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**CRITICAL SUCCESS FACTORS FOR SMALL
EDUCATIONAL ENTERPRISES IN CONTEMPORARY
ESTONIA**

Master's thesis

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I hereby declare that I have compiled the paper independently and all works, important standpoints and data by other authors has been properly referenced and the same paper has not been previously presented for grading.

The document length is 8156 words from the introduction to the end of conclusion.

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ABSTRACT

This Master thesis is written in the frame of International Business Administration programme and is 77 pages long including chapters and appendices.

Practical findings of the research are preceded by an overview of small-scale business in Estonia and Critical Success Factor theory in its historical development. The central research question is: “What are the critical success factors for educational enterprises in contemporary Estonia?”, research design is mixed-method, quantitative online survey followed by one-to-one qualitative interviews. In the course of research performed it was revealed that survival of small-scale educational companies in Estonia vastly depends on people employed in the business, customer relations, product or service on offer, personal traits and the entrepreneurial orientation of the owner/founder. Other personal traits of the owner, as well as business network and financial resources provide a limited contribution to the success of the company. Factors of outer environment (economic, political etc.) do not play a significant role.

INTRODUCTION

Small- and medium-sized enterprises (SMEs) comprise the biggest share of economies in most developed countries. In the European Union the share is 75,7%, in Estonia separately percentage is even higher - 99,8%, out of which 90.5% are micro-businesses (employing 0-9 people) (2017 SBA Fact Sheet, 2017, p. 2). In absolute numbers, over 62,000 micro entrepreneurs are operating in Estonia at present; in total in 2017 there were next to 69 000 SMEs (2017 SBA Fact Sheet, 2). By the number one sees the level of importance of SMEs in the EU in general and in Estonia in particular (practically speaking, all Estonian business is SMEs).

The current work focuses on the educational sector of SMEs in Estonia due to the following reasons. Firstly, creating a list of critical success factors (CSFs) for any SME would seem illogical, irrelevant and impossible, a list of this sort would add zero value to the knowledge of present business owners as it would be too general, enumerating basic things obvious without additional research. Secondly, limitation to geographical and industrial boundaries gives the research a good chance of developing a meaningful, valuable set of CSFs that can be applied to practice. Thirdly, education was chosen for lack of research in this field and as it constitutes a significant part of social life and is particularly important for Estonia in the light of internationalisation and language minorities' integration as national priorities. Education can be defined in a number of ways. This is how Encyclopedia Britannica does it: "Education can be thought of as the transmission of the values and accumulated knowledge of a society" (Encyclopedia Britannica, 2018). Education is one of the key building blocks of any society: if you do not pass on accumulated knowledge, no progress is going to happen, the next generation will not live better and be more successful than the previous one, no development means inevitable extinction of the species, therefore importance of education has deep biological roots. This is the reason why education is specially cared for by governments and politicians - it defines the future of the country, that is the reason why companies

working in the field of education were chosen as the object of our research, here and after they are referred to as “educational companies” or “education enterprises”.

Contemporary context of SMEs is a whirl of information, raw data, developing ICTs, marketing novelties, business coaches, efficiency trainers, etc. Through practice, experienced entrepreneurs have already come to some understanding which aspects of their business are the most influential and which ones contribute most towards surviving and thriving. This is not the case for “newcomers” who have no clue of which parts need more attention than others. The goal of this research is to equip educational business owners working in Estonia with a list of aspects of their business that demand their ultimate attention and devotion, without which the whole business is going to get ruined. Consequently, the **central research question is: “What are the critical success factors for educational enterprises in contemporary Estonia?”**. To answer this question, solutions to the following research questions are required: “What is necessary to become a successfully operating educational company?”, “Which areas are of crucial importance to the appearance and development of successful educational companies?”. A byproduct of answering the central research question is expected to be a list of areas not significant for survival and success of small educational businesses in Estonia.

The educational sector is chosen for the current research to keep the study in reasonable boundaries in terms of applicability of final results and in order to assist minor educational institutions of Estonia to succeed in their work as they constitute a meaningful part of everyday life of Estonian inhabitants. In this context, the term “educational SME” refers to an educational company operating in the field of commercial training; examples of which include language schools, dance courses, hobby trainings, driving schools, business coaching etc. The following statistics proves the growing interest of the Estonian population to this industry. Judging by Appendix 1 proportion of adults engaged in education grows: in 2007, 63,6% of the adult population took part in education. By 2011, it was 71%. Judging by Appendix 2, the number of people engaged in hobby education is also growing: 416 schools in 2011 and 591 schools in 2014 (+42%, 10.5% annually), 60,630 people engaged in 2011 and 79,126 in 2014 (+30.5%, 7.6% annually). Appendix 3 shows that all age groups are actively

involved in hobby education with a predominance of people 0-24 years old. The total number of people engaged is growing: from approximately 77,000 in 2011 to over 107,000 in 2014.

Notwithstanding the level of significance of education and SMEs - as well as educational SMEs - no papers on this topic has been discovered. Over 45 papers devoted to CSFs were carefully studied which allowed the identification of 150 critical success factors. None of the works touch problems of educational companies, educational SMEs or any SMEs in Estonia. At the same time there are papers devoted to other industries in other countries (for example, Lampadariou, 2016; Ramukumba, 2014). It means that local educational company owners stay unguided on how to prioritise their decisions. All of these considerations, combined with the degree of importance of education, as discussed above, enhances the novelty and topicality of the current research.

The work consists of 2 sections: theoretical and empirical.

The theoretical chapter of the current work gives a detailed overview of SMEs in Estonia (including educational companies), context of educational companies' daily work and peculiarities of their existence. Another topic discussed in the theoretical chapter is critical success factors (CSFs): history, development, current understanding and contemporary application. Born in the 1960s, CSFs have gone through significant changes and alterations in the course of time, though the basic idea is still the same: singling out the most "vulnerable" points of the company where any mistake can cost too much. A number of European scientists devoted their careers to the development of CSFs theory and it is thanks to them this research has a solid foundation to stand upon. Possible areas of research are described in detail, methods of looking for CSFs in a particular company are formulated and described and polished by a few generations of scientists. All instruments are prepared to be applied to a separate company or industry. The empirical chapter provides details of the research: research design, methods, data collection procedures and analysis of all data collected. An online survey accompanied by follow-up interviews was chosen as the most optimal way to achieve the aim of the research - to compile a list of key areas of attention which are highly probable to lead to

overall business success. Both research and analysis are conducted following the Caralli (2004) algorithms provided in full in subsection 1.2.4.

Local Estonian SMEs working in the field of education (in the sense discussed above) are the object of the research. Owners of 900+ companies were contacted and requested to participate in an online survey that would help to further develop Estonian small business; 40 of the answers received were qualified to be analysed. Participants were asked to rate a number of CSF and these results were analysed in a number of ways including comparison of Estonian-speaking and Russian-speaking respondents. Due to the fact that the chosen methods of research allow the gathering and analysis of subjective views of managers and owners, we have to admit that the resulting list can not be considered 100% objective.

Special gratitude must be expressed to the participants of Stage 2 of this research, who devoted time and effort not only to the online questionnaire, but to offline communication as well: KKS Sõprus (Svetlana Zagorskaya), Pingu's English (Tatyana Dodatko), MTÜ Akvarellid (Irina Kirs).

1. THEORETICAL BACKGROUND

1.1. Small- and medium-sized enterprises in Estonia.

The definition of ‘small business’ is not obvious or straightforward. Research by Ardic (2011) indicates that 73.5% of financial regulators choose the number of employees as the parameter for the division, 60% - sales value, and 22% - loan size, some companies use a combination of the 3 criteria. In separate cases authorised institutions choose to divide companies by industry-related parameters such as volume of production for manufacturing or value of assets (Chittithaworn, 2010). The European Union also tends to use the number-of-employees parameter: micro: 0-9 persons employed; small: 10-49 people; medium: 50-249 people; large companies: over 250 people employed (2017 SBA Fact Sheet Estonia, 2). This last point of view has been accepted in the current work as the leading one.

By way of clarification, the term “educational SMEs” or “educational companies” refers to private companies employing up to 250 people operating in all sorts of educational activities (teaching, tutoring, training, exam preparation, courses, professional training, vocational training, handcraft master-classes, business coaching sessions etc.).

Estonian private ownership and entrepreneurship dates back to 1985, making the capitalistic economy of Estonia only a little over 30 years old and burdened by post-Soviet remnants (Kooskora, 2006). In the period of transition from socialist (planned) to capitalist (market) economy Estonia became the center of public and scientific attention with the speed and quality of the transition process. Among other findings of the paper by M. Kooskora (2006, 190) the following ideas can be found: in 1995-99 businesses were focused on very short-term benefits, thinking not more than 1-3 years ahead, while already in 2000-2004 this period grew to 5-10 years; two opposite groups of managers came into existence: tough managers who were occupied with restructuring and modernising the remnants of the Soviet era and softer, more

innovative managers who started from scratch. Later the horizon of planning prolonged with “post-Soviet” managers giving space to leaders of the new time - of the 2010th. This background gives this young energetic country a special fleur of fighting for the right for entrepreneurship and making the best of it once the country had a chance.

At present SMEs in Estonia are in the majority micro, hiring up to 9 employees - 89%. 55% of enterprises produce turnover of under 65,000 euros. Geographically all the business is concentrated in Harju county (46%). Leading fields are: construction (15%), services (16%), wholesale and retail trade (15%), all other sectors are at least twice as small as the enumerated ones (Baltic Business Outlook 2018, 17).

Year	Russia	Italy	Spain	France	Hung.	Poland	Lith.	Latvia	Estonia
2013	2.22	1.26	1.44	1.47	1.33	1.45	1.52	1.61	1.29
2008	2.69	1.49	1.59	1.52	1.54	2.04	-	-	1.37
2003	-	1.8	1.79	1.77	2.11	2.42	-	-	-

Table 1. Product market regulation, OECD, 2003-2008-2013: 0 - less restrictive, 6 - very restrictive).

Source: Barkhatov, 2016.

Year	Russia	Italy	Spain	France	Hung.	Poland	Lith.	Latvia	Estonia
2014	2.7	4.3	6.0	6.9	5.4	6.1	5.8	5.5	6.9
2010	2.1	3.9	6.1	6.8	4.7	5.3	5.0	4.3	6.5
2007	2.5	5.2	6.7	7.3	5.3	4.2	4.8	4.8	6.5

Table 2. Corruption rate, Transparency International, 2007-2010-2014: the higher the index, the cleaner the country is.

Source: Barkhatov, 2016.

In summation, a typical Estonian company employs several people, is located in Tallinn or not far from it and operates in services, construction or trade. Educational companies

constitute a part of the services as well as being a separate entry with the weight of 2%, depending on the way owners and classifiers interpret the essence of definite business. According to the official Estonian statistics (Aastaraamat 2016, 223), in Estonia in 2014 there were 1018 companies operating in the field of education.

Legislation plays an immense role in the interrelations of formal and informal economies: the more bureaucratic and restrictive legislation is, the richer and more varied the informal sector is. Comparative data provided by Organisation for Economic Co-operation and Development (OECD) demonstrates that Estonia is well positioned among European and geographical neighbours, being the first in the Baltic region and the third in Europe in 2013 (see Table 1). This is unconditionally positive for the reputation of the country, but at the same time confirms that the informal economy does exist and plays some role in the life of any company, though this participation is comparatively modest.

Another crucial economic parameter that defines the wellbeing of business in the country - level of corruption. Data compiled by Transparency International (see Table 2) shows that Estonia has a tendency to improve its score (which even prior to alteration indicated that Estonia is one of the least corrupt countries in the world).

The border between the formal and informal economies is rather subtle and not always distinct as companies move back and forth, often combining both in different proportions. M. Ayyagari (2007) supports this by stating that “lower costs of entry and better credit information sharing are associated with a larger size of the small business sector, while higher exit costs are associated with a larger informal economy” as a result of a cross-country research including 76 countries. The Estonian informal economy accounts for about 15,7% of current GDP (Williams, 2015, 82). Williams’ study (2015) shows that appearance and life of the black/grey economy depends on low tax moral (the higher the moral is, the smaller the informal economy is), though varies strongly dependant on the personal characteristics of the person (age, gender, employment etc.).

The topic of receiving grants is one of the key socio-political topics in the country. A wide variety of grants of different levels, quality and success are currently available to Estonian entrepreneurs. Between 2004 and 2010 a total of 508 received grants from Enterprise Estonia (Hartsenko, 2013) which - following the conclusions of Hartsenko’s

research - increased labour productivity and sales revenue. All in all, Hartsenko (2013) concludes that SMEs overcame the economic crises thanks to the grants provided by the state and union authorities. In her study on financing in small business, Rupeika-Apoga (2014) proves two hypotheses to be true, stating that access to financing opportunities poses an issue in the Baltic States and that influence of alternative financing is growing in the region, though for now small and medium businesses mainly use bank loans and overdrafts.

In summary, we see that the situation with financing Estonian SMEs is rather wholesome: the financial aid provided has helped the economy to recover from the recent economic crisis, alternative financing opportunities are gaining more weight.

Innovation, novelty introduction has always been in the center of attention of small business owners. On the one hand, it is easier to get innovative when the company is small and flat as you do not have to overcome the inertia of a huge cumbersome organization. On the other hand, SMEs lack resources for change, especially taking into consideration that the absolute majority of small and medium businesses are micro enterprises. Hogeforster (2014) as a result of his research found the following key bottlenecks for innovative SMEs in the Baltic Sea Region: lack of qualified workforce, unskillful management, low innovation-awareness, lack of entrepreneurship, lack of financial resources, complex administrative rules. Answers to the question “What type of help would come in handy in innovative SMEs?” supported the findings of the survey: qualified workforce and adequate work climate. Additional funds for research and development, additional financial resources and confidence in the necessity of innovation introduction plus qualified workforce and management: *these* are the key requirements for increasing innovation rates in Estonian SMEs. The Estonian Ministry of Economic Affairs and Communications has initiated, and is now productively working on, a project called “Zero-Bureaucracy” (Zero-bureaucracy, 2017) that leads to effective elimination of any excessive formalities in the way of establishing and running businesses. Such a project proves that the government has developed a good understanding of promoting innovation and can, therefore, set a good example for companies.

66% of Estonian SMEs referred themselves to the category of family businesses (Kirspuu, 62). Kirspuu (2016, 68) compared family business owners with non-family business owners and found out that the former are motivated mainly by well-being and satisfaction of their family members and sustaining the family tradition rather than by financial gains, quite unlike non-family business owners who favoured beating competitors, expanding markets and creating new values as their key motivators. Understanding of social role also differs among family and non-family businesses: family companies concentrate on keeping the family the center of the company while non-family organisations talk more about being reliable employers and tax payers.

McDowell's (2016) findings show that younger SMEs demonstrate an external strategic focus, which means that they are aimed at defining their own place in the market, expansion and finding their own "piece of the pie". Older companies are focused internally, for example, on improving efficiency, rebuilding business processes. Following this terminology, it can be stated that family businesses are close to never oriented externally as they always prefer the family members interests to whatever other interests. It can be concluded that the majority of SMEs in Estonia are internally oriented.

SMEs' owners are responsible for the whole organization they created, but at the same time they are just people who are - at best - professionals in one field and amateurs in all others, which means they need advice and consultancy in many questions. To be applied to practice, advice received by an SME owner must be feasible and come from a trustworthy source. Kuhn (2017) studied which sources and forms of advice are preferable for small business owners. The most valuable advice comes from a relative or friend who is/used to be a business owner. At least two types of help come from the person, mainly in-person or over phone. The more educated the owner is, the more sources of advice they experiment with. Online peer forums are very popular with SME owners due to the availability and opportunity to meet like-minded people. Findings include a direct connection between business performance, business network breadth and willingness to receive advice aimed at growth.

1.2. Critical success factors: theory and practice

1.2.1. Key definitions. CSF vs. KSF. CSFs vs. goals

The difference between a critical success factor (CSF) and a key success factor (KSF) is whether this factor leads to thriving or to survival. If an enterprise does not succeed in KSFs, it loses its chances of becoming prominent and outstanding; exceptionally good. If it fails in CSFs, it is not likely to survive for long. A similar approach is seen in the work of B.C. Ghosh on the KSFs of top Singaporean companies (Ghosh, 1998, 209). Grunert et al. formulate the definition of a key success factor as “a description of the major skills and resources required to be successful in a given market” (Grunert, 1998) while **critical success factors** are defined by C.V. Bullen and J.F. Rockart as “**the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department of organisation**” (Bullen, Rockart, 1981, 7).

Initially mentioned by D.R. Daniel in 1961 as “success factors”, CSFs were profoundly developed into a detailed theory by the aforementioned J.F. Rockart et al. (Daniel, 1961; Rockart, 1979, 1981). Rockart (1979) points out 3 sources of CSFs. The first source is the very structure of the industry in question; that is, the factors dictated by the industry in which the company operates. Another source of critical success factors is competitive strategy, company position in the industry. One more source is the environment, which encompasses the global and local political, economical and scientific situation. Some factors have temporary character - they are significant only for a short period of time due to definite circumstances.

J. Esteves (2004) in their doctoral thesis devoted to CSFs of enterprise resource planning implementation uses the following tree of CSFs classifications: temporal / ongoing CSFs, building / monitoring / benchmarking CSFs, hierarchy / group CSFs, perceived / actual CSFs and some other (full enumeration see in Appendix 5). Classification provided by J. Esteves (2004) is more detailed and profound than the

original one designed by J.F. Rockart, it is a summary of all classifications proposed between 1979 and 2004.

S. Khodaveysi (2016, 25-26) discusses the relationship between goals and CSFs. According to Khodaveysi (2016), goals are needed to achieve success, while CSFs guarantee only survival of the company. This is why goals are a part of performance management, while CSFs belong to strategic planning. Goals need to be achievable and be achieved at least once, while CSFs are often ongoing and everlasting. Goals are similar to points to reach, while CSFs are areas of attention. It is true, though, that while formulating CSFs, managers think of their immediate practical application in the form of goals to be set in this area of attention.

