

THE MAIN RESULTS OF THE SURVEY “ENTREPRENEURSHIP IN TARTU IN 2010”

- The majority of enterprises currently operating in Tartu have been founded during the last decades since possibilities of starting a private business emerged. A large amount of them have been established during 2005 - 2009.
- Most of the enterprises are private limited companies. 87 per cent of the enterprises are independent sole corporations, 6 per cent are parent enterprises of a group of businesses and 7 per cent are subsidiary firms of another company.
- In comparison to the period before economic recession four years ago, significant changes have taken place in the sectors of activity of Tartu enterprises. Nearly a third of the enterprises are currently active in retail trade. The share of construction industry has decreased considerably, as compared to 2006 when this was the largest branch of activity. During the last ten years the number of enterprises in education, health care and social care has doubled.
- The share of enterprises offering services to other businesses and especially to private people has decreased as compared to the period before economic recession. The service sector, however, is still the most widespread activity. In the year 2010, almost half of Tartu enterprises offer services to private people and three thirds of the enterprises offer services to other businesses. The number of enterprises who provide other enterprises with final products has not changed, but the share of businesses producing final goods to private customers has fallen to the level of the beginning of the last decade.
- The majority of businesses operating in Tartu belong to Estonian owners, 96 per cent are operating on Estonian capital, foreign investors are involved in 4 per cent and 1 per cent of the enterprises are based on state or municipal ownership. Tartu entrepreneurs continue to find most of their foreign partners by personal contacts and business relations.
- Most Tartu companies make development plans for longer periods than one year. One third of the enterprises make plans for two or three years and one fourth looks forward to more than three years. The percentage of enterprises which do not plan overall trends or make general plans only for the current year has increased, as compared to the period before economic recession.
- Just a bit more than one tenth of the enterprises plan their technological innovation for several years. The number of enterprises, which do not plan any renewal of technical equipment, has almost doubled during the recession.
- During the last four years economic recession, the number of companies which plan financial indicators only for the current year has increased, and the amount of firms not planning any financial indicators at all has also grown a bit.
- One third of the enterprises do not plan their labor needs at all and half of the enterprises focus only on the needs of a current year. During the last four years the amount of enterprises

not planning labor needs has almost doubled. The companies which contribute more to the planning of labor needs are also more active in mapping out their retraining needs.

- The share of export in the sales turnover has decreased a bit during the last four years, being 10 per cent on average in 2009. In 2010 rise in export was predicted. Tartu enterprises continue to focus on neighboring countries' markets, the main export partners being Finland, Latvia, Sweden, Germany, Norway and Lithuania.
- More than half of the companies' managers plan to extend the activities of their firms in Tartu. The percentage of managers not having opinion in this matter has decreased, as compared to 2006.
- Fewer managers than in 2006 are keen to extend their businesses beyond the borders of Tartu city. Such plans are mostly undertaken by larger enterprises.
- More than 80 per cent of Tartu enterprises do not foresee the reduction or closure of branch offices and liquidation of firms. Small enterprises consider the reorientation of their activity as a way of carrying on their existence.
- According to the assessments of managers, the development possibilities of Tartu enterprises are based on the existence of market, strong business concepts, labor and innovation. The importance of the last mentioned aspect has grown most since the survey of 2006.
- Tartu managers consider the profits of current businesses being the source of financing further activities. The share of bank loans has considerably decreased as a financing source and less hope for further investment is currently placed on the Estonian shareholders.
- The managers' awareness about the organizations, which are financially supporting entrepreneurship, is relatively low.
- The relevance of necessary labor force as a key factor in current economic success has decreased since 2006, but is still considered most important. Competition situation and marketing possibilities are considered more important than before.
- Tartu managers are more pessimistic about general future forecasts. The amount of answerers, who were not willing to estimate their future perspective, has grown.
- The investments to the enterprises have fallen considerably, as compared to 2006. Uncertainty about investments has increased and 27 per cent of the managers were not able to answer about possible investments.
- The investments orientated on principal changes have also decreased. Half of the enterprises direct one third or less of investments on principal changes.
- The innovation of enterprises has fallen to the level of 2002. The only fields of activity, where no decrease was seen in development, were the introduction of new products and services and finding market niches and target groups. Here the results were similar to the ones in 2006.
- Only one enterprise from one hundred plans to reduce its workforce. This apparently shows the end of the dismissing wave caused by the economic recession.
- The information sources for company management have remained the same as compared to 2006. Publicly available statistic and economic information are mostly used.
- The exploitation of complete information systems (linked accounting, stock accounting, personnel records) in the everyday running of enterprises has decreased. Another fall has occurred in the usage of other computer network-based possibilities (e.g. executing bank operations or communicating with colleagues and customers). The number of users of simple computer applications (e.g. word processing) has increased.
- Although general satisfaction with workers has declined in four years, the problems connected with workers are not so common any more. A significant change can be seen in the estimation of the workers' professional level. In 2006 the largest problem was

