

Lithuanian Startup Survey

January 2023

Research methodology

Timeframe: 19–27 January 2023

Sample size: N=205

Research object: startups

Survey method: phone interview

Screening method: startup list provided by the client



I. Startup characteristics (1)

- The majority (63%) of the surveyed startups have been operating for more than 5 years, 30% for 3–5 years and 7% for up to 3 years.
- Almost half (48%) of the startups are active in the field of scientific research and experimental development (SR&ED).
- The majority of startups (59%) classify their activities in the field of information and communication technology, 15% – new production processes, materials and technology, 12% – health technology and biotechnology.
- The most common categories of health technology and biotechnology were advanced applied technology for personal and public health (42%) and advanced medical engineering for early diagnosis and treatment (33%).
- Those who classified their activities as new production processes, materials and technology most often indicated photonic and laser technology (33%), flexible product development and process management, design technology (27%).
- Those who classified their activities as information and communication technology most frequently indicated artificial intelligence, big and distributed data, heterogeneity analysis, processing and deployment (34%).



I. Startup characteristics (2)

- 41% of the surveyed startups indicated that the products/services they are developing are adapted or rather adapted to address sustainability and climate change issues (mainly that their products reduce pollution, CO₂), while 49% indicated that they are not.
- 41% of the surveyed startups indicated that they have a strategy to improve the sustainability of their activities and 27% plan to have one in the future, while 24% do not plan to have one in the future (the majority of them indicated that there is no possibility to do so in their field of activity). 20% of those without a sustainability strategy indicated that either the financial benefits or the requirements to do so would be an incentive to develop one.
- 40% of startups indicated that their clients are only/also public sector organisations and 26% indicated that their products could be sold to public sector organisations.
- 26% of the surveyed startups indicated that they use stock options to incentivise employees and 22% plan to do so in the future.
- The majority (63%) of startups plan to expand into new markets.



II. Startup funding

- 57% of startups have a half-year of runway, 13% – six months to a year, and 24% – over a year.
- The majority (61%) of startups finance the development of the startup from profits, half from the founders' personal funds or shareholders' contributions, and 22% from investment raised.
- 35% of startups have previously raised investment. Those who have raised investment previously mostly indicated that these were Lithuanian business angels (29%), foreign business angels (19%), and Lithuanian accelerator funds (18%).
- 58% of startups do not plan to look for investment in the near future, 19% are looking intensively at the moment, 17% will look in 2023. 38% of those who plan to raise investment indicated that the amount would be up to half a million euros, 26% between half a million and a million euros, and 35% more than one million euros.



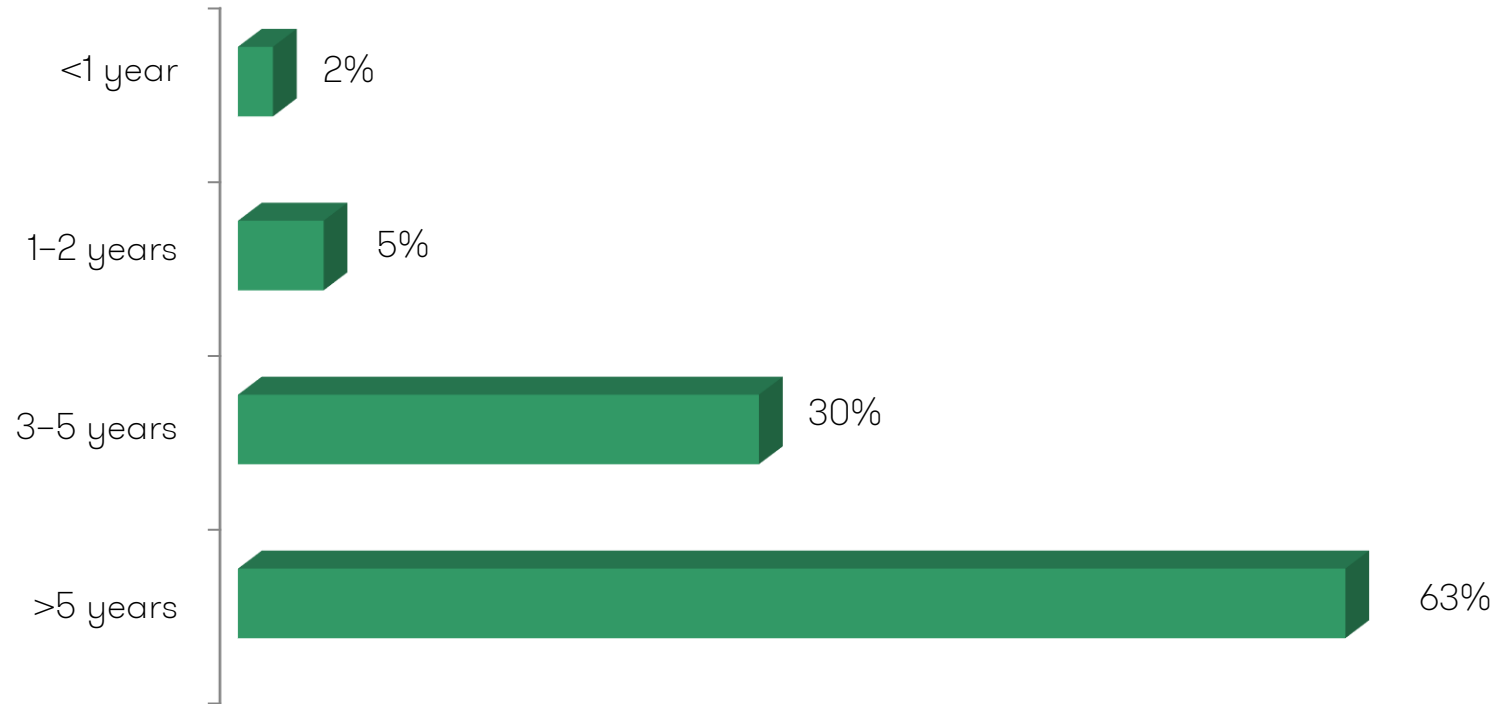
III. Startup problems and state aid

- Startups most often indicated that a lack of financial resources (41%, compared to 43% in 2021) and a lack of talent (36%, compared to 41% in 2021) are the biggest obstacles for their startup development. There was a significant drop in the number of startups saying that the state regulation of business is an obstacle (32% in 2021).
- Startups who indicated that a lack of financial resources hindered their development were the most likely to indicate in the open-ended question that bureaucratic obstacles made it difficult to get support (30%).
- Startups who indicated that their development is hindered by the Lithuanian business regulatory system were the most likely to indicate in the open-ended question that there is too much regulation, existing laws, bureaucracy (52%).
- In response to an open-ended question about state aid, startups most often indicated the need for subsidies (35%) and funding for participation in conferences abroad (22%).
- The majority (55%) of startups indicated that they were not affected by the economic and geopolitical challenges in 2022, 34% were affected negatively and 11% were affected positively. The majority of those who indicated that their business was negatively affected by the developments in 2022 mentioned a decrease in sales.



1. Data about a startup

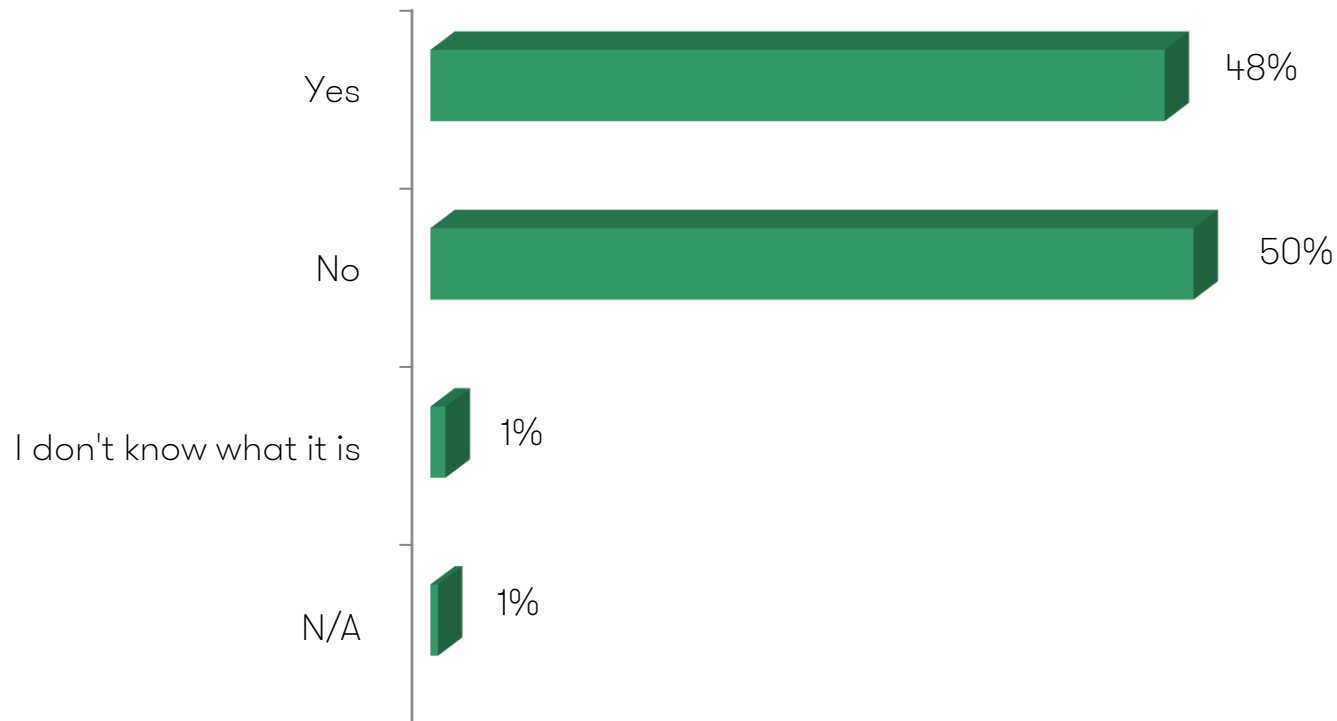
1.1. How old is your startup?



The majority (63%) of the surveyed startups have been operating for more than 5 years, 30% for 3-5 years and 7% for up to 3 years.



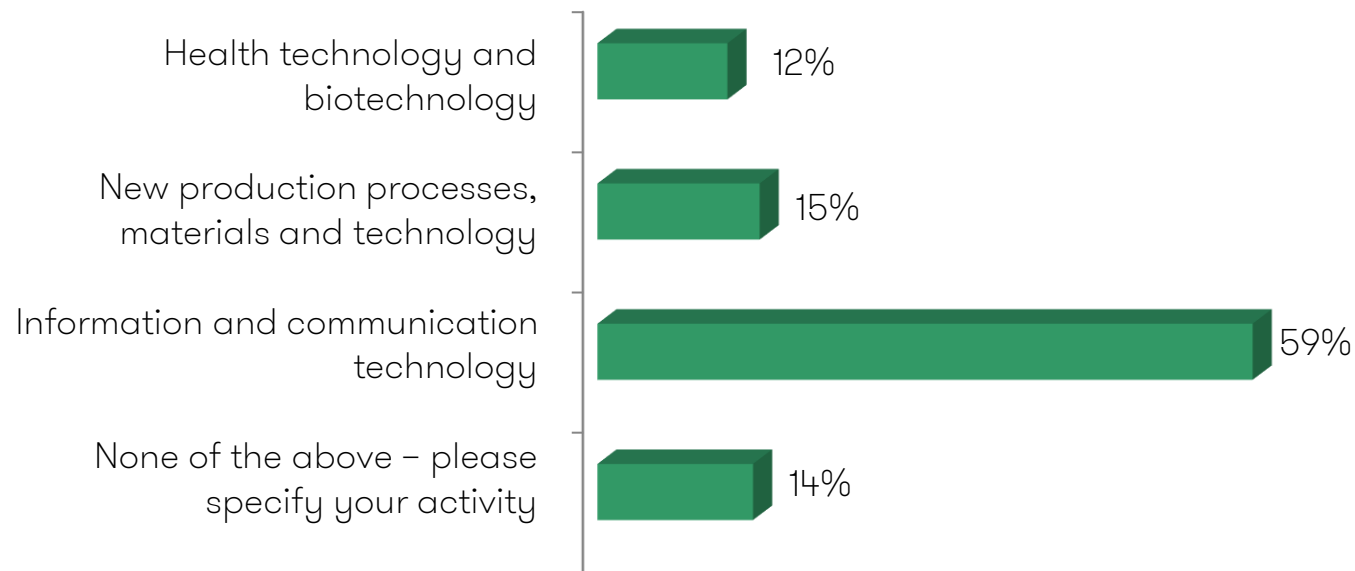
1.2. Do you carry out scientific research and experimental development (SR&ED) when you are building a startup?



