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**E-Residency – the new way to attract  
international talent**

*Plenary session*

*Global talent: the coveted treasure*

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## E-Residency – the new way to attract international talent

### ***Executive Summary***

In 2014 Estonia, as the first country in the world, launched e-Residency - a transnational digital identity for anyone in the world interested in administering a location-independent business online. This action has led to the increasing number of entrepreneurs who are establishing the companies in Estonia and running their business successfully using online applications designed for that purpose. But not only. E-Residency enables the talent to work and do business no matter what their country of origin is and the companies involved the program can have access to the global talent.

Since launch, e-Residency program has attracted new Estonian digital citizens from 128 different countries, being a great opportunity for companies to establish their presence in Europe. This has also affected the task and role of local science parks, innovation centres, incubation or acceleration programs, being the gateway and development partner for entrepreneurs and talent joining the e-Residency program.

### Introduction of the topic

Talent is a new subject for competition between countries, universities and companies; and naturally for science and technology parks, areas of innovation and business incubators. The main idea of attracting the talent locally or internationally is to provide wider knowhow for technology related companies and provide sustainable flow of innovative ideas in the form of start-up or spin-off companies.

Today STPs and AIs are not directly involved in talent seeking and keeping flow. It is more taken care by the tenant companies and start-ups that STPs are facilitating, although the link between a STP and university is still one of the pipelines that bring talent to tenant companies.

Traditionally STPs and AIs globally are providing quite well established and fixed set of services to tenant companies. They are real estate related services, business development/supporting services, start-up or incubation services, networking and linking services. STPs and AIs in different regions focus on different business sectors and they tend to grow the competence to provide to tenant companies specific areas (e.g. health technology and telemedicine, gaming industry, cybersecurity etc.). Specializing and focusing makes possible for STPs and AIs to distinguish in the global market and attract the core talent in specific business area. In most of the cases the business sector focus reflects the regional competence, policy, educational background and resources. Due to the fact, STPs and AIs can be competitive mostly regionally because of the similarities of business environments. Providing services to talents in other regions is difficult and not so relevant as it is easier to approach the local entrepreneurial environment and the expectation and competences meet regionally in STPs or AIs.

But what if there would be a global competition on entrepreneurs and companies between STPs and AIs based on their core competence? What if the entrepreneurs and companies are able to set their location based on value that the STPs or AIs are providing leaving beside the juridical procedures and physical moving of the company?

### Case study - Estonia and e-Residency

Estonia is a small country in Europe with the population of 1.3 million people. As a country with limited resources the economical focus is mainly set on talent consuming business areas like ICT, health-technologies and green technologies. This reflects in the main activities of regional STPs and AIs and these are the areas where the majority of new and innovative products and services are created, and introduced globally. Although struggling with lack of specialists, talent and labour the constant thrive for innovation is slower than expected.

In order to keep the leading position in these specific business areas Estonia in general needed a solution to the problems of: a) how to increase the amount of talent, b) how to bring more foreign investments, companies and start-ups to the region where the local talent is currently limited. It was a tricky challenge.

In 2014 Estonia launched a new and innovative program - e-Residency. e-Residency offers to every world citizen a government-issued digital identity and the opportunity to run a trusted company online, unleashing the world's entrepreneurial potential. In word - e-Residency provides a transnational digital identity available to anyone in the world interested in administering a location-independent business online, enabling secure and convenient digital services that facilitate credibility and trust online.

Today e-Residents can sign documents and contracts digitally, verify the authenticity of signed documents, conduct online financial transactions, transmit documents securely, declare Estonian taxes online, but most importantly, establish an Estonian company online within a day and administer the company from anywhere in the world.

All of these (and more) efficient and easy-to-use services have been available to Estonians for over a decade. By offering e-Residents the same services, Estonia is proudly pioneering the idea of a country without borders.

First pilot year of the project has led to more than 10,000 e-Residents - people who have moved their business to Estonia virtually and are operating the business transactions online from different locations globally. This number is quickly increasing and there are more and more applications for e-Residency. This has led the economic environment of Estonia to a change, the change that also reflects in the everyday role and activities of STPs and AIs.

As the movement of talent is made easy by the government and the services provided by Estonian STPs and AIs are now in global market, and companies participating the e-Residency program have the opportunity to seek the specialized business support from Estonia no matter where they locate physically.

### **Statistical and technical overview of the e-Residency program**

Becoming an e-Resident is simple. After submitting the application to become one, a thorough background check is being done online. If the person has a clear background one physical meeting is required to give out the e-Residency eID card, to start operating and using the services. Mainly the ID card can be used for secure digital authentication and digital signing of any documents. This way, the eID gives access to digital services which so far have been available only for Estonians.

e-Residency does not give a citizenship, physical or tax residency. It does not provide any rights of travel and entry to Estonia or to the EU.

