LOCATION SELECTION FOR A NEW EU CONSULTING OFFICE: DEVELOPMENT AND IMPLEMENTATION OF A DECISION-SUPPORT FRAMEWORK

Lappeenranta-Lahti University of Technology LUT

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ABSTRACT

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This thesis examines the selection of a location for a new office of a German project consulting company within the European Union. The new office is intended to increase project capacity and create a more competitive cost structure for project management and engineering activities. The thesis aims to develop a theory-based yet practical decision-support framework for this location selection and apply it to the case company's planned office. It addresses the challenge of balancing cost advantages with access to skilled employees, a reliable business environment and good institutional conditions.

The research design combines a structured literature review, company-specific input, an internal expert weighting survey, and comparative secondary data. Initially, all 27 EU Member States were considered. The number of alternatives was reduced through a labour-cost pre-selection before the remaining countries were evaluated using talent- and labour-market-related indicators, as well as indicators related to cost, the business environment and institutional feasibility. The strongest alternatives were then analysed in greater detail at country and city level. The analysis was complemented by taxation, public incentives, and a three-year indicative financial comparison.

The results identify Lithuania as the strongest country overall. Kaunas provides a stronger cost position and Vilnius offer a deeper pool of internationally experienced professionals. Budapest is also a relevant alternative due to its labour market depth, connectivity, and potential investment support. The thesis shows that a staged selection process can simplify complex international location decisions.

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DECLARATIONS

Turnitin

The originality of this thesis has been reviewed with the Turnitin similarity checking service.

AI usage

The author of the thesis, Nikolett Márton, used the following AI-tools during the preparation of the thesis:

1. AI tool name: ChatGPT
    a. Purpose of use: structuring, rephrasing and language support.
    b. Explanation of the use of the tool: used to improve wording and presentation. All outputs were reviewed and edited by Nikolett Márton.
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Responsibility

The author, Nikolett Márton, takes full responsibility for the content of this thesis and has reviewed and edited the content generated by the possible use of AI tools.

1 Introduction

Placing a pin on a map only takes a second. Building a business case around that pin, however, can take a bit more time.

For a consulting company, it is even more challenging. There is no production line to relocate, nor any raw materials that need to be close to the office. Much of the work can be done digitally. Still, location matters. In knowledge-intensive services, people are the infrastructure: their skills, experience, and availability determine what an office can offer, while the cost and business environment determine whether it makes sense to do so there.

This leaves us with a simple question that has no simple answer: where should the pin go?

1.1 Background

The Case company is a German project consultancy and service company that supports international clients in the automotive, medical technology, and pharmaceutical industries. The company's work includes project management and support, as well as technical activities such as design, product transfer, and process optimisation.

The idea of a new European office grew out of two needs: the need for additional project capacity and the need for a more competitive cost structure. While expanding in Germany would increase capacity, it would also come with comparatively high employment costs and greater pressure on liquidity. At the same time, the consulting market is becoming more and more competitive. While high-quality project work is important, clients also expect economic advantages. A lower-cost delivery location could allow the Case company to increase capacity while offering more competitive project conditions without compromising on quality.

The German headquarters would continue to be the centre for customer relationships, project leadership, and knowledge. The new office would take on operational project work that can be carried out from another EU location, primarily by Project Managers and Project Engineers.

This is where the seemingly simple idea of setting up a lower-cost office becomes a location-selection problem.

1.2 Research problem, objectives and questions

The literature makes one thing clear: choosing a location is rarely about finding the country with the lowest costs or the best score on a single indicator. Labour availability, salaries, taxation, infrastructure and institutional conditions all play a role, but their importance depends on the activities that the company intends to carry out in the new location (Dunning, 1988; Dunning and Lundan, 2008). The same applies to business-service locations, where cost advantages must be weighed against factors such as skills, operating conditions and risk (Sass and Fifekova, 2011; Liu et al., 2008).

The challenge for the Case company is making decision on which criteria matter for the new office, how important they should be, and how different countries can be compared to support a management decision. Currently, the Case company does not have a standardised method for narrowing down and comparing potential locations in Europe. Comparing only salary levels would be too narrow, but analysing all 27 EU members and their potential cities at the same level of detail would be too complicated.

The aim of this thesis is to develop a practical yet theory-based framework for selecting a suitable location for a new consulting office, which will then be applied to the Case company. The framework is designed to narrow the search step by step, starting with a broad comparison and excluding unsuitable alternatives, before adding more detail for the remaining relevant locations.

The thesis addresses three research questions:

RQ1: Which location-selection factors relating to talent, the business environment and risk are highlighted in the literature for establishing a new office?

RQ2: How can these factors be translated into a practical decision-support framework?

RQ3: How can this framework be used to screen and compare EU countries and shortlisted cities?

To answer these questions, the thesis combines a structured literature review, Case company-specific company and expert input, an internal weighting survey, and comparative secondary data.

1.3 Scope and delimitations

A location decision can expand almost indefinitely. Each country contains several possible cities, each city has different labour-market and operating conditions, and each potential office structure creates further legal, financial and organisational questions. A clear boundary is therefore necessary to keep the study focused.

The geographical scope is limited to the European Union. Non-EU locations may be relevant for the Case company in the future, but they are not considered in this thesis. The analysis begins at country level and only moves to city-level comparison after the number of alternatives has been reduced. A detailed comparison of cities across all EU Member States is therefore outside the scope.

The following considerations are outside the scope of the thesis:

- detailed legal, tax, and company-formation analysis for each country
- a full business plan including detailed financial forecasting
- a detailed operational implementation plan for office setup
- a complete HR and recruitment operating model
- analysis of countries outside the European Union
- detailed city-level comparison across all countries
- a full sales or market-entry strategy for each location

2 Theoretical foundation for location selection

The purpose of this chapter is to build the theoretical basis for the location-selection framework presented in the thesis. First, it examines location selection in the context of international expansion, before considering the specific requirements of knowledge-intensive business services. It then discusses how location factors can be translated into criteria and indicators for comparative evaluation. Finally, the findings are used to create a literature-based criteria structure, which is then used as the basis for the framework.