Almost half (48%) of the startups are active in the field of scientific research and experimental development (SR&ED).



1.3. Which area could your startup activities be classified under?



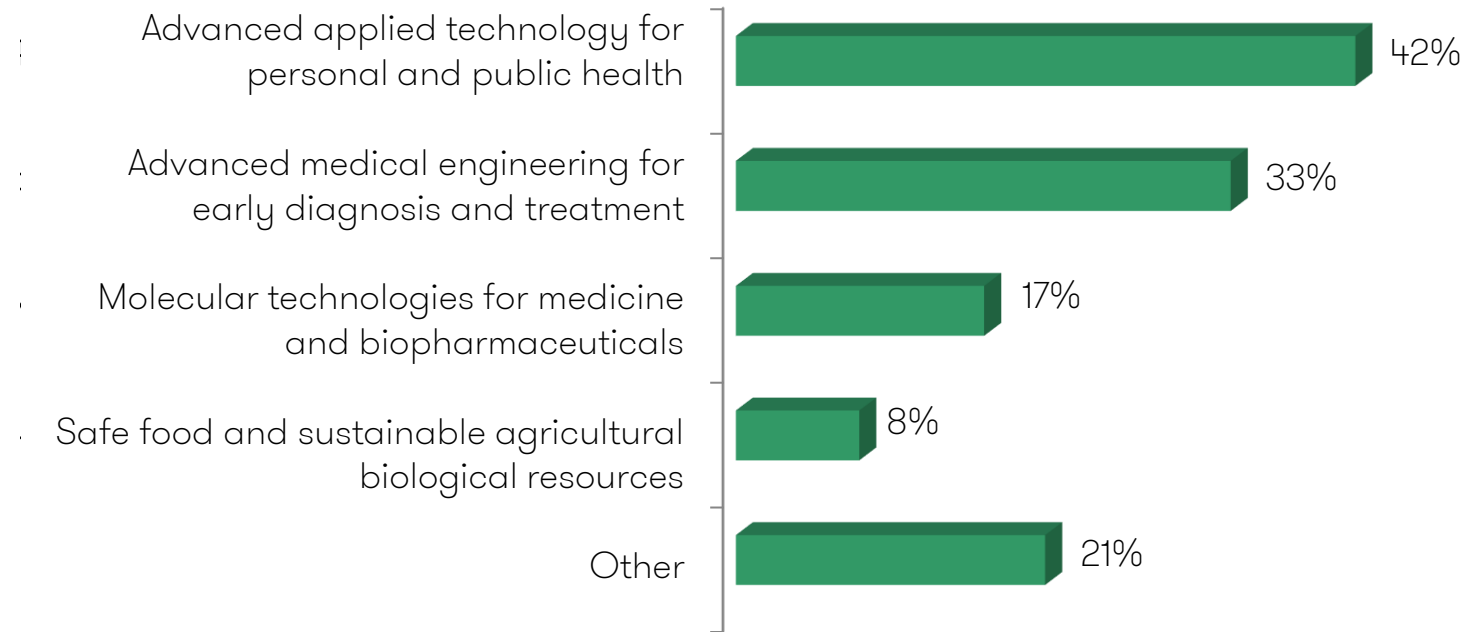
***Other:** transport services/logistics (1.9%); trade (wholesale/retail/online) (1.5%); more sustainable fashion/refurbishment of second-hand products/sharing economy (1.5%); insurance services (1.0%); consultancy services (1.0%); education technology (1.0%); agricultural technology (1.0%). Other sporadic mentions: online auction platform, robotics games, electronic timestamping, emotional support for people; financial activities, creative industries, personnel services, short-term rentals, business solutions for companies, event organisation, food industry equipment.

The majority of startups (59%) classify their activities in the field of information and communication technology, 15% – new production processes, materials and technology, 12% – health technology and biotechnology.



1.3.1. Health technology and biotechnology

Respondents who indicated that the startup activities can be classified in this area (N=24)



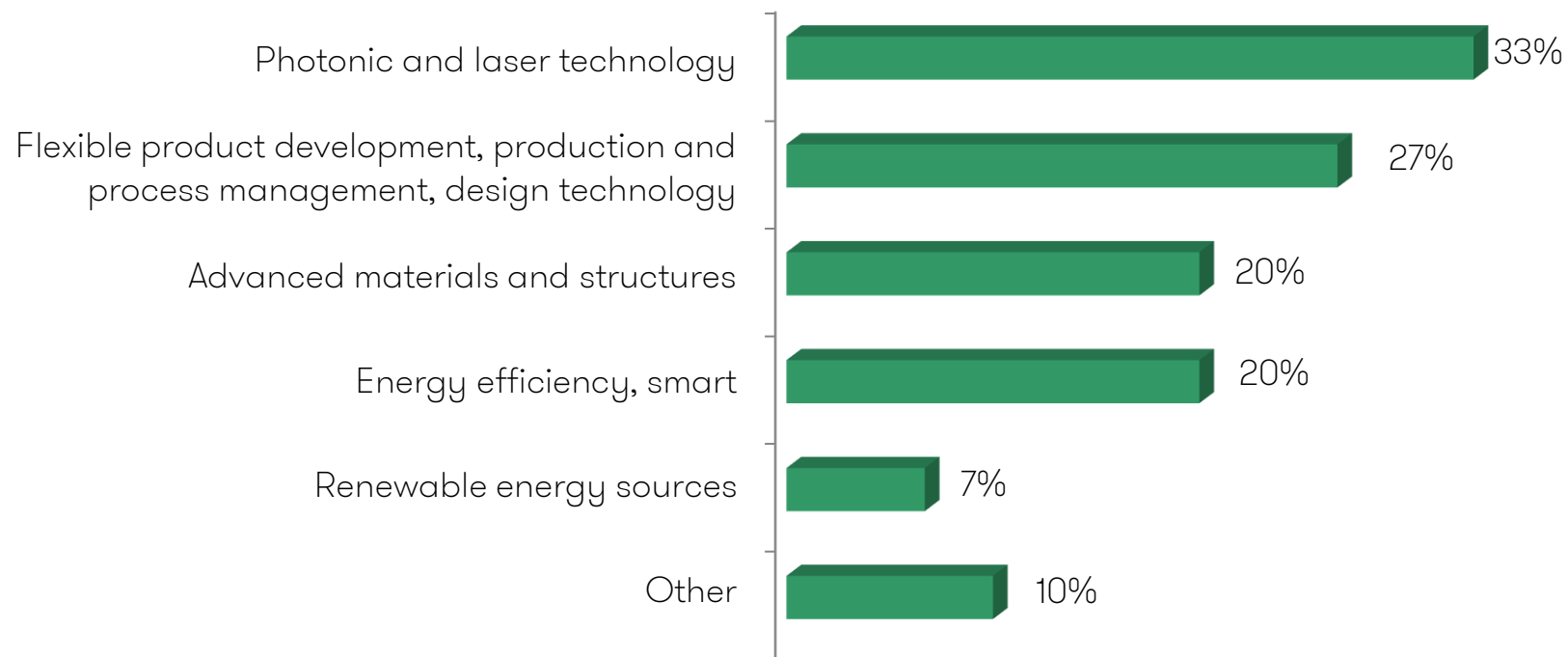
*Other: expert examination (8.3%); production of sustainable food kits (4.2%); sustainable environmental solutions (4.2%); agricultural micro-organisms (4.2%).

The most common categories of health technology and biotechnology were advanced applied technology for personal and public health (42%) and advanced medical engineering for early diagnosis and treatment (33%).



1.3.2. New production processes, materials and technology

Respondents who indicated that the startup activities can be classified in this area (N=30)

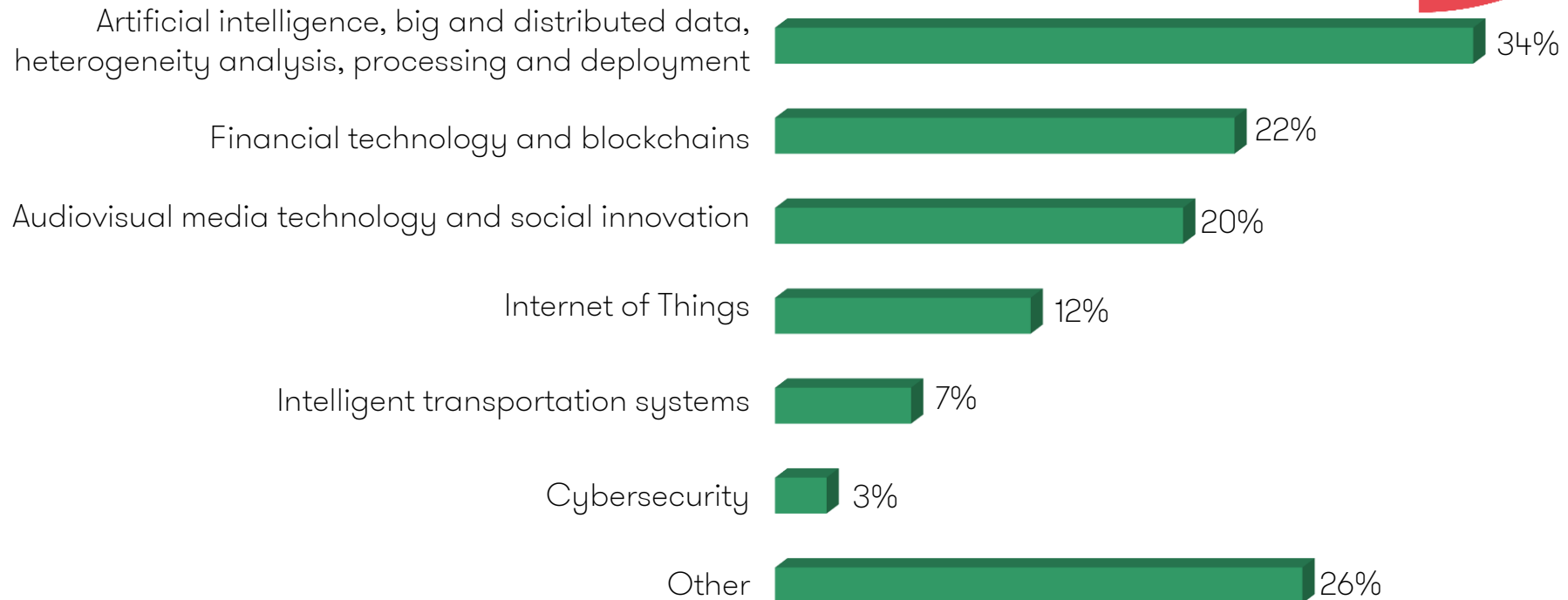


*Other: new methods of doing business (3.3%); self-service laundries (3.3%); light technology (3.3%).

