



Estonia: The Baltic Tiger

Estonia, one of the most successful economies of the former Soviet region, is reaching out to do business in the West. However, don't underestimate the advantages of understanding the Estonian management culture if your company is moving in.

Estonia, with around 1.37 million inhabitants is the smallest country of the three Baltic States, which together with seven other countries joined the European Union on the 1 May 2004. When the country gained independence from the Soviet Union in the early nineties, only half of its population had a phone line. Today, Estonia is ahead of 'old' EU countries such as Italy and France when it comes to internet usage.

Customers in need of businesses

Ever since the re-establishment of independence in 1991 the Estonian economy has been a developing economy as the country continues its transition from a collectivist towards a market economy. Now Estonia is one of the fastest growing economies in Europe.

However, difficulties in the adaptation process towards a market economy do occasionally show. For instance, it is difficult for some Estonians to see that businesses need clients and not the other way around!

Nowadays, over 96 percent of all the formerly state-owned businesses are privatised, but the effects of the communist period are still evident. Many organisations are still not very market oriented; business-to-business activities are rarely observed.

According to Anu Ind, an Estonian recruiter working for Perspectivest in Tallinn, there are four good reasons to start a business in Estonia:

- Low taxes (compared with other EU countries);
- Business culture similar to 'old' EU countries and strong business community (compared to Lithuania and Latvia);
- Labour legislation is rather favourable for employers;
- Location is logistically convenient (close to the Russian market and located near the sea).

Doing business

To be successful in your business undertakings personal relationships are extremely important in Estonia. Informal networks, friendships and even romantic relationships form part of the informal networks essential to every day business life. The large Russian community within Estonia certainly has its influence in some of the characteristics described below.

Doing business in Estonia compared to the other two Baltic States differs in the sense that the labour costs are higher, but language skills are more proficient and business traditions and culture are more similar with the 'traditional' EU countries.

"Our people, especially at management level, have more practical experience.

As we value experience above education, whereas compared with Lithuania for instance, education is much more important than practical experience.

Compared to Latvians, Estonians are more 'calculating' in their choice for companies and future perspectives."

says Anu Ind.

Hierarchy

The Estonian organisational structure is led by hierarchy and bureaucracy. There is a clear division of responsibilities. Decisions are made at the top of the organisation. All communication goes through vertical lines. However, be prepared as this does not mean that Estonians at all times respect the authority of their superior! Be careful to conclude from Estonia's remnant bureaucratic structures that Estonians love hierarchy. Use status symbols only with great care. Although Estonians are happy for you to try to impress them with evidence of your success, you must not make them feel inferior. They are confident and ambitious people, who anticipate recognition for their rapid development in recent years.

Business meetings

Business meetings are often over a lunch or a dinner. Conversations in such business meetings are socially oriented rather than business oriented, since Estonians prefer doing business with personal friends and people they like. At the start of a meeting the highest superior present will give a welcoming speech. Decisions are not made over a single meeting but rather over a number of meetings.

Although Estonians tend to mix business with pleasure, meetings should be kept formal, since Estonians easily distrust informal or casual attitudes from foreigners. Ask specific questions since Estonians prefer to exchange facts.

Negotiations

Estonians tend to strictly follow the rules and procedures, particularly in the implementation stage. Don't be surprised if this slows down the negotiating process.

Never rush the Estonians, since rushing them can easily destroy the negotiating process. The negotiating process is a very formal affair and conducting a business deal is a careful process.

"In general we clearly say what we want, but sometimes Estonians need a little extra time to analyse all the details," says Anu Ind. "In other words - due to our history, we have been conquered for 700 years - I think that we are unconsciously afraid of being conquered again. This causes Estonians to behave careful in business dealings as we are a little afraid of being 'a loser' or closing a deal with conditions that in the end are not really profitable".

About the writer: Expert in labour mobility issues Nannette Ripmeester is a consultant to a wide variety of international firms, the European Commission and the governments of Belgium, Finland, Ireland and the Netherlands. Ripmeester is founder and Managing Director of Expertise in Labour Mobility (www.labourmobility.com).