2.1 Location selection in international expansion

Location selection is a crucial part of international expansion because it determines the external conditions in which a company's foreign activities will operate. Location decisions are influenced by a combination of push and pull factors. For example, high taxation, tight labour-market conditions and limited operational fit can create pressure to reconsider an existing location, whereas lower taxation, centrality and favourable business conditions can make alternative European locations more attractive. Regional or operationally focused units tend to be more mobile than corporate headquarters as they are less tied to corporate identity and more focused on operational efficiency (Birkinshaw et al., 2006; Laamanen et al., 2012). In the Case company case, the new office is intended to improve operational efficiency in Europe, and the case does not involve the relocation of the headquarters. The planned office has a more specific purpose: to support project managers and engineers in a cost-effective European location. Therefore, the relevant decision-making process is closer to selecting a service and engineering support base than to relocating a corporate center.

In the literature on international business, this decision is often explained through the concept of location-specific advantages. These refer to the conditions in the host country that make one location more suitable than another for a particular activity. These conditions may include labour availability and costs, infrastructure, institutional quality, market conditions, taxation, transport and communication costs, and the broader business environment (Dunning, 1988; Dunning and Lundan, 2008).

This distinction is important because location advantages are not universal. The relevance of individual factors depends on a firm's objectives, the type of activity taking place abroad and the expected role of the foreign unit. For example, market activities tend to prioritise customer accessibility and market potential, whereas service or technical activities prioritise labour and operational costs, as well as the availability of suitable skills. Therefore, one country may be attractive for one type of foreign activity but less so for another (Dunning, 2001; Dunning and Lundan, 2008)

Location selection is also influenced by the interaction between economic and institutional conditions. Economic factors influence the expected cost and performance of foreign activities, while institutional and cultural conditions affect how easy, risky, and reliable it is to operate (Flores and Aguilera, 2007; Bailey, 2018). This means that a country with low costs cannot automatically be considered a suitable location if it also has weak talent availability, complex administrative processes, labour-market barriers, or bad infrastructure.

The European context adds another important dimension to the decision-making process. While EU countries share certain market and regulatory foundations, there are still differences in terms of labour-market structure, taxation, bureaucracy, institutional quality, business regulation, and the practical conditions for setting up and running a foreign subsidiary. Therefore, barriers to foreign investment are not limited to emerging or transition economies (mostly Central, Eastern, and Southeastern Europe (CESEE)) but can also be relevant in advanced European locations (Forte and Paiva, 2021).

For knowledge-intensive business services (KIBS), connectivity is also a factor in terms of the attractiveness of a location. Access to clients, good infrastructure, business services and knowledge networks can reduce the burden of coordinating cross-border operations (Belderbos, Du and Goerzen, 2017). However, this does not mean that only major global cities should be considered. Instead, connectivity should be evaluated in practical terms, considering factors such airports, universities, professional services.

Overall, the selection of an international location should be viewed as a structured comparison of suitability. The decision-making process involves balancing several factors: access to engineering and project management talent, labour and operational costs, the business environment, institutional and regulatory barriers, and connectivity to support

service delivery. The following subsections will go into more detail on these factors and later translate them into criteria for the Case company location-selection framework.

2.2 Location factors for knowledge-intensive business services

Knowledge-intensive business services are activities in which knowledge is the main input and output of the work. These services include consulting, engineering, IT and R&D, as well as other professional activities that apply specialised expertise to client-specific problems. Unlike routine administrative services, KIBS usually depend more on expert employees, knowledge exchange, and the ability to tailor solutions to specific problems. Therefore, the suitability of a location for KIBS depends not only on general cost or market conditions, but also on whether the local environment can support knowledge-based service delivery (Muller and Doloreux, 2009).

The specific nature of KIBS also means that they should not be treated as a single, homogeneous group. Different professional services rely on different forms of knowledge, client relationships, and delivery models. Consulting work, for example, often focuses temporary projects and require coordination between clients, technical experts and other project stakeholders (Malhotra and Morris, 2009; Peiker et al., 2012).

This has direct implications for location factors. While cost factors are very important, they are not enough on their own. Research on service offshoring shows that the location determinants of different service activities depend on whether the work is more routine, interactive or knowledge intensive. Activities requiring specialised skills and problem-solving must balance cost advantages with the availability of qualified labour, service quality and good infrastructure. (Doh, Bunyaratavej, and Hahn, 2009).

For this thesis, this means that the developed framework should be based on the location-selection logic outlined in Section 2.2, while considering the specific requirements of a consulting office. The location should be assessed on its ability to support project managers and engineers with a cost-effective yet reliable service. The following subsections will examine the main factor groups in more detail: talent and labour-market conditions; cost and business environment conditions; and risks, barriers, and institutional conditions.

2.2.1 Talent and labour-market conditions

Talent and labour-market conditions are one of the most important factors for KIBS, as they depend heavily on the availability and suitability of skilled employees. However, human capital should not be reduced to simply the number of educated workers available. It should also take into account the quantity and quality of education, the orientation of training, and the extent to which available skills match employer needs. This is important because a country's general education levels may make it seem attractive while it actually lacks the specific technical or applied skills required for a specific field (Kottaridi, Louloudi and Karkalakos, 2019).

