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Scaling B2B SaaS Startups in Emerging Digital Economies: Challenges and Strategies in the Baltics

Abstract

Entrepreneurship is often defined as the process of identifying an opportunity or problem within a market and developing a solution that can be monetized. While this definition originates from traditional business models, it remains relevant in the digital era, nevertheless, with the complexities. The shift toward digital economies has enabled the reevaluation of whether traditional growth models can still be considered applicable in addressing the unique challenges of modern and digitally driven business models, particularly software startups. These developments point to the growing dominance of software and, more specifically, SaaS (software-as-a-service) as a common or core business model in the global digital economy (Ventura, 2024). A closer look at the revenue streams of these companies also highlights a predominant reliance on B2B (business-to-business) operations, such as AWS (Amazon Web Services) or Microsoft's enterprise cloud solutions, rather than direct consumer sales. This examination supports the idea of increasing importance of B2B SaaS models, and forms the basis for this research: to examine the scaling strategies and challenges of B2B SaaS startups. While product innovation or product-market-fit remain the key enablers, strategic communication, particularly in digital channels, has become equally essential in achieving and maintaining sustainable growth. From building trust in unfamiliar markets to succeeding in intercultural messaging, communication strategies directly impact the ability of a startup to scale. While the majority of the research available in the existing literature has focused on mature ecosystems like Silicon Valley, there is limited knowledge about how such companies grow in emerging digital economies. Hence, this study focuses on the Baltic region countries as Estonia, Latvia, and Lithuania, whose combined population is under 6 million, yet has produced 15 unicorns so far. Considering all the mentioned facts and observations, this research aims to uncover the specific growth challenges, success factors, and communication strategies experienced by B2B SaaS startups in emerging digital economies, using the Baltics as a case study.

Introduction

Entrepreneurship is often defined as the process of identifying an opportunity or problem within a market and developing a solution that can be monetized. While this definition originates from traditional business models, it remains relevant in the digital era, nevertheless, with the complexities. The shift toward digital economies has enabled the reevaluation of whether traditional growth models can still be considered applicable in addressing the unique challenges of modern and digitally driven business models, particularly software startups.

Looking at the current global market landscape, 7 out of the world's 10 largest companies by market capitalization were founded within the past 30 years. Notably, half of these companies, such as Microsoft, Amazon, etc., are software-driven enterprises. Even Apple, which primarily sells hardware devices, owes a significant part of its success to its proprietary software ecosystem. These developments point to the growing dominance of software and, more specifically, SaaS (software-as-a-service) as a common or core business model in the global digital economy (Ventura, 2024).

A closer look at the revenue streams of these companies also highlights a predominant reliance on B2B (business-to-business) operations, such as AWS (Amazon Web Services) or Microsoft's enterprise cloud solutions, rather than direct consumer sales. This examination supports the idea of increasing importance of B2B SaaS models, and forms the basis for this research: to examine the scaling strategies and challenges of B2B SaaS startups.

While product innovation or product-market-fit remain the key enablers, strategic communication, particularly in digital channels, has become equally essential in achieving and maintaining sustainable growth. From building trust in unfamiliar markets to succeeding in intercultural messaging, communication strategies directly impact the ability of a startup to scale. While the majority of the research available in the existing literature has focused on mature ecosystems like Silicon Valley, there is limited knowledge about how such companies grow in emerging digital economies.

Hence, this study focuses on the Baltic region countries as Estonia, Latvia, and Lithuania, whose combined population is under 6 million, yet has produced 15 unicorns so far. Estonia alone, with its population of just 1.3 million people, has hosted the highest number of unicorns from the region with 9 unicorns (Invest in Estonia, 2023). Lithuania, which has ties to already 4 unicorns (Startup Lithuania, 2024), alongside Latvia, has also contributed significantly to the region's tech ecosystem (Vrcic, 2024).

Background

Nevertheless, having bordered each other for a thousand years and sharing similar historical paths and cultural values, these countries underwent similar digital transitions, yet reached different stages of maturity. Estonia leads the region with a globally recognized startup environment, raising important questions about what factors contribute to such division. It should be mentioned that those markets are relatively less mature in comparison to the startup capitals of the world, such as Silicon Valley, New York, and London (Startup Genome, 2024).

