
STRENGTHENING OPPORTUNITIES OF ECONOMIC RELATIONS BETWEEN LITHUANIA AND SWEDEN WITHIN THE PERSPECTIVE OF IT STARTUP COMPANY'S DEVELOPMENT

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Abstract. Cooperation with Sweden – one of the key priorities of Lithuania. Economic cooperation potential is promising. One of the priority areas of economic activity, in which Sweden invests in Lithuania, is information and communication. In order to develop and utilize the potential for economic cooperation in the IT field, it is relevant to structuralize IT startup business success factors and to jointly develop base for decisions, execution of which would help ensure effective, economic co-operation development based with Sweden, beginning of IT startup business and such business's continuity. To achieve the objective, following tasks were resolved: concepts of startup business and the startup company were purified, specifics in concept's application in the context of the parties were defined; systematized the startup business success factors and ways of strengthening them, focusing on the factors relevant for strengthening economic ties between Lithuania and Sweden within the perspective of IT startup company's development. Systematic method of research was applied.

Keywords: startup, IT, Lithuania, Sweden, business success factors, opportunities of economic relations.

JEL Classification: O3.

1. Introduction

Cooperation with Sweden – one of the key priorities of Lithuania. Economic cooperation potential is promising. One of the priority areas of economic activity, in which Sweden invests in Lithuania is information and communication. In order to develop and utilize the potential for economic cooperation in the IT field, it is relevant to structuralize IT startup business success factors and to jointly develop base for decisions, execution of which would help ensure effective, economic co-operation development

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Information Technology (IT) is regarded as the most important factor of globalization and technological progress, the base of the knowledge society. The IT sector has been, is and will be one of the fastest growing businesses in the world. According to the Lithuanian Statistics Department (LSD) records IT is one of the leading sectors of the Country in accordance with the growth of the added value. IT sector's added value is increasing every year, which makes up about 3% of the gross added value. The overall growth of production of IT sector was and will be predominantly due to the result of newly established production companies of equipment for information and communication technology. It should be noted that Lithuania has not exhausted all of the IT sector's contribution to the country's potential of the economic growth, which encourages the search for new, more unfulfilled areas, to note the areas of neighboring countries ahead of Lithuania and find ways to create competition in the global IT market.

The development of IT sector is considered to be the general national or regional economic competitiveness determinants (Ogunsola 2005). For over a decade the world's rapidly growing demand for the use of social networks for business, the internet to receive the news, e. tools to implement knowledge and etc., allow more and more entrepreneurs to successfully find new mediums in the IT sector: e-shops, business platforms, software that helps simplify daily operations and rationalize the use of limited resources, while increasing the productivity of enterprises. Therefore, the number of rapidly developing high-tech startup based businesses is growing. According to public enterprise "Versli Lietuva" (Versli Lietuva 2015) statistics, over the last 5 years Lithuania created a noticeable startup company ecosystem, which currently consists of over 315 startup companies. Popular IT products (for example, mobile public transport and journey planning application TRAFI, photo editing program Pixelmator) are created by small IT startup companies. Inspired by largest IT corporations like Apple, Microsoft, success stories, young entrepreneurs generate ideas and develop innovative products while looking for opportunities to become leading companies. Some of the IT startup companies, such as TRAFI, TransferGo, MoboFree, develop and grow into large, independently operating businesses. Others fail to overcome the competition and are forced to retreat. Obviously, the external and internal environmental factors lead to the development and destiny of IT startup companies.

Lithuania is rapidly moving in the path of modern electronic economic development. One of the country's most important economic activities – is striving to become a high-

tech leader in the Baltic region. A noteworthy consideration of Foreigner legal situation act amendments done by The Lithuanian Parliament (LRS), foresees a simpler immigration for demanded non-EU startup professionals to Lithuania. Creators of the new technologies from the East are already interested in our Country, as they see Lithuania as a center for the development of globally competitive products. Growing foreigner startup companies' attention to Lithuania is not accidental. As in the autumn of 2016, startup company incubator, with no regional analogue, called "Vilnius Tech Park" has been opened. The parks design concept provides the opportunity for Vilnius to become the Silicon Valley of the Eastern and Central Europe.