By March 2016 the following indicators define the success of the program:

- 9,700 applications from 128 different countries
- 9,200 cards issued aka actual e-residents out there
- 485 e-residents have established a new company
- 1000 companies are connected to e-residents (owners, board members)
- 23,500 potential e-residents signed up to newsletter

The number of people using e-Residence is growing now quickly and the purposes of using the services are connected to establishing the company, working for the company in EU, making investments in EU, starting the exports in EU area. Definitely the most popular service is establishing the company in the region.

There is and will be a lot of controversy around the service. In general e-residency project has gained positive reviews in the media, being recognized for its innovativeness and potential. Estonia's former Minister of Finance Jürgen Ligi has noted that it is yet unclear how e-residency would bring capital to Estonia. It has also been warned by the legal experts that e-residency might create some risk of double taxation, as this is a completely new legal status that has not been considered in the framework of existing international agreements to avoid double taxation.

The leader of the project, Taavi Kotka has stated that while the further goal of the project would be to gain millions of e-residents, its practical purpose would be to increase the number of active

enterprises in Estonia. For that, it will be important that private sector would develop concrete services on the legal and technical platform provided by e-residency, while the state would continue developing the legal framework according to the needs of the enterprises. It has also been discussed in Estonian media that e-residency could be used to spread knowledge about Estonian culture online to develop cultural export.

### **Changes in entrepreneurial and SPT/AI community after e-Residency program in Estonia**

In 2014 e-Residency program was launched as a start-up initiative and the founders of the idea, nor Estonian Government didn't have a good plan where this will develop. The only and foremost goals were set to make Estonia digitally bigger than it really is, and to open up the services that Estonia had for the wider audience and test if they might be useful for them as well. The practice showed that the early adopters of the service were mostly technology related entrepreneurs and specialists willing to work remotely in technology sector. This has brought up the crucial essence of STPs and AIs to be involved in the project and to provide extra services or open up their environments for e-Residents.

The biggest community using the opportunities of e-Residency were start-up entrepreneurs who found it easy to start their transactions and establish the company in EU. After the eID was granted to the residents they were seeking the help in following areas:

1. Setting up and establishing the companies;
2. Finding employees and specialists from the universities;
3. Finding sector based cooperation networks and opening up the cooperation links across the Europe;
4. Help in legal issues;
5. Growth oriented and business supporting services;
6. Link to private and public funds inside European Union.

As STPs and AIs facilitate (in most of the cases) incubation or acceleration programs for high-growth companies then naturally these programs were the ones e-Residents started to collaborating first-hand.

Tallinn Science Park Tehnopol as the largest science park and business incubator in Estonia started to receive enormous amount of applications from the companies outside Estonia, but granted the e-Residence. It basically opened up a new pipeline for the start-up incubation services, business development services and soft landing services. But at first, the focus was set to prioritize and pivot the services and the logics of supporting the entrepreneurs in the incubation level.

Tehnopols Startup Incubator was established already in 2004. The aim of Startup Incubator is to help the technology related entrepreneurs within the year to reach sustainable export revenue or attract the first private investment. The portfolio of Startup Incubator is around 30 companies being in the program simultaneously. The services of Startup Incubator have been set to three main areas:

1. Mentoring the companies - there are around 40 business coaches who work with the entrepreneurs to reach the development goals. Every company will be assigned a key-mentor who has the clear overview of the company's challenges, problems and plans, and to help them to connect with other mentors if required. The mentors invest around 1000 hours to help the companies annually.
2. Training program - there are 50 training events annually for the portfolio of Startup Incubator. The trainings, lectures and expert/investor panels give practical skills to entrepreneurs and provide matchmaking opportunities with investors or partners.

3. Co-working HUB - Startup Incubator has open office and meeting rooms for the companies that are opened 24/7. Using the premises are free for the companies and majority of the training program and mentor meetings take place in the HUB.

So far Startup Incubator has worked with 152 companies throughout their business and product development cycle. 70% of the companies in the program are successfully operating today and have raised around 10 million euros worth of private investments.