Moreover, the Baltic region is nowhere near comparable to China, which has a domestic market large enough for a startup to grow from seed stage to unicorn status without ever expanding beyond its borders (Moffat, 2018). Such factors of introducing a product to a relatively small market often force these local founders to think globally from the start. Therefore, how they communicate their value proposition and attract foreign customers to grow further, the region becomes more essential for the players from emerging digital markets such as the Baltics.

Considering all the mentioned facts and observations, this research aims to uncover the specific growth challenges, success factors, and communication strategies experienced by B2B SaaS startups in emerging digital economies, using the Baltics as a case study. The findings will provide actionable insights for founders, investors, and local business development institutions seeking to support early-stage tech ventures in similar markets.

The Baltic region, which consists of Estonia, Latvia, and Lithuania, has gained global recognition for its rapid digital transformation and startup landscape. Such transition presents both opportunities and challenges for the emerging B2B SaaS ecosystem, which is now playing a measurable role in driving economic growth across the region. In 2021, startups in Lithuania, Estonia, and Latvia generated approximately €1.8 billion, €1.4 billion, and €0.4–0.5 billion in revenue, respectively. As quoted by Rokas Šalaševičius, Estonia has historically led the startup movement. By 2021, more than 1300 startups were registered in Estonia, compared to over 1100 in Lithuania and over 600 in Latvia. Considering Estonia's population of 1.3 million people at the given time, this is equal to roughly 1 startup per every 1000 residents, which highlights the maturity and density of its startup ecosystem (Šalaševičius, 2024).

These figures not only reflect the entrepreneurial activity in the region but also emphasize the importance of understanding the dynamics of scaling within such a unique economic and demographic context. Moreover, considering the global success of the Baltic startups, it emphasizes the fact that success often depends not only on the product-market fit and technical infrastructure, but also on the ability to communicate these unique values and benefits to the target audience. This relatively small population base, combined with rapid digital adaption, enables a exciting environment to explore the factors influencing startup growth, particularly for B2B SaaS enterprises that face different challenges compared to the consumer-focused or hardware-driven businesses and what's the role of communication in terms of building visibility, trust and credibility across borders for the players of this small but digitally ambitious region.

Problem Statement

To describe the start-up ecosystem in the Baltic region, not only the revenue and the number of startups but also the number of unicorns from the region should be considered. While Latvia introduced its first unicorn, Printful, in 2021 (Investment and Development Agency of Latvia, n.d.), this number for Lithuania stands at 3 (LRT.lt, 2023), and Estonia leads the region with 10 unicorns by 2025. (Invest Estonia, 2023)

Nevertheless, such success of these small economies in comparison to highly developed Western and US markets has not been analyzed with a scientific approach and a communication-focused perspective, particularly in terms of how these startups overcome scaling challenges through strategic communication. Although there is growing literature on the startup growth in general, a few studies address how B2B SaaS companies in emerging digital economies utilize communication, whether for digital, intercultural, or investor-focused channels to support international expansion, attract high-quality talents to accelerate the company growth, and engage stakeholders across the region.

Considering the significance and value of such research for early-stage start-up founders not only from the Baltic region but also from other emerging markets, as well as for local business development authorities, economic institutions, this study aims to contribute to filling the existing literature gap. Moreover, the research is expected not only to address these questions within a scientific framework but also to provide practical applications of communication strategies based on real-world cases that reflect common challenges in the B2B SaaS environment.

Objective

The objective of this research is to understand the reasoning behind the success of local startups from the Baltic region and compare it with the current stage of market maturation. By doing so, the researcher aims to identify the challenges these startups have experienced and the strategies that either succeeded or failed in overcoming them. Special attention will be paid to the role of strategic communication in this process, including how these startups position themselves, attract global stakeholders, and manage customer and investor relations during the scaling phase and how these factors eventually impact their success.

The goal is to offer insights for future founders that serve not only as a scientific contribution but practical communication guide, which would enable a clearer image of such markets and guide them to develop their effective go-to-market strategies. Given such a unique combination of factors - being founded in developing economies with halfmature start-up ecosystems and yet still reaching unicorn status- this study will examine Latvia, Lithuania, and Estonia to understand what enables their success.