The factors that determine the success of establishing a new business are widely studied by foreign scientists (Roure, Maidique 2002; Costa 2004; Sels, Vanhoutte 2005; Cheung *et al.* 2011; Ries 2012, Akram *et al.* 2011; Blank, Dorf 2012, etc.). Studies have existing diversity of factors and their impact on succession of IT startup companies. The rapidly growing interest in the startup business organization in Lithuania and elsewhere, as well as the business development opportunities, our research is oriented to develop a model of IT startup business development factors, based on results of analyzing successful cases of IT startup business, in order to strengthen bilateral economic relations. The objective of this study – is to structurize IT startup business success factors and to jointly develop the base for decisions, the implementation of which would help to ensure effective development based on economic co-operation with Sweden, the start and continuity of IT startup business. In order to achieve the objective, the following tasks are raised:

- Referencing scientific articles and results of other sources' examination, refine the startup business and Startup Company's concept, the application of mentioned concept in the context of the State.
- To systemize the startup business success factors and ways to strengthen them, focusing on the factors, relevant for strengthening Lithuania's and Sweden's economic ties within the perspective of IT Startup Company's development.

2. Concept analysis of startup business

The rapidly evolving society continually generates new ideas, to implement them new models of business are created. This is one of the most important reasons of public development, propulsion of the national economy's development. The most relevant contemporary form of business organization – the startup. Discussions considering the subject of the startup business definition are noticeable, where acceptance of the different opinions can be found. According to N. Patel (2011) the term startup is used to describe any newly established business. In Cambridge Dictionary of business startup "is a business that has just started" (Cambridge Business English Dictionary 2011). After the greatest twentieth century success stories of high-tech companies, such as Apple, Google, Facebook, the term startup launched in use as a unique business concept.

According to P. Graham (Graham, Spaulding 2005), the main factor that distinguishes start-up from other business routine is its rapid growth. The author suggests a definition of a start-up: "Startup business is "modeled" for rapid growth. The mere fact that the business is newly established, does not mean that it is a startup. Startup business does not have to be based on high-tech or venture capital financing. The essence of this business – explosive growth".

According to the results of empirical research done by the "Nesta", responsible for the promotion of innovation in the UK, "the startup" is "a young, innovative, growth-oriented business, that is looking for long-term sustainable business model" (Dee *et al.* 2015). Startup is an organization set up to look for unique and measurable business model (Blank, Dorf 2012). Thus, the term startup includes business, which is based on innovative advanced technologies combined with a sharp growth in the traditional business model elements.

According to E. Ries (2012), startup is a newly established business, focusing on new products and services, which are based on the rapid high-tech development. In 2013 public enterprise's "Versli Lietuva" annual survey (Versli Lietuva 2013), startup is as innovative and IT based business that create products built on high-tech and life science solutions. One of the most famous entrepreneurs of Silicon Valley S. Blank (Blank, Dorf 2012) as well as E. Ries (2012), exploring the concept of the startup business, agree with the common view that the most general sense of the startup business model should be based on innovation, advanced technologies and their transference. From a slightly exceeded time perspective, the startup should focus on the search for a sustainable business model and its application. According to S. Moon's (2014) opinion, the startup – is a technological company that develops high added value products and realizes innovation in the market. D. Norris (2014) describes the startup companies as newly established companies that have a unique business idea and their principles of operation are based on the technology and/or innovation. Startup companies are defined in draft plan of Lithuania's Entrepreneurship Action 2014–2020 m. This is a rapidly growing, young and potentially strong, directed to a single product development, high-tech-based, business. Swedish startup business as interpreted by P. Graham's (Graham, Spaulding 2005) suggested concept which is expanded by understanding of the necessity requirement of innovative activity. In 2015 Sweden's Ministry of Enterprise and Innovation conducted study "European Startup Monitor", startup companies are considered to be businesses that are rapidly expanding and developing innovative activities.

Startup companies – innovation-based initiatives. Obviously, this form of business has exceptional performance characteristics. Startup companies are often characterized by a concentration to the global markets. Such companies' uniqueness and competitive advantage is created by innovation. This can be an innovative process, business model or function. One of the key features that separates the startup company from the traditional one – the nature of development. A typical business model of companies is characterized by a linear expansion, when the money is invested in the company itself, to its system (income, cash and jobs) (U.S. Bureau of Labor... 2014). Startup company grows in exponential rates: when the money is invested, positive influence is not experienced immediately.

It is important to note that startup companies are often attributed to Venture Business (Jakubavičius *et al.* 2003). The base and driving force of such companies – the establishment of scientific ideas, their development, and finally, their conversion into new technologies and products. For the most cases these entities are represented as small group of talented scientists, engineers, managers, united by a common goal – setting up innovation, its introduction avoiding bureaucratic restrictions that are common in large corporations, whose activities are based on a detailed action plan. Startup companies named advantage is flexibility, rapid change of direction when in search and application of new ideas, the ability to quickly adapt to market needs. Competitive pressure is forcing developers to work efficiently and expressively reach the final result. Regarding funding, these companies usually apply to large corporations, private equity, venture capital funds and also public institutions.