Those who classified their activities as new production processes, materials and technology most often indicated photonic and laser technology (33%), flexible product development and process management, design technology (27%).



1.3.3. Information and communication technology

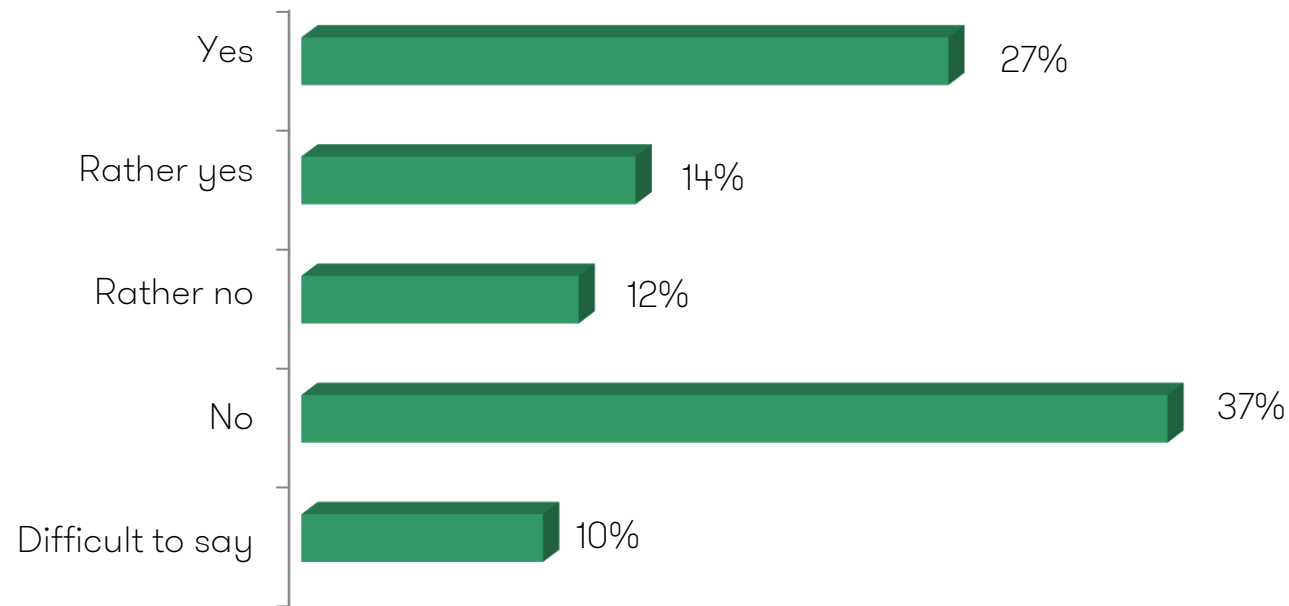


***Other:** various management systems (real estate/commercial/smart/warehousing [8.3%]; communication/software/information sources/business/applications/investment products [7.4%]; games/training/advertising technology/music/video processing/document digitisation [7.4%]). Other sporadic mentions: medicine, IT intermediation in the construction sector, employee engagement.

Those who classified their activities as information and communication technology most frequently indicated artificial intelligence, big and distributed data, heterogeneity analysis, processing and deployment (34%).



1.4. Are the products/services you are developing/planning to develop designed to address sustainability and climate change issues?

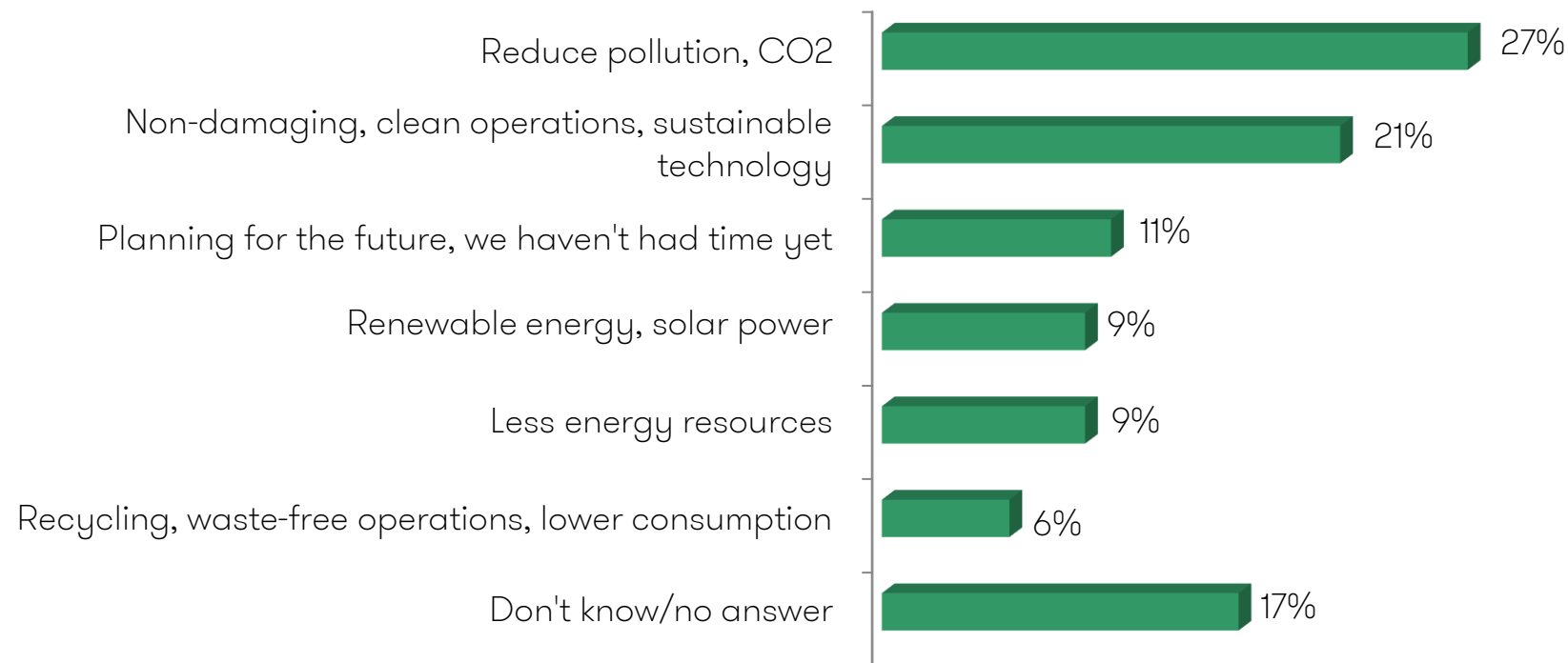


41% of the surveyed startups indicated that the products/services they are developing are adapted or rather adapted to address sustainability and climate change issues, while 49% indicated that they are not.



1.5. Which sustainability and climate change issues do your products/services address?

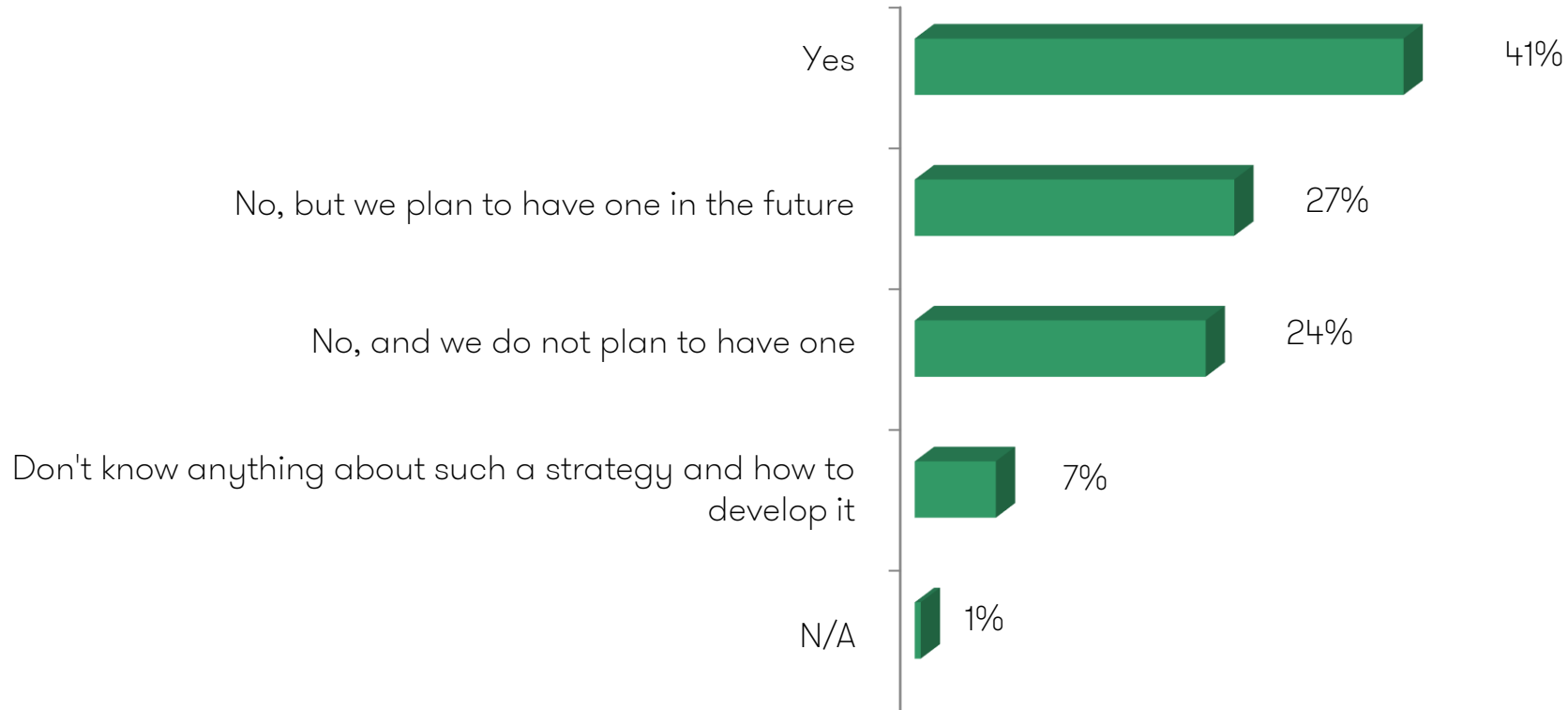
Open-ended question; respondents who indicated that the startup activities can be classified in this area (N=24)



Those who indicated that their products/services help to address climate change/sustainability issues in the open-ended question most frequently mentioned that their products reduce pollution, CO2 (27%), and that they are clean technologies, clean operations (21%).