To conclude, CSFs are areas of management attention that will result in the stability and survival of the company. CSFs differ from goals or KSFs. There are separate systems of CSFs sources and classifications, which will form the object of further discussion.

1.2.2. Conceptual framework of CSFs

J. Esteves (2004, 48-55) offers a conceptual framework (see Figure 1 below) that combines into one logical scheme a number of elements that have been contributed by different authors since the appearance of the CSF theory. In the upper part of the framework one sees the CSFs source types mentioned earlier in this chapter. Since CSFs are a part of the strategic vision of the company, they are defined by strategy and are realised through strategy; hence, CSFs participate in both the formulation and implementation of the company strategy. This is reflected in the middle part of the scheme together with CSFs' types also commented on earlier. The bottom part of the scheme demonstrates the dualism of CSFs in terms of objectivity: the factors developed from interviews are in essence just perceived factors; one needs factual proof that they are true to life. J. Esteves (2004, 51) comments on it in the following way: "Measuring "actual" CSF is, however, an aim which can be approached, but not attained". Moreover, CSFs vary from organisation to organisation, from project to project. No set of CSFs can be automatically transferred to a different organisation/department/project; it has to be tailored depending on the characteristics of this organisation/department/project and current necessities.

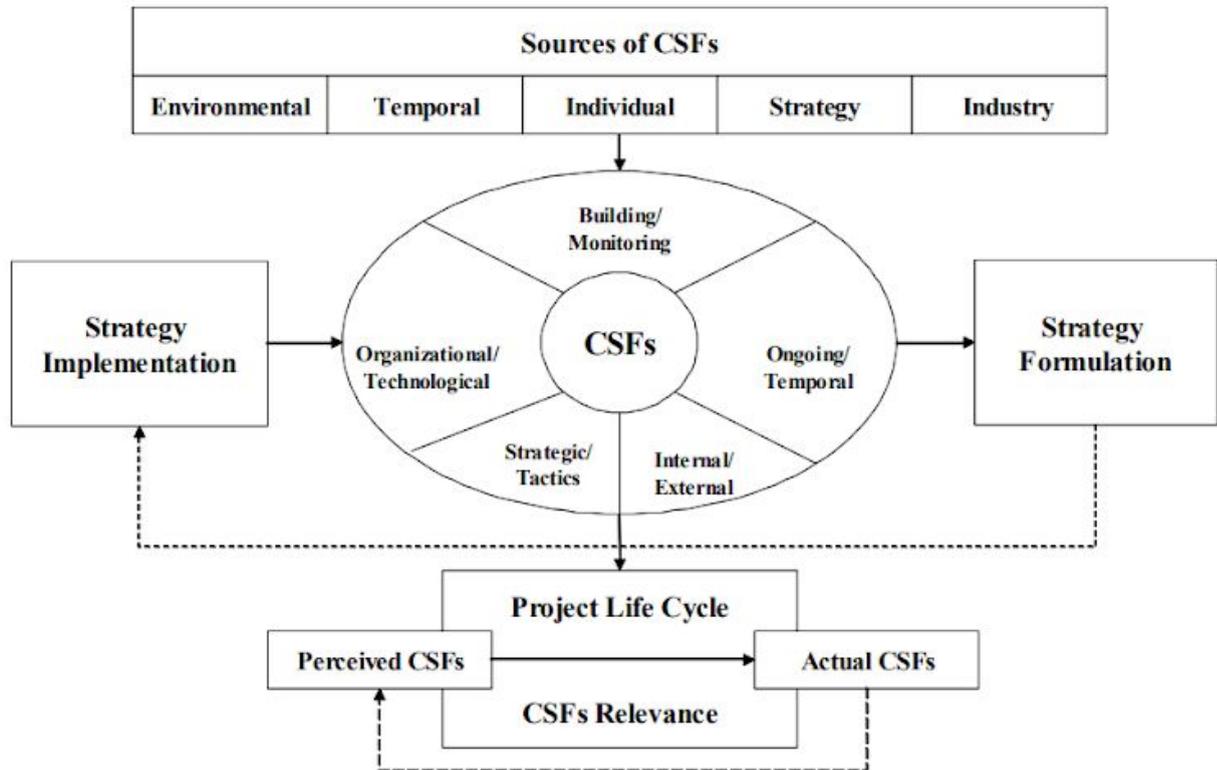


Figure 1. A CSFs conceptual framework.

Source: Esteves, 2004, 48.

1.2.3. Application of the CSFs' method

Initially R. Daniel (1961) intended CFSs to be applied by managers to structure their information systems and help focus on the parts of the company that justifiably require more attention, while Rockart (1979) offers a much wider usage for this theory. Nowadays, the method of CSFs is being used in a variety of situations: to analyse enterprise resource planning systems (Esteves, 2004; Hogan, 2014); to design a breakout strategy for entrepreneurs belonging to a particular group of the population (Jamak, 2014); analysing CSFs contribution into particular categories like IT outsourcing (Hodosi, 2013) or website usability (Sambhanthan, 2015); industrial studies (Feindt, 2002; Lampadarios, 2016); local reasons for success studies (Kemayel, 2015; Islam, 2010; Ramukumba, 2014); strategic planning enhancement (Gates, 2010) etc.

James Dobbins (1998, 64-66), in an attempt to summarise usefulness of the CSFs theory, points out several potential applications such as setting guidelines to measure company performance. In this case CSFs function as focus areas in which the company

needs to achieve and progress. Other applications include designing informational infrastructure, establishing strategic alliances, comparative studies - benchmarking, community improvement by, for instance, discovering CSFs for conferences. CSFs also apply well to product development or to measuring individual productivity.

One can witness a wide variety of possible applications of the CSFs theory. This means that it is a universal practical tool that helps distinguish areas of success which are vital for the company, process or employee. Everything from general CSFs for any company (which are too broad and, thus, useless in terms of everyday practical application) to CSFs of a minor process that is not necessarily directly connected with business (for ex., CSFs of conferences).

1.2.4. Methods to distinguish CSFs for a chosen field, company or department

Rockart (1981) provides a thorough description of the **in-depth interview procedure**, resulting in a list of perceived CSFs of the interviewee for the company in question. Among objectives of the researcher preparing such interviews Rockart (1981) lists several items: the first - to understand the company's mission and the interviewee's position in it; the second - to understand their goals; third - to make a list of CSFs and their measures; and finally - help the manager to realise their own information needs. For the current work, the first three aims serve right. Measures of the perceived CSFs lie beyond the scope of the work at hand, as well as the information needs of the managers. This approach appears to be actual and quite functional, though in need of correction and alteration to meet the requirements of every given case.

R. Caralli (2004, 45-89) offers a more detailed approach consisting of the following five steps (also interview-based). The first step is to define the scope: decide upon the organizational or operational unit CSFs and select participants. The next step is to collect data: gather and review critical documents, develop interview questions, plan and conduct participant interviews and organize collected data. The third step is to analyse the data: develop activity statements, place activity statements into affinity groupings and develop summary themes. The fourth step is to derive CSFs and, the final step is to analyse resulting CSFs. Full scheme with all substeps is graphically presented in Appendix 6. One can see other research papers that used the Caralli scheme, for

instance B.A. Sen and R. Taylor (2007). Some other ways to retrieve CSFs are enumerated in the next chapter of the current work.

1.2.5. Critical success factors

Lampadarijos et al. (2017, 3) conducted a thorough review of all literature devoted to critical success factors, failure and growth. According to the study, the following factors play a significant role in small business success:

Entrepreneurial Factors	Enterprise Factors	Business Environment Factors
Age Education Level Entrepreneurial Orientation Gender Personality Prior Work Experience Management Skills	Age and size of company Business Networks Customer Relations Management Financial resources Internationalisation Human Capital Market and Product development Marketing Strategic Planning	Political Economic Socio-cultural Technological Legal and Regulatory Ecological and Environmental

Table 3. A summary of CSFs for SMEs.

Source: Lampadarijos, 2017, 19.

Henceforth, this table will be referred to as “the Lampadarijos scheme”. In the research the respondents were asked about the extent to which the enumerated factors were important for the survival of their business. Not all of the factors are equally important for every enterprise at every stage of development of the company, CSFs also can change depending on the economic situation and aims of the owners. Nevertheless, the goal of the research at hand is to identify factors that are most influential for educational companies in Estonia today.

To summarise, a typical educational company in Estonia carries several characteristics. Firstly, it is micro (≥ 9 employees). Secondly, it is very likely to be a family business. Some operations might be carried out at least partially illegally. Most advice comes from relatives, close friends and topical forums. This enterprise is likely to get some

financial help from a European or local fund supporting local small business, though innovation introduction requires other resources too. Critical success factors (CSFs) are “the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department of organisation” (Bullen, Rockart, 1981, 7). CSFs are conditioned by the inner and outer environment, as well the strategic goals of the company. Lampadarijos et al. (2017, 3) summarised all CSFs possible for small business. We tested them on our respondents to find out which are actually influential and which play zero role in the life of educational companies in Estonia.

2. RESEARCH METHOD AND ANALYSIS

Throughout the history of studying CSFs, researchers have developed a number of ways to single out critical success factors, study them and apply appropriately. For example, J. Esteves (2004, 52) summarises the methods of research applied to define CSFs of SMEs. They are: action-research, case studies, delphi technique, focus groups, group interviewing, literature review, multivariate analysis, scenario analysis and structured interviewing. In the current work it was decided not to turn to the methods enumerated above to extract possible CSFs, but to analyse literature and prepare a list of possible CSFs proposed by those working on the topic earlier. CSFs from six articles devoted to the topic of local smaller businesses in various industries were collected (Appendix 4 and Figure 2 below). Data analysis and comparison with the Lampadarios scheme showed that just under 50% of all mentioned CSFs belong to the Enterprise Factors section; 30% - Entrepreneurial Factors. These two together comprise the most important factors for small business. Interestingly, 14% of factors did not fall into any category given by Lampadarios, which leads us to the conclusion that the scheme itself needs improvement.

The CSFs taken from the literature and coinciding with the Lampadarios scheme were processed into a survey described in detail in 2.1. Research method.

The online survey (quantitative research method) developed for this research was sent to a selection of recipients chosen from open sources (inforegister.ee, 1882.ee, tark.ee, koolitus.ee) according to the following set of specified parameters. The company is to be legally registered as OÜ (from Est. “osaühing” - private limited company), FIE (from Est. “füüsilisest isikust ettevõtja” - entrepreneur, self-employed person) or in rare cases AS (from Est. “aktsioon selts” - stock company). Judging from the data provided by the source, the company must be working and financially stable (no debt). All subcategories of the general category “85 Education” by EMTAK 2008 were accepted (Eesti Majanduse tegevusalade klassifikaator EMTAK 2008, 50). In cases when it was

obvious that the company in question is an office of an international company, such contacts were avoided. In a significant part of cases the email obtained belongs directly to the owner or founder of the company, which was supposed to improve the quality of the answers provided by the respondents.

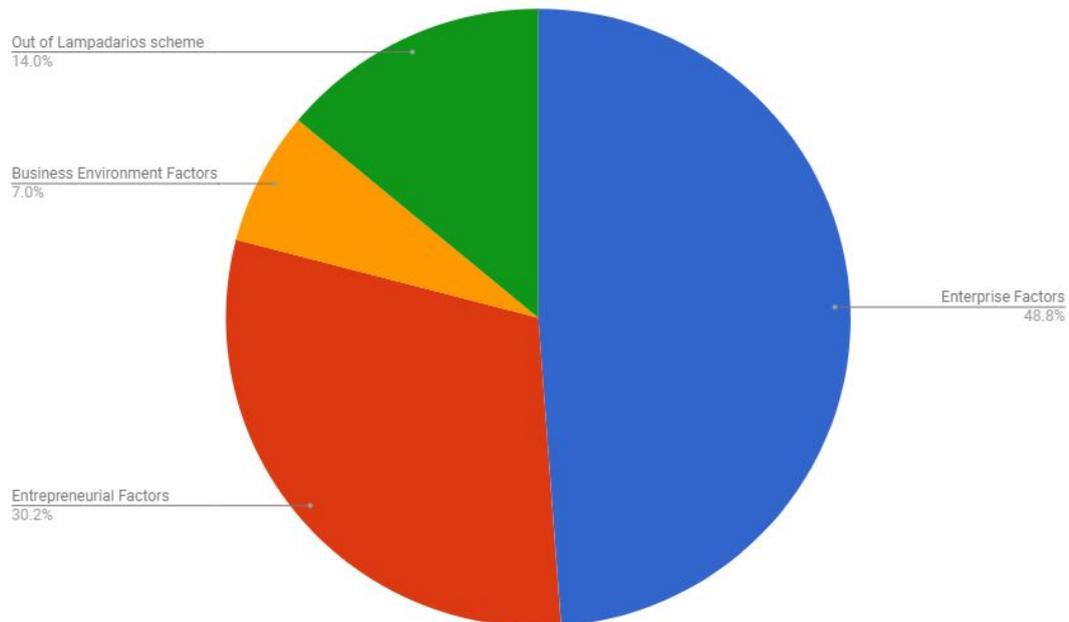


Figure 2. Comparison of CSFs found in a range of works on local SMEs to the Lampadarios scheme.

Source: author's analysis.

2.1. Research method

This research was conducted using a mixed-method research method: a survey delivered to a broader number of participants and one-on-one interviews with a selected group of participants of the first stage. The objective of this design is to find out what aspects of business are crucial for developing an offline educational business in Estonia and, subsequently deepen the knowledge by asking additional questions during the course of the interviews.

The first stage questionnaire consists of five parts. Introduction questions help to build a profile of the respondent and filter out respondents that don't meet certain criteria (size

of the company, successful or not, etc.). To be accepted, the company must be operating in the field of education, claim to be successful and have 0-249 employees. Part one questions are intended to measure the importance of factors connected personally to the entrepreneur/business owner, Part two - factors connected to the enterprise (internal environment), Part three - business environment factors (general environment). The final part helps respondents to summarise and choose the most influential factors, as well as offering the opportunity to leave a free comment and order the final results of the research. The survey was sent twice, with an interval of five days in May-June 2018, to 936 recipients. The English version of the survey can be found in Appendix 7. The recipients were given the choice of the Estonian, English or Russian version of the questionnaire.

The second stage interviews did not imply any standardised questionnaire as every participant needed to be asked a different set of questions, derived from their answers to the initial questionnaire. The aim of the second stage was to deepen the knowledge of the reasons for success in these particular cases and gain new insights into the field of small educational business in Estonia.

2.2. Data analysis Step 1

Step 1 Questionnaire (Appendix 7) was answered by a total of 68 respondents, among which only 40 surveys were accepted. All accepted answers contain “Yes” in the fields “Does the company you represent operate in the field of education (trainings, courses, lectures, master-classes of any sort etc.)?” and “Would you consider your company overall successful?”. 22 respondents answered questions in Estonian (Group 1) and 18 in Russian (Group 2), no respondents chose English as their language of communication.

Below is an analysis of both groups separately (2.2.1-2, Appendices 8-9) and combined (2.2.3, Appendix 10).

2.2.1. Group 1 data analysis

Age distribution of the respondents' companies is almost evenly proportioned, with the exception of companies aged 10-15 years. Their share is significantly smaller than that of all the others (0-5 y.o., 5-10 y.o., 15+ y.o. companies) which shows that in 2003-2008 new educational companies, and possibly any new companies, were somewhat rare in Estonia (Appendix 8, Figure 6).

Micro-business (0-9 employees) is the absolute majority in Estonia: 85,7% of respondents are in micro-business. The least numerous group is companies employing 10-49 people (4,8%), while the top SME sub-group with 50-249 employees is twice as large (9,5%). These results demonstrate that micro-business - where the owner themselves works with their family and several hired people - is the most widely spread type of business in Estonia (Appendix 8, Figure 7).

Ratings (Appendix 8, Figure 8) demonstrate that, for Group 1 respondents, personal traits of the owner, human capital and customer relations management are the most significant factors for company success, occupying the leading positions with ratings of four or more out of five. Entrepreneurial orientation, prior work experience, management skills and decent product/service can also be of great help in company success. In other words, if you are fit for business, hire good workers and know how to deal with your clients, you are safe to be a success. At the same time, the age and gender of the owner as well as political and ecological factors do not influence educational business to any significant degree.

In the first part of the questionnaire respondents were required to rate the importance of every given factor, while in the second part they needed to mark the most significant in the list of all factors. Though this list was the same in both cases and only the form of representation differed, both groups showed some discrepancies in the way they prioritised these factors. Close comparison of top five elements from both parts reveals that for Group 1 "Customer relations management" does not hold its positions firmly and readily yields to "Management skills of the owner's". Overall, though, top positions are occupied by roughly the same group of factors.

2.2.2. Group 2 data analysis

Older (15+ y.o.) companies prevail in age distribution which means that the majority of businesses were established around 2000. The share of 10-15-year-old companies - similarly to Group 1 - is lower than the others, though in Group 2 the difference is not that big (by 25% in Group 2 compared with 71% in Group 1) (Appendix 9, Figure 10).

The absolute majority belongs to micro-business (0-9 employees), though it is remarkable that the “upper part” of small business (50-249 employees) is simply non-existent, while in Group 1 it comprises around 10%. In Group 2 all that is not micro - around 15% of the total number - does not experience growth to more than 10-49 employees. This could be explained by socio-cultural factors (Appendix 9, Figure 11).

Ratings (Appendix 9, Figure 12) make clear that employees, customer relations and company product/service are the most influential factors for Group 2. Economic, as well as legal and regulatory factors are rather influential (in contrast with Group 1), as well as the personality traits of certain business owners; traits like management skills, work experience, entrepreneurial orientation and personal traits. Gender, political factors and internationalisation have very limited influence on educational companies of Estonia.

In the first part of the questionnaire respondents were required to rate the importance of every given factor, in the second part they needed to mark what they considered to be the most importance from a list of all factors. Though the list of factors was the same in both cases, both groups showed some discrepancies in the way they prioritised factors. Close comparison of the top five factors from both parts reveals that for Group 2 “Customer relations management” and “Product/service of the company” do not hold their positions firmly and are ready to yield them to “Entrepreneurial orientation of the owner’s” and “Prior work experience of the owner(s)”. Overall, though, top positions are occupied by roughly the same group of factors.