Startup companies are also treated as a way to transfer high technologies, adapting them to specific needs. Methods of transferring the technology related to a present subject are distinguished (Kraujelytė, Petrauskas 2007):

- Spin-off company is a newly established company, which founding initiative came from individuals who were employees in other, major company. It arose due to the transfer of technologies. Typically, a spin-off company is created together with the newly transferred technology and its provided innovation (Rogers *et al.* 2003).
- Startup company is similar to a spin-off, only the name of the startup defines a newly created company rather than a part that span-off from the main organization. As a result, the term startup often characterizes an innovative, high-technology-oriented company, to establishment of which there was direct impute contributed by scientists using scientific research, knowledge and technologies generated and created in the institutions of the technological development.

According to the analysis of startup concept, it can be said that the startup business model is based on high-tech transmission, therefore innovative business solutions that created products are based on, the use of which promote the development of the knowledge society; the other feature of this business model – the startup business model is based on external funding. Similarities of Lithuanian and Swedish approaches to the startup business concept are treated as favorable assumptions (business cultures of contact points) on strengthening the bilateral economic relations through the perspective of startup company's development.

3. The picture of Lithuanian and Swedish startup companies during the years of 2013–2016

In today's society, number of people who are interested in opportunities to build a business based on high-tech and innovative solutions, is rapidly growing. According to the results of world's entrepreneurship index, Sweden is in the 5th, Lithuania – in 26th place. There is no shortage of good practice examples in Lithuania and Sweden: the

usage of Swedish startup company's Spotify mobile application contributed to the music industry's recovery and growth by reducing piracy (Hammarberg *et al.* 2016). Lithuania's startup company TransferGo has developed a new financial transaction platform to eliminate international transfers carried out at a bank, thus avoiding complicated form filling, large service fees and hidden charges.

More and more attention is dedicated to the development of startup ecosystem or creation of business communities, which are united by a passion for high-technology enhanced business. Sweden's and Lithuania's startup companies refute the stereotype that the majority of startup companies are based on the mobile application development. According to public enterprise "Versli Lietuva" annual review of the Lithuania's startup ecosystem conducted in 2013 (Versli Lietuva 2013), in Lithuania the startup created innovative solutions based on high technology and performed a wide range of activities: from development of the software to the world's most popular operating systems (Windows, iOS), computer games to effective financial services solutions and social networking. In 2016 Lithuania's startup companies offered new products and services to aviation, biotechnology, life sciences, 3D printing, transport and logistics, fields of energetic activity (public enterprise "Versli Lietuva" 2016). Most of the Swedish startup companies offered financial, wellness, e-commerce and media services (SUP46 2015).

In 2013 Lithuania's startup ecosystem consisted of 191 startup companies, which in the period of 2007–2012 attracted a total of 34 million euros of investments, in 2013 the company GetJar managed to attract very large investment – 31.5 million euros. In the same year, to the country's budget more than 490 thousand euros in tax were paid. Through 2014 Lithuania's startup companies attracted investments for 46.3 million euros thus, during 2014, Startup companies paid taxes of 2 million euros to the countries budget. The public authorities, administered by the public enterprise "Versli Lietuva", invested 260 thousand euros, 42 million euros have been collected from various venture capital funds. It is important to mention that the largest investments were attracted by two market leaders – mobile application Yplan 21 million euros, and almost a million less, 20 million euros – the company Vinted – platform for purchasing, selling and exchanging clothing and accessories. Now the company operates not only in Lithuania, but also in other major world markets – the US, Great Britain, Germany, France, Poland and the Czech Republic. 2015 was as successful. 4 of the country's most successful startups – Vinted, Vittamed, TRAFI and TransferGo received investments for more 41 million euros (public enterprise "Versli Lietuva" 2015). Not as large, but also very important, up to 0.5 million euros of investments have been attracted to more than a dozen country's startup companies. During 2016, 28.4 million euros of investments were attracted from various venture capital funds. In 2015 independent Swedish enterprise "LitCapital", managing the capital funds of development, has invested 3 million euros to Lithuania's startup company "Brolis semiconductors" which operates in biotechnology and life sciences. Most investments in Sweden are attracted by startup companies creating financial technology (eng. FINTECH), from 2011 to 2015 this company has attracted 621 million euros, this amounts to approximately 18 percent of the total investment, which was attracted to the startup companies in Europe that are developing the same activity (Skog *et al.* 2016).

Interestingly, a common opinion is that the majority of startup founders – college or high-school students. In public enterprise’s “Versli Lietuva” study, conducted in 2014 (Versli Lietuva 2014), provides statistics that contradict this opinion – the startup founders average age is 31 years old. In addition, 87 percent of the founders have a university degree. Swedish startup founders are not only educated, but also have accumulated a lot of job experience.