1.6. Do you have a strategy to improve the sustainability of your operations?

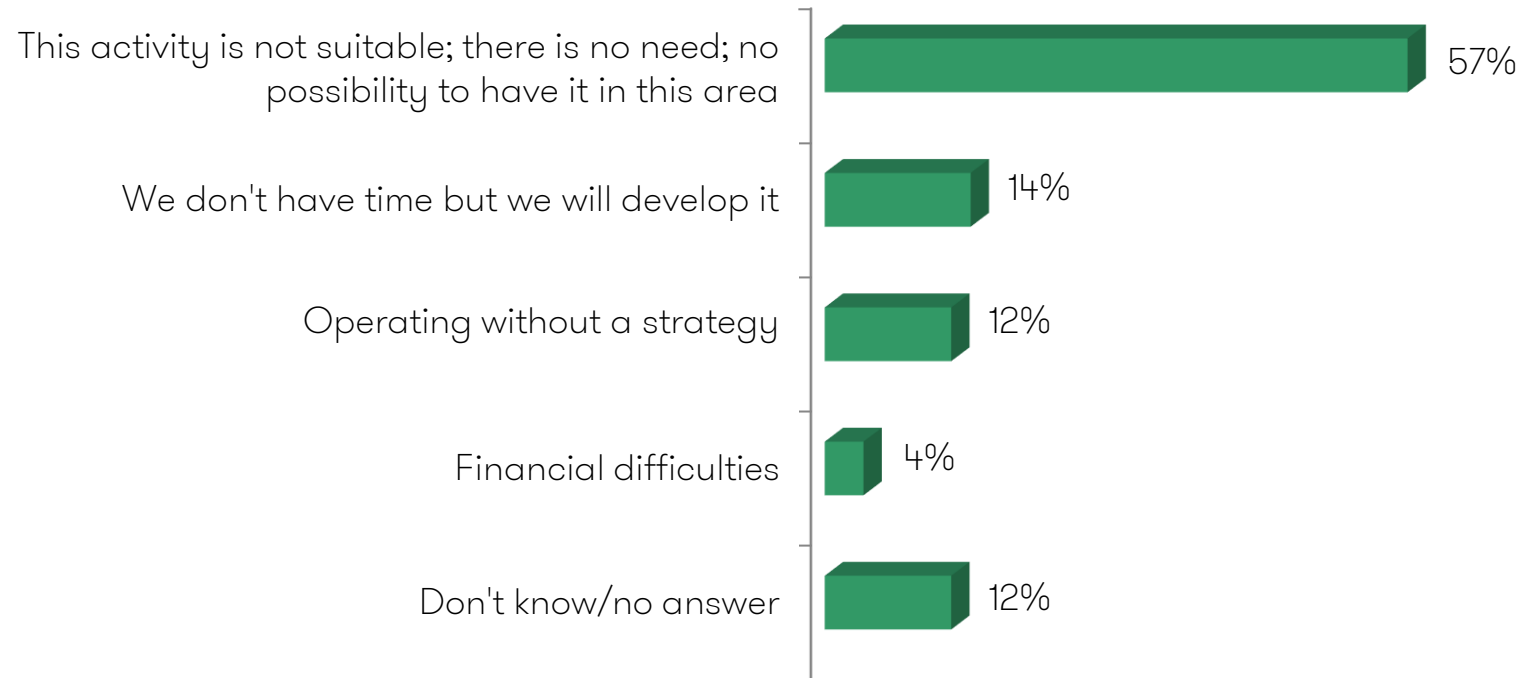


41% of the surveyed startups indicated that they have a sustainability strategy and 27% plan to have one in the future.



1.7. Why don't you have a strategy to improve the sustainability of your operations?

Open-ended question; respondents who indicated that they do not have a strategy but know about it (N=105)

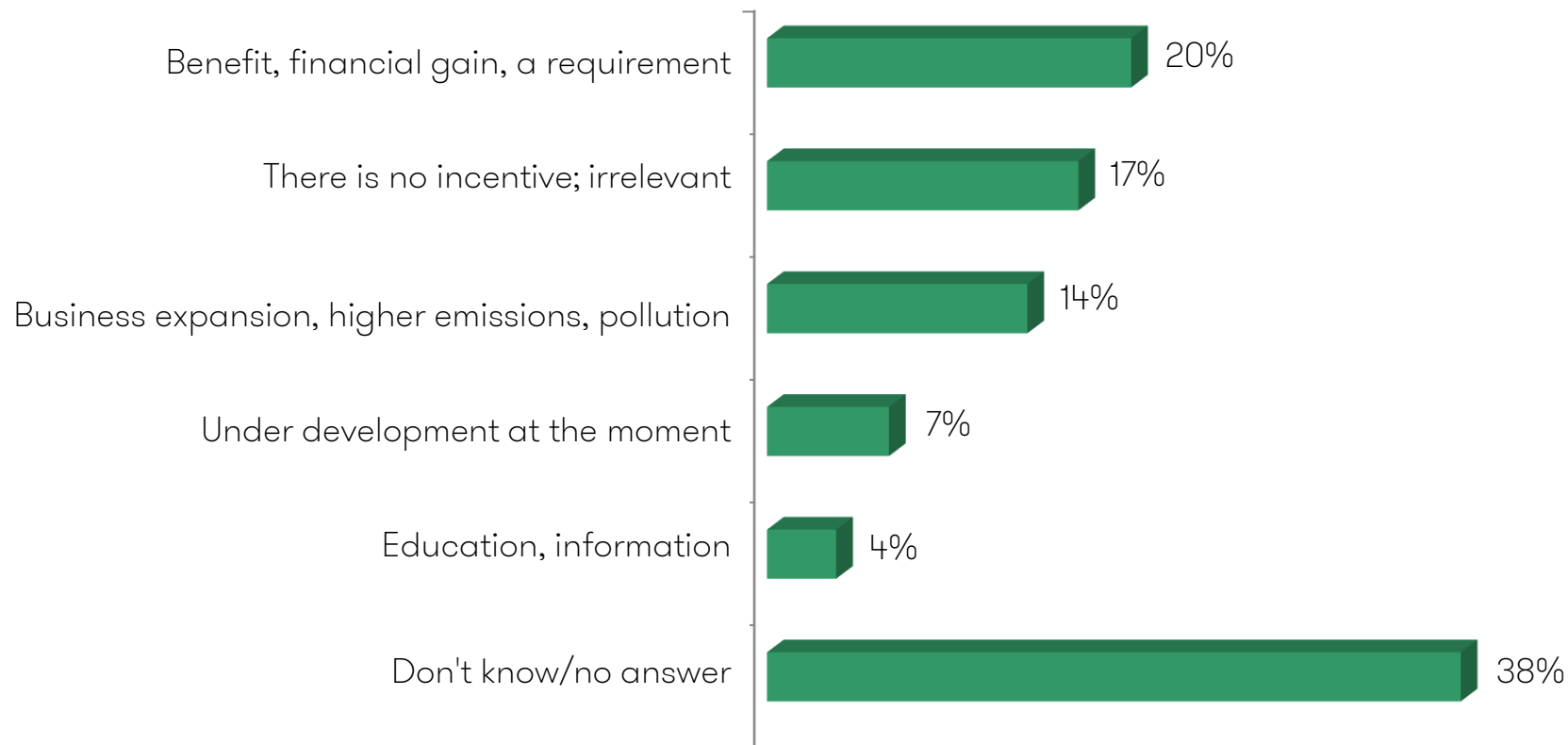


57% of those who do not have a sustainability strategy indicated that there is no possibility to have one in their field of activity.



1.8. What would be the incentive to have such a strategy?

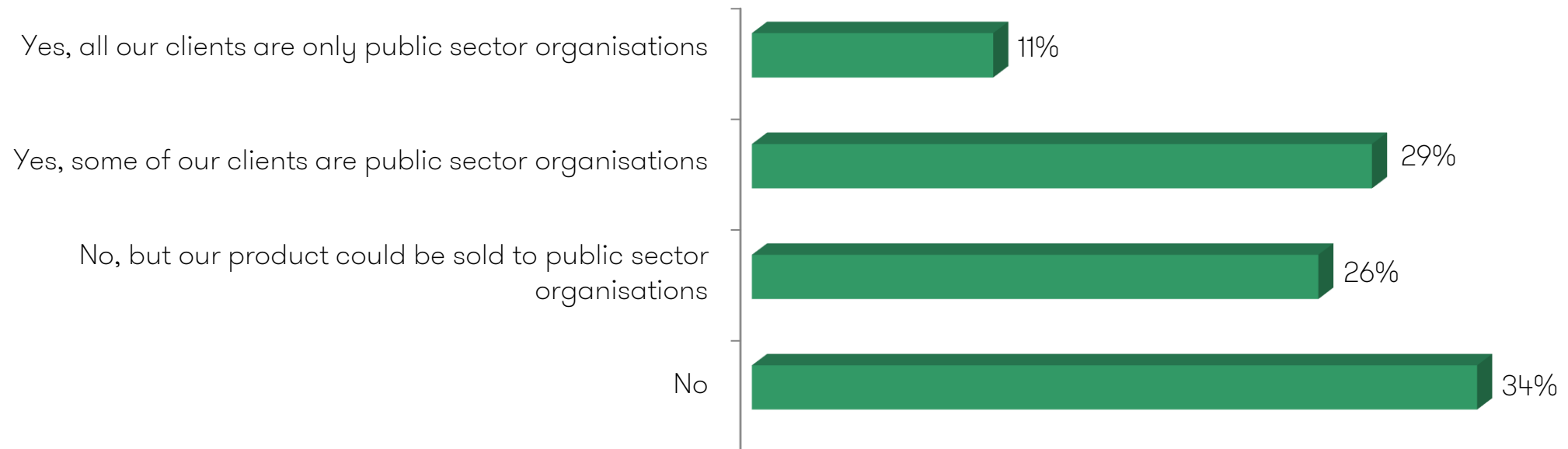
Open-ended question; respondents who indicated that they do not have a strategy but know about it (N=105)



20% of those without a sustainability strategy indicated that either the financial benefits or the requirement to do so would be an incentive to develop one.



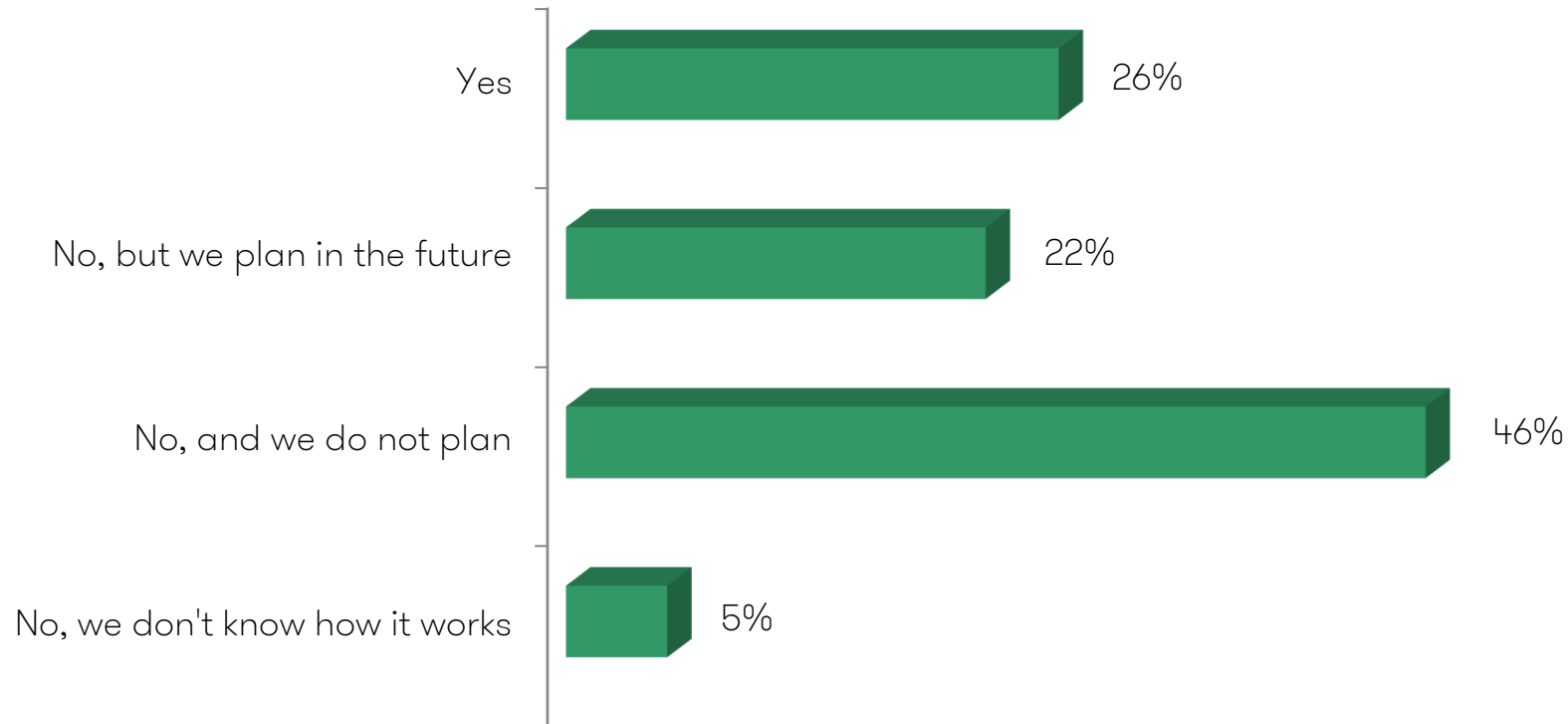
1.9. Are public sector organisations (e.g. municipalities, hospitals, schools, public bodies, ministries, etc.) your clients or could they be your clients?



