are the systematic development for entrepreneurship and entrepreneurial learning on 2016-2017. There are different modules for every education level. Pärnu Vocational Center is planning to include the modules for teaching in various fields of study. Also there are a workgroup of different universities who are developed preincubation program for vocational educations and universities educations but more of this hereafter.

What is the startup and are every company startup?

Some definitions

- Startup – a temporary organization that locates repeatable and scalable business model.
On success (5-7 years):
 - Raises capital from international investors (at least 1 million EUR);
 - Reaches global market (Flow at least 10 million EUR, growth 30% YoY);
 - Head office abroad;
 - Product/service an essential competitive advantage – changes markets functioning logic;
- Investor – Someone who will make the resource placement (money, work, project, time, skills, contacts) expecting earnings from it;
- Valuation – Value, that is determined by allocating funds to the company.

Looking at startup concept, we can see that not all starting businesses meet these criteria. In order to understand concept of startup better we'll use Steve blank distribution for startups:

6 types of entrepreneurs

1. *Lifestyle Startups: Work to Live their Passion*
2. *Small Business Startups: Work to Feed the Family*
3. *Scalable Startups: Born to Be Big*
4. *Buyable Startups: Born to Flip*
5. *Large Company Startups: Innovate or Evaporate*
6. *Social Startups: Driven to Make a Difference*

As we see there is a possibility to start different types of companies. We need to preincubate all those types and considerate different needs for different types of companies. Best way to do that is to use approach which Startup Estonia has introduced. These) are Start-up business stages of development, which are based on Startup Commons work. The stages are the following:

- 2. Ideating
- 1. Concepting
- 0. Commitment
- 1. Validation
- 2. Scaling
- 3. Establishing

Estonia currently has more than 25 organizations that deal with pre-incubation or incubation. Pre-incubation involves mentoring teams, helping them improve from idea stage(-2) to commitment stage(0). Among them are programs that fund the early stage ideas and

prototypes made. Incubators and accelerators that already operate with teams in the commitment stage(0) to Establishing stage(3).

Let's see what each development stages of pre-incubation means and includes.

Idea stage.

- Potentially scalable product / service idea
- The initial business model design
- An individual or initial team
 - Not YET dedicated
 - Not YET a team with all the necessary skills.

Developing stage:

- Developing idea to the business model
- Initial targets set
 - Direction for the next three years with key-activities
 - The main team of two or three members
 - May be a smaller team a lesser degree of commitment

Commitment stage

- Committed team who as all the skills to start
- Team is capable to develop service/product further on
- They have a shareholders' agreement

Regional level - What do we do in Pärnu County for preincubation?

Pärnu County has developed start-up businesses support structure which is supported by three major organizations: Pärnu City Government, Pärnu business and development center and University of Tartu Pärnu College. Those 3 taken together coordinate the various programs that give people a good opportunity to start their own business.

In Pärnu County there is UT Idealab which complies the role of the development stage (ideating -2). "Idealab" takes place in Pärnu College and is a place for students of all specialties to find exciting ideas and implement them. You can come to Idealab with or without idea and team. This program has been going on for 3 years. Each autumn and spring semester. Every year addition to Pärnu College students participated in the program have been students from Pärnu Vocational Education Centre.

When student comes without an idea, he or she can choose an exciting idea or challenge from the ideabank or join an existing team. If there are not any existing ideas that suit student, idea lab helps to brainstorm and find just the right fascinating idea, that's worth the implementation. If student comes without team or incomplete team, then in the idea lab they have a chance to find missing team members who will help to implement idea.

In addition, Idealab will find each team a professional mentor who can provide advice and support to develop and execute ideas. Idealab season lasts for three months. During the season seminars and workshops are held. Meetings with businesses and much more. Idea lab program starts with idea generating and team forming. Progressing to the initial business model and idea as well MPV testing. Training and workshops are about marketing as well as financial issues. Finally, it is clear for the team - what problem they solve with their idea and whether the

customer is interested in the solution. An extra team will know the kitchen side of the business model, ie how the processes could take place.

Development stage Concepting(-1) to Commitment(0) is carried by Pärnu City Government for five years with program "Ettevõtlik pärnakas". "Ettevõtlik pärnakas" is organized by Pärnu City Government as Entrepreneurship Contest, which aims to promote entrepreneurship and to facilitate the creation of innovative enterprises in Pärnu County. Usually Idealab team continue their development in "Ettevõtlik pärnakas" program. The program consists of two parts. First, the business ideas contest where the best ideas will be selected and moved on to the training program. The training program lasts for three months and includes training courses, workshops and meetings with mentors. Mainly ideas that access the training program have been validated in the market. The program is designed to accelerate and support the process of starting a business. Businesses leaving the program have the opportunity to enter the Pärnu County incubator that deals with the development of startup stage 0-3. In average there are 15 participating teams and in the end we have 5-7 new companies.

In addition to these, there are links to various countrywide programs in Pärnu County. In Pärnu County there is a nationwide contest "Ajujaht" seminar. Garage 48 has done its autumn Estonian hacaton in Pärnu. Every year Pärnu College organizes Global service jam weekend which similar to the Garage48 deals with service based ideas for 48 hours.

Vocational Education Centre – What Vocational Education Centre can be done by the development of the entrepreneurship?

Currently, Pärnu Vocational Education Center are identify the learning needs and enables teachers to take part of business and accounting courses. Teachers of different fields can participate and cooperate in entrepreneurship schools network. The school encourages and supports the participation of teachers and students in different business and entrepreneurial training seminars inspiration and motivation days and so on. Vocational center are signed cooperation contract with Pärnu County business and development center. Vocational center business teachers can be a mentor for startups. Students can get consulting for starting business and so on. Every October there is entrepreneurial week where Vocational Center support students to participate and create their own fairs and charity auctions.

Looking different programs of preincubation in Pärnu County we see that every year we have more and more participates from Vocational Center. Still the percentage of total program participants is lower than 15%. The main possibility for Vocational Centre is to use already established structure and programs. Fortunately, there is a plan on 2017 to hire a coordinator for enterprise learning and students company's activities.

The first major challenge what the new coordinator have to do is to bring the information of the region and the country programs into the school children. Here is a great role for teachers and school management. Teachers themselves need to first familiarize what are the different programs and where it makes sense to go for the students. This information must be aware of all teachers, not only those who teach business. For example, a student who is learning hairdressing or car repairment have an idea for business then the teacher can recommend which program to participate. Here is an important role for school management. Both teacher and student need to feel support from school management. This includes sharing the information and

helping extracurricular activities. The more students have extracurricular activities the more they learn about enterprising.

The second major challenge what the new coordinator have do to is organize school teaching the way that it helps to increase enterprising spirit. The students are taking responsibilities, setting tasks and finding solutions for the tasks. Estonia has developed an Entrepreneurial School Standard and tools that will help the students to be enterprising in the classroom and learning process. It means that we do not speak about students who will start their own company but after school graduation we have an enterprising and solution-oriented graduates. This is a challenge which must be solved not only at the level of the vocational schools but in all levels of education. In this issue there is a crucial role to school management. Only if the leadership is persistent and favorable we have a possibility to change the attitudes of teachers and students. The main thing is to be supportive and encouraging for the young people. During the teaching not only demonstrate how things get done but how those activities are part of the company and how they are situated on the bigger picture. Students need to have the possibility to be surrounded by the enterprising people. By changing the environment, we will change attitudes and behaviors. Thanks to that we will grow student inner motivation to be enterprising, and why not to be an entrepreneur!