It is important to differentiate between engineering support work and general engineering, because the labour pool for the former is much more specific. While engineering consulting is based on technical knowledge and problem solving, other factors such as project management, client interaction and the application of knowledge in specific contexts also play a big role. This means that the relevant labour pool is not just engineers, but rather employees who can combine technical knowledge with project coordination and communication skills, as well as the ability to work in client-facing project environments (Malhotra and Morris, 2009). There is a difference between formal qualifications and applied professional experience. While formal qualifications do indicate potential talent, they do not fully show whether a candidate has the specific competencies required for the role (Kottaridi et al., 2019). Therefore, even if a location has a strong educational infrastructure, it may still be less suitable if the labour-market lacks employees with relevant industry or project experience (Kottaridi et al., 2019; Malhotra and Morris, 2009).

The availability of talent also depends on the regional labour-market. Knowledge-service clusters tend to develop around local pools of skilled labour, specialised professionals, educational institutions and shared knowledge (Manning et al., 2010). However, KIBS are not necessarily geographically homogeneous. For example, engineering consultancy often follows different location patterns to other professional services, as project work is typically linked to client locations, manufacturing sites, or technical projects (Peiker et al., 2012). That being said, KIBS employment in Europe is still heavily concentrated in metropolitan areas, capital regions, and academic centers, especially where STEM-related talent pools and professional services are located (Brodzicki, 2024).

At the same time, having a strong talent pool does not necessarily make recruitment easy. Locations with large numbers of skilled workers may also face strong competition for the same employees. The growth of knowledge-intensive sectors and foreign investment can increase labour-market pressure, raise wages and make skilled employees more difficult to attract (Becker et al., 2020).

Employment conditions also contribute to the attractiveness of the labour-market. It's regulations, hiring rules and employment flexibility influence how easily a company can establish and adjust their workforce. Evidence from European foreign direct investment (FDI) research suggests that more flexible labour-market conditions can support foreign investment, and this is especially true for service activities, where flexibility in hiring and adjusting the workforce is very important (Javorcik and Spatareanu, 2005). While broader regulatory and institutional barriers will be discussed later, it is relevant here to note that labour-market rules do affect the practical accessibility of talent.

In summary, the literature suggests that talent should be evaluated by labour-market depth rather than simply labour availability. For the Case company framework, this means taking into account factors such as the quantity and quality of education, technical and vocational training, skill fit, regional concentration, competition for recruitment, wage pressures and the feasibility of employment.

2.2.2 Cost and business environment conditions

The cost of doing business and the business environment influence whether a foreign office can operate in a cost-effective and predictable way. While lower labour and operating costs are important motives for relocating or offshoring service activities, cost advantages are usually considered alongside the availability of skilled labour, infrastructure, and the wider operating environment (Sass & Fifekova, 2011). More broadly, location-specific advantages depend on how well suited the host environment is to the specific activity, meaning that taxation, infrastructure, operating costs and institutional conditions need to be considered together (Dunning and Lundan, 2008). For the Case company, the cheapest location is not necessarily the most attractive if it cannot support reliable project delivery.

Firstly, we will take a look at the operating cost base. Labour costs are very important because employees represent a large proportion of the cost structure in service and consulting activities. However, the total cost base also includes charges related to employers, social security contributions, office costs, local service fees, travel costs, and general overheads. When it comes to Central and Eastern Europe, investments in business services have often been attracted by a combination of lower costs, a skilled workforce, infrastructure, a favourable business environment, and proximity to Western Europe (Sass and Fifekova, 2011).

The local business infrastructure is also important for a small foreign office. A new unit cannot usually take on all support functions from the start, so it needs to rely on local providers for accounting, legal services, payroll, banking, recruitment and other professional supports. Additionally, digital infrastructure, transport accessibility and communication networks affect the complexity of coordination with headquarters, clients and project stakeholders. Research on location choice shows that connectivity and advanced producer services can reduce transaction costs and facilitate the management of activities in different locations (Belderbos, Du and Goerzen, 2017). While this does not imply that only major global cities are suitable, the location should offer sufficient local service infrastructure and accessibility to support daily operations.

Taxation is another important aspect of the business environment. However, it should not be evaluated only in terms of the statutory corporate income tax rate (the official tax rate applied to company profits), since firms face a broader set of financial obligations. Tax attractiveness is multidimensional and the location of foreign subsidiaries can be influenced by the broader tax environment rather than a single tax rate (Schanz, Dinkel and Keller, 2016).

Public support can also influence how attractive a location is in practice. Public support in this case refers to the financial and non-financial assistance offered by national, regional or local authorities to encourage investment. This may include tax incentives, grants, loans, training support, employment assistance, administrative guidance, innovation support. Such support is often coordinated or communicated through investment promotion agencies (IPAs), which are public or semi-public organisations that help investors understand local conditions, available incentives, and establishment procedures. According to the OECD (2024), investment incentives are widely used across OECD countries. However, investment promotion also includes services such as support during the establishment phase, investment

facilitation and aftercare. For a small engineering support office, this type of support could reduce the time and effort required for the initial setup, improve access to local information and lower some initial costs. However, this depends on the company's eligibility, the amount of administrative work required and whether the support fits the long-term office model. Therefore, public support should be considered a secondary factor rather than the primary reason for choosing a location.

Bureaucracy, institutional risks and regulatory barriers will be discussed in the next section. However, these issues are already relevant here, as they directly affect operating costs, setup costs and administrative workload. According to Forte and Paiva, bureaucracy and labour-market structures can still be perceived as relevant barriers, even within an advanced European setting (Forte and Paiva, 2021).

Overall, the cost and business environment should be assessed in terms of operational cost-effectiveness. This involves considering labour and operating costs, employer charges, office and service costs, infrastructure, local business services, tax attractiveness, administrative effort, public support, and the predictability of long-term costs. Therefore, a suitable location should not only offer lower costs but also provide the necessary conditions to establish and operate an office reliably and efficiently.