2.2.3. All respondents data analysis

Age distribution of Groups 1-2 follows the patterns launched by Group 1 and Group 2 analysed separately above. Companies between 10 and 15 years old are much less numerous than all others. Other age groups (0-5, 5-10 and 15+ years old) are distributed

approximately evenly which shows the everlasting significance of educational business in Estonia (Appendix 10, Figure 14).

Distribution of company sizes also follows Group 1 and Group 2 separate tracks: micro-business prevails - 82.5% work with up to 9 employees only. Their share of the “upper” part of small business in education is only 5%, which reflects global trends and local necessities (Appendix 10, Figure 15).

Rating averages (Appendix 10, Figure 16) for all respondents show vividly that without proper employees, good product/service and a prepared owner who knows how to build relationships with clients, no success is possible. Other important factors include the owner’s education, work experience and management skills. Owner’s gender, political factors and level of the company internationalisation are of no importance for small educational business. The questionnaire contains three parts (Internal environment: Owner, Internal environment: Company, General environment), part-by-part analysis (Appendix 10, Figure 17, 18) shows that general environmental factors are much less significant for educational companies’ success than “company” factors or “owner” factors, between which the former are considerably more influential. In the first part (“owner’s” factors) the most influential factor is “Personal traits of the owner”, the least influential factors are gender and age. In the second part (internal environment factors) the most chosen factors are “Human capital” and “Customer relations system”, while age of the company and internationalisation are of no significance. Among general environment factors, economical and legal/regulatory factors lead, political and ecological factors take the last positions.

The bar chart comparison (Appendix 10, Figure 19) makes clear some differences in views between Group 1 and Group 2. The owner’s prior work experience and management skills are much more important for Group 1, as well as political, economic and socio-cultural factors, only technological factors concern Group 2 more than Group 1. Gender of the owner plays a role only for Group 1.

Interestingly, all factors seem to be divided into “important” and “not so important” in the chart, representing answers to the "Which of the following factors were critical for your company's success? (number of answers, percentage of the total number)" as 50-80% and 3-25% respectively with a gap between 25% and 50% (Appendix 10,

Figure 21). This can be interpreted as evidence of which factors can influence success and which are not likely to do so.

Mode analysis allows (Appendix 10, Figure 21) to say that business networking is not significant for every educational business, but if it is important, then it is immensely important. Among the leaders in the left part of the chart we see only one factor that does not appear there in other charts - “Business networks”, which means that most often people give this factor maximum number of points.

To statistically check if Group 1 and Group 2 factor ratings differ significantly, an independent two-tailed Student’s t-Test was conducted (Appendix 10, Table 14). Results analysis shows that Group 1 and Group 2 coincide only in estimation of importance of 3 factors out of 20: “Age of the owner”, “The product/service of the company”, “Legal and regulatory factor” and, therefore, can be considered two samples of one population; all other data show that Group 1 and Group 2 are samples of two different populations. By the rule of majority, we can conclude that Group 1 and Group 2 are two independent groups of people who share very limited number of views and opinions.

To be a successful player of small educational market in contemporary Estonia, a company needs to pay special attention to employees of the business, ways of communication with clients, worthy product/service offered and overall development of the owner’s personality (various work experience, high educational level etc.). What should not influence decisions is any “outer” factors (ecological, political, technological, economic, socio-cultural or legal) as they do not play any role in the success of Estonian educational companies. Financial resources available for the company and age and gender of the owner are also of almost zero importance.

2.3. Data analysis Step 2

Second step interviews took place in the autumn 2018 (Appendix 11) with heads of small educational companies operating in Tallinn: Svetlana Zagorskaya (Koolituskeskus

Sõprus, 2011), Tatyana Dodatko (Pingu's English, 2018), Irina Kirs (MTÜ Akvarellid, 2011).

Many points made echoed each other and other similar company directors' opinions. 2 out of 3 directors are specialists in the area of the business they develop (children psychologist and music teacher) which is a typical situation in this field - they work for a company, then get their own students, then have to hire somebody to work with extra students. All participants mentioned that the outer environment influences their operations as it directly denotes the life standards and level of consumption; education is high in the hierarchy of necessities, but not the first one, therefore educational companies are vitally interested in keeping stable favourable economic situation. All participants devoted significant time to parent-child-teacher-administration relationships which is also quite common for educational companies. The child is the consumer, but the parent is the payer, the whole family is the customer (sometimes including grandmothers, grandfathers and supporting staff). Quite often teachers and administration have to provide psychological and educational consultancy to parents as, for instance, their unhealthy relationships with children impede the learning process. Among personal qualities of the entrepreneur all participants stressed specially communicating skills in different aspects and from different sides: with clients, with employees, persuading, negotiating, influencing, explaining, insisting, building trust, charisma, developing authority etc. 2 of the companies are 7 years old and both has reached the point of "student saturation": Akvarellid does not advertise any more and has full groups every year for every teacher, Sõprus also has more clients than is capable to take, but Svetlana adopted a different approach to this abundance of students, she develops new courses and still organises new groups. Pingu's English is less than 1 year old, therefore is at an earlier stage of development. All owners agree that teachers are the driver of their business, and none of them mentioned shortage of highly-qualified teachers, though all of them noted the necessity to "fine-tune" newly hired teachers' skills and knowledge to match them with the company requirements.

In some questions respondents had opposite opinions. Gender is not important according to one of them, important to the other 2 respondents, though these 2 consider opposite genders "more favourable". Svetlana is sure that women are more organic in

educational business, while Irina is sure that due to unknown reasons in some contexts men meet fewer barriers doing business and reaching agreements with outside parties. Akvarellid and Sõprus grew organically, gradually enlarging number of students and, consequently, teachers. Pingu's English is an international franchise of worldwide chain of kindergartens, their initial investments and developmental steps differ a lot from the other two companies. All 3 directors differ in their attitude towards personnel. Tatyana has not met any difficulties yet and is glad that in the several months of operations they have managed to find the right people. Irina has developed such a scheme of work with teachers that every teacher gives lessons in several subjects which helps business optimisation and limits the number of teachers in the company. Svetlana described a situation quite popular in the field of small educational enterprises: teachers get experience and in 1-2 years become new competitors. She also shares one of 2 common attitudes towards this - she wishes all the luck and considers her work in the part of developing and inspiring personnel done well.

These are the factors mentioned as critical most in the course of the interviews: personal traits of the owner (in all 3 interviews), prior experience of the owner (2), economic conditions (3), human capital (3), customer relations system (2). This list compared with top factors in Group 1 (Appendix 8), Group 2 (Appendix 9) and among all respondents (Appendix 10) allows to arrive at the conclusion that the interviews supported CSFs from Group 2 and all respondents though Group 1 CSFs also partially coincide. The only factor obviously missing from the interview CSFs is "Product or service", supposedly the reason being that this notion is the fundament of the companies that participated in the interview.

CONCLUSION

Nowadays SMEs are the central pillar of all local business, the main force driving the economy, providing jobs and generating revenue. Educational small business is included into these processes as well as all other small business. Small educational companies were chosen as the object of the current research to help them identify crucial areas and aspects of their business. Resources are known to be limited, especially in the case of small business, therefore business owners need to prioritise accordingly.

The central research question of the paper is “What are the critical success factors for educational enterprises in contemporary Estonia?”. The objective is to build a list of aspects of business decent attention to which would help to reach certain level of success. A database consisting of over 900 contacts was collected and participation in an online survey was offered. The survey suggested rating certain factors in terms of contributing into company’s success and choosing most influential factors from a list. 40 survey answers out of more than 60 responses received were qualified, 22 of them chose Estonian as language of communication, 18 respondents chose Russian. Accordingly, a part of findings analysis is devoted to comparison of these two groups, for 17 out of 20 factors these two groups are statistically proven to be two separate populations which allows us to conclude that they are indeed two separate groups of people that need to be studied separately. Second step interviews gave dimensions to CSFs revealed in the study, proving the leading factors to be more complex than it could initially seem.

The overall conclusion is that to achieve success, educational companies need to pay special attention to the staff of their companies, systems of working with clients, developing a decent product/service to offer to their clients and devote resources to personal development and life experience (education, work, management skills etc.). No global environment factors such as, for instance, political crises, poor economic

situation, fast technological development, tense socio-cultural situation, extreme over-regulations, etc., should be taken into owners' consideration as they play a zero role in the company's success. Surprisingly, availability of financial resources does not play a role in achieving success either. Age and gender of the owner are also of almost no importance for the success of the company.

These conclusions are highly applicable to practice and can be utilised as guidelines for anybody intending to establish/manage an educational company in Estonia. Though these recommendations could seem a bit too broad and easily applicable to any SME, they are selected from a significant number of options (Appendix 4) priority among which is not obvious.

Further research possibilities include the following options. Research could be carried out for a specific narrow group of respondents, for example, only driving schools or only accounting courses. Another possibility is to derive CSFs from in-depth interviews rather than borrow them from literature. The number of respondents could be increased which would help prove statistical significance of the study. There are also other multiple ways to help small business in their daily operations.

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APPENDICES

Appendix 1. Participation of population in education

	2007		2011	
	Adults*	%**	Adults*	%**
Participants and non-participants total	810,8	100	831,993	100
Participated in adult education*	516	63,6	590,727	71
..participated in formal education	79,9	9,9	100,142	12.0364
....attained general or vocational education	13,6	1,7	13,897	1.67
....attained higher education	67,3	8,3	87,059	10.46
..participated in training*	323,7	39,9	400,992	48.19
....participated in training, course, private lesson, on-the-job training	292,5	36,1	354,793	42.64
....participated in seminar or workshop	77,8	9,6	159,844	19.21
..participated in self-study (int. self-development)	364	44,9	423,044	50.84
Did not participate in adult education	294,8	36,4	241,266	28.99

*Adults - Population aged 20-64, thousands

**Proportion (participants and non-participants in adult education, total=100), %

Table 4. Participation of population aged 20-64 in adult education during the last 12 months.

Last updated: 2012-06-19

Source: Statistics Estonia

Appendix 2. Hobby education by county, year and indicator (whole Estonia)

	Hobby schools	Studying persons
2011	416	60630
2012	527	69217
2013	562	77309
2014	591	79126

Table 5. Hobby education by county, year and indicator.

Last updated: 2015-11-25

Source: Statistics Estonia

Appendix 3. Studying persons in hobby education by year and age

Age / Year	2011	2012	2013	2014
0-4	5724	6849	6645	6410
5-9	30510	37120	42673	44766
10-14	26607	30704	35689	37728
15-19	11832	13280	14695	14723
20-24	1194	1153	1532	1894
25-29	294	316	405	397
30-34	207	245	327	257
35-39	170	231	368	258
40-44	149	182	351	255
45-49	105	141	245	201
50-54	94	114	187	162
55-59	55	70	125	84
60-64	31	26	63	75
65 and older	23	28	54	51
Total	76 995	90 459	103 359	107 261

Table 6. Studying persons in hobby education by year and age.

Notes:

By field of education, a studying person has been taken into account several times if he or she is studying in several hobby schools or fields of education.

Last updated: 2015-11-25

Source: Statistics Estonia

Appendix 4. Comparison of CSFs

Entrepreneurial Factors	Enterprise Factors	Business Environment Factors
Age Education Level Entrepreneurial Orientation Gender Personality Prior Work Experience Management Skills	Age and size of company Business Networks Customer Relations Management Financial resources Internationalisation Human Capital Market and Product development Marketing Strategic Planning	Political Economic Socio-cultural Technological Legal and Regulatory Ecological and Environmental

Table 3. A summary of CSFs for SMEs (copy from page 23).

Source: Lampadarios, 2017, 19.

Source	CSF by the Lampadarios scheme
Factors affecting business success of small and medium enterprises in Thailand (Chittithaworn, 2010):	
networking;	Business Networks
strategic alliances;	-
invest in market research;	Marketing
invest into research and development;	Market and Product development
invest into innovation;	Technological
prefer relationship marketing strategy;	Marketing
long-term customer relationships;	Customer Relations Management
counter-trade, reciprocal trade.	-
Micro entrepreneurship in Estonia (Юргенсон, 2010):	
increase entrepreneur knowledge;	Education Level
use available options for mentoring;	Education Level

use available options for financing;	Financial resources
prepare for entrepreneurship a considerable period of time (gain knowledge, experience, connections).	Entrepreneurial Orientation
Ten top tips for small to medium enterprise (SME) success (2014, 14):	
employing 5-9 people;	Human Capital
engage in providing services rather than manufacturing;	-
use intuition;	Personality
plan your success;	Strategic Planning
education matters as the owner is all-encompassing;	Education Level
collaborate rather than compete;	-
aim at slow and steady growth;	Strategic Planning
define your success.	Strategic Planning
Marketing and Entrepreneurial Orientation in Small Firms (Tzokas, 2001):	
development of marketing plans;	Marketing
emphasis on communication;	Customer Relations Management
climate of trust with stakeholders;	-
a clear understanding of the competitive environment;	Economic
the ability to offer clients payment assistance;	Customer Relations Management
availability of working capital;	Financial resources
marketing orientation.	Marketing
Critical success factors for implementing knowledge management in small and medium enterprises (Wong, 2005, 266-267):	
management leadership and support based on own example;	Management Skills
organisational culture;	Human Capital
information technologies;	Technological
strategy and purpose for KM implementation;	Strategic Planning
progress measurement;	Management Skills
organisational infrastructure (a set of roles and teams);	Management Skills

established processes and activities;	Management Skills
motivational aids and rewards;	Management Skills
financial and other resources;	Financial resources
training and education of all employees;	Human Capital
human resource management.	Human Capital
SME strategic planning (Lindeburg, 2016, 15-17):	
entrepreneur personal data: education;	Education Level
willingness to succeed	Personality
balance between the company, private life, social life and family life;	Management Skills
additional “profit”, often of more social than financial nature;	-
timely innovation: knowledge refreshment, new systems’ integration etc.	Strategic Planning

Table 7. Lists of CSFs gathered from literature devoted to CSFs of SMEs.
Source: Lampadarijos, 2017, 19.

Frequency	CSF group
1	Business Networks
1	Economic
1	Entrepreneurial Orientation
1	Market and Product development
2	Personality
2	Technological
3	Customer Relations Management
3	Financial resources
4	Education Level
4	Human Capital
4	Marketing
5	Strategic Planning
6	-
6	Management Skills

Table 8. Calculation of frequency of CSFs groups as by Lampadarijos scheme (based on Table 6).

Source: author’s calculation.

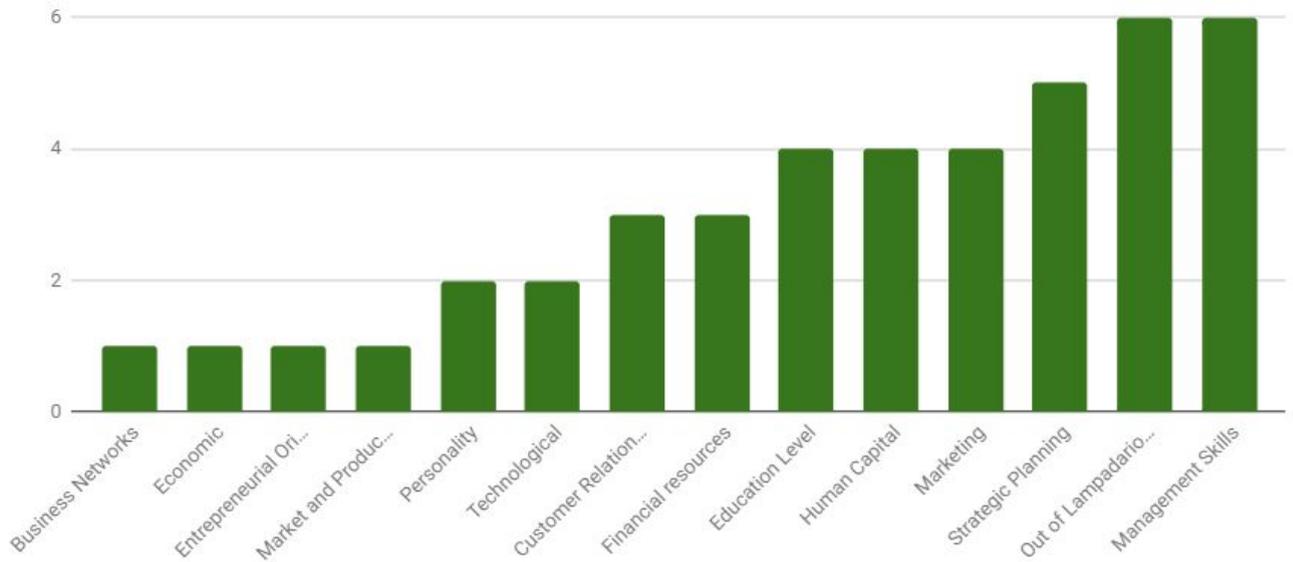


Figure 3. Visualisation of Table 7 Calculation of frequency of CSFs.

Source: author's calculation.

Total number of times the category was mentioned	CSF category by the Lampadarios scheme
21	Enterprise Factors
13	Entrepreneurial Factors
3	Business Environment Factors
6	Out of Lampadarios scheme

Table 9. Summary of CSFs' categories mentioned in the lists.

Source: author's calculation.