In summary, the Lithuanian and Swedish startup companies’ picture portrays a whole spectrum of properties, which declares basic startup business/enterprise concept. When characterizing the startup company by life cycle stages, it is possible to conclude a rationally composed totality of startup company’s distinctive features.

4. Life cycle of Startup business: theoretical aspects, Lithuania’s-Sweden’s case

Startup company’s life cycle is widely discussed, as how this one differs from traditional organizations life cycle. According to A. Salamzadeh (Salamzadeh, Kawamorita 2015), it is important to carefully analyze the life cycle of startup company and to identify the key factors at every stage that would lead to the further successful startup development.

During the idea generation phase entrepreneur’s initiative and tools turning idea into profitable business is important. The idea-generation process is important here; for the creation of the prototype, the anticipation of funding attraction from personal, family or friend related and from other, external sources. According to J. Freear *et al.* (2002), this step is one of the most important and often determines the success of a startup company. The goal here is related to the design of company’s primary position, supporting the markets demand for created product or service through team building and management skills (Brush *et al.* 2006). Furthermore, it is at this stage, that business angels, venture capital funds decide whether to invest in promising startup companies.

During the business planning stage, very important aspects are teamwork, developing the idea of the product or service, then the prototype, entrance to the market and measurement of product’s or service’s value. In order to achieve a steady growth of startup company, various support and mentoring programs, such as business accelerators or incubators, are being searched for. A. Salamzadeh (Salamzadeh, Kawamorita 2015) states that during this stage, the majority of startup companies face the greatest challenges and companies, incapable of controlling the risks, stop their activities and withdraw from the market.

During the stage of the beginning of the business, startup companies begin to sell their products or services, includes itself into the market and develops structure of organizational management, employ staff of various areas (managers, engineers, IT specialists) (Salamzadeh, Kawamorita 2015). At this stage, it is important to attract more investment from various venture capital funds and/or individual investors. Corporate Finances are usually directed to the improvement of production processes, the deployment of new and high modern technologies. Along with the high-tech development; obstacles of entering the market with new products reduces. Startup businesses are often faced with limited financial and human

resources. It is for these reasons that the failure rate of IT startup companies is growing: during the first three years of existence almost 80 percent of startup companies fail due to unduly active competition for scarce resources (Feinleib 2012).

From a practical perspective, IT startup companies contribute to society, creating jobs and encouraging innovation. In addition, high technology affects the development of various industries. From a theoretical perspective, scientists are discussing IT startup business's growth phenomenon and tend to separate these businesses as distinctive business sectors. Numerous research examines the factors that influences the company's effective activities or factors that accompany the failure of the business, however, only a very small part of this research is dedicated to startup companies. For young companies, reasons of misfortune are often different from the ones that exist for a longer period of time. Small and young companies face a high probability of bankruptcy and reasons for their failure are often related with lack of resources and capacity (Thornhill, Amit 2003). Scientific studies have revealed the relationship between information technology and entrepreneurship. IT startup companies are adaptable to the business environment due to lack of settled business model, which traditional companies are often based on. Such ability to adapt to changes in the market is treated as a startup company's competitive advantage. S. Yunfei *et al.* (2008) provides a business growth model of IT startup company (see Fig. 1). According to the model, IT innovation – a key factor that affects the growth of the IT startup companies. The ability to adapt to the market determines the level of IT innovation and the development of the company. In addition, it is important to mention the customer's involvement in this process: respect for the needs of potential buyers allows the company to constantly remain competitive in the market.

The growth of IT startup company. According to stage trajectory of normal small and medium business growth, during growth stage, company reveals it's potential to establish itself in the market and becomes competitive. Company's growth and effective action causes are different. Growth stage is necessary for effective action. Flexible organization management structure, continuous actual resources gain and finally its profitability are excellent identifiers of company's operating efficiency. IT startup company can be unprofitable, most important is to exhibit excellent skills in reallocating limited resources, developing products, attracting clients and retaining them. During growth phase IT startup company undergoes essential changes: in this stage company's goal is to become an effective entity. At the

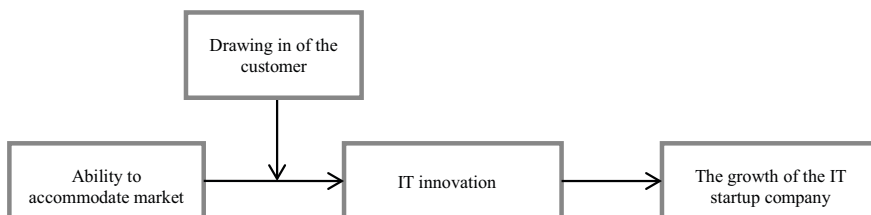


Fig. 1. A business growth model of IT startup company (developed by the authors according to the S. Yunfei *et al.* (2008))

reference point, startup company is faced with a lack of resources and lack of experience in introducing new products to the market. The customer feedback is the key aspect here, because it enables company to improve and develop IT innovations (Cheung *et al.* 2011).