2.2.3 Risks, barriers and institutional conditions

A cost-effective location is only suitable if it is possible to establish and operate the new office without too much uncertainty or administrative difficulty. Research on foreign investment indicates that political stability, the rule of law, reliable institutions, and predictable regulatory conditions can make a host location more attractive by reducing uncertainty and transaction costs (Bailey, 2018). Studies of foreign subsidiaries within the European Union show that bureaucracy and labour-market regulation can be significant investment barriers, even in advanced European economies (Forte & Paiva, 2021).

Although EU countries share many of the same market and regulatory foundations, the practical conditions for setting up and running a foreign subsidiary can differ from one country to another. Administrative procedures, labour-market structures, regulatory clarity, and the behavior of public institutions can all create different degrees of difficulty for foreign

investors. Therefore, barriers to foreign investment are not limited to emerging or transition economies, as bureaucracy and labour-market structures can also be relevant barriers in advanced European locations (Forte and Paiva, 2021).

One important aspect of these barriers is the predictability of the institutional environment. Stable political conditions, the rule of law, legal reliability, the enforcement of contracts and the predictability of public administration all reduce the uncertainty that firms face when investing in a new location. The main issue is not political risk, but whether the institutional environment can support the business activity (Bailey, 2018).

A second aspect to consider is the administrative challenges of establishment. Company registration, documentation, local notifications, licensing, and communication with the relevant authorities can all impact the time and effort required to set up a new office. These barriers are especially relevant for smaller units because they may not have internal legal, HR or compliance resources to handle complex local procedures. If the processes are complicated, the documentation is unclear or there is a strong reliance on external advisors, the setup process can become more time-consuming and less predictable. Therefore, it is not only important to consider whether a country is legally open to foreign investment, but also whether establishment is practically manageable (Forte and Paiva, 2021).

A third aspect to consider is regulatory and labour-related barriers. This differs from the discussion of talent in Section 2.3.1, which considered labour-market conditions mainly in terms of skill availability and recruitment feasibility. Here, the focus is on whether employment regulations allow offices to adapt their workforces to changing project needs. Employment protection, rules on termination of employment, collective requirements and administrative obligations can influence how easily an office can hire, organise and adjust its workforce over time. Greater labour-market flexibility has been associated with higher foreign investment, particularly in the service sector (Javorcik and Spatareanu, 2005).

Cultural and operational differences can also be challenging, although they are a minor concern within the EU. While these differences do not necessarily make a location unsuitable, they can affect how smoothly the new office integrates into existing company routines, client communication. Therefore, cultural distance can be considered an informal institutional condition that may increase the complexity of foreign operations (Bailey, 2018).

For the framework, these factors should function as implementation feasibility criteria. This means that positive location factors will be balanced with criteria that identify potential challenges and uncertainties. This will help to identify locations where establishing and operating a new office is not only cost-effective, but also practical.

2.3 Comparative evaluation and decision-support frameworks

As established in the previous sub-chapter, location selection depends on a combination of international expansion logic, location-specific advantages, and factors relevant to KIBS. The remaining question is: how can these factors be compared in a structured and practical way? In reality, location selection is hardly ever a simple choice between clearly better or worse options. More often than not, each location offers a different combination of advantages and disadvantages. For example, a country with attractive labour costs may offer a weaker talent pool or more administrative uncertainty, whereas a more expensive location may provide stronger engineering capabilities, better connectivity, and lower risks.

Decision-support frameworks make it easier to compare different options. They can help to turn location factors into criteria, compare different options based on these criteria and show how different priorities can influence the outcome.

2.3.1 Location selection as a multi-criteria decision

Research on foreign location choice shows that alternatives are not always assessed at a single geographic level. In their review of 153 empirical studies, Nielsen et al. (2017) suggest that firms may adopt a hierarchical approach to location decisions, initially comparing broader regions or countries before moving on to more specific subnational locations, such as regions, municipalities, or cities. This means that the relevant level of analysis can change during the decision-making process. While early comparisons may rely on country-level indicators, later stages require more detailed information on regional or city-level conditions (Nielsen et al., 2017).

The criteria used for such comparisons depend on the activity in question. International expansion involves decisions about where an activity should be located and how it should

be managed. Firms coordinate many activities, including production, services, marketing, finance, R&D, and HR, and the optimal location for these activities can change over time (Buckley and Ghauri, 2015).

Multi-criteria decision-making (MCDM) provides a more comprehensive decision-support logic for this type of problem. MCDM is used to select or rank alternatives based on several criteria, which may conflict with each other or be measured in different units. It also makes the role of weighting transparent, since criteria usually vary in importance to the decision-maker (Taherdoost and Mohebi, 2024). With MCDM, qualitative and quantitative factors can be organised in a single comparison while the criteria used for evaluation are still transparent.

Overall, the literature suggests a staged, multi-criteria approach to location selection. The decision-making process may shift from broader to more specific geographic levels, and the criteria must reflect the activity in question. For this thesis, this provides a basis for translating the previously identified location factors into evaluation criteria and indicators that can support transparent comparisons of alternatives.

2.3.2 Translating location factors into evaluation criteria and indicators

The previous sections identified several factors that could influence the suitability of a new office location. In order to be useful in a decision-support framework, these factors must be translated into criteria and indicators. A factor is a general area of consideration, such as labour-market conditions or institutional feasibility, while a criterion specifies what is being evaluated in the comparison. Indicators are the data or information used to assess each criterion. This follows the basic logic of MCDM, where alternatives are compared and ranked based on defined evaluation criteria (Taherdoost and Mohebi, 2024). For the framework developed in this thesis, this means that each criterion should be specific enough to evaluate and supported by suitable data where possible. For instance, “talent” is too general to function as a criterion on its own but the “supply of engineering graduates”, the “availability of relevant work” “experience” and “language capability” can be evaluated more directly. The same logic applies to cost, business environment and risk-related factors.