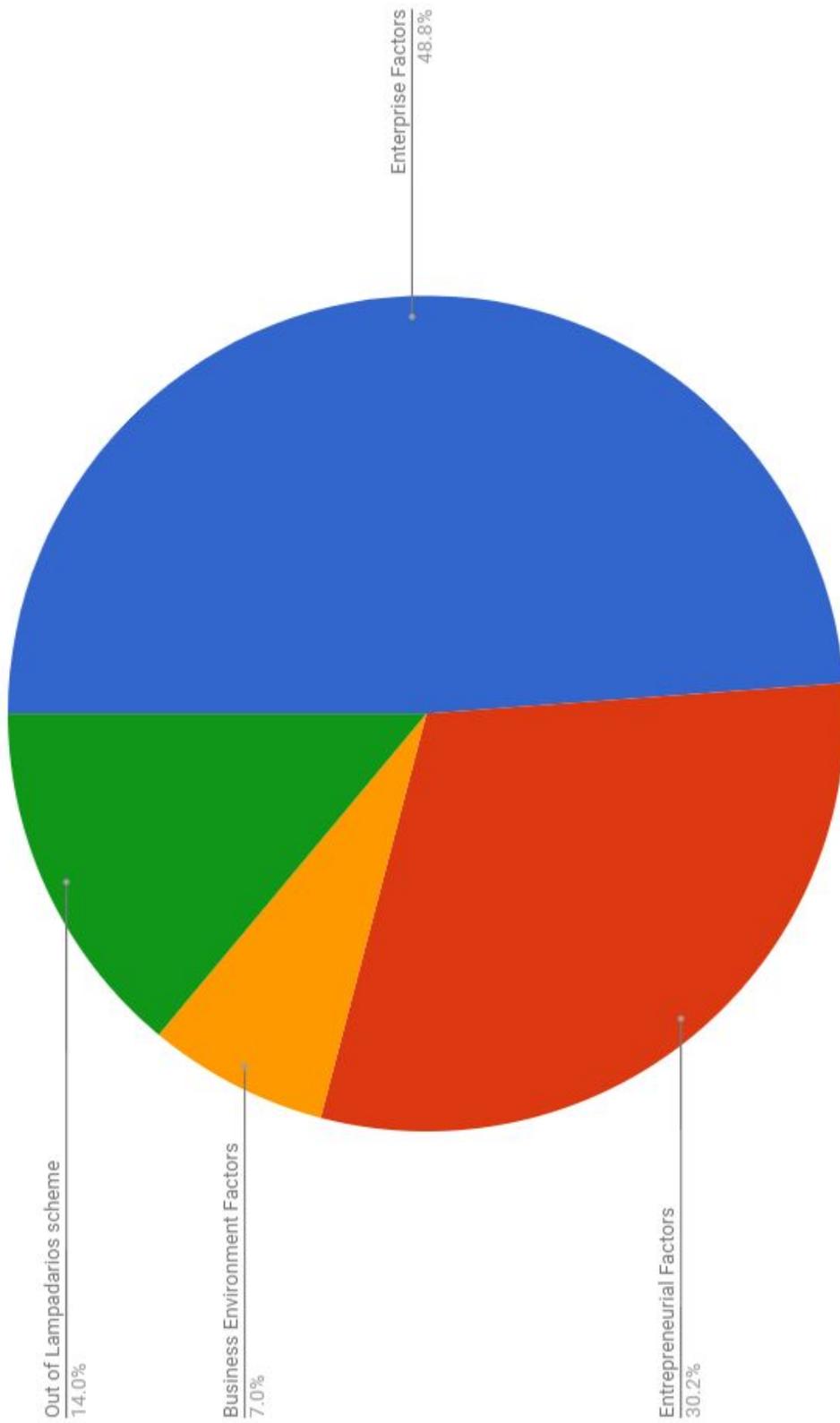


Figure 4. Visualisation of Table 8 Summary of CSFs' categories mentioned in the lists.

Appendix 5. Classification of critical success factors by J. Esteves (2004)

Hierarchy of CSFs for ex., industry CSFs	vs.	Group of CSFs for ex., occupational CSFs	
Temporal CSFs only for a period of time	vs.	Ongoing CSFs actual at any moment	
Internal CSFs originating from inside of the organisation	vs.	External CSFs originating from outside of the organisation	
Building CSFs creating new things inside of the company	vs.	Monitoring CSFs keeping an eye on them	vs. Benchmarking CSFs comparing with competitors and other companies
Strategic CSFs within strategic planning	vs.	Tactical CSFs within tactical planning	
Perceived CSFs viewed as critical by managers	vs.	Actual CSFs scientifically proven to be influential	

Table 10. Oppositions of types of CSFs by J. Esteves (2004).

Appendix 6. CSFs finding method by Caralli (2004)



Figure 5. Stages of finding CSFs developed by Caralli (2004).

Appendix 7. Questionnaire “Critical success factors for small business in Estonia”

Questionnaire

This research will help to identify the leading factors of success that are responsible for the well-being of micro- and small-scale businesses.

Thank you for your help, the survey will not take long.

*Required

1. Does the company you represent (here and after "your/my company") operate in the field of EDUCATION (trainings, courses, lectures, master-classes of any sort etc.)? *

Mark only one oval.

- Yes
 No
 Other: _____

2. How old is your company? *

Mark only one oval.

- 0-5
 5-10
 10-15
 15+
 Other: _____

3. How many people work in your company? *

Mark only one oval.

- 0-9
 10-49
 50-249
 250+
 Other: _____

4. Would you consider your company overall successful? *

Mark only one oval.

- Yes
 No
 Other: _____

Ratings Part 1. Entrepreneur.

Please, rate on the scale from 1 to 5 (5 is the maximum) the significance of the following factors for the overall SUCCESS of your company.

5. **Age of the owner(s) helped the company to succeed to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not helped much	<input type="radio"/>	Helped a lot				

6. **Educational level of the owner(s) helped the company to succeed to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not helped much	<input type="radio"/>	Helped a lot				

7. **Entrepreneurial orientation of the owner(s) helped the company to succeed to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not helped much	<input type="radio"/>	Helped a lot				

8. **Gender of the owner(s) helped the company to succeed to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not helped much	<input type="radio"/>	Helped a lot				

9. **Personal traits of the owner(s) helped the company to succeed to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not helped much	<input type="radio"/>	Helped a lot				

10. **Prior work experience of the owner(s) helped the company to succeed to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not helped much	<input type="radio"/>	Helped a lot				

11. **Management skills of the owner(s) helped the company to succeed to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not helped much	<input type="radio"/>	Helped a lot				

Ratings Part 2. Enterprise factors.

Please, rate on the scale from 1 to 5 (5 is the maximum) the significance of the following factors for the overall SUCCESS of your enterprise.

12. **Age and size of the company contributed to the overall success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Contribution next to none	<input type="radio"/>	Very significant contribution				

13. **Business network (what companies your company works with) contributed to the overall success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Contribution next to none	<input type="radio"/>	Very significant contribution				

14. **Customer relations management (the way customers are treated in your company) contributed to the overall success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Contribution next to none	<input type="radio"/>	Very significant contribution				

15. **Financial resources (the amount of money your company has) contributed to the overall success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Contribution next to none	<input type="radio"/>	Very significant contribution				

16. **Internationalisation (with how many companies from abroad your company has business) contributed to the overall success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Contribution next to none	<input type="radio"/>	Very significant contribution				

17. **Human capital (the employees of the company) contributed to the overall success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Contribution next to none	<input type="radio"/>	Very significant contribution				

18. **The product/service that my company produces contributed to the overall success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Contribution next to none	<input type="radio"/>	Very significant contribution				

Ratings Part 3. Business Environment.

Please, rate on the scale from 1 to 5 (5 is the maximum) the significance of the following factors for the overall SUCCESS of your enterprise.

19. **Political factors are important to the success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not important	<input type="radio"/>	Very important				

20. **Economic factors are important to the success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not important	<input type="radio"/>	Very important				

21. **Socio-cultural factors are important to the success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not important	<input type="radio"/>	Very important				

22. **Technological factors are important to the success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not important	<input type="radio"/>	Very important				

23. **Legal and regulatory factors are important to the success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not important	<input type="radio"/>	Very important				

24. **Ecological factors are important to the success of my company to the extent of: ***

Mark only one oval.

	1	2	3	4	5	
Not important	<input type="radio"/>	Very important				

Critical success factors

25. Please, name success factors that were absolutely crucial for your company, that is things without which you could never achieve what you have achieved: *

Tick all that apply.

	Critical for the survival of my company
Age of the owner(s)	<input type="checkbox"/>
Educational level of the owner(s)	<input type="checkbox"/>
Entrepreneurial orientation of the owner(s)	<input type="checkbox"/>
Gender of the owner(s)	<input type="checkbox"/>
Personal traits of the owner(s)	<input type="checkbox"/>
Prior work experience of the owner(s)	<input type="checkbox"/>
Management skills of the owner(s)	<input type="checkbox"/>
Age and size of the company	<input type="checkbox"/>
Business network of the company	<input type="checkbox"/>
Customer relations management of the company	<input type="checkbox"/>
Financial resources of the company	<input type="checkbox"/>
Internationalisation of the company	<input type="checkbox"/>
Human capital of the company	<input type="checkbox"/>
The product/service of the company	<input type="checkbox"/>
Political factors	<input type="checkbox"/>
Economic factors	<input type="checkbox"/>
Socio-cultural factors	<input type="checkbox"/>
Technological factors	<input type="checkbox"/>
Legal and regulatory factors	<input type="checkbox"/>
Ecological factors	<input type="checkbox"/>

26. I would like to get the results of this research. *

Mark only one oval.

Yes

No

27. I would like to get the results to this email:

28. Free commentary

Appendix 8. Analysis of Estonian-speaking respondents' answers to Step 1 Questionnaire

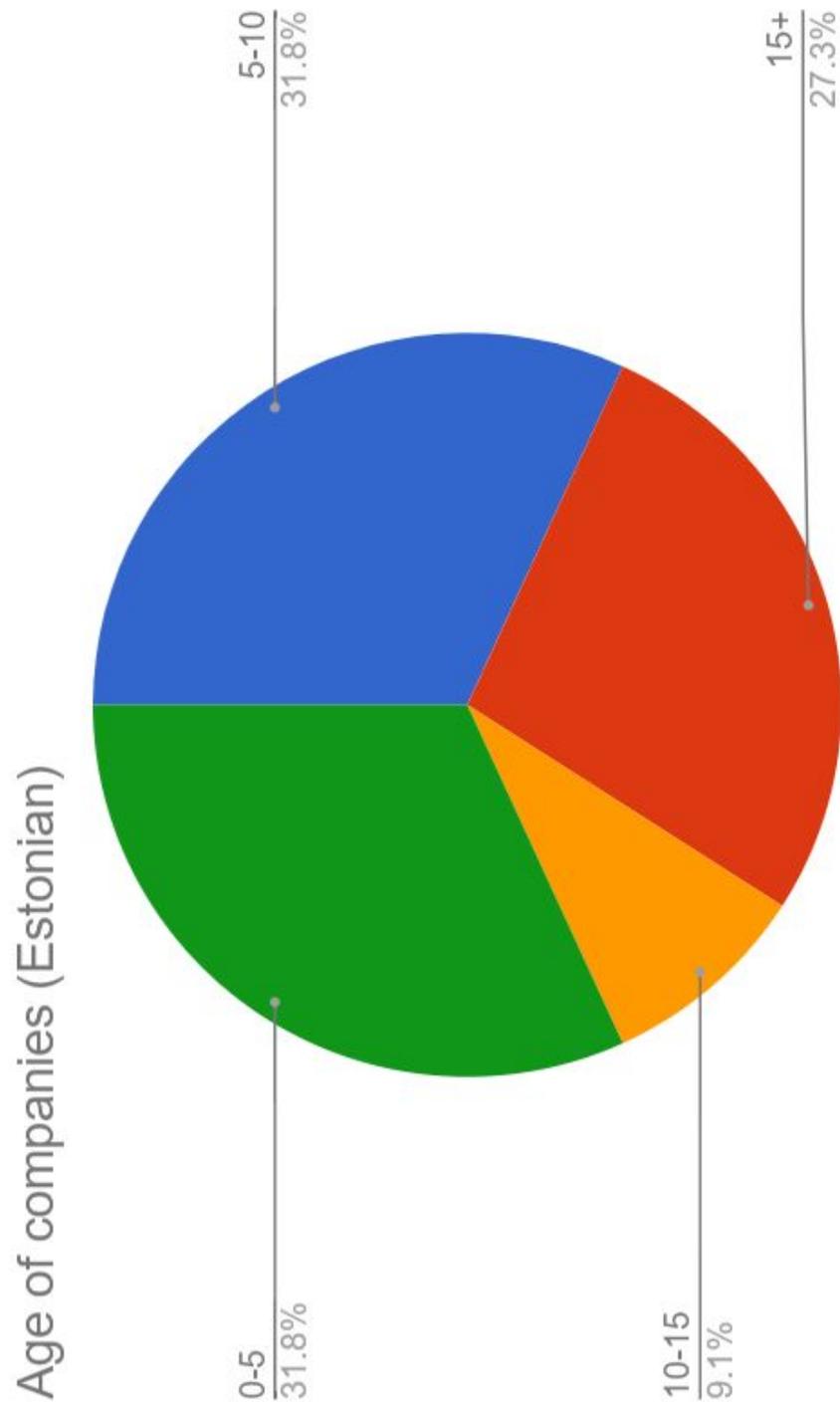


Figure 6. Age of the companies (percentage, Estonian-speaking respondents).

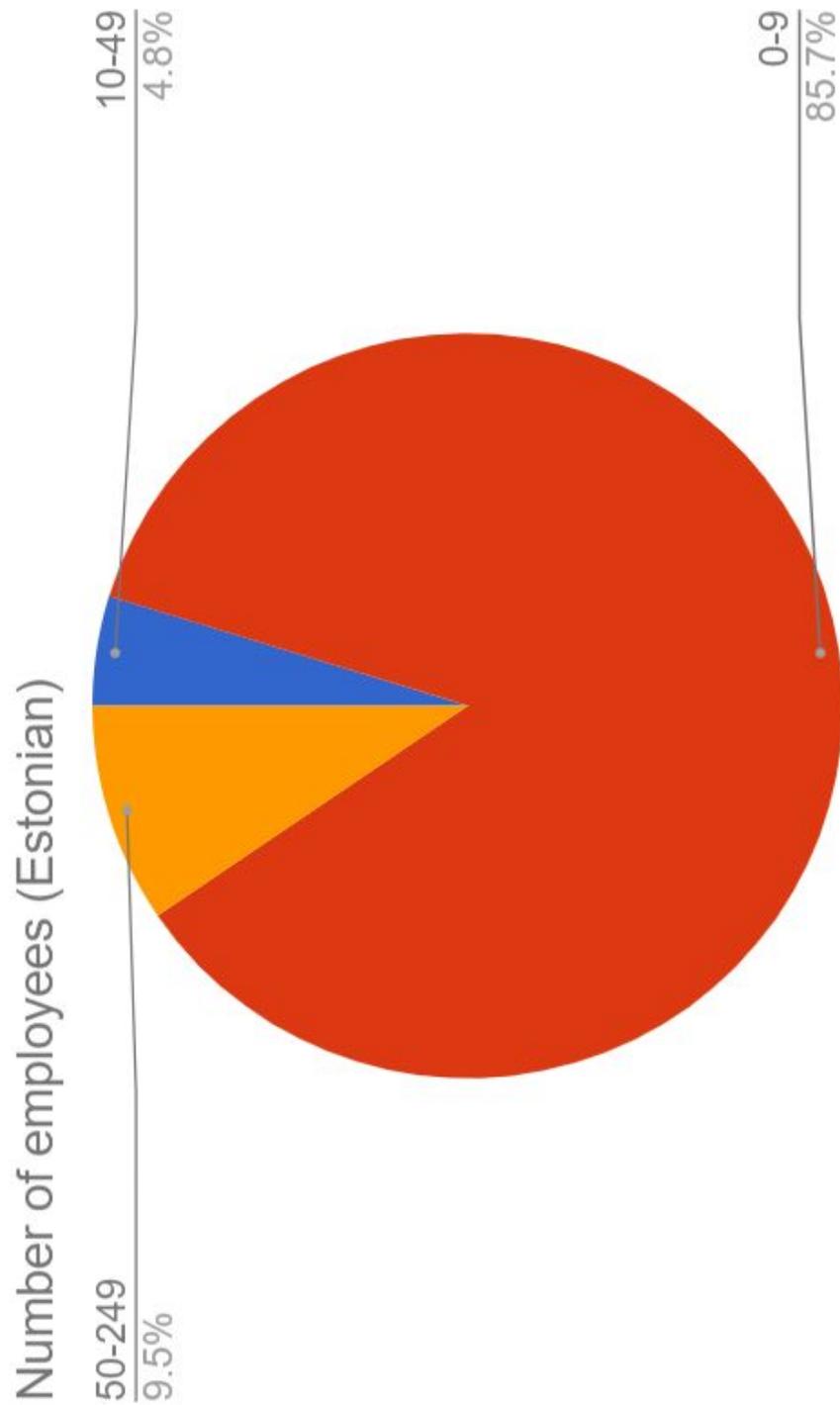


Figure 7. Number of employees (percentage, Estonian-speaking respondents).