The research will explore key elements such as the role of accelerator and incubation commitments, communication dynamics with venture capital interactions, the influence of media visibility, and how those factors impact the growth trajectories of the examined B2B SaaS startups.

The findings are expected to assist current and future founders in making informed decisions about their market entry, communication management, and stakeholder engagement. In addition, findings from the research can also guide them in terms of technical and bureaucratic decision-making such as where to register their start-ups, the local benefits and challenges, etc. Therefore, the findings of this research can be used not only by founders and investors but also by local policymakers and business development institutions involved in attracting startups to their country and eventually increasing tax revenue through sustained entrepreneurial activity.

Scope and Approach

Due to the rapidly evolving nature of the research topic, the traditional academic sources, such as books or older journal articles, will not be quoted as heavily. As the market landscape shifts constantly, the available data and ecosystem dynamics change on a near-daily basis. Therefore, the researcher will rely more on dynamic and real-time sources of information from the startup ecosystem as described above to ensure the data's relevancy and accuracy.

Preliminary Literature Review

Following the selection of the topic focused on the development challenges of the B2B SaaS startups in the Baltic region, a preliminary literature review was planned and conducted by the author. As this part represents only the initial stage of the comprehensive literature review that is planned to be completed during the first year of the research, a number of scientific papers and articles were reviewed. To achieve this, the author researched and ranked relevant sources based on their relevance to the topic, regional context, and recency. The main consideration was the papers focusing on startups, researching Baltic countries, and being no older than five years, due to the field's volatility in terms of research and development.

The Baltic countries, home to over 10 unicorns (a privately-owned startup worth more than $1 billion), share similar histories and geography but offer quite different environments for earlystage startups. A significant finding from the region is the role of government in terms of communication strategies, particularly in Estonia. The government of Estonia is running aggressive digital branding measures for the country. This includes e-residency, start-up visas, and innovative public outreach, which have enhanced Estonia's international visibility and attractiveness as a digital hub for talent and investment resources. (Menshikov, 2020)

As a leader in the unicorn race within the region, Estonia's initiatives serve as a significant example of how well-coordinated communication efforts can build a strong brand of startup ecosystem, ultimately supporting the scaling of startups through increased investor confidence and international reach. However, Estonia's small population also presents challenges, such as a lack of relevant talent in the employer market or high competition for skilled workers. Therefore, these branding efforts not only attract foreign investment or companies but also place a responsibility on the government to encourage international talent to relocate to Estonia and contribute to the local startup ecosystem. (Menshikov, Ruza, & Semeneca, 2024)

Nevertheless, with the described efforts from the Estonian government, Lithuania surpassed Estonia in 2021 in the number of startups per country. Meanwhile, Lithuania hosted 1527 startups in 2021, while the number for Estonia was 1301. Latvia is significantly falling behind these 2 Baltic countries in the number of registered startups. (Vonoga & Kļaviņa, 2022)

This data can be interpreted from a different perspective that, nevertheless, Lithuania has a higher number of registered startups, and the number of unicorns is lower in comparison to Estonia. It means that the maturity of the digital economy, even in the early or pre-developed stage, impacts the success of established startups. The local startup ecosystem, support from the government, partnership opportunities, access to investors and mentors, co-marketing initiatives, etc., can be essential during the journey to success for the startups. However, aside from these pragmatic assumptions, understanding the fundamental factors that contribute to the success of startups in Lithuania and Estonia can help to develop future strategies for scaling B2B SaaS startups in the region. Also, the experienced disproportion in Latvia's startup ecosystem highlights the need to investigate the differences within those very similar yet different economies and identify key challenges. (Vonoga & Kļaviņa, 2022)

The research by Aija and Baiba (Vonoga & Kļaviņa, 2022) also quotes that nevertheless, Latvian startups have secured the highest amount of investments in 2021 (more than €247M), yet the correlation still doesn't exist in this context within the number of either registered startups or unicorns which can be considered as the peak level of acceleration success in Baltic region. Another interesting finding here is the fact that, although the local startup associations in Estonia and Lithuania are state-owned, the Latvian one was founded last and is an NGO that relies on member fees and lacks government support. This point also supports the idea of statebacked startup models provide better and more established environments for SaaS companies to scale in Estonia and Lithuania in comparison to Latvia, which lacks institutional support.