Ability to accommodate market. IT startup companies operate in a competitive environment, the ability to quickly adapt to changes in the market is a very important factor affecting the company's opportunities of sustained survival in the market (Zahra *et al.* 2006). The field of IT is mobile and still new, so the company must quickly learn and apply knowledge in daily activities. Responding to market's demand, the ability to adapt to the market, to learn and integrate resources are extremely important factors in IT startup company's development and uptake in market. IT startup company's learning culture is often based on "learning by doing" and "learning by putting effort". The ecosystem of IT startup companies is characterized by extreme conditions of uncertainty and extremely strong competition, so companies must be prepared to critically evaluate their design, marketing activities and quickly respond to customer needs, providing concrete solutions (products or services).

IT innovation. In a broad sense, IT innovation is often interpreted as process or products/services innovation. The process in terms of IT innovation is when the company adapts to new production methods for the development of product or service. In terms of product, IT innovation refers to the newly created product or service. One of the ways to adapt to the constantly changing needs of customers, is to improve the development procedures of the product. In order to reduce operating costs, startup companies use open-source development tools and carry out the production work in developing countries where labor costs are lower. Two different types of IT innovation are not isolated from each other, they may as well be consistent with each other and thus encourage more innovative product development (Mitchell, Shaver 2003).

Drawing in of the customer. Cooperation with customers and their involvement in the development of the product is a factor that bases the development of innovation. Customers are able to facilitate at activities of the company and to provide an understanding of the changes in the market, providing a new product idea (Debackere, Veugelers 2005). Collaboration with customers while developing or improving a product is an important trend of marketing communications (Lagrosen 2005). When IT startup companies start operating in the new market, customers become the "pillars", helping in the establishment of the company into the market and overcome adverse changes. Loyal customers can help you see the current shortcomings of the new products.

Startup companies often operate under conditions of high uncertainty and business success often depends on how the company is able to identify and develop strategies that could impact existing or potential risks for company. In addition, products developed in IT sector are characterized by short product life cycle. In order to remain a leader, you must be very quick to react to market changes, trends and be able to introduce an innovative, high-quality product to the market at the right time. Business innovations should receive the greatest possible focus, high-tech innovations should be one of the most important factors in stimulating the development of IT startup company.

The life cycle of the startup company can be linked to its activity's funding cycle, which is followed when the status report of the country's startup ecosystem is being prepared. The funding cycle of Lithuania's and Sweden's startup companies consists of six phases: idea generation phase, idea launching phase, pre-growth phase, growth phase, fixed financing phase, the withdraw phase. In each of the phases, elements, that determine successful possibilities for transitioning to the next phase, can be distinguished. It is appropriate to study such factors and use the results in order to ensure the business expansion of the company.

5. External factors that determine the startup company's success

Success of modern, innovative company depends on its ability to sell in a highly competitive market more than on its ability to ensure the quality (Ginevičius, Čirba 2009). According R. Ginevičius (2010) the main condition of the corporation survival in the market economy – their competitiveness. According to M. Samoška (2011) in the scientific literature competitiveness, business environment and business conditions are usually used to describe the same object. It would be difficult to name one specific definition of business conditions, because in the most cases, the term “business conditions” is associated with a complex of factors, or a rather a vague definition, which specifies only some of the elements of the business environment. According to V. Titarenko *et al.* (2007), the conditions of business are determined by complex factors such as business regulation, economic environment, political situation and the environmental protection. M. Samoška (2011), when defining the business environment, notes that in addition to economic, political environment and the environmental protection, the cultural, technical, social and informational totality of the factors in a given geographically defined area is also very important. Legal factors may also be attributed to the business environment, since the legal disputes are an integral part of modern business projects (Keršulienė *et al.* 2010). The benevolence of business conditions, together with the success of a business depends on combination of factors mentioned above.

The International Labour Organization's (ILO) study of business conditions in connection with the success of a business entity that works in conjunction with the United Nations Organization (UNO), states that the development of sustainable, innovative business is a broad, often controversial issue. It is important to realize that the success of the business entity depends not only on the form of organizing the business, its size, but is very strongly influenced by the environment in which business is conducted. Both public institutions approach to certain business units and national and regional priorities, strategic directions and the legal regulation of business has a very significant impact on the development of the business. According to the study, sustainable, innovative development of the business should start from the State institutions and the latter's improvement of the management structures. Sustainable and perspective companies require a strong, competitive market, powerful State institutions that could provide effective allocation of the human, financial and natural resources to ensure maximum

productivity and a higher level of innovation. This, of course, requires new forms of cooperation between the authorities, business representatives and the public in order to ensure proper business conditions. From a level of macro perspective, every business is influenced by certain set of external factors that favor the business and have a major impact on the further successful development. Such factors as trading and market conditions, industry's policy and legal environment shapes the business environment.