A useful example of this translation process is the European IT Nearshoring Index, which was developed by Keller and Zoller-Rydzek (2019). This index compares the attractiveness of European regions for Swiss IT service nearshoring. The authors analyse survey results and expert interviews, to show how location attractiveness can be structured as a weighted comparison across several dimensions. They organised location determinants into five pillars: economic factors, labour factors, institutional factors, social factors and location factors. These pillars are then connected to specific indicators, normalised and weighted to create an overall index. As shown in Figure 1, the index structure moves from the overall evaluation objective to the pillars, questions, and measurable variables.

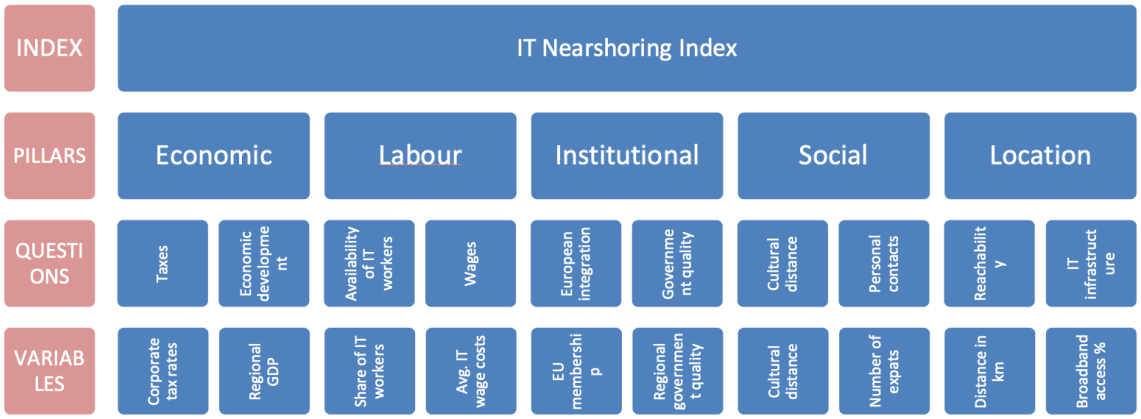

Figure 1: Construction of the IT Nearshoring Index (Keller and Zoller-Rydzek, 2019)

Weighting is part of the translation process because not all criteria are equally relevant. Rather than assuming equal relevance across all dimensions, Keller and Zoller-Rydzek (2019) use survey results and expert interviews to derive the importance of their nearshoring factors.

Indicators also need to match the geographical level. Some indicators are only meaningful at a country level, such as national labour costs, the tax environment, and regulations. Others may only become informative at a regional or city level, such as talent concentration, accessibility, local labour-market depth and service ecosystems. This is consistent with the hierarchical view of location choice, in which broader comparisons are followed by more detailed subnational analyses (Nielsen et al., 2017). Keller and Zoller-Rydzek (2019) also reveal that regional differences can be significant, meaning national averages can hide important differences between specific locations.

The translation from factors to criteria therefore requires structure and simplification. Although MCDM can support comparison across several criteria, the result still depends on how the decision problem is structured, which criteria are selected, and how weights are assigned (Taherdoost and Mohebi, 2024). The framework should therefore use criteria that are specific enough to support comparison but not so detailed that evaluation becomes impractical. Once location factors have been translated into criteria and indicators, the next step is to determine how these can be used to compare alternatives through scoring, weighting, and ranking.

2.3.3 Multi-criteria decision-support methods

Once location factors have been translated into criteria and indicators, the next question is how to compare the alternatives. Although multi-criteria decision-support methods offer different ways to organise this comparison. The quality of the result also depends on how the decision problem is structured, how the criteria are defined, and how the preferences are represented. (Marttunen, Lienert and Belton, 2017).

No single MCDM method is suitable for every decision problem. Different approaches have been developed for purposes such as structuring criteria, deriving weights, calculating values, identifying compromise solutions, and directly comparing alternatives. Therefore, the choice of method should depend on the decision context, the available data, and the required level of transparency and complexity (Marttunen, Lienert and Belton, 2017). For the location-selection problem considered in this thesis, the most relevant approaches fall into four broad categories.

Hierarchy- and network-based approaches

The Analytic Hierarchy Process (AHP) breaks down complex decisions into hierarchies of overall objectives, criteria, sub-criteria, and alternatives. Preferences are determined through pairwise comparisons, which allow the relative importance of the criteria and the performance of the alternatives to be derived systematically. AHP is an applicable method to the location selection. It can combine qualitative and quantitative factors within one structured decision model (Boardman Liu et al., 2008).

The Analytic Network Process (ANP) develops this concept further by incorporating relationships and dependencies between criteria. This can be useful in cases where, for instance, talent availability affects wage levels or institutional conditions influence recruitment feasibility. However, modelling such relationships makes ANP substantially more demanding than a simple hierarchical model (Marttunen, Lienert & Belton, 2017).

Value- and utility-based approaches

Multi-Attribute Value Theory (MAVT) evaluates alternatives by converting performance on individual criteria into value functions. This is useful when the value of an improvement is not linear. For example, a company may consider the difference between two relatively low labour-cost levels to be less important than the difference between an acceptable cost level and one that exceeds an internal threshold. Therefore, MAVT can provide a more nuanced representation of decision preferences; however, defining appropriate value functions requires additional assumptions and input from decision makers (Marttunen, Lienert and Belton, 2017).

Multi-Attribute Utility Theory (MAUT) takes this logic one step further by incorporating uncertainty and attitudes towards risk. It is useful when alternatives need to be evaluated based on uncertain future outcomes and their probabilities. In the context of location selection, for example, this could include uncertain future wage growth or changes in operating conditions.