40% of startups indicated that their clients are only/also public sector organisations and 26% indicated that their products could be potentially sold to public sector organisations.



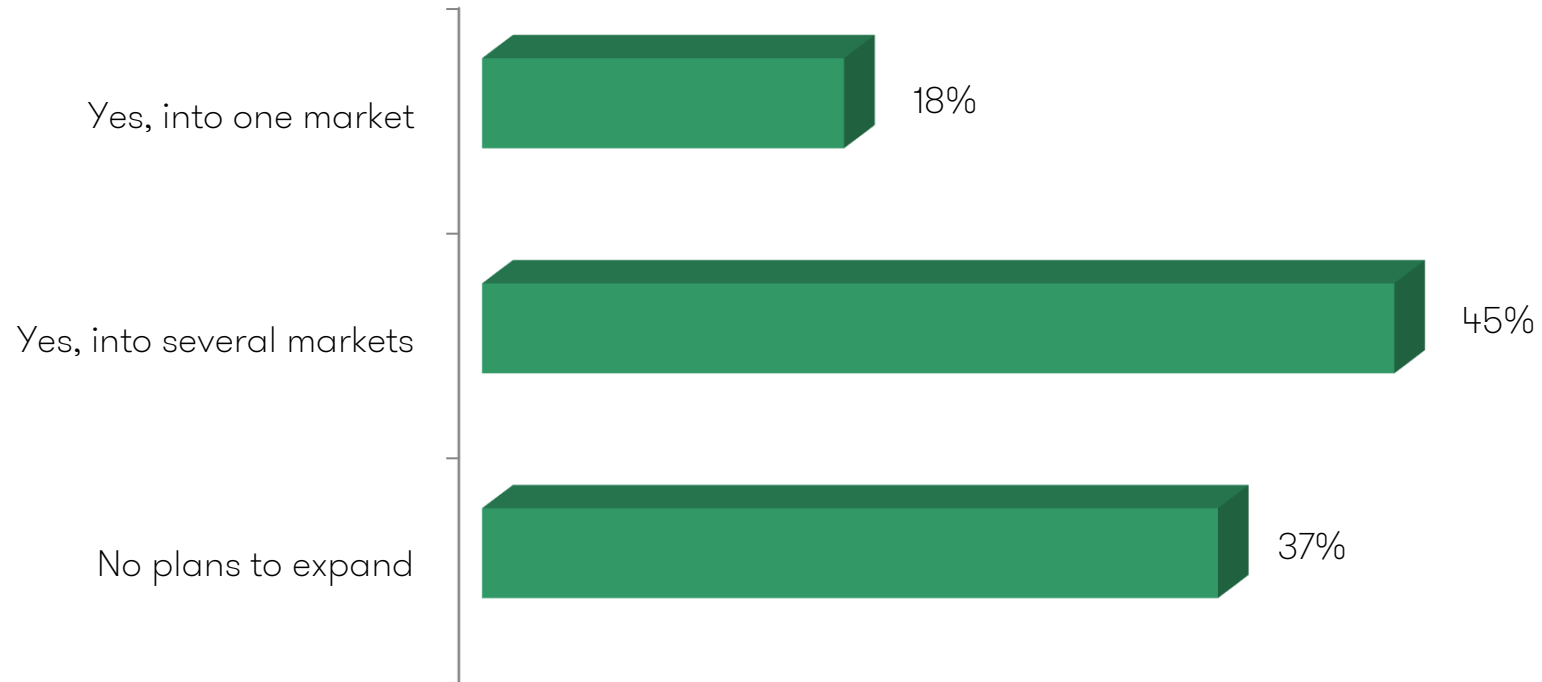
1.10. Do you use stock options to incentivise employees?



26% of the surveyed startups indicated that they use stock options to incentivise employees and 22% plan to do so in the future.



1.11. Do you plan to expand into new markets in 2023?

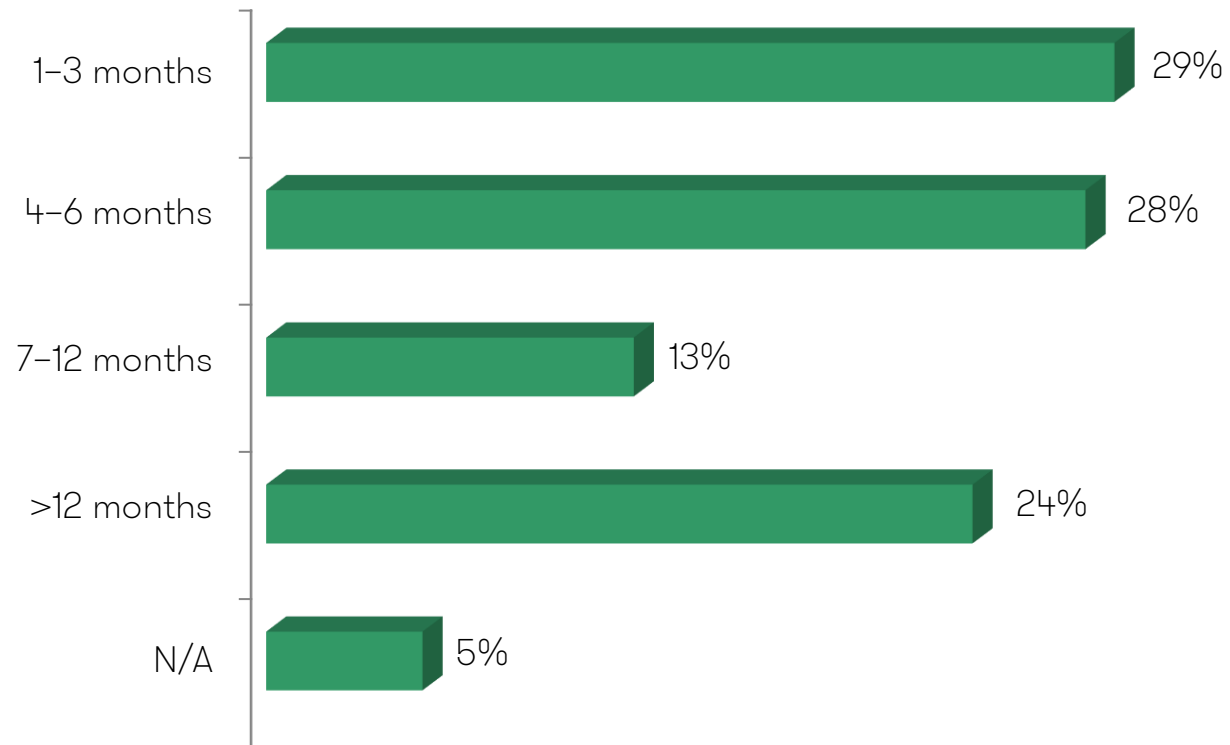


The majority (63%) of startups plan to expand into new markets.



2. Startup funding

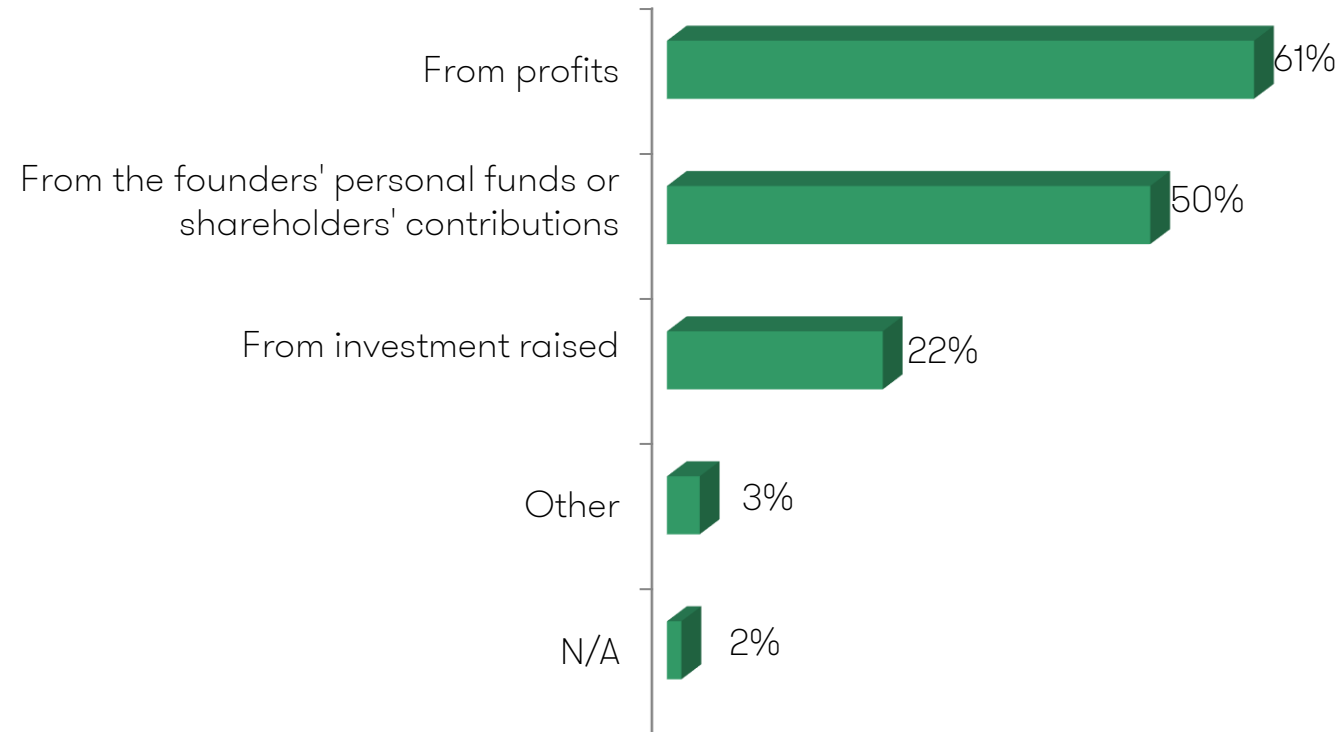
2.1. What runway do you have?