J. Worthington and C. Britton (2006) offer to associate business environment with certain business restrictions with the help of which economic and social relations can be regulated. For the reason that businesses subjects cannot directly control the business restrictions, they may apply not only for a short, but also for extended period of time. The researchers also said that the business environment factors which are characterized by their nature can be divided into the operatives (affect a particular company in a particular area) and the generals (affect concerning region-wide companies). According V. Titarenko *et al.* (2007) globalization processes that take place not only in the economic but also the social sphere, not only facilitates cooperation between companies, but also significantly strengthens the environment of business. In regard to free world-wide movement of goods and services, relations of cooperation grows stronger, therefore areas of company's activities are changing, consequently the public authorities must pay more attention to improve the country's business environment.

V. Titarenko *et al.* (2007), M. Samoška (2011) states that business conditions may be synonymous to country's potential level which, by being strengthened, could reach for higher levels of competitiveness. Therefore, business conditions show how easily and how quickly the business units are to achieve significant results. Business conditions are expressed as a combination of external factors that determine the success of a business entity in a particular market.

6. Business conditions and its improvement in Lithuania and Sweden

The promotion of the new business establishment and development is one of the State's greatest priorities of the competitiveness policy. The State acts as one of the fundamental forces that regulate the business environment of each country's economy (Smallbone, Welter 2001). For that very reason it is important to understand what the main areas of the State's activities are and how regulatory laws of business are inducing the development of small and medium business (SME) (Lithuanian Parliament 2007; Lithuanian Ministry of Economy 2014).

The State's support for the development of SME can be understood as a set of tools. Technical assistance and financial support – are the tools for the development strategy of SME. D. Smallbone and F. Welter (2001) distinguish a number of areas where the State indirectly affects small business. Primarily, the macroeconomic environment and its improvement. Smaller businesses, apparently, are not very sensitive to changes in the macroeconomic environment. One of the ways for the State to regulate the development

of SME is to apply a different legal base accordingly to an entity's size. According to LR's SME law of development, in Lithuania, four types of companies, regarding their employment and income, are distinguished. All companies essentially operate in different ways, therefore the law and the State's strategy towards them differentiates. When applying uniform standards for all companies, the final result of corporate welfare may vary widely. It is only natural, that the tax burden and the respect for demand of extrude could become too severe for SME business and thus the development of the business could be indirectly decelerated.

Another implement for SME development is the direct application of support measures, various programs and initiatives, devoted to help solve the problems caused by lack of resources. In the long term, these companies are beneficial to the economy as they are creators of workplace and stimulates the economy; to increase their potential, direct and technical support, funding from the State or EU must be applied. According to D. Smallbone and F. Welter (2001), measure that affects the SME development is related to various institutions. Promotion associations of young business, business incubators, banks, other financial institutions that in one way or the other contributes to support SMEs, must be regulated, but easily accessible. In this case, State's aid for small economy subjects is granted indirectly, offering organized and detailed information about institutions that may be contacted for support, whilst ensuring that actions of these institutions, programs they create and their initiatives would remain transparent and provide tangible benefits to the business for which such aid is necessary. In summary, to ensure sustainable development of the SME, the State must take care of: the improvement of the macroeconomic environment, the differentiation of the legislative base for economy subjects, tools of the direct support, financial and technical support, maintenance of private institutions and business promotion programs and dissemination of information.

To achieve an effective implementation of the objectives pursued by the State, long-term strategies are created. One of them – the long-term strategy of the State's development. Its main goal – to create an environment to develop the country's material and spiritual well-being, which is generally described by the knowledge society, secured society and competitive economy. SMEs are an important part of realization process of a strategy and these strategic areas of SMEs' development are distinguished:

1. Promotion of establishment of new small and medium-sized enterprises.
2. Development and improvement of financial services and conditions for SME to use them.
3. Promotion of establishment of innovative enterprises.
4. Improvement of employee qualifications in small and medium-sized businesses.
5. Improvement of infrastructure of small and medium-sized business.

One of the key aspects to ensure the growth of the SME sector is the uniformity of economic development. SME's development in Lithuania and in different regions differs due to economic conditions, infrastructure, access for education and its quality, receivable income and other regionally related actions (Baležentis, Vijeikis 2010). That

is why, following the expected trends and challenges of SME's development, State seeks to implement on three institutional levels: at the national level through the national SME development program, at regional level to ensure the activities of institutions and the development of the local level – support and development of entrepreneurs and level of business.