A simpler value-based approach is the Simple Multi-Attribute Rating Technique (SMART). SMART evaluates alternatives based on criteria assigned relative weights and performance scores. These are then combined to produce an overall result. SMART's strengths lie in its transparent calculation logic, relatively low data requirements, and ease of communication to decision-makers (Taherdoost & Mohebi, 2024).

Ideal-solution and compromise approaches

Both TOPSIS and VIKOR rank alternatives in relation to an ideal solution. TOPSIS identifies the alternative that performs best across the selected criteria while being furthest from the worst possible solution. VIKOR also uses an ideal reference, but places greater emphasis on identifying a compromise solution, as no alternative performs best across every criterion.

Both approaches are useful when several alternatives must be ranked based on indicators measured in different units. For example, Ture, Dogan and Kocak (2019) applied TOPSIS and VIKOR to compare EU countries based on economic, social, educational, innovation and environmental indicators. Their analysis also shows that different MCDM methods can produce different rankings, even when using the same underlying data.

Outranking approaches

ELECTRE and PROMETHEE operate according to a different logic. They compare the alternatives with each other and assess whether one can be considered preferable to another based on the selected criteria. These approaches can be useful when it is important to highlight any significant disadvantages that cannot be fully offset by strong performance in other areas. While ELECTRE uses outranking relations and threshold values to determine whether one alternative is preferable to another, PROMETHEE uses preference functions to evaluate the strength of preference between alternatives (Marttunen, Lienert & Belton, 2017).

Overall, the reviewed methods demonstrate that MCDM can support location selection in different ways. AHP and ANP are particularly useful for structuring complex decision-making problems, while MAVT, MAUT and SMART focus on aggregating preferences and performance. TOPSIS and VIKOR identify alternatives in relation to an ideal or compromise solution, and ELECTRE and PROMETHEE compare alternatives by determining which is better than another. The literature does not point towards one universally superior method. The most appropriate method should be chosen based on the specific decision problem's purpose and structure.

2.3.4 Selection of decision-support logic for the thesis

The method selected for the framework developed in this thesis needs to be both transparent and practical. It should clearly demonstrate how location criteria are structured, weighted and applied, while remaining understandable for management and suitable for comparing a large number of countries.

The reviewed MCDM methods have different advantages, but more complex approaches would add limited value in this context. The staged comparison used in this thesis does not

require the additional assumptions or calculation steps necessary for ANP, MAUT, ELECTRE, PROMETHEE, TOPSIS and VIKOR.

AHP is mainly relevant from a structural perspective, as it shows how a complex decision can be organised into an overall objective, as well as its associated dimensions and criteria. However, AHP is not formally applied in this study since the expert survey uses direct point allocation and not pairwise comparisons. the country comparison follows a weighted additive scoring approach that is consistent with SMART logic. The criteria are weighted by the experts, the indicator values are normalised to a common scale, and the weighted scores are then combined to produce an overall result (Taherdoost and Mohebi, 2024).

2.4 Derivation of location criteria based on literature

The literature reviewed in this chapter shows that the suitability of a location depends on how well its characteristics match the activity to be performed there. Access to suitable talent, a manageable business and institutional environment, and the ability to coordinate activities across locations are also important considerations.

This section aims to summarise these findings and translate them into preliminary location criteria. At this stage, the criteria are based on the literature only. Company-specific requirements, data availability, and expert weighting will be introduced later in the development of the framework.

Based on the literature review, the preliminary criteria have been grouped into four dimensions:

- Talent and labour-market suitability
- Cost and business environment attractiveness
- Risk and institutional feasibility
- Connectivity and strategic fit

These dimensions represent different aspects of location suitability and provide the theoretical basis for the framework developed in Chapter 4.

Talent and labour-market suitability

For KIBS, the relevant labour pool depends on the availability of technical skills, professional experience, language capabilities and the labour market's ability to support recruitment and future growth. Concentrations of skilled labour around universities, specialised firms, and professional networks can strengthen a location. However, competition for the same employees can make recruitment more difficult and increase wage pressure (Müller & Doloreux, 2009; Kottaridi, Louloudi, & Karkalakos, 2019; Manning et al., 2010; Becker et al., 2020).

The identified preliminary criteria for talent and labour-market suitability are as follows:

- availability of technical and engineering-related skills
- strength of the education and STEM pipeline
- availability of experienced professionals
- language and international work capability
- regional concentration of relevant talent
- labour-market competition and wage pressure
- scalability of the talent pool

Together, these criteria help assess whether a location can provide the human resources needed for knowledge-intensive service work, both at the initial establishment stage and over time.

Cost and business environment attractiveness

Cost attractiveness should be understood as the overall effectiveness of operations. While labour costs remain important, they form only one part of the overall cost position. Other factors that can influence the attractiveness of a location include employer costs, office and operating expenses, taxation, local professional services and potential public support. However, these advantages are only beneficial if they can be sustained in stable business conditions (Dunning and Lundan, 2008; Sass and Fifekova, 2011; Schanz, Dinkel and Keller, 2016; OECD, 2024)

The identified preliminary criteria for cost and business environment attractiveness are as follows:

- labour-cost level
- total employer cost
- office and general operating costs;
- availability and cost of local professional services
- tax and fiscal attractiveness
- availability of relevant public support or investment incentives
- predictability of long-term cost conditions

Together, these criteria help assess whether a location can offer a cost-effective and manageable operating environment for knowledge-intensive service work. The to assess whether cost advantages are supported by the broader conditions needed for reliable operation.