57% of startups have a half-year of runway, 13% – six months to a year, and 24% – over a year.



2.2. How do you finance the development of your startup?

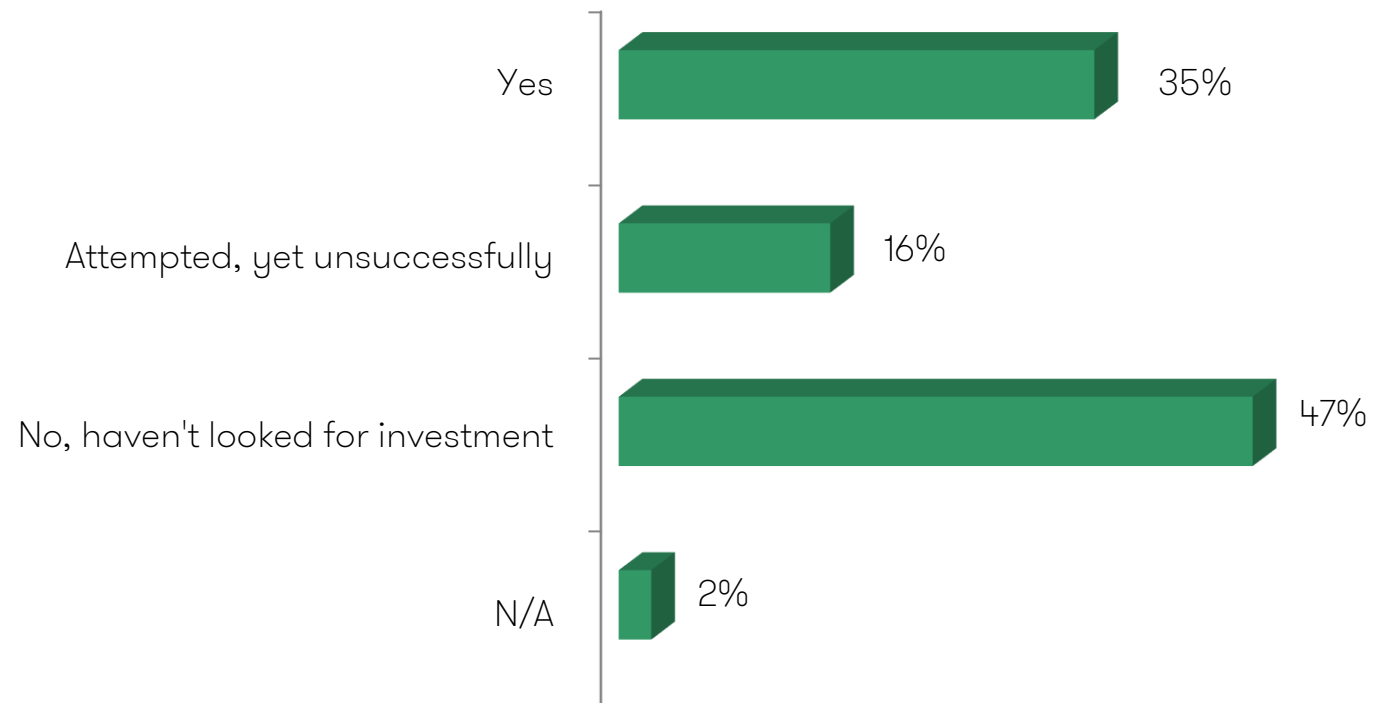


*Other: EU funds/structural funds/European support (1.5%). Other sporadic mentions: vouchers, credit line at the bank, sponsors, public funds from tenders.

The majority (61%) of startups finance the development of the startup from profits, half from the founders' personal funds or shareholders' contributions, and 22% from investment raised.



2.3. Have you raised investment in the previous years of your startup?

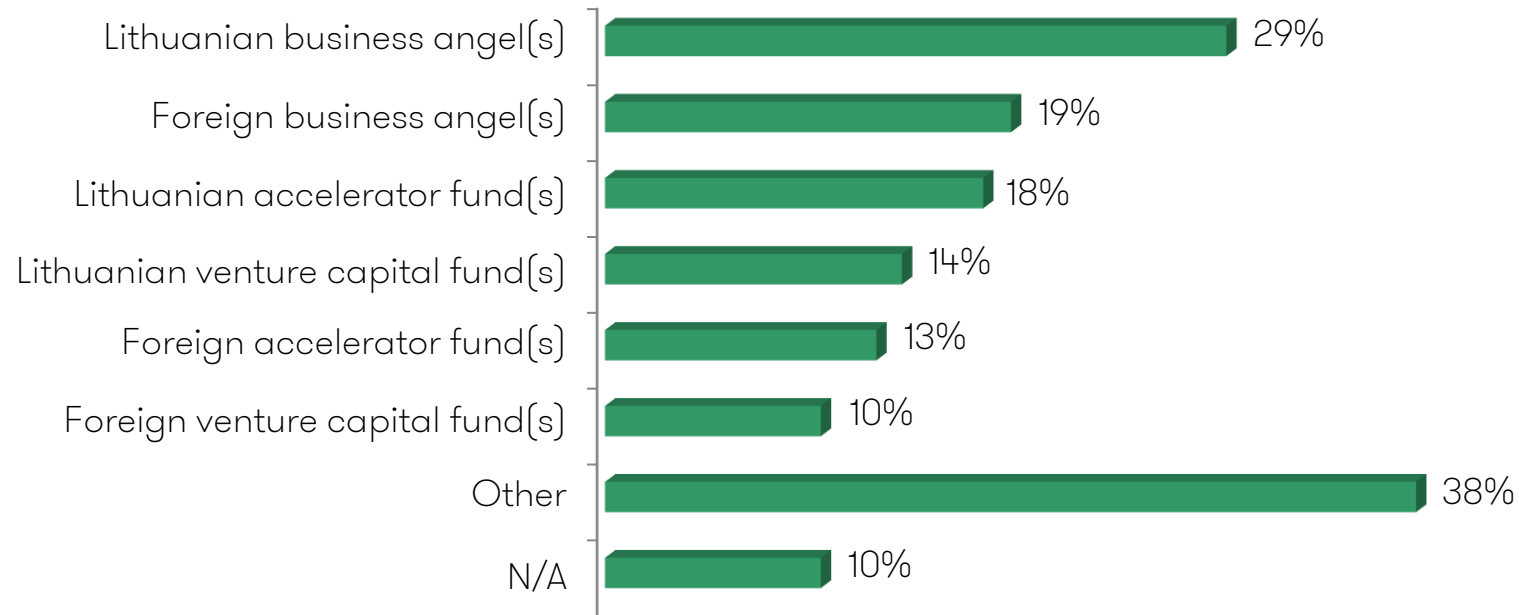


35% of startups have previously raised investment.



2.4. Where have you raised investment throughout the development of the startup?

Multiple choice; respondents who indicate that they have ever raised investment (N=79)

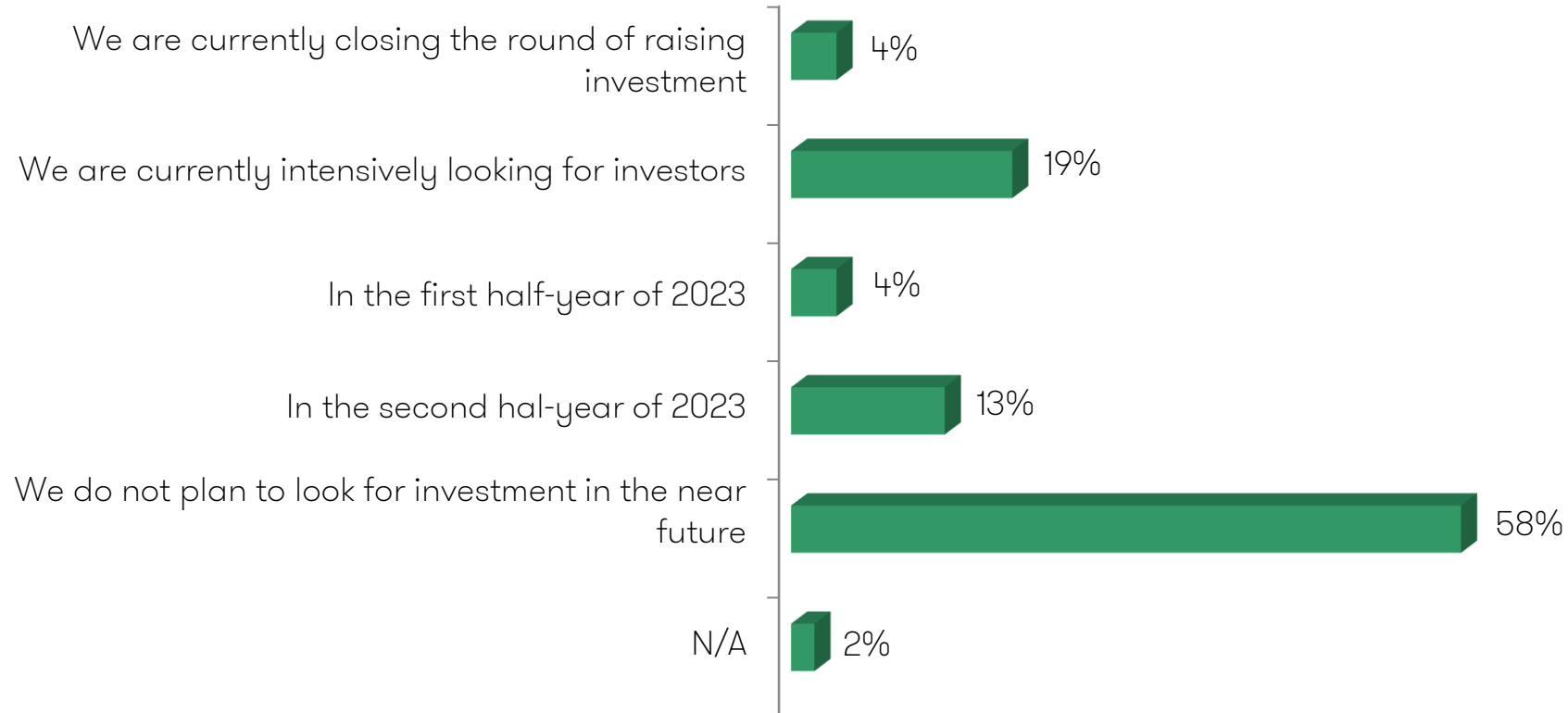


***Other:** shareholders/private investors (14.2%); various projects/successful tenders (10.1%); EU funds/support (5.1%). Other sporadic mentions: Innovative Technology Agency, investments from the Ministry of National Defence and the Ministry of Education, Science and Sport, funds from the Agency for Science, Innovation and Technology (MITA), startup accelerator fund.

Those who have raised investment previously mostly indicated that these were Lithuanian business angels (29%), foreign business angels (19%), and Lithuanian accelerator funds (18%).