The economy of Sweden is often seen as one of the most innovative economies in the world. Business conditions there are considered to be very favorable for development of startup companies. The Swedish Government is actively contributing to the creation of startups in the country by establishing and facilitating the best possible conditions for the creation of investment funds, incubators that encourage high-technology transfer, innovation, dissemination and entrepreneurship (Zoltan *et al.* 2015). One of the priority areas in Sweden – the digital economy. Precisely for this reason, during the last decade, public sector organizations are devoting a great measure of focus to the development of high-tech infrastructure which resulted in formation and development of more world-renowned IT startup companies such as Skype, Spotify, Mojang, iZettle, that leads to continued and promising formation of IT startup companies (Mitzner 2016).

Swedish good practice of startup business creation and development is one of the factors of our country's business competitiveness. It should be noted here, that Israel occupies a leading position in the world, when we compare the startup companies per

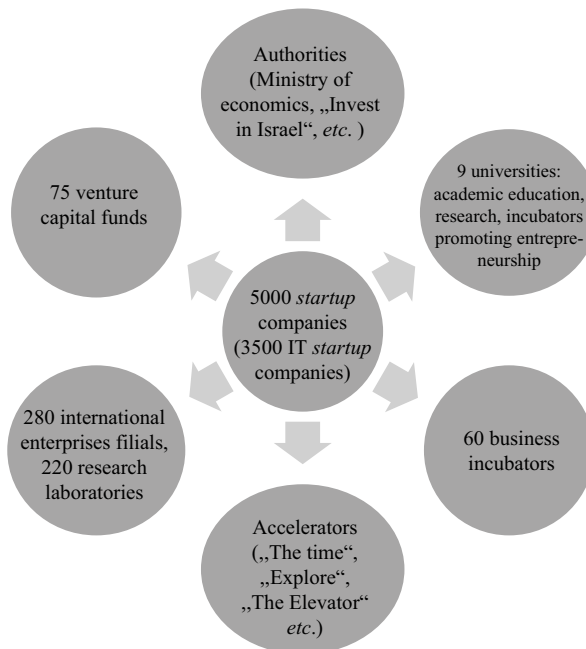


Fig. 2. The ecosystem of startup companies in Israel (developed by the authors according to the D. Senor, S. Singer (2009))

capita. The region of Tel Aviv, which houses most of the IT startup companies, innovation and high-tech application in these companies when developing products or services, became an established norm (see Fig. 2).

State institutions of Israel are successfully adapting to market changes and works closely with the business community that is encouraged to share its experiences of innovation and corporate management. This kind of close cooperation, for example, between education institutions and businesses representatives provides greater opportunities to use accumulated academic knowledge to practical development of new startup companies (Senor, Singer 2009; Kandel *et al.* 2011).

7. Success factors of startup companies': external factors, Lithuania's and Sweden's case

Based on evaluation methodologies of favorable business conditions such as the World Economic Forum and the World Bank's "Doing Business" valuation models of business conditions, it is appropriate to distinguish external factors that are essential and had the greatest influence on successful development of IT startup companies (see Table 1). The evaluation of external success factors of startup companies' activities are based upon analysis of the scientific literature, main group criteria of the World Economic Forum and the World Bank's "Doing Business" Global Competitiveness Index's three main sub-indexes: the sub-index of the basic requirements, the sub-index of the inducing performance factors, the sub-index of innovation and business sophistication.

Based on analysis of the scientific theory and valuation models of favored business conditions, the external factors that had the greatest impact on successful IT startup companies development can be distinguished – these are the conditions which cannot be changed by an organization, but must be properly evaluated, otherwise, disregarding these factors may imply negative effect on the development of organization. The assurance of these environmental factors, that favors the formation of startup businesses and expansion of its activities, is the prerogative of public institutions.

External environment consists of the totality of international community's development factors that makes a consistent impact on country's social, economic and market development to the political, economic, social efficiency, this efficiency limits the development of organization's actions. In the context of the study's object, analysis and evaluation of external factors are essential for the interested parties in order to:

- Compose the groundwork for extension of the potential in formation and development of startup companies in the context of other countries;
- Know and evaluate the situation in the market in which it intends to operate or already operates;
- Identify and explore the factors that can potentially create barriers to establish and operate a startup company;
- Evaluate their attractiveness and demand for the created product.