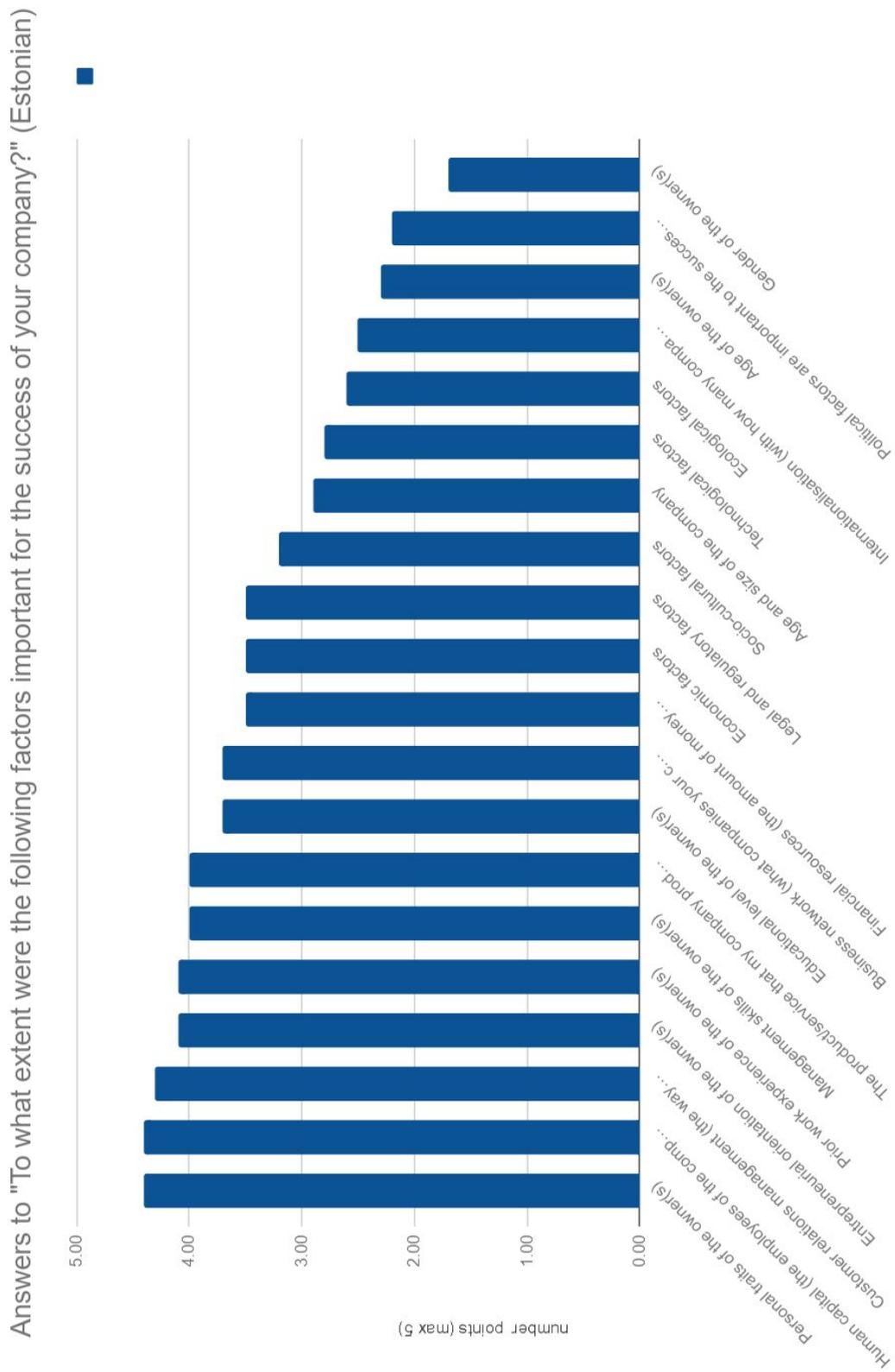


Figure 8. The most critical factors for business success (average number of points per factor, Estonian-speaking respondents).

CSF	Number of respondents	Percentage
Management skills of the owner	19	86%
Personal traits of the owner	16	73%
Prior work experience of the owner	16	73%
Entrepreneurial orientation of the owner	14	64%
Human capital	14	64%
Customer relations management	12	55%
Educational level of the owner	11	50%
Product/service	10	45%
Economic factors	7	32%
Socio-cultural factors	7	32%
Business network	6	27%
Financial resources	4	18%
Legal and regulatory factors	4	18%
Age of the owner	2	9%
Political factors	2	9%
Gender of the owner	1	5%
Age and size of the company	1	5%
Technological factors	1	5%
Ecological factors	1	5%
Internationalisation	0	0%

Table 11. Most critical success factors (number of respondents, Estonian-speaking respondents).

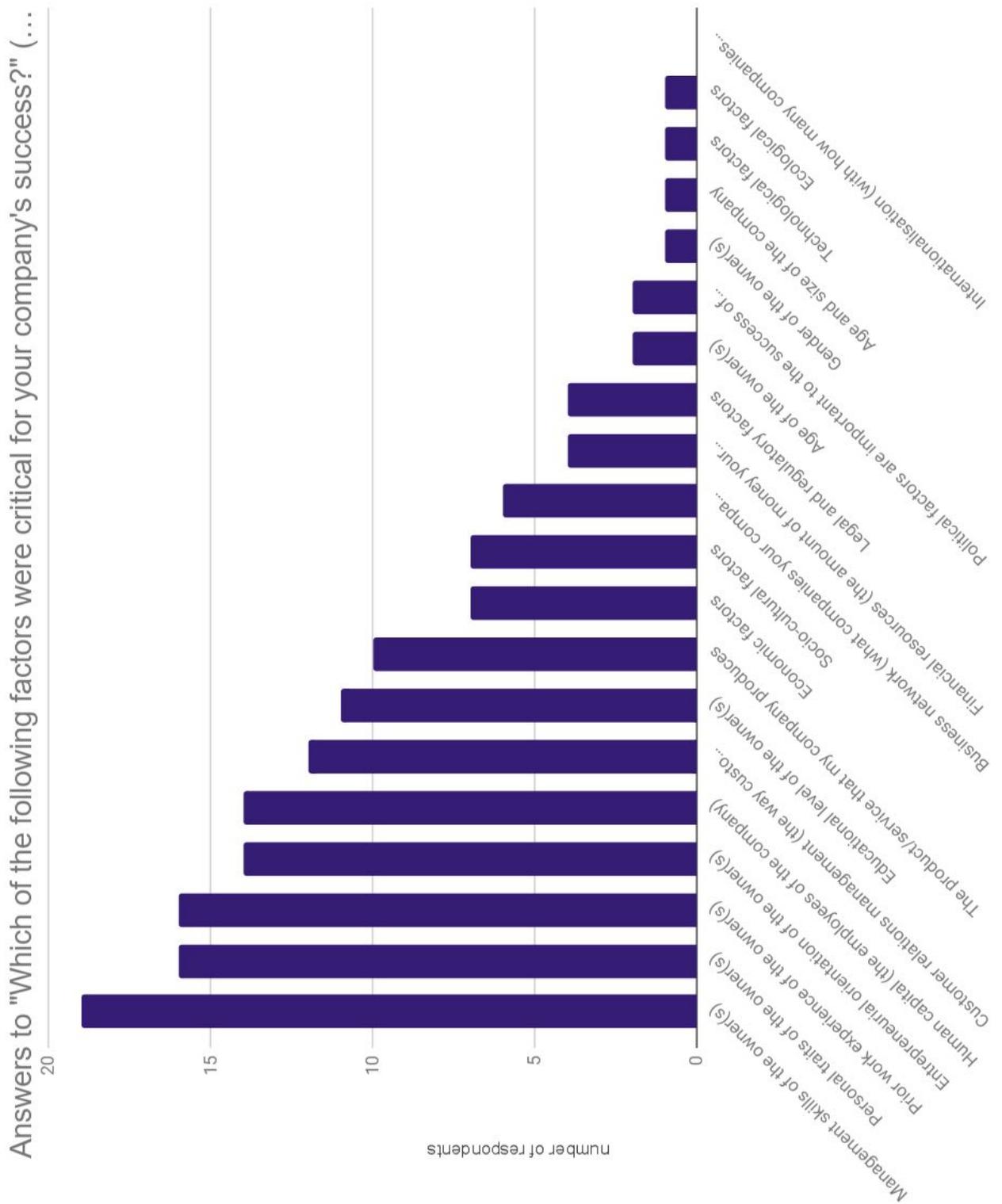


Figure 9. Most critical success factors (number of respondents, Estonian-speaking respondents).

Appendix 9. Analysis of Russian-speaking respondents' answers to Step 1 Questionnaire

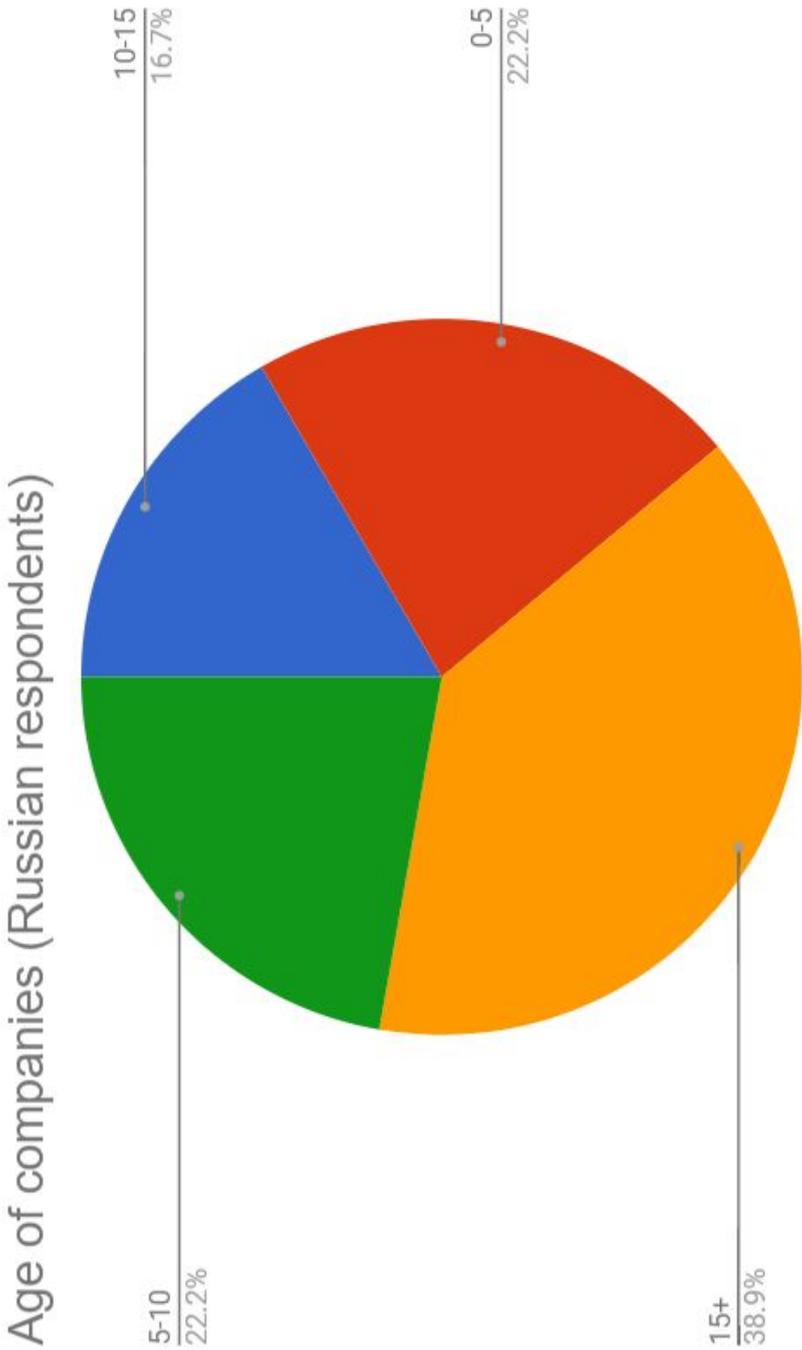


Figure 10. Age of companies represented by the respondents (percentage, Russian-speaking respondents).

Number of employees in the companies (Russian respondents)

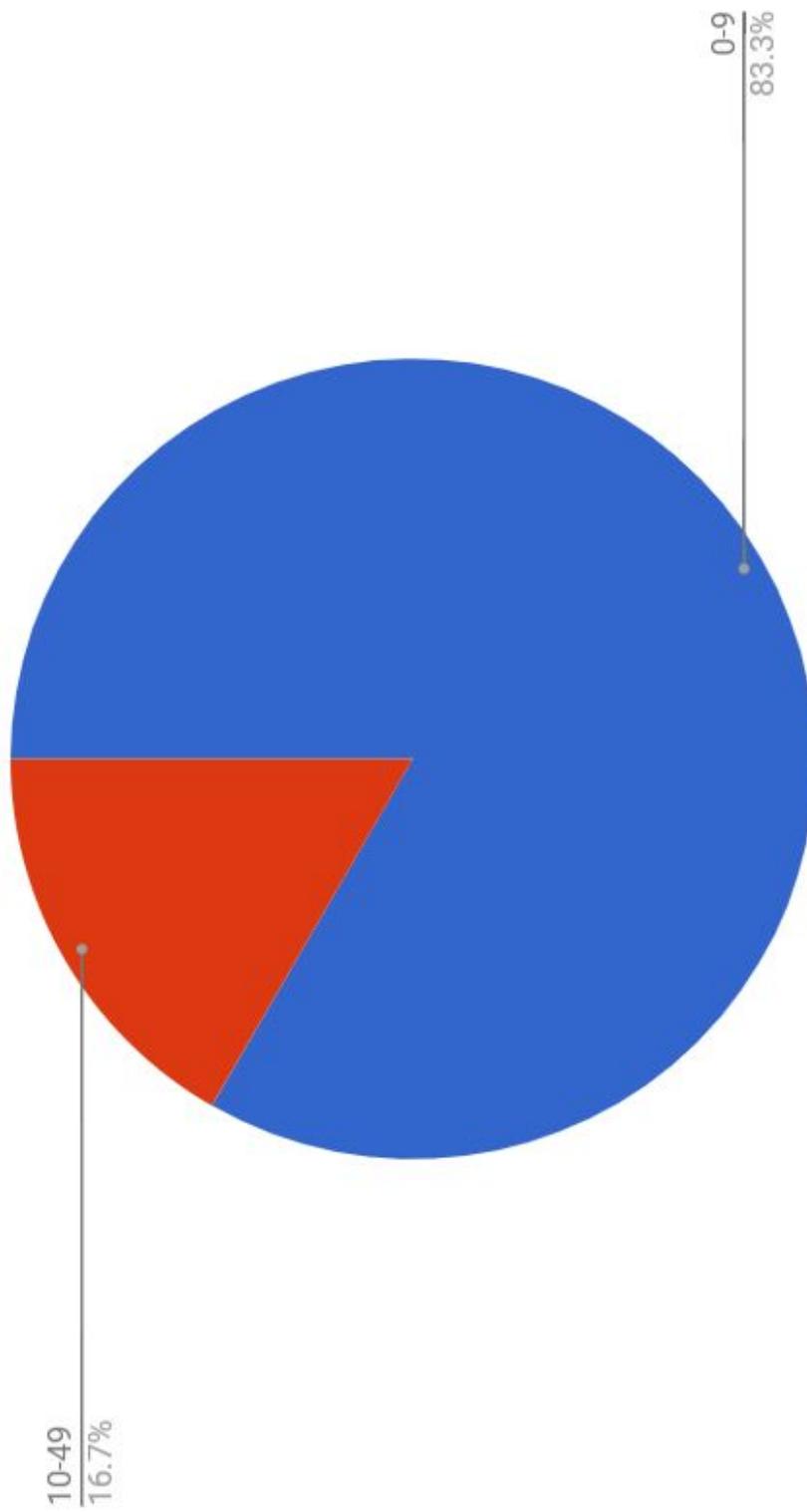


Figure 11. Number of employees (percentage, Russian-speaking respondents).

Answers to "To what extent were the following factors important for the success of your company?" EST

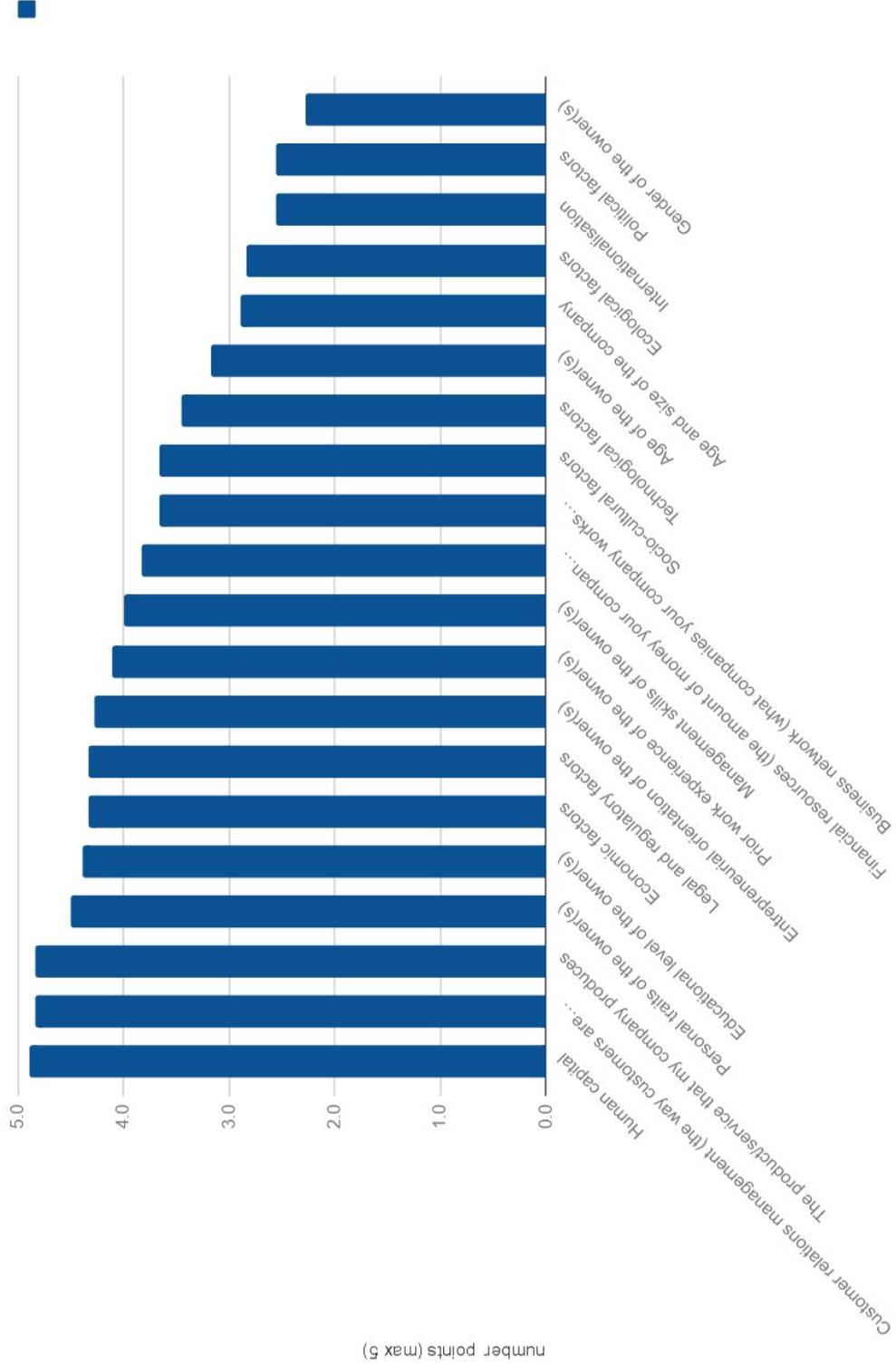


Figure 12. The most critical factors for business success (average number of points per factor, Russian-speaking respondents).