2.5. When do you plan the next round of raising investment?

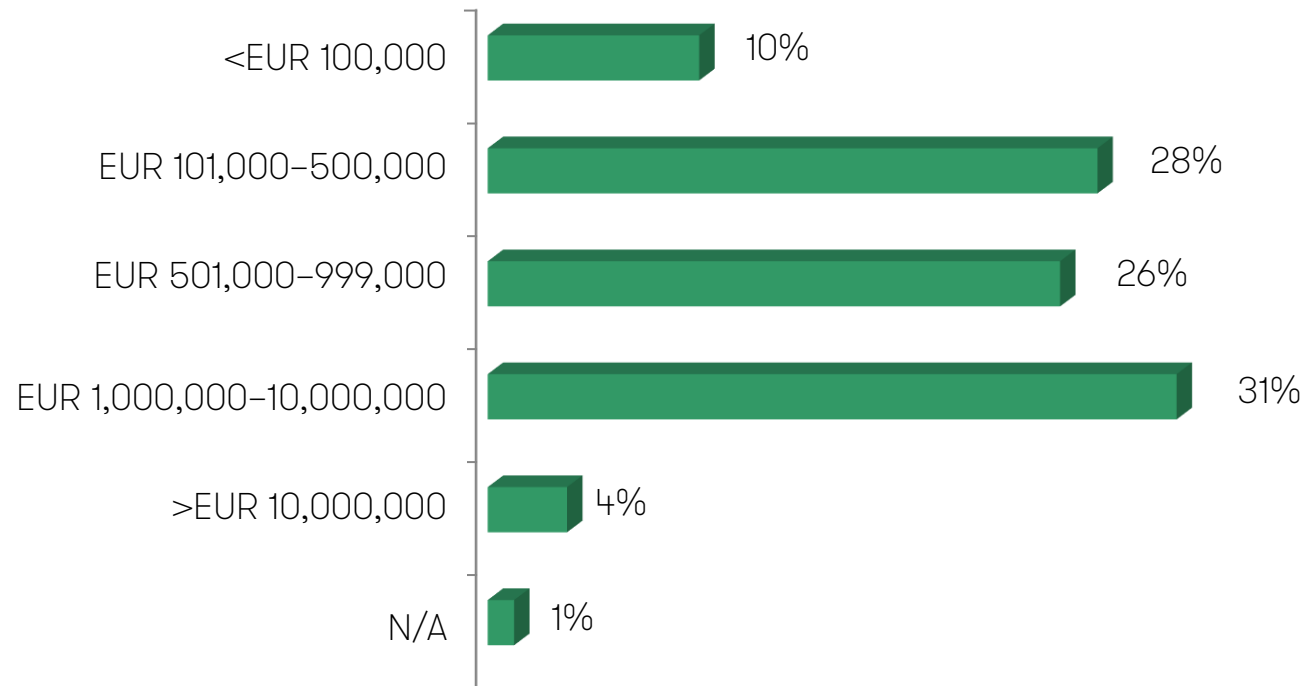


58% of startups do not plan to look for investment in the near future, 19% are looking intensively at the moment, and 17% will look in 2023.



2.6. How much investment will you seek to raise/are you currently raising?

Respondents who indicated that they plan to raise investment (N=83)

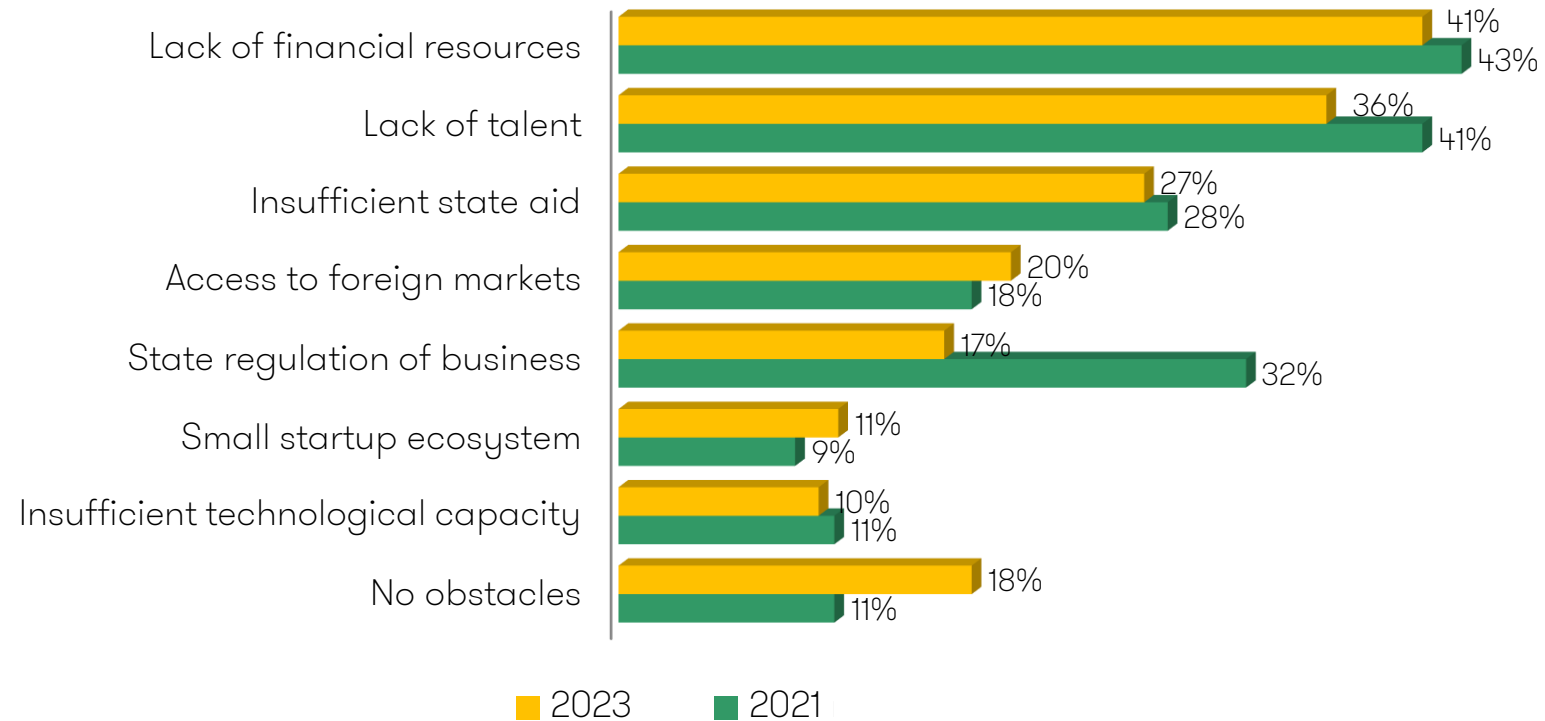


38% of those planning to raise investment indicated that the amount will be up to half a million euros, 26% between half a million and one million euros, and 35% more than one million euros.



3. Startup problems and state aid

3.1. What is the biggest obstacle for your startup development?

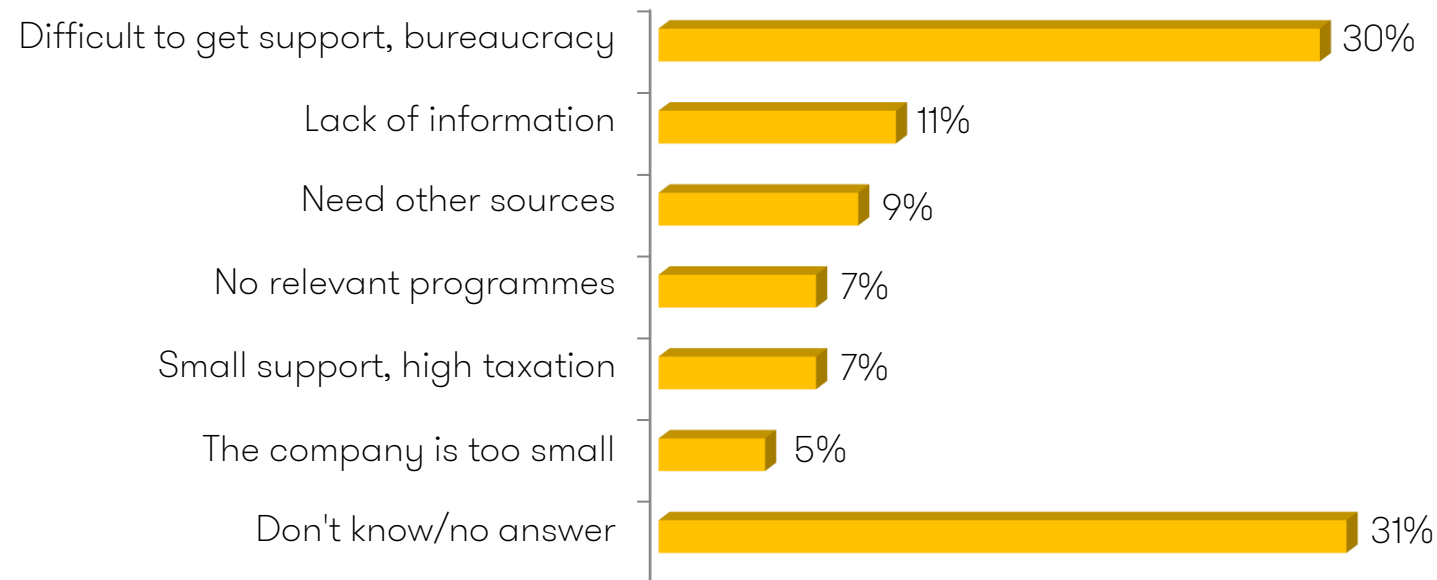


Startups most often indicated that a lack of financial resources (41%, compared to 43% in 2021) and a lack of talent (36%, compared to 41% in 2021) are the biggest obstacles for their startup development. There was a significant drop in the number of startups saying that the state regulation of business is an obstacle (32% in 2021).



3.2. If your startup development is hampered by a lack of financial resources, please indicate why you are not seeking state aid or investment: what the specific obstacles are or what should be changed (other than tax incentives)

Open-ended question; respondents who indicated that a lack of financial resources hinders the development of their startup (N=84)

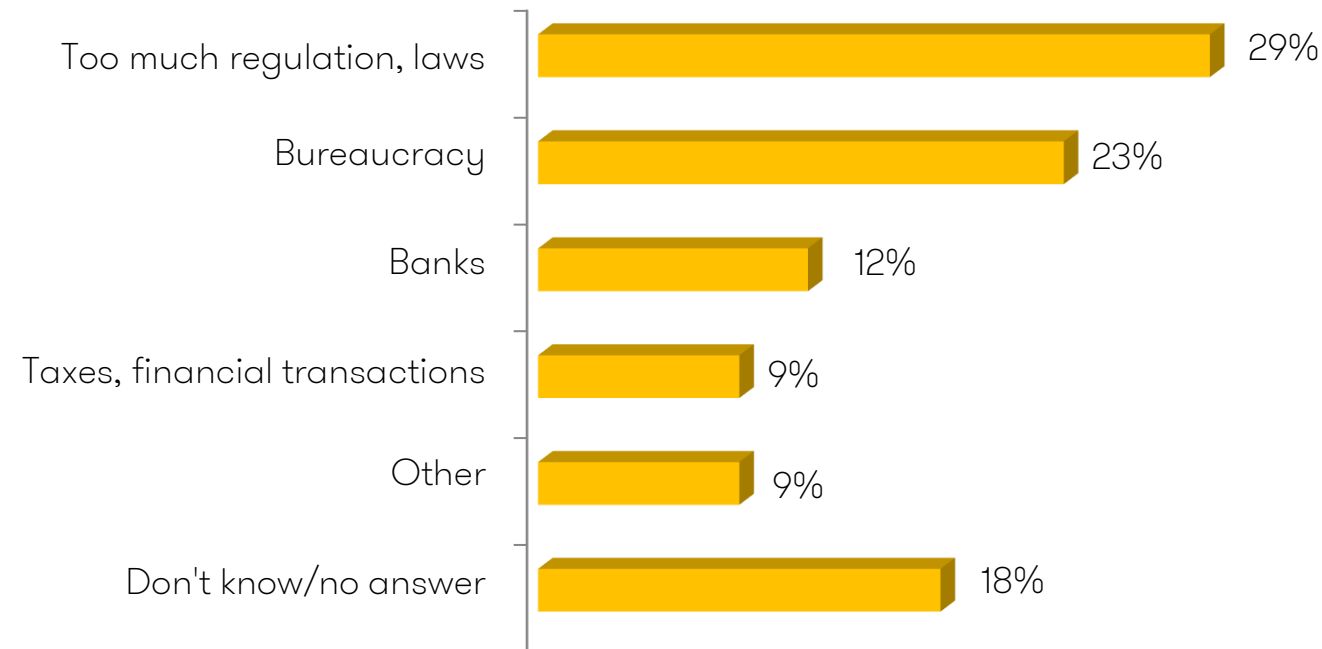


Startups who indicated that a lack of financial resources hindered their development were the most likely to indicate in the open-ended question that bureaucratic obstacles made it difficult to get support (30%).