Table 1. External factors that have the greatest impact on the success development of IT startup companies (developed by the authors according to the World Economic Forum 2015–2016)

No	External factors	Description of external factors
1.	Conditions for starting a business	How easy is it to start a new business, how do public institutions to contribute to creating and implementing the reforms of business regulation, which facilitate the procedures to establish a business?
2.	Getting permits	What financial and time resources are available for getting the permits to start a business?
3.	Labor market efficiency	Is it possible to meet the needs of investors associated with the quality of the workforce?
4.	Getting credit	Domestic banks and other financial institutions' proposed incentives to finance new business creation.
5.	Investor protection	Level of investor protection in the country, where is created business, is one of the most important criteria in order to attract as much as possible foreign individual investors.
6.	Tax environment	What are the preferences for the new created business in the country?
7.	International trade	Export and import conditions in the country, where is developed startup business.
8.	Infrastructure level	Logistics level, roads, ports and the other quality.
9.	Health protection	The measures to conserve and preserve the health in the country.
10.	Corruption	Level of corruption in the country, the shadow economy impact on business development.
11.	Market size	Market size is the determining factor when there are introduced new products, from the size of the market belongs the product demand.
12.	Financial market development	The quality of the country's financial services, consumer protection, regulation of the activities of operators providing these services.
13.	Technological development	Using of digital technology by population, using of digital technology by the authorities.
14.	Innovations	State policy in promoting innovative activities, in developing and implementing a variety of electronic platform, which would save society time, financial resources.
15.	Higher education systems and vocational education	The level of education in the country. Skilled and unskilled labor in the context of a newly created business.
16.	<i>Startup</i> corporate sponsorship (business incubators, accelerators, technological parks)	Support for new entrepreneurs, job promotion, corporate operational risk reduction, other ways to help startup companies to generate and implement innovative business ideas.

- “SUP46” startup center operating in Sweden, notes the following key factors for startup business success:
- The country's long-standing experience in sectors of design and engineering;
- Growing community of startup business;
- Mature ecosystem of startup business;
- Well-developed high-tech infrastructure;
- Knowledge society;
- The country's high standard of living;
- Substantial image of the country;
- Products created by startup companies satisfying the needs of consumers in different countries;
- Organizational management structure, based on the promotion of creativity.

8. Conclusions

According to analysis of startup's concept, it can be said that the model of the business is based on high-tech transition thus the innovative business solutions that are the base for product creation, the consumption of which promotes the development of the knowledge society; other attribute of the business model – startup business model is based on the external funding. The similarities of Lithuania's and Sweden's approaches of the concept of the startup business are treated as favorable assumptions (the meeting points of the countries' business culture) for strengthen the bilateral economic relationship through the perspective of startup company's development.

In the picture of Lithuanian and Swedish startup companies the totality of attributes could be perceived, that is declared in the basic concept of the startup business/enterprise. When characterizing the startup company by the stages life cycle, it is possible to conclude a rationally composed totality of startup company's distinctive features. The life cycle of startup companies are widely discussed, as it differs from traditional organizations life cycle. It is important to analyze the development of the life cycle of startup company and, at every stage, identify the key factors that would lead to the further successful development. Lithuanian and Swedish startup companies' life cycles are associated with the financing of the operation cycle. This cycle consists of the beginning of idea generation phase, idea launching phase, pre-growth phase, growth phase, fixed financing phase and the withdraw phase.

The success of modern, innovative company depends on their ability to sell in a highly competitive market. The business conditions are equated with the level of country's potential, by strengthening which, a higher level of competitiveness is achieved. So the business conditions show how easily and how quickly the business units are to achieve significant results. They are expressed as a combination of external factors that, in a particular market, determine the success of a business entity.

The promotion and development of the new business establishment is a priority of Lithuania's and Sweden's competitiveness policy. Countries act as one of the fundamental forces that regulate the business environment of each country's economy. For this reason, it is important to understand what the main aspects of the State's activities are and how the regulatory laws are affecting startup business.

The determination of external success factors of startup companies are substantiated by the analysis of scientific literature, the main group criteria of World Economic Forum and the World Bank's "Doing Business" Global Competitiveness Index. The most important Swedish startup business success factors are: the country's long-standing experience in the design and engineering sectors, the growing community of the startup business, the mature ecosystem of the startup business', well-developed high-tech infrastructure, the knowledge society, the country's high standard of living, a substantial image of the country, products created by startup companies satisfying the needs of consumers in different countries, organizational management structure based on the promotion of creativity.

External factors that have an impact on successful development of IT startup companies – these are the conditions, which cannot be changed by an organization, but must be properly evaluated; otherwise, disregarding these factors may have a negative impact on the development of organization. The assurance of these environmental factors, that favors the formation of startup businesses and expansion of its activities, is the prerogative of public institutions. The analysis and evaluation of external factors are essential for the interested parties in order to create conditions for increasing the formation of startup companies whilst the development potential in the context of other countries, to know and evaluate the country's business position in the global market, to identify and explore the factors that can potentially create barriers for the formation of a startup company and its operation; evaluate their attractiveness and demand for the created product.

Disclosure statement

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