To line up with e-Residency program Startup Incubator redefined the services. The biggest challenge was to find out the perspective how the incubation service could be competitive across Europe providing the value that the e-Residents are willing to use. To do that, the team of Startup Incubator analysed the European ecosystem that supports the startup entrepreneurs and found out that the main competitive edges of the program run in Estonia are:

1. Focus areas - Startup Incubator defined clearly the focus areas where companies are expected to join and where there is no or few competitions in other EU regions. These areas are defined as specific as possible (in Startup Incubator case: ICT - cyber security, productivity tools for industry 4.0, P2P and sharing economy products; HEALTH TECH - quantified-self tools and software, privacy and big data products; GREEN TECH - solar systems for personal use, energy efficiency products and software for industries). Building the competence (mentors, advisors, investors) around really specifically defined areas helps to be competitive compared to other acceleration and incubation programs.
2. Multinational approach - all the mentors and core team is willing to operate the activities without minding the location of the companies. We have minimized the barriers of language, time zone and coaching methods to work with all the e-Residents. We have introduced the online tools that e-Residence can use to take part of our program, have mentoring meetups and communicate with other tenants in the program.
3. Pan-European approach of investments - Startup Incubator has joined the forces with business angels across Europe to provide the investment links and contact links to entrepreneurs who want to expand in EU. As funding is one important issue for start-up companies then we established a strategic partnership to Business Angels Networks in Europe to provide one-stop gateway for our tenant companies.

Redefining the services and installing the online methods to work with the companies the pipeline of new applications of the e-Residents has increased quickly. On average Startup Incubator had around 60 applications from new technology related companies each year. Today, after joining the e-Residency program, Startup Incubator has around 100 applications annually and one third of the portfolio of the incubator consists of e-Residential companies. The number of companies in the pipeline is clearly increasing and in 2017-2018 we expect to bring the limit of portfolio companies up to 70-80. Comparing to the average incubation programs in Europe and the number of companies in the portfolio of different incubation programs it is clearly above average, competing with investment related acceleration programs globally.

Beside incubation services Tallinn Science Park Tehnopol is also establishing a set of business support services for grown companies, taking into consideration the needs of e-Residence. Mostly to do with soft landing to European market Tehnopol helps the e-Residential companies to hire talent in the region, to start the R&D related partnership with the regional universities, find suitable co-operation links across Europe, and most importantly, is there for the business owner to adopt the customs, logics and perspectives operating in European market. For serving the e-Resident companies Tehnopol has introduced the field managers in ICT, health-tech and green-tech to combine all the sector specific companies and provide daily support for their operations. The number of e-Residents using these services is growing quickly reaching to 50 this year.

### *e-Residency and the link with STPs and Als*

The biggest change that the e-Residence program brought to the Estonian community of STPs and Als was thinking outside the box, across Europe - how can we really be competitive in pan-European competition and how can we become a one-stop shop for entrepreneurs who want to expand across Europe?

Tallinn Science Park Tehnopol is a clear case to prove that the STPs, Als, incubators and accelerators need to re-define their position as regional leaders of supporting the micro-ecosystems and have to define their main competitive edge that can be assessed globally. The main challenges and tasks ahead of STPs and Als are the following:

1. Dealing with global competition on talent and entrepreneurs - Entrepreneurs are not using the services of STPs or Als because of their geographical location. Most definitely we will see more and more countries providing digital residency and the new type of competition gets bigger each year. This means that the network of STPs and Als should adopt and bring out the essential parts of their services that give them the competitive edge and are globally attractive to the entrepreneurs or talent.
2. Stating the clear value proposition - There should be a clear value proposition for the talent moving around the world that makes them stick to the specific region. It could be the type of service, sector specific approach, granted access to specific industries, links to specific universities etc. As long as the STP or AI has one, they are ready for the competition.
3. Re-defining the services in the portfolio - STPs and Als should test and validate more often the services provided to the companies and talent. There are still plenty of STPs or Als operating in traditional sector - providing real-estate, business development services and links to the universities. The problem is that these kind of services are fairly regional and are not really competitive in global scale. Every STP or AI should look into their portfolios and bring out the essential (that they have practical experience and long term success indication).

Today STPs and Als in Estonia are more and more providing soft landing services, business development services for virtual clients and incubation services to e-Resident companies. The talent in the form of e-Residents can be used to combine local knowhow, experiences and specialities in order to generate new innovations. The change is happening quickly and gives the opportunity to regional STPs and Als to specialize and grow the competence that can attract more talent and companies around the world. We do have the head start on that but not for long - soon all the STPs and Als are competing to have the crème de la crème to carry the success of their regional economy.

### *Conclusion*

Estonia has launched the e-Residency program but most certainly it will be followed by other countries, meaning that the inevitable talent hunt takes a new turn. It really doesn't matter where the STP or AI is located geographically, but how good these organisations are in providing community based services, links or access to markets. The services must be well defined, established and accessible to businesses with different backgrounds and challenges.

It is also important to note that the traditional ways we measure the success of STPs and Als will be different and focus more on the position in global competition, not to regional milestones and challenges.

Programs like e-Residency provide a new and effective link for global pipeline of innovative companies. For STPs and Als it means more companies, start-up ventures, capital and investments,

also it means that STPs or AIs really need to figure out their core competence that can be competitive globally - a specific business area or set of services that is supported in regional levels (government, universities etc.) and is attractive to international ventures. The competition on talent definitely goes to the next level.

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