considered to be low level of professional skills, but now the importance of this problem has decreased almost twice.

- The only problem considered more significant during the last four years is absence from work on personal grounds.
- More than half of the managers estimated the retraining possibilities in Tartu to be good or even very good, which is a better result than four years ago. The enterprises estimating retraining possibilities lower than others, are from the fields of financial activities, real estate activities, lease and business services, agriculture, hunting, forestry and fishing.
- Only 10 per cent of the enterprises consider finding workforce a problem in Tartu, which is much less than in 2006 (72 per cent). Finding labor force is a problem for enterprises active in the fields of hotels, restaurants, industry, energy, gas and water supply and education, health care and social work.
- Main channels for finding new workers are via personal contacts, internet and newspaper advertisements.
- As before, a very important criterion in employing a new person is his or her ability to make progress, learn and personal conduct.
- The number of the graduates of Tartu Vocational Education Center, who have been employed, has fallen two times and interest in cooperation with the vocational school has declined. The reason, however, is not the low standard of education offered by the vocational school, but sufficient workforce in the enterprises themselves and lack of necessary specialties.
- 27 per cent of the enterprises are interested in cooperation with the vocational schools in the framework of practice training, especially in the fields of education, health care and social care, to some extent also in hotels and restaurants. The most mentioned specialties were salespersons, cleaning personnel and cooks.
- Complicated economic situation in recent years has left its mark also on the communication with the municipal authorities. In 2006 the communication with city government showed a growing tendency, but in 2010 the situation is similar to the one in 2002. Then and now the share of people actively communicating with the city government is 16 per cent, the remaining 84 per cent either do not communicate with city government or do it rarely. It should be remembered, however, when interpreting this indicator that the economic recession caused a decline in various bureaucratic procedures connected to the widening of business activities (e.g. applying for the construction, exploitation and excavation licenses) and therefore active communication is often not necessary.
- The most intense cooperation with city government is carried by managers with higher education degree, moreover in the group of managers with high school or vocational school degree there was none, who stated that the cooperation with city government was very strong.
- The more numerous is the personnel of an enterprise, the tighter is the cooperation between city government and the manager of the enterprise.
- Besides the fact that the cooperation with the city government has declined, the estimation of importance of such cooperation is also in downfall trend. More than before there are managers, who do not consider it necessary to make any cooperation with the city authorities. The correlation analysis shows direct connection between the frequency of contacts and their relevance. Those, who did not have many contacts with the city government, consequently did not consider it necessary.
- The town homepage is also visited by fewer managers than in 2006.
- In the ranking list of information sources used in everyday work, other companies and their managers and media hold first places both in 2006 and 2010. During the last four years the

average indicator of the estimation has fallen, giving signs of the reduction of importance of information sources and presumably of obtaining information on the whole.