CSF	Number of respondents	Percentage
Management skills of the owner	16	84%
Personal traits of the owner	11	58%
Prior work experience of the owner	10	53%
Entrepreneurial orientation of the owner	10	53%
Human capital	10	53%
Customer relations management	10	53%
Educational level of the owner	8	42%
Product/service	8	42%
Economic factors	5	26%
Socio-cultural factors	4	21%
Business network	3	16%
Financial resources	3	16%
Legal and regulatory factors	2	11%
Age of the owner	2	11%
Political factors	2	11%
Gender of the owner	2	11%
Age and size of the company	1	5%
Technological factors	1	5%
Ecological factors	1	5%
Internationalisation	0	0%

Table 12. Most critical success factors (number of respondents, Russian-speaking respondents).

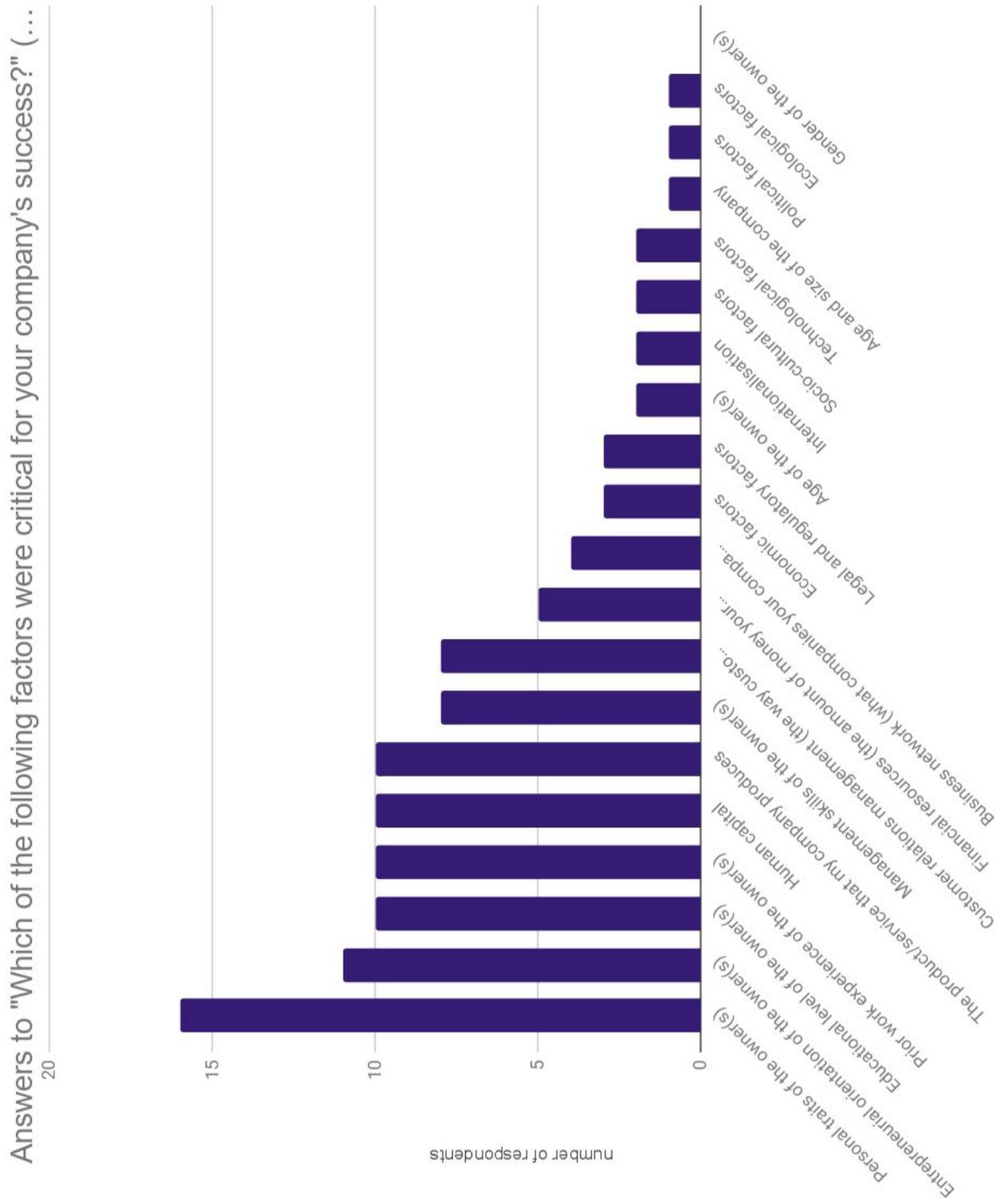


Figure 13. Most critical success factors (number of respondents, Russian-speaking respondents).

Appendix 10. Analysis of Step 1 Questionnaire answers (all respondents)

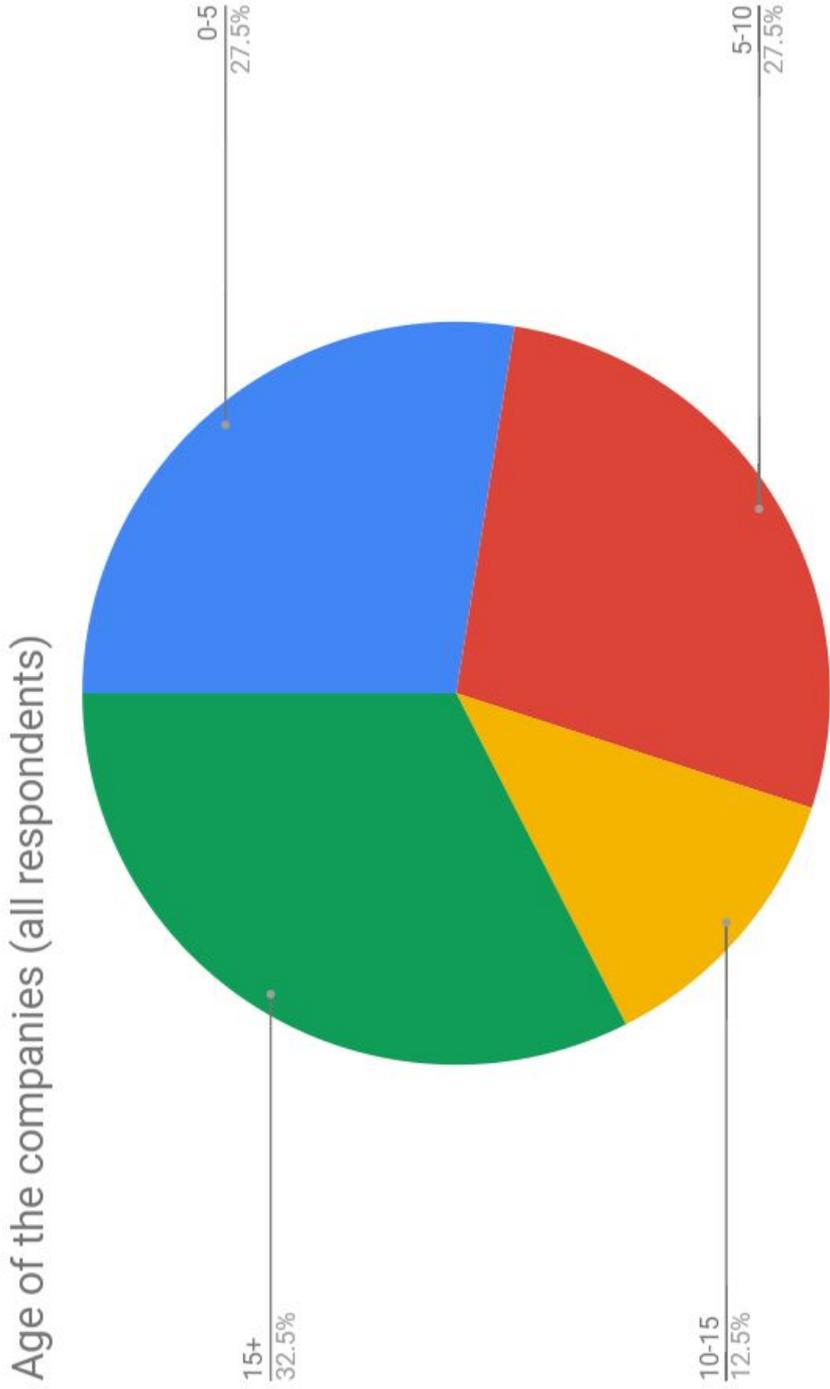


Figure 14. Age of the companies (percentage, all respondents).

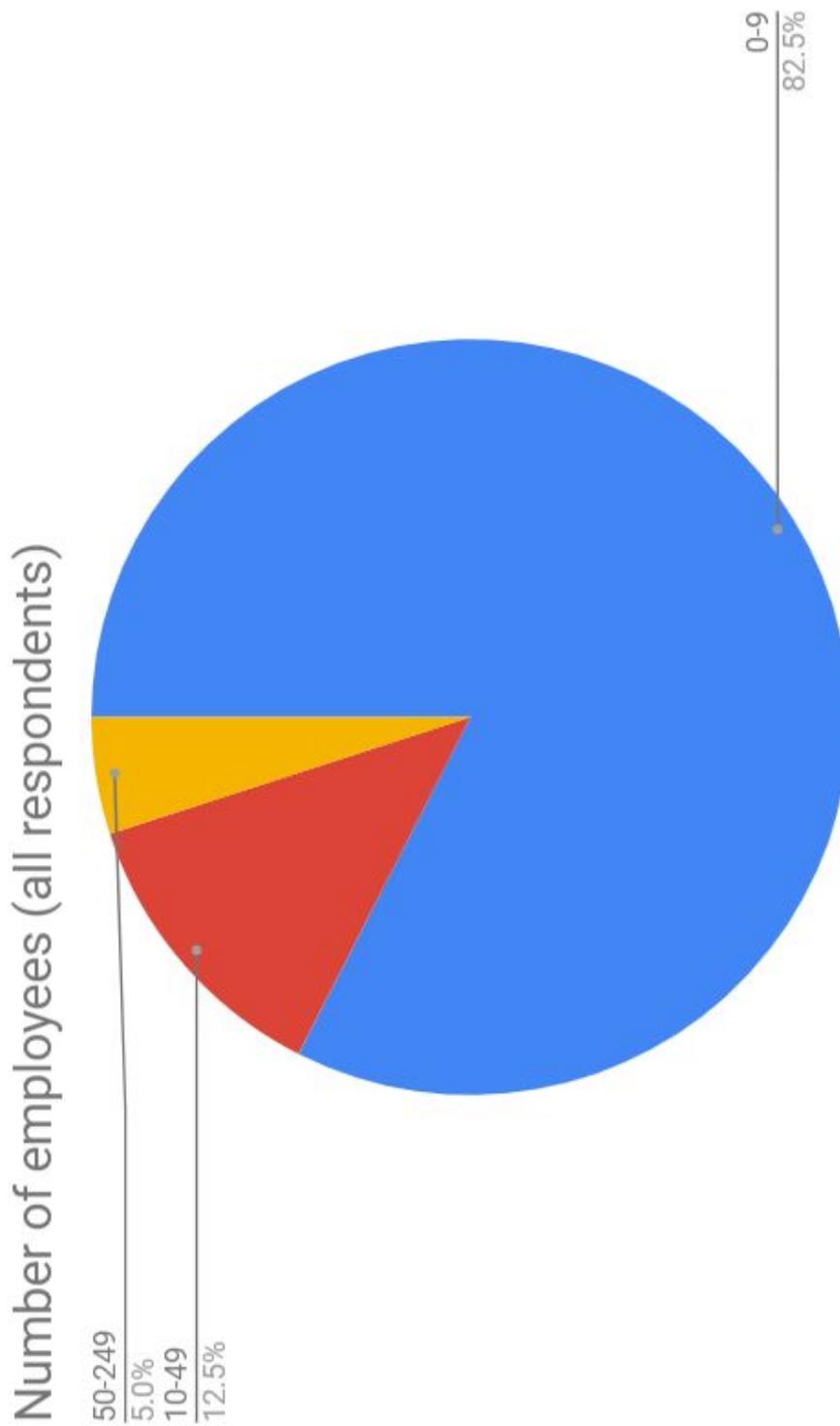


Figure 15. Number of employees (percentage, all respondents).

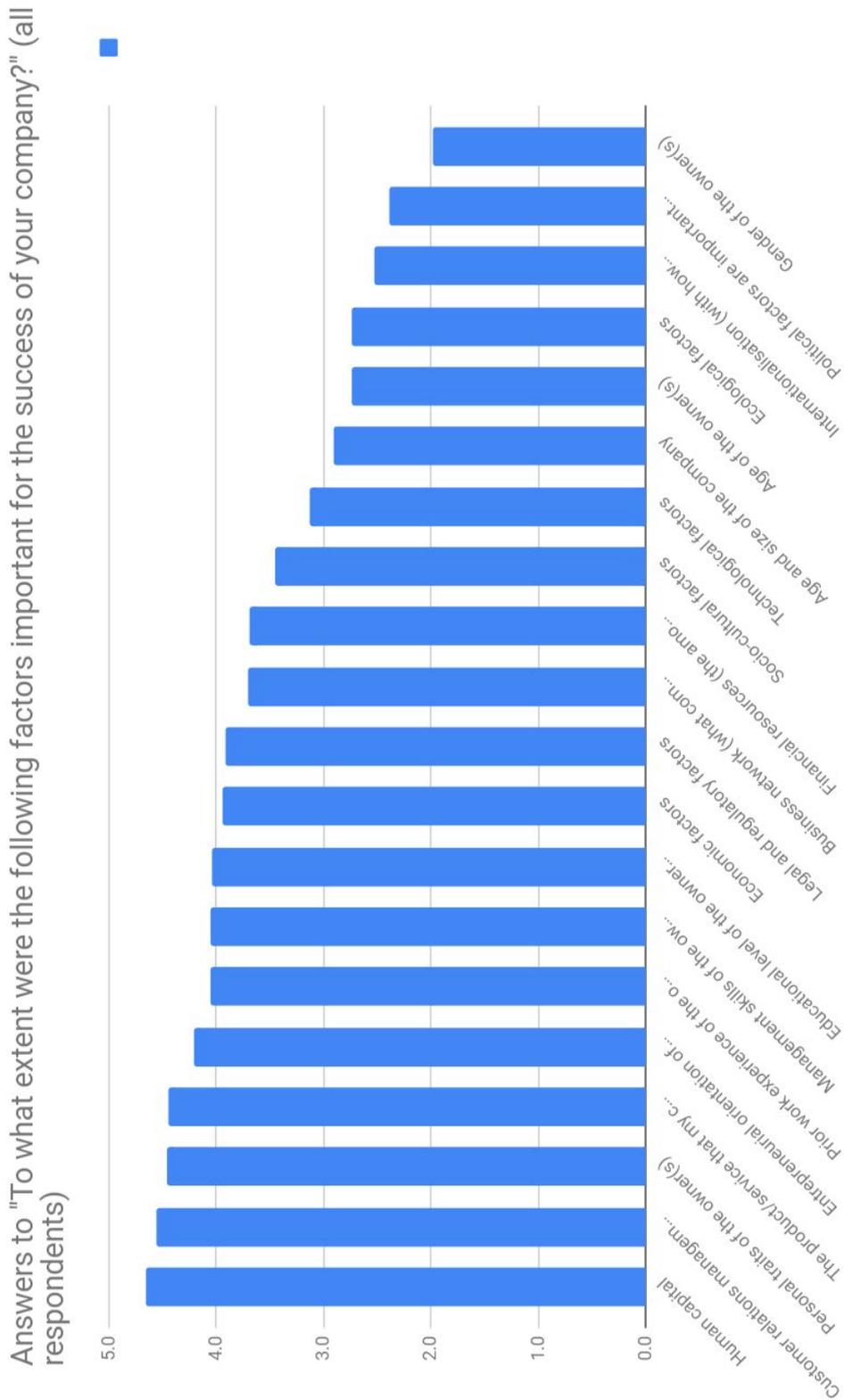
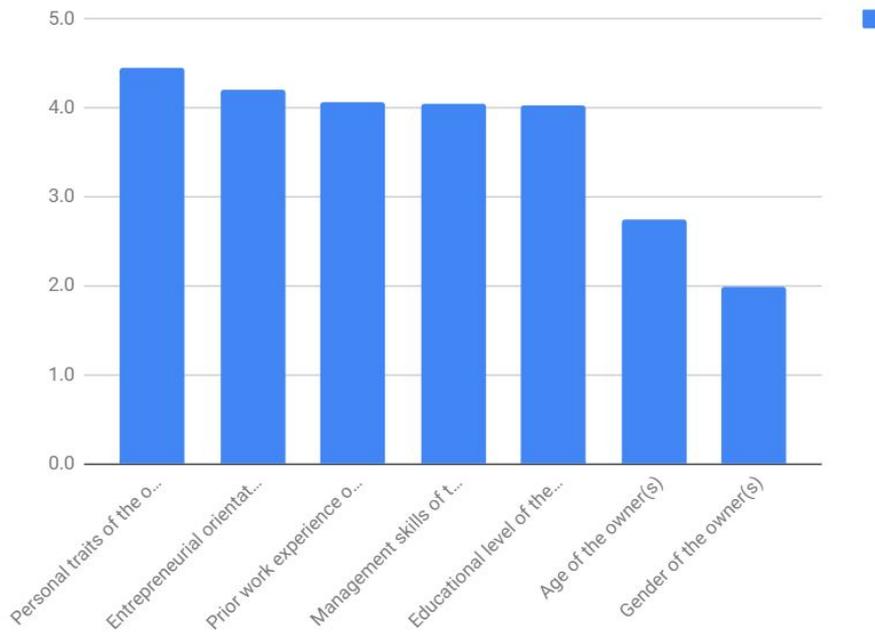
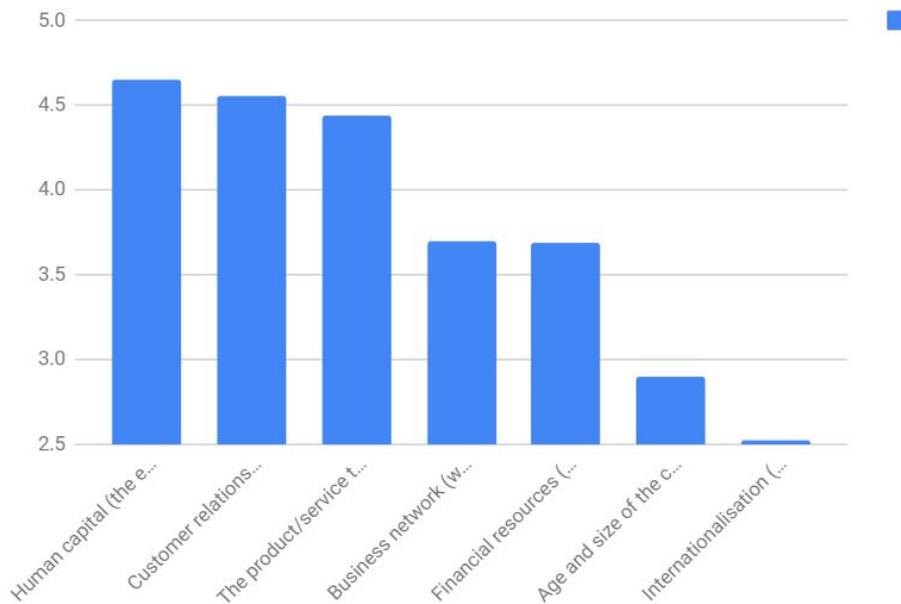


Figure 16. The most critical factors for business success (average number of points per factor, all respondents).