Aija and Baiba (Vonoga & Kļaviņa, 2022) suggest a unified Baltic startup platform to encourage collaboration, knowledge exchange, and funding opportunities. Such a model of networking could be capable of addressing a lack of resources and market limitations. The general suggestion in this model is the need for at least regional communication and enabling access to

Western European markets with the help of ecosystem-level collaboration and digital collaborations.

Itzhak Mashiah (Mashiah, 2024) also suggests that SaaS startups need to develop a strong brand narrative on different media channels before entering new markets or seeking funding. The author also refers to the essence of trust and credibility, especially in digital economies where stakeholders may be skeptical about new companies or new ideas. This idea also supports the idea of building a strong brand image or even the personal branding of the founder. Thought leadership and executive-level branding, and correct brand positioning impact positively to align with investor expectations and increase credibility in emerging economies. (Mashiah, 2024)

Meanwhile, Faezeh & Kambiz (Rasoulian, Smith, & Lee, 2023) agree with Itzhak M. on executive branding and thought leadership; they also quote that social proof and customer advocacy programs can also help establish credibility in digital-first economies. The new idea suggested by them is how to craft marketing communication while discovering markets. Customer feedback and data analytics provide founders with a better view of market-entryrelated decision-making. Such availability combines both rational analysis and intuition. While the paper highlights the essence of adaptive marketing measures such as localized content for new markets or account levels, since we are talking about B2B, it suggests 3 effective communication strategies for early-stage startups, which are cross-cultural communication, industry thought leadership, and customer-centric messaging. Lastly, referral programs and WOM (word of mouth marketing) are considered significantly important for digitalfirst economies and building an online presence. Such an initiative can also be supported by collaboration with industry influencers and leveraging early adopters with the help of online communities. (Rasoulian, Smith, & Lee, 2023)

To conclude this preliminary literature review, the analysis of several scientific research studies highlights the decisive role of communication strategies in scaling B2B SaaS startups in the Baltic region. These strategies influence everything from brand storytelling to investor confidence, talent acquisition, and global market entry. While the Estonian model demonstrates the power of a state-backed, aggressive digital branding approach, Lithuania's recent growth suggests that market and ecosystem maturity are essential for long-term success. In the case of Latvia, despite securing the highest investment in the region for a certain period, it is still falling behind, underscoring the need for a unified Baltic ecosystem network and greater ecosystemlevel collaboration. Moreover, executive branding, thought leadership, social proof, word-of-mouth marketing, and market-adapted communication can play a vital role in building trust and enabling a constant customer feedback loop for better decision-making. As this research progresses, the author will further analyze and provide deeper insights into the relationship between communication management, international expansion, and ecosystem-level collaboration, to define a scalable communication model for B2B startups in emerging digital economies such as the Baltics.

Conclusion

This research aims to contribute to the existing body of knowledge on scaling startups by providing a comprehensive analysis of the strategies and challenges specific to B2B SaaS startups in the Baltic region. The study seeks to address the gap in the current academic literature by exploring the unique dynamics of the Baltic ecosystem, including the role of government involvement, digital branding, and communication management strategies. By addressing this gap, practical insights will be offered to startup founders, local business development institutions, policymakers, and investors.

The finding will not only highlight the key success factors for scaling B2B SaaS startups in the Baltic region but also provide actionable insights on how to effectively use strategic communication, positioning, messaging, and ecosystem-level collaboration. Furthermore, the research will serve as a valuable resource for early-stage startup founders who are navigating the challenges of new market entry, talent acquisition, and investment attraction in emerging digital economies.

Although the research will be focusing on the Baltic region, its implications extend beyond the region. The researcher aims to generate insights that will be applicable to other emerging digital markets, such as CIS countries, Eastern Europe, and similar regions. Given the rapid growth of digital economies, one potential limitation of this research is the volatility of the market conditions and local regulatory environment, which may evolve during the course of the study. Future research could be built on this work by examining comparative studies, analyzing both quantitative and qualitative data findings, and incorporating the role of AI (artificial intelligence) and automation depending on the development stage or the year of their research. Finally, this research aims to advance both theoretical understanding and practical implementation in the areas of communication management, digital branding, and growth strategies for B2B SaaS startups founded or operating in emerging digital economies.

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