- The managers of the enterprises have criticized the activities of various supervisory boards. In spite of the fact that many remarks about supervisory bodies are connected to the problems of a specific company, there are also general complaints about bureaucracy and the working style, preparatory work and conduct of the supervisory officials. A lot of such criticism has been directed to the officials of the Misdemeanour Proceedings Service.
- In the field of transport the managers consider the reconstruction of the Tallinn – Tartu highway to be the key factor. The same outcome was in the research of 2006. However, the share of those managers who regard as very important the reconstruction of Tallinn - Tartu highway and a fast train connection via Tartu has decreased.
- Most well-known entrepreneurship support systems include Tartu Science Park, Enterprise Estonia, South Estonian Board and the Department of Business Development of Tartu City Government. The managers have had most contacts with the Department of Business Development and Enterprise Estonia.
- In 2010 the managers consider the involvement of scientists more important than in 2006. 87 per cent of the respondents think it is important or worth considering.
- At the same time the impact of science and research centers on the enterprises has declined in all sectors as compared to 2006. The lowest indicator shows the fulfillment of science and research center projects in various enterprises, for only 17 per cent of enterprises this is important or considerable.
- 17 per cent of the enterprises have used assistance from the scientists, which is significantly less than in 2006. No need for cooperation was pointed out as the main reason for not using help from the scientists.
- The research results showed that larger enterprises are more willing to cooperate with universities and research institutes. The enterprises employ scientists particularly for developing and implementing new products.
- The managers estimated Tartu’s social services offered to their workers positively. The largest problem is created by the lack of preschool daycare facilities.
- The enterprises prefer to cover workers’ expenses in the sphere of sport and education, least so with childcare expenses.
- The smallest enterprises are the ones which contribute least to their employees’ expenses; the largest enterprises are ready to cover more.
- Generally companies tend to support culture and sport and the last in their list is health care. The number of supporters of culture has increased as compared to 2006. Again the larger enterprises are the greatest supporters.
- From all aspects of investment climate, Tartu managers evaluated most highly the reputation of the town, quality of communication network, natural environment, local trade and services, security and living conditions. The proximity to the port and railway connection was estimated at the lowest level. It can be said that according to the managers the shortcomings in transport are significantly slowing down regional development.
- From the wider aspects of investment climate, the managers valued most positively the image and life standard of the city of Tartu. Land and buildings, which are necessary for business activity, were also highly estimated as well as labor and conditions for business. The least attractive aspects were the situation of transport and communication.
- The managers of middle-sized enterprises with 10-49 employees tend to find the investment climate of Tartu more attractive than the managers of small and large enterprises. The managers of large corporations gave low estimations about the availability of necessary workforce.

- Those managers who saw the development potential for their enterprises with the coming of euro, gave higher evaluation to the life quality, particularly to labor, but evaluated much lower the situation of transport and communication.
- The managers, who had experienced the negative impact of the economic recession or who did not answer this question, gave also lower estimations to Tartu investment climate. The managers, who stated that the recession had not had any influence on their companies' success, were very positive about the image of Tartu and found the situation of labor and entrepreneurship more attractive. Those respondents, who saw recession as a chance to increase the success of their enterprise, valued the life quality in Tartu higher than the others.
- The managers of construction firms, who experienced great downfall during recession, estimated almost all aspects of investment climate higher than the others. The managers of financial and real estate companies considered business conditions less attractive than other respondents.
- The age of managers in 2010 is in the scope from 22 to 72, and the average age is 44 – so including people in their best creating and working years. The indicators of age of managers have remained similar to those of the 2006 research, showing that younger people have replaced those who have withdrawn from business.
- The share of women among the managers has grown, being one of the most significant changes in the overall picture of managers.
- The managers' education degrees vary greatly, representing almost all possible levels (excluding primary and basic education). University degree is most prevalent educational degree, achieved by two thirds of managers according to the researches of 2006 and 2010. A manager with a high school degree is already becoming quite rare in the business environment.
- The correlation between the educational level of the manager and the size of the enterprise has remained the same as in 2006. Both large and small enterprises employ managers with university or science degree.
- In the researches of 2006 and 2010, the largest group of managers is formed by the graduates of Department of Economy of Tartu University.
- More than half of the managers have graduated after Estonia has regained independence. In 2006 only two fifths of the managers had graduated during the time of independent Estonia. The others have completed their studies during the Soviet time.
- The general length of working experience as a manager is 13 years, in the present position 9 years. Both periods of service indicate a growing tendency as compared to the previous researches. Apparently, a large number of managers continue in their present occupation and the addition of young people has not changed this general trend. Experienced managers work both in large as well as small enterprises.