Risk and institutional feasibility

The literature review also shows that economic attractiveness alone is not a determining factor in whether a location is practically suitable. Institutional conditions influence the associated uncertainty, administrative effort and regulatory burden of establishing and operating a foreign office. Political and legal stability, reliable institutions and predictable regulation can mitigate this uncertainty, whereas bureaucracy, corruption and restrictive labour market regulations can hinder foreign investment. These differences remain relevant within the European Union (Bailey, 2018; Forte & Paiva, 2021; Javorcik & Spatareanu, 2005).

The identified preliminary criteria for risk and institutional feasibility are as follows:

- political and legal stability
- rule of law and reliability of public institutions
- corruption and integrity risk
- administrative ease of establishment

- regulatory clarity and compliance burden
- labour-law flexibility and employment regulation
- predictability of the operating environment

Together, these criteria help to assess whether it is feasible to establish and operate a business in a location that appears attractive on paper. This dimension therefore acts as a safeguard within the framework, ensuring that positive cost or talent conditions are balanced against institutional risks and practical barriers.

Connectivity and strategic fit

The final dimension relates to the ability of the location to operate effectively within a broader organisational context. For knowledge-intensive and project-based services, this involves establishing connections with headquarters, clients, professional service providers, and knowledge networks. Digital and physical connectivity can support coordination across locations. Proximity, time-zone compatibility, and access to relevant business and knowledge networks can also reduce the practical challenges of cross-border service delivery (Belderbos, Du, & Goerzen, 2017; Peiker et al., 2012; Brodzicki, 2024).

The identified preliminary criteria for connectivity and strategic fit are as follows:

- international transport accessibility
- digital infrastructure and communication reliability
- time-zone compatibility with existing operations
- proximity to key markets, clients or partner regions
- access to local professional and business-service networks
- presence of knowledge networks, universities or innovation ecosystems
- strategic fit with the intended role of the foreign office

These criteria help to assess whether a location can be effectively connected to the wider organisation and support cross-border operations.

Overall, the four dimensions show that the suitability of a location for knowledge-intensive service work cannot be assessed based on one factor alone. Talent, cost, institutional

feasibility and connectivity each represent a different aspect of suitability but are closely connected in practice. The preliminary criteria derived from the literature are summarised in Table 1.

Table 1 Literature-based preliminary location criteria

Dimension	Preliminary criteria	Purpose in the framework
Talent and labour-market suitability	availability of technical and engineering-related skills; strength of the education and STEM pipeline; availability of applied professional and industry/project experience; language and international work capability; regional concentration of relevant talent; labour-market competition and wage pressure; scalability of the talent pool	Assesses whether the location can provide the human resources required for KIBS, both at the initial establishment stage and over time.
Cost and business environment attractiveness	labour-cost level; total employer cost; office and general operating costs; availability and cost of local professional services; tax and fiscal attractiveness; availability and practical relevance of public support or investment incentives; predictability of long-term cost conditions	Assesses whether the location offers a cost-effective and manageable operating environment, where cost advantages are supported by broader business conditions.
Risk and institutional feasibility	political and legal stability; rule of law and reliability of public institutions; corruption and integrity risk; administrative ease of establishment; regulatory clarity and compliance burden; labour-law flexibility and employment regulation; predictability of the operating environment	Assesses whether the location can be established and operated with an acceptable level of uncertainty, administrative effort and institutional risk.
Connectivity and strategic fit	international transport accessibility; digital infrastructure and communication reliability; time-zone compatibility with existing operations; proximity to key markets, clients or partner regions; access to local professional and business-service networks; presence of knowledge networks, universities or innovation ecosystems; strategic fit with the intended role of the foreign office	Assesses whether the location can be effectively integrated into the wider organisation and support cross-border coordination, service delivery and future development.

Table 1 presents the literature-based set of criteria that serves as the foundation for the empirical framework. At this stage, the criteria are still preliminary. They define what should be considered in the location selection process, but not how each criterion should be measured or its level of importance.

Chapter 4 therefore builds on these criteria by incorporating the requirements of the planned office, available data, and expert input. This step translates the theoretical criteria into a practical framework for comparing potential locations.

3 Research design and methodology

This thesis applies a multi-method, company-specific research design to develop and test a location-selection framework for a consulting office. The study combines qualitative and quantitative methods, including a structured literature review, company-specific input, an internal expert survey, external professional consultations, and comparative secondary data.

The research moves from theory to operationalisation and, finally, comparative evaluation. Literature is used to identify relevant location factors, company and expert input determine their importance for the planned office and secondary data compare the location alternatives.

3.1 Data collection and analysis method

This thesis uses a combination of sources to develop and apply the location-selection framework. A literature review provides the theoretical foundation, while company-specific input is used to define the requirements of the planned office. Criterion weights are provided by an internal expert survey, and consultations with external business advisers support the assessment of country-specific operating conditions. Finally, secondary data from European and international databases forms the basis for comparing potential locations.

Table 2 summarises the data sources, their scope and their role in the research.

Table 2 Data collection and application overview

Data source	Scope	Purpose and application
Structured literature review	LUT Primo, Scopus and Web of Science for targeted searches. 111 broad-search and 56 narrow-search records screened.	Identification of location factors, evaluation criteria and decision-support approaches (Chapters 2 and 4).
Company interview	One semi-structured interview with a founder/management representative. Interview guide in Appendix 1.	Definition of the office profile, business objectives, staffing requirements and cost expectations (Chapter 4).
Internal expert survey	Eight respondents from project management, engineering, consulting and management.	Determination of company-specific criterion weights for the country comparison (Chapter 4).
External expert consultations	Two organisations: WTS Klient (Hungary) and Sorainen (Estonia).	Clarification of establishment conditions, taxation and potential public incentives (Chapter 5).
Country-level secondary data	Eurostat, OECD, World Bank, European Commission and Transparency International	Labour-cost screening and weighted comparison of talent, cost and institutional conditions (Chapter 5.1–5.2).
Shortlist and city-level sources	National and regional statistics, investment agencies, university information, salary reports, office-market data and official government sources.	Detailed assessment of labour markets, operating conditions, connectivity and financial feasibility (Chapter 5.3–5.5).