3.3. If you think that the Lithuanian business regulatory system hinders the development of your startup, please indicate what specifically hinders it or what should be changed (other than tax incentives)

Open-ended question; respondents who indicated that the state regulation of business hinders the development of their startup (N=34)

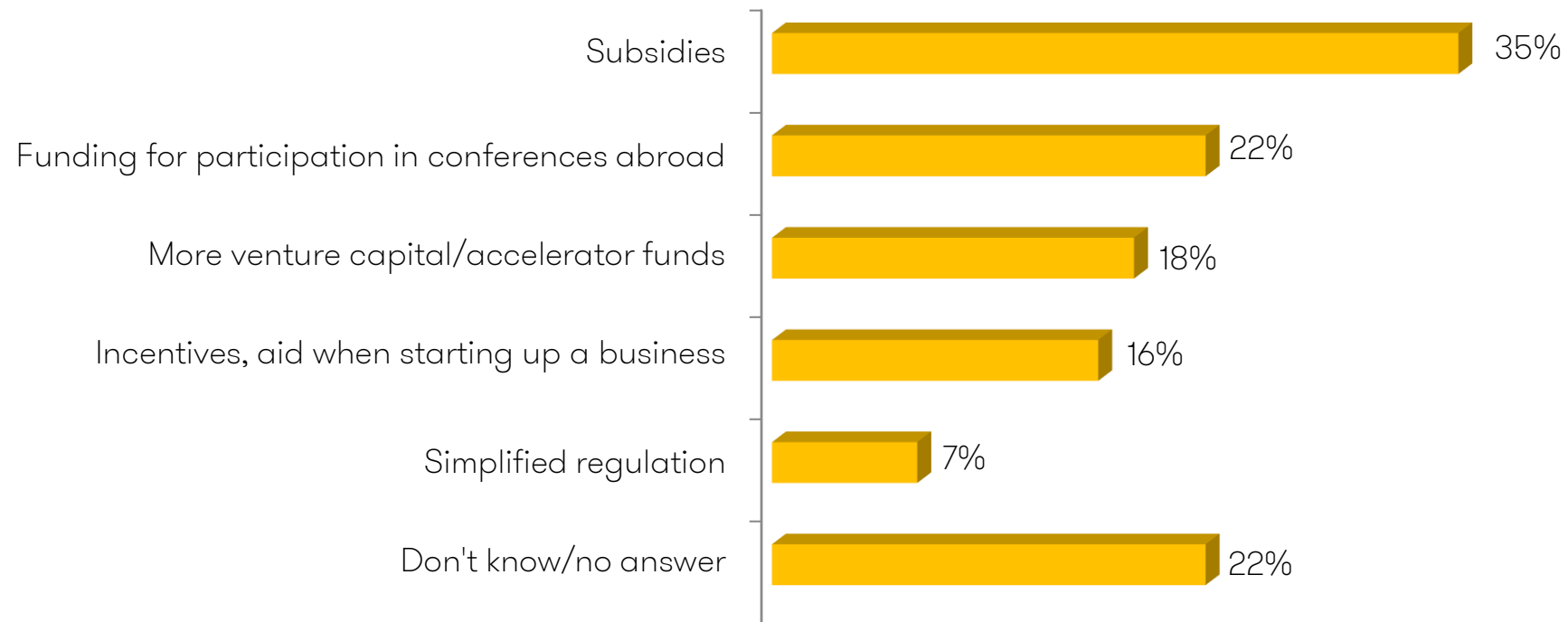


Startups who indicated that their development is hindered by the Lithuanian business regulatory system were the most likely to indicate in the open-ended question that there is too much regulation, existing laws, bureaucracy (52%).



3.4. What kind of state aid (other than tax incentives) would be relevant to you at the moment?

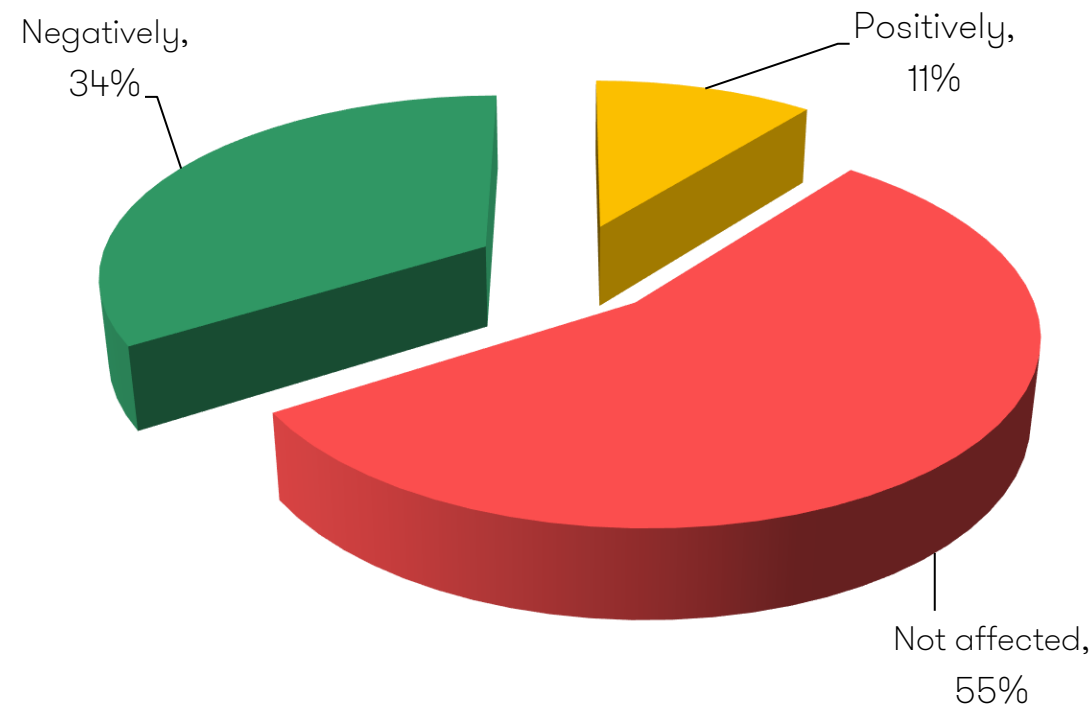
Open-ended question; respondents who indicated that a lack of state aid hinders the development of their startup (N=55)



In response to the open-ended question about state aid, startups most often indicated subsidies (35%) and funding for participation in conferences abroad (22%).



3.5. How have the economic and geopolitical challenges in 2022 affected your startup?



The majority (55%) of startups indicated that they were not affected by the economic and geopolitical challenges in 2022, 34% were affected negatively, and 11% were affected positively.



Please indicate the positive impact

Open-ended question; respondents who indicated that their startup has been positively affected (N=22)

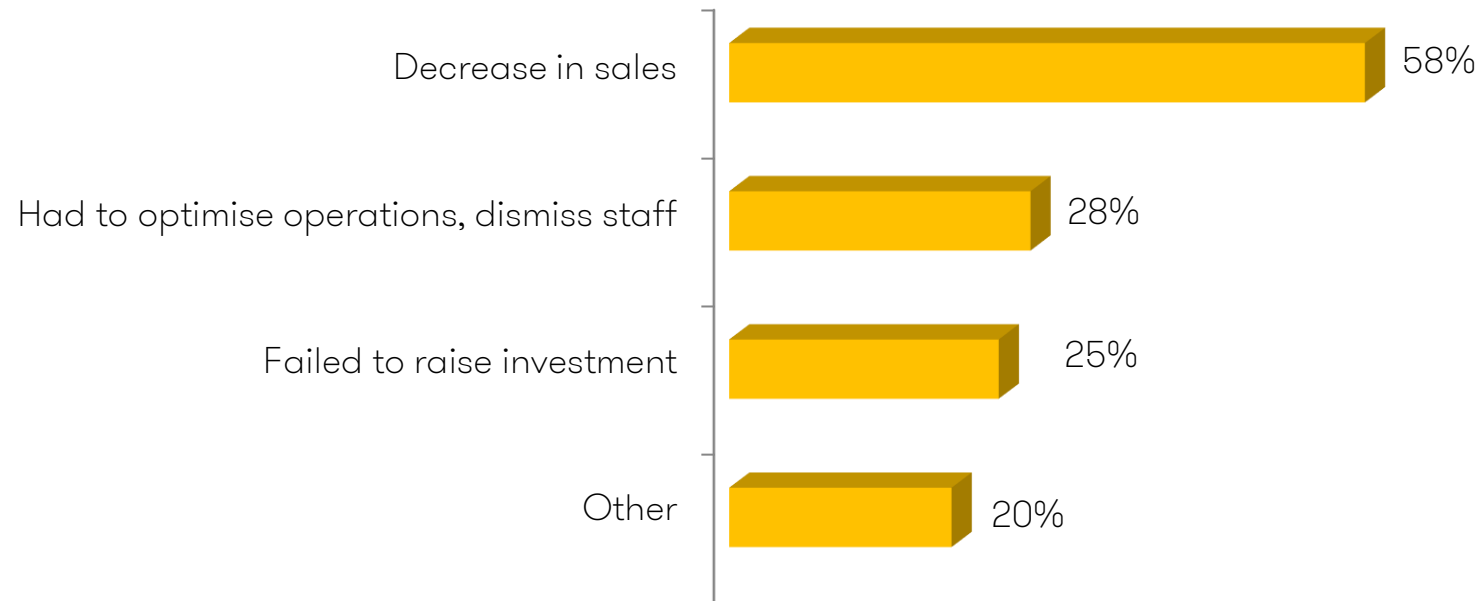
Excerpt

- “There was an increase in the use of clothing and accessories from our company”
- “The activities in Lithuania have expanded”
- “The number of clients has increased”
- “People’s attitudes are changing – it’s not economically viable to produce so much. Because of the pandemic, people have become more environmentally conscious”
- “Financially positive impact”
- “Increased sales, investments”
- “Maybe it’s just a coincidence, but it’s been a better year than the previous one”
- “Interest in our products has increased”
- “Yes, in 2022 we developed a lot, formalised 10 new products, and completed the development of several new units and facilities. From a technical point of view, we are moving forward”



3.6. How have the economic and geopolitical challenges in 2022 negatively affected your startup?

Respondents who indicated that their startup has been negatively affected (N=22)



***Other:** increased costs (5.8%); disrupted supply (4.4%); turned away from Eastern markets (2.9%). Other sporadic mentions: insolvency of clients, slowdown in growth, slowdown in business with Ukrainian partners, reduced staff due to lack of investment.

The majority (58%) of those who indicated that their business was negatively affected by the developments in 2022 mentioned a decrease in sales.





**Startup
Lithuania**