Answers to "To what extent were the following factors important for the success of your company?" Part 1 Company owner (average, all respondents)



Answers to "To what extent were the following factors important for the success of your company?" Part 2 Company properties (average, all respondents)



Answers to "To what extent were the following factors important for the success of your company?" Part 3 Outer factors (average, all respondents)

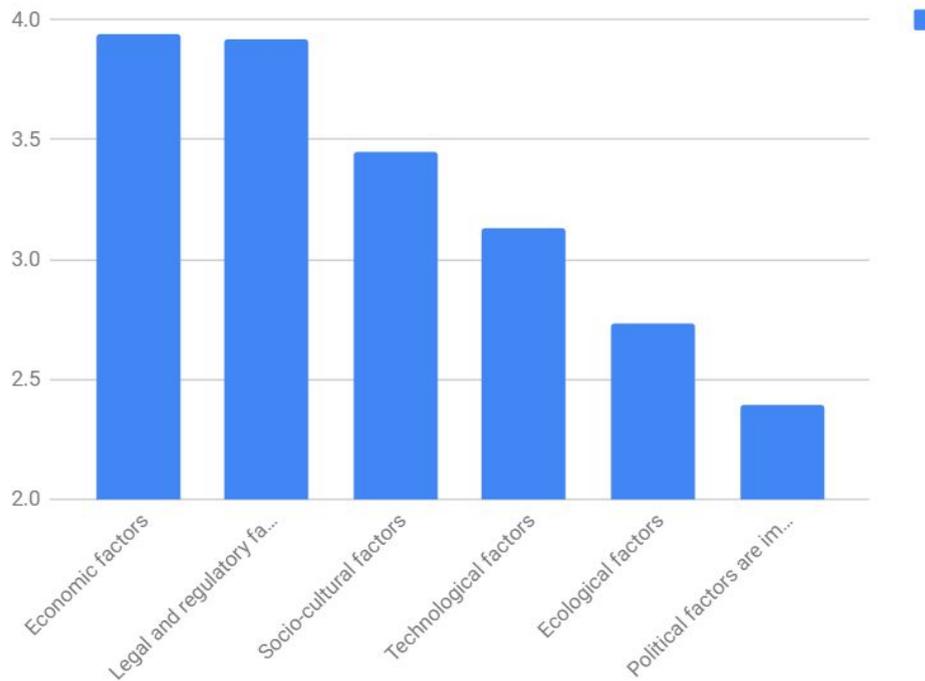


Figure 17. The most critical factors for business success (average number of points per factor, all respondents) in 3 parts.

CSF	Number of respondents	Percentage
Management skills of the owner	32	80%
Personal traits of the owner	27	68%
Prior work experience of the owner	26	65%
Entrepreneurial orientation of the owner	25	63%
Human capital	24	60%
Customer relations management	21	53%
Educational level of the owner	20	50%
Product/service	20	50%
Economic factors	10	25%
Socio-cultural factors	10	25%
Business network	9	23%
Financial resources	9	23%
Legal and regulatory factors	7	18%
Age of the owner	4	10%
Political factors	3	8%
Gender of the owner	3	8%
Age and size of the company	2	5%
Technological factors	2	5%
Ecological factors	2	5%
Internationalisation	1	3%

Table 13. Most critical success factors (number of respondents, all respondents).

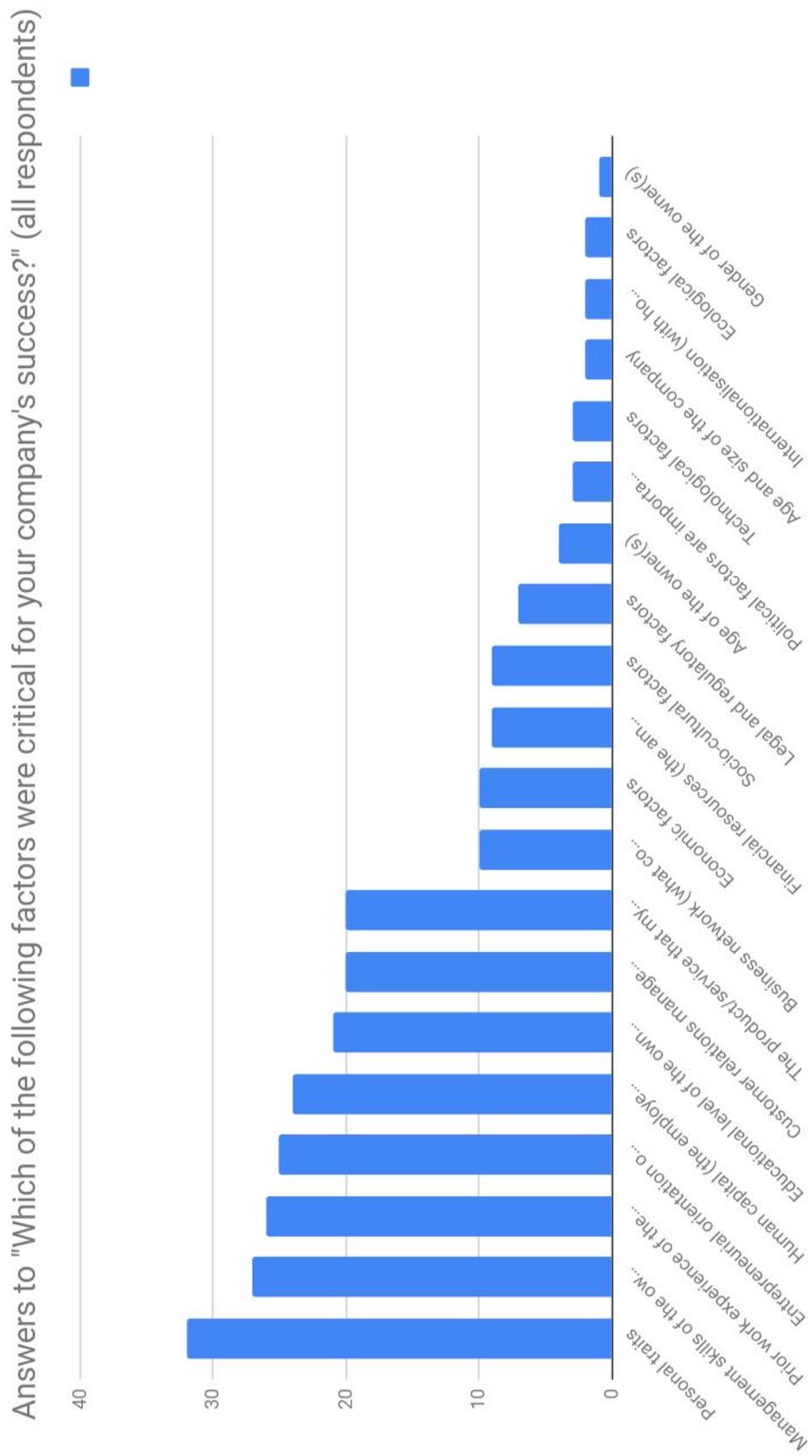
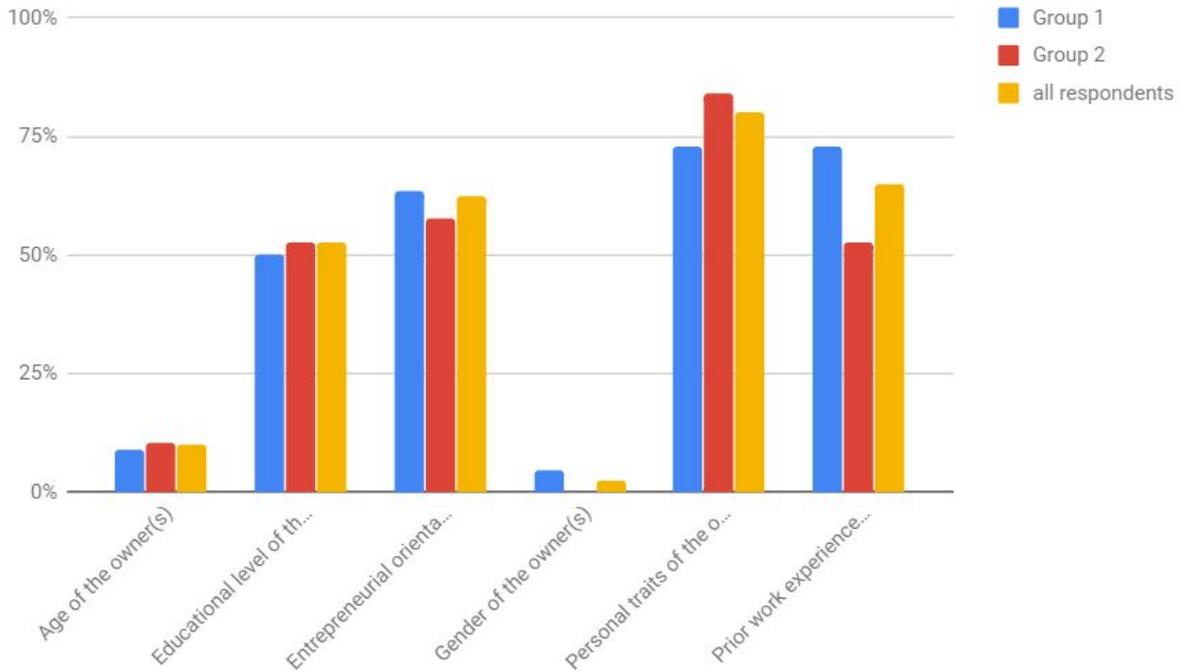
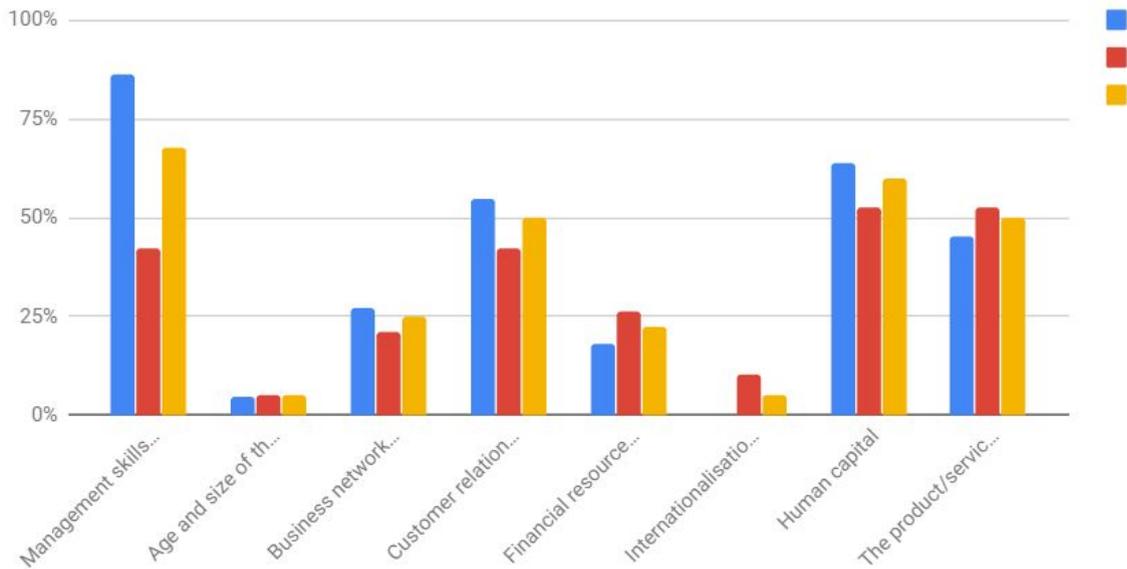


Figure 18. Most critical success factors (number of respondents, all respondents).

Answers to "Which of the following factors were critical for your company's success?" Part 1 Company owner (percentage, comparison of Estonian-speaking, Russian-speaking and all respondents)



Answers to "Which of the following factors were critical for your company's success?" Part 2 Company properties (percentage, comparison of Estonian-speaking, Russian-speaking and all respondents)



Answers to "Which of the following factors were critical for your company's success?" Part 3 Outer factors (percentage, comparison of Estonian-speaking, Russian-speaking and all respondents)

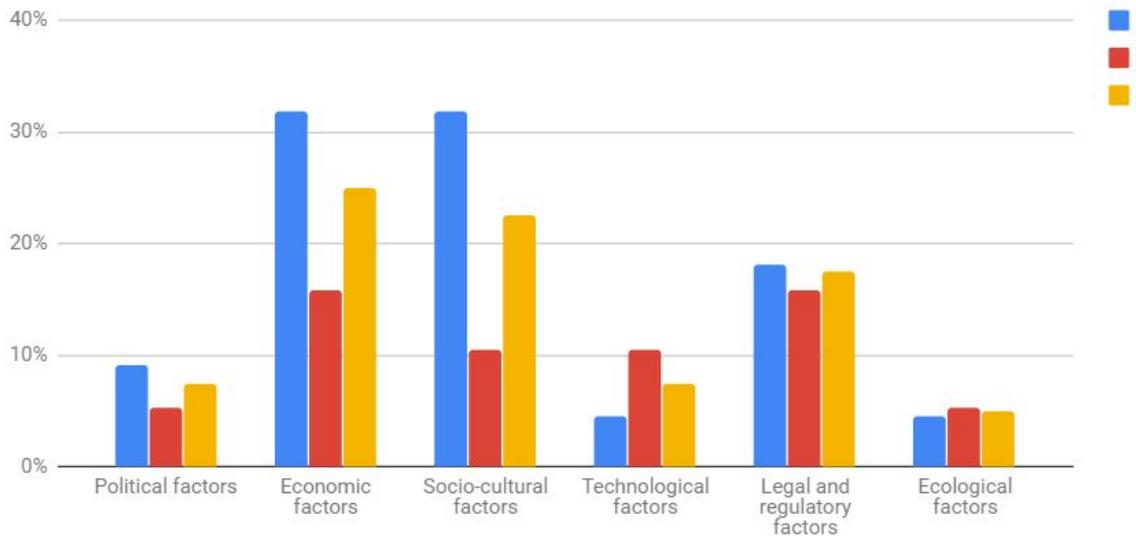


Figure 19. Answers to "Which of the following factors were critical for your company's success?". Questionnaire parts 1-3 (percentage, comparison of Estonian-speaking, Russian-speaking and all respondents).

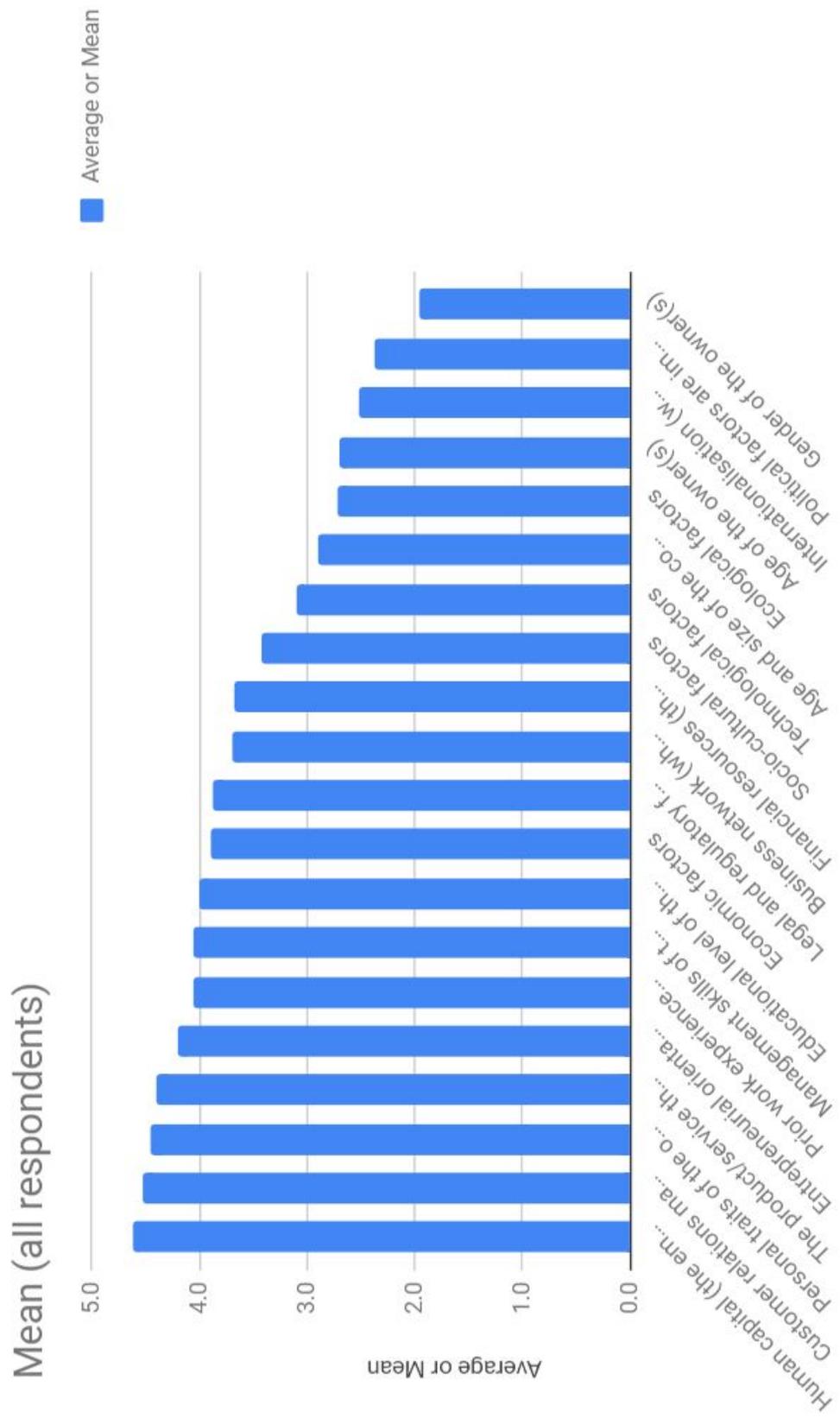


Figure 20. Mean for ratings “To which extent is this factor important for your company?”

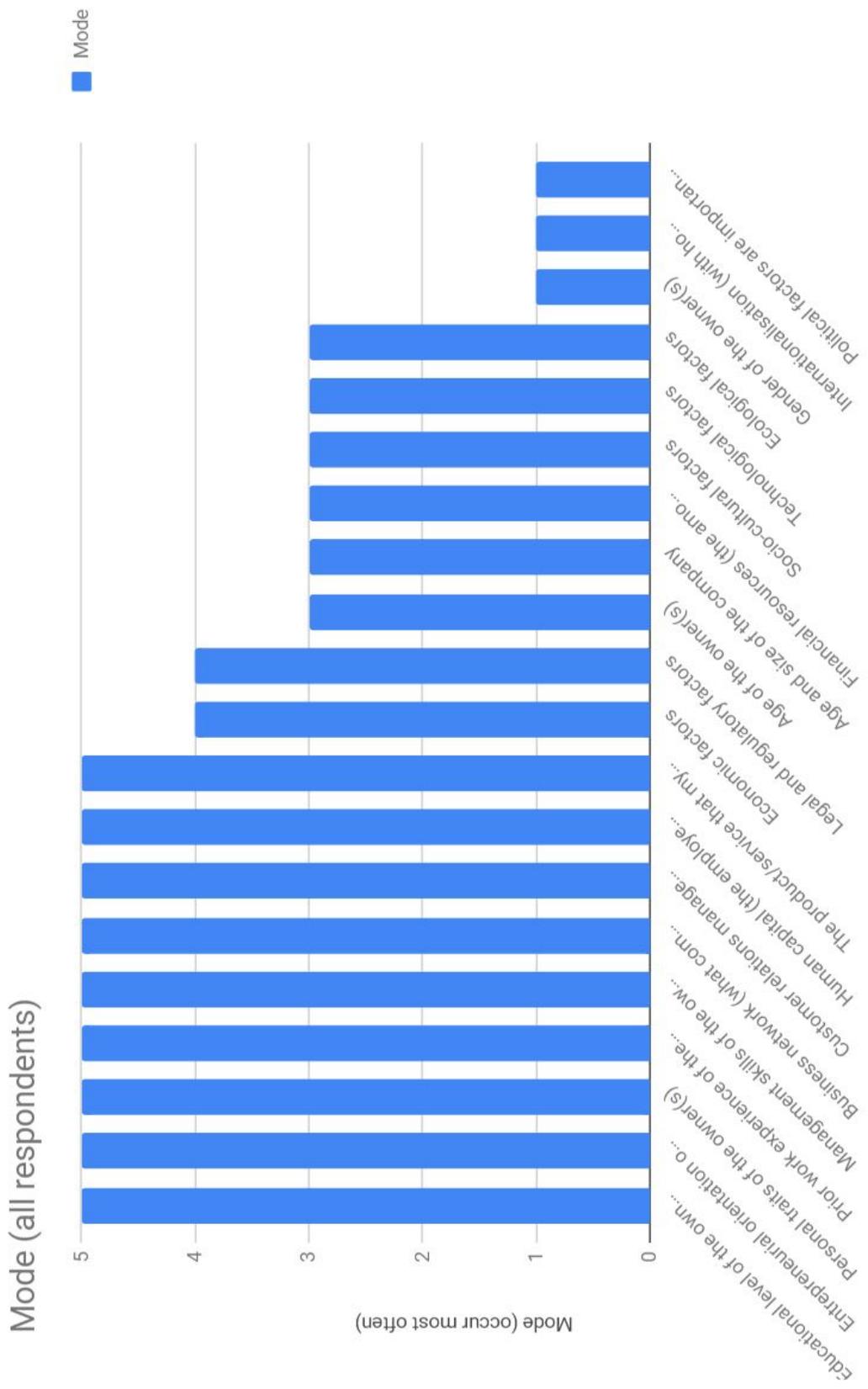


Figure 21. Mode for ratings “To which extent is this factor important for your company?”

CFS Code*	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Group 1	2	3	4	2	3	1	1	5	5	5	5	4	2	1	4	4	3	3	4	3	
	2	3	4	2	3	1	1	5	5	5	5	4	2	1	4	4	3	3	4	3	
	3	5	5	1	5	4	5	2	5	5	3	4	5	2	4	4	4	2	4	2	
	3	5	4	2	5	5	4	2	3	4	2	2	5	5	3	4	3	2	2	1	
	1	1	4	1	4	4	4	1	3	3	1	1	4	4	1	2	4	3	2	1	
	4	5	4	1	5	4	4	1	5	5	3	2	5	5	2	5	3	3	2	1	
	4	5	5	1	5	5	4	2	5	5	3	1	5	4	2	3	3	4	2	1	
	1	3	1	1	5	4	5	3	5	5	3	3	5	3	3	3	3	3	3	4	3
	2	3	5	1	5	4	5	3	5	5	4	3	5	5	2	4	5	2	5	5	
	3	4	4	3	4	3	3	3	2	3	3	4	2	3	1	3	3	4	4	3	
	3	5	5	2	5	4	5	3	3	4	3	2	4	5	4	4	3	4	2	2	
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	3	5	5	3	5	5	5	3	5	5	5	2	5	5	2	4	3	3	5	3	
	1	5	5	1	5	5	5	3	1	5	5	1	5	5	1	5	1	1	3	1	
Group 2	2	5	5	2	5	5	5	3	5	5	4	4	4	4	5	5	5	4	5	4	
	4	4	5	2	5	3	5	3	4	5	5	2	5	5	1	5	4	4	4	2	
	4	5	5	1	5	5	5	4	5	5	3	1	4	4	1	1	1	1	5	1	
	5	3	3	1	3	1	1	3	4	5	3	1	5	5	1	4	2	2	3	1	
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	5	3	5	3	4	4	2	4	4	5	5	5	5	5	5	5	3	2	5	2	
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	1	3	4	1	3	1	3	1	1	5	5	4	5	5	3	5	4	3	4	4	
	4	4	4	3	4	4	4	4	5	5	5	3	5	5	2	3	4	4	4	3	
2	5	4	3	5	4	4	4	4	5	4	3	5	5	2	3	3	4	4	4		

	2	5	5	1	4	4	3	3	4	5	3	3	5	5	1	5	5	5	4	2
	3	5	5	1	5	5	5	1	1	3	5	5	5	5	5	5	5	5	5	5
Mean	2.7	4.0	4.2	2.0	4.5	4.1	4.1	2.9	3.7	4.5	3.7	2.5	4.6	4.4	2.4	3.9	3.4	3.1	3.9	2.7
SD	1.2	1.2	0.9	1.1	0.9	1.2	1.2	1.2	1.3	0.8	1.2	1.3	0.9	1.1	1.4	1.1	1.1	1.3	1.0	1.2
Variance	1.5	1.4	0.8	1.2	0.8	1.5	1.4	1.3	1.6	0.7	1.4	1.7	0.8	1.2	1.9	1.2	1.2	1.7	1.1	1.5
Mode	3.0	5.0	5.0	1.0	5.0	5.0	5.0	3.0	5.0	5.0	3.0	1.0	5.0	5.0	1.0	4.0	3.0	3.0	4.0	3.0
DF (n-1)	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17
p-value	0.03	0.26	0.38	0.06	0.83	0.60	1.00	0.89	1.00	0.05	0.41	0.64	0.07	0.01	0.74	0.13	0.33	0.20	0.02	0.34
St.sign-t?	yes	no	yes	no	no	no	no	yes	no											
Hypoth.	R	A	A	A	A	A	A	A	A	A	A	A	A	R	A	A	A	A	R	A

Table 14. Student's t-test on Group 1 and Group 2 ratings of factors.

Abbreviations:

CSF	*Code	CSF	*Code
Management skills of the owner	1	Business network	11
Personal traits of the owner	2	Financial resources	12
Prior work experience of the owner	3	Legal and regulatory factors	13
Entrepreneurial orientation of the owner	4	Age of the owner	14
Human capital	5	Political factors	15
Customer relations management	6	Gender of the owner	16
Educational level of the owner	7	Age and size of the company	17
Product/service	8	Technological factors	18
Economic factors	9	Ecological factors	19
Socio-cultural factors	10	Internationalisation	20

SD - standard deviation

DF - degrees of freedom

Student's t test p-value

St.sign-t? - Is the result statistically significant?

Hypoth. - Null hypothesis is...

R - rejected, A - accepted

Notes:

Null hypothesis H_0 is that Group 1 mean (M_1) is not equal to Group 2 mean (M_2), alternative hypothesis is that the two means are equal.

$$H_0: M_1 = M_2$$

$$H_a: M_1 \neq M_2$$

The null hypothesis is rejected only for 3 factors: Age of the owner, Product/service of the company, Legal and regulatory factors. This allows to come to the conclusion that for these three factors Group 1 and Group 2 constitute one group with homogeneous answers, while for all other factors Group 1 significantly differs from Group 2, their answers are different from each other.

Appendix 11. Step 2 Interview Answers (all respondents)

Interview 1.

Interviewee: Svetlana Zagorskaya

Company: KKS “Sõprus” (correction and development center “Friendship”), kks.ee, 2011 - now.

Place and time: 06.09.2018 10:00-11:00, telephone call

Language of communication: Russian

Logic of questions: the same as in the online survey (Appendix)

Note: due to technical reasons the conversation was not recorded, all the information below is a summary of the conversation.

Svetlana started the business as a logical continuation of her prior development as a correction specialist and children psychologist. She started from a single room where she took clients herself, now the center occupies 10 rooms and employs around 20 people.

Part 1. Entrepreneur’s qualities.

For this company, therefore, education and prior work experience of the owner are very important factors. Gender is also extremely important in this sphere as children psychologists are women in this culture. Among personal traits Svetlana distinguished ability to see the root of the problem and ability to communicate to people (customers and workers). Management skills are needed to build not some place where separate specialists work with customers, but a team of specialists loving what they do developing each other. Svetlana personally works a lot with each specialist of the center in terms of professional development.

Part 2. Inner company factors.

Svetlana confused “business connections” with “media connections” and underlined importance of going public, though not for the sake of advertising, but for the sake of energy exchange. Working with clients is industry specific in this business as buyer and user do not coincide which is a classical situation for educational businesses. Children conditions that require help of such centers are borderline with illness and are crucial for both health and social well-being of these children, therefore inside of every family conflicting points of view are not rare, as a result Svetlana has several buyers per one user. Psychological skills help Svetlana build personal relationships with every client. Svetlana mentioned that love for every client is the key to success in her business as

only when you sincerely care for every client and their progress and situations, business success is possible. By ‘financial resources’ Svetlana meant operational financial management: her tactics allowed her to grow her company from 1 room to 10 rooms in 7 years without loans. Svetlana has already introduced all products her clients can possibly ask her about and now is introducing new products based on the children’s problems she sees herself.

Part 3. Outer environment factors.

Svetlana marked all of the outer factors very important. As she put it herself, “From the state I need 1 thing - so that people earned enough to have time and money to rest and think about development and well-being of their kids”, which can be reformulated as favourable economical and political conditions. Technological factors are important since Svetlana uses modern IT technology both to communicate to buyers (parents) and to work with users (children). Legal factors are very important as they define the ease of establishing and operating business. Ecological factors were interpreted as ecology of relationships, ecological and bio-friendly interior of the center, eco-friendly learning materials etc.

Interview 2.

Interviewee: Tatyana Dodatko

Company: OÜ PE School, Pingu’s English, pingusenglish.ee, 2018 - now.

Place and time: 07.09.2018 10:00-11:00, telephone call

Language of communication: Russian

Logic of questions: the same as in the online survey (Appendix)

Note: due to technical reasons the conversation was not recorded, all the information below is a summary of the conversation.

The company is a franchisee of an international chain of schools - Pingu’s English. The main business of the company is teaching preschool children English. All teaching programmes are provided by the franchisor, all teachers are English native speakers, clients are a mixture of local dwellers - Russian, Estonian, expats.

Part 1. Entrepreneur’s qualities.

All previous experience influenced Tatyana’s present company to a great extent. Since 2007 Tatyana has been involved into business projects, though none of them was connected to education or children. As the most valuable and used skill Tatyana named working with teachers and clients (with children’s parents) as here a lot of patience, insistence and tact are required.

Part 2. Inner company factors.

This project demanded initial investments of 120 thousand euros (4 rooms, 150 sq. m., full capacity - 250 students). From the first month of operation (February 2018) the school runs in operating zero. In February-May the school taught 60 kids, during the summer several summer camps were organised, in the new academic year the school hopes to get 150 students.

The fact that their franchisor is a major international company with a whole university developing study programmes and a separate department busy helping franchisees around the world helped Tatyana a lot, she names it the key to success.

For the time being Tatyana has managed to find highly qualified teachers ready to perform the programmes that are written to the finest detail.

Part 3. Outer environment factors.

Among outer factors Tatyana mentions specialities of local mentality and socio-cultural situation. School workers have to deal with improper parent-child relationships that ruin class work and all the effect of the classes. Another issue is self-imposed segregation characteristic of local people. School workers insist on avoiding any questions connected to origin of teachers: "He is a highly qualified specialist and this is enough. If you doubt the accent, you can watch videos on our website or come for a demo-lesson" - this is what they are trained to answer when asked about a teacher's origin/nationality; "Our school is for people" - this is the answer to the question "Is your school for Estonians or for Russians?".

All outer factors were marked highly important by Tatyana. Economic and political factors are important for her in the sense of level of living standards in the country. Talking about socio-cultural factors Tatyana mentioned a wish to see a united local community that realises the need to teach their kids not 2, but 3-4-5 languages as a competitive advantage in the 21st century.

Interview 3.

Interviewee: Irina Kirs

Company: music school Akvarellid, MTÜ Akvarellid, akvarellid.ee, 2011 - now.

Place and time: 08.10.2018 10:30-11:30, telephone call

Language of communication: Russian

Logic of questions: the same as in the online survey (Appendix)

Note: due to technical reasons the conversation was not recorded, all the information below is a summary of the conversation.

The company organises music education for children. Several musical instruments are taught in the school. Also language classes (English and Estonian) for children and development classes for babies are organised. With about 100 students the company

employs only 8 teachers as some of them teach 2-3 subjects (a musical instrument and a language, for example).

Part 1. Entrepreneur's qualities.

A manager should be in their 30-s to be an efficient head of the team. Lack of life experience and knowledge of the field prevent younger people from being proper leaders. Gender sometimes helps in driving the company to success, but sometimes impedes progress. In some schools a male colleague can achieve more results than Irina for no other obvious reason except gender. The owner of an educational company must be highly educated in order to lead the team and be comfortable with their own subordinates, any direction of education will do.

Among personal traits helping company success Irina enumerate: insistence, mind flexibility, communicating skills, charisma, diplomacy, refinement, skill of solving non-standard situations, persuading and solving conflicts. For a leader it's highly important to "keep the face" and know how to do it in all times, always remain authority for the workers. Calm of the owner is the base of productive work: if the owner is stable and knows what to do and how to do, the workers will have a good fundament for working and bringing money to the company.

Part 2. Inner company factors.

Irina likes having personal connections everywhere she goes. Now she has an extensive network of ex-colleagues, ex-costudents, ex-clients etc. She tries not to overuse these opportunities, but always knows whom to call, be the need. Irina never faced any problems with state officers on any grounds, vice versa - when she needed special conditions, they met her halfway.

"My teacher is my partner", says Irina. "I need to be able to trust them, otherwise all efforts are ruined." The key skill of any educational company owner is to find and satisfy cool teachers. If teachers are bad, nothing will help your business out. To prosper you need to know how to attract top-level professionals and deal with them in such a way that they stayed, thrived and enjoyed their lives.

Ability to work with parents as key clients is also very important for the company, people differ and the task of the company is to find the right approach to all of them.

Financial resources are significant. Unfortunately, all Irina's efforts to get state or European funds for her educational company fell flat which left her with an impression that all these schemes are for "preselected people", all others get brushed off.

Part 3. Outer environment factors.

Outer environment does not influence educational companies directly and immediately, though it pays off when you follow social trends. For example, this is the way Irina opened the language and early-development sections of her business, that was her answer to the society demand.