The analysis is divided into two main steps. First, the literature findings are combined with the company's requirements in order to develop the evaluation criteria and indicators. The internal survey then ranks these criteria and indicators according to their relevance.

The internal expert survey was used to determine the relative importance of the location criteria. Eight employees from project management, engineering, consulting and company management backgrounds participated. The respondents allocated 100 points between the four main evaluation dimensions, and separately between the criteria within each dimension. The resulting weights were used in the country-level comparison.

Secondly, the framework is applied through staged comparisons. The analysis begins with labour-cost screening, followed by a weighted, country-level assessment using normalised indicators and the scoring model. Shortlisted countries and cities are then examined in greater detail using additional qualitative and quantitative evidence. This final stage also includes an indicative three-year financial comparison.

Combining these sources makes it possible to adapt the theoretical criteria to the company's needs while maintaining a consistent basis for comparison.

3.2 Review design

This thesis applies a structured literature review to identify, select and summarise previous research relevant to developing a theory-based framework for choosing a suitable location for a new office in the European Union. A structured review was chosen because it supports a transparent and replicable process for gathering and evaluating existing knowledge. This is especially important in business and management research, where reviews often tend to be very broad (Linnenluecke, Marrone and Singh, 2020).

The purpose of the review is to identify the main concepts, factors and decision logics that can support location selection.

3.2.1 Developing search criteria

The search strategy is designed using an adapted SPIDER framework which consists of the following: Sample, Phenomenon of Interest, Design, Evaluation and Research type. SPIDER was selected as it is more suitable for qualitative and mixed-methods research questions than the traditional PICO model, especially when “comparison” and “intervention” are not key elements of the research problem (Cooke, Smith and Booth, 2012).

The SPIDER elements were adapted as follows:

- **Sample:** organisational and locational context
- **Phenomenon of interest:** Selection of a new office location
- **Evaluation:** Key assessment criteria

Both **“design”** and **“research type”** were included in the framework but were not treated as mandatory in the broadest searches because strict method-based filtering could exclude relevant studies that were not clearly labelled in the titles, abstracts or keywords. This approach follows the recommendations of Cooke, Smith and Booth (2012).

Accordingly, the search strategy was designed in two stages. The first layer used the core conceptual blocks of "Sample", "Phenomenon of Interest" and "Evaluation" to identify the most relevant literature. The second layer used "Design" and "Research Type" as refinement elements when broader searches generated too many irrelevant results.

The final SPIDER framework used in the thesis is shown in Table 3.

Table 3: Adapted SPIDER framework for the literature search

SPIDER	Description	Keywords
S (Spider)	Organisational and locational context of the studies	consulting firm*, professional service firm*, KIBS, knowledge-intensive business service*, subsidiar*, branch office*, foreign office*, new office
PI (Phenomenon of Interest)	Location selection for new office expansion	location selection, site selection, location choice, office location, subsidiary location, country selection, city selection, office establishment, international expansion, foreign expansion
D (Design)	Relevant study designs and analytical methods	case stud*, interview*, qualitative, mixed method*, comparative stud*, framework, model, multi-criteria, decision analys*
E (Evaluation)	Criteria used for evaluating the suitability of a location	talent, skilled labor, labour-market, labour-market, labour cost, wage level, business environment, institutional environment, risk*, barrier*, attractiveness, feasibility, evaluation criteria, selection criteria
R (Research Type)	Relevant research types	qualitative, mixed method*, empirical, conceptual, review, systematic review

Based on this framework, searches were formulated using Boolean logic. Broad searches combined the core SPIDER elements (S AND PI AND E), while narrower searches added supportive filters (S AND PI AND E AND (D OR R)). In addition to English-language keyword combinations, selected searches could be conducted in Hungarian by translating the keyword blocks where relevant. However, the Boolean logic itself remained unchanged across databases and only the keyword terms were translated.

The following search query was used for the broad search:

("consulting firm" OR "professional service firm*" OR "KIBS" OR "knowledge-intensive business service*" OR subsidiar* OR "branch office*" OR "foreign office*" OR "new office") AND ("location selection" OR "site selection" OR "location choice" OR "office location" OR "subsidiary location" OR "country selection" OR "city selection"*

OR "office establishment" OR "international expansion" OR "foreign expansion") AND ("talent" OR "skilled labour" OR " labour-market" OR " labour cost" OR "wage level" OR "business environment" OR "institutional environment" OR risk OR barrier* OR attractiveness OR feasibility OR "evaluation criteria" OR "selection criteria")*

The following search query was used for the narrow search:

("consulting firm" OR "professional service firm*" OR "KIBS" OR "knowledge-intensive business service*" OR subsidiar* OR "branch office*" OR "foreign office*" OR "new office") AND ("location selection" OR "site selection" OR "location choice" OR "office location" OR "subsidiary location" OR "country selection" OR "city selection" OR "office establishment" OR "international expansion" OR "foreign expansion") AND ("talent" OR "skilled labour" OR " labour-market" OR " labour cost" OR "wage level" OR "business environment" OR "institutional environment" OR risk* OR barrier* OR attractiveness OR feasibility OR "evaluation criteria" OR "selection criteria") AND ("case stud*" OR interview* OR qualitative OR "mixed method*" OR "comparative stud*" OR framework OR model OR "multi-criteria" OR "decision analys*")*

3.2.2 Selection and categorisation of literature

The literature search was conducted in two stages, using the broad and narrow search strings mentioned above. The main databases used for the review were LUT Primo, Scopus and Business Source Complete. The broad search produced 202 articles and an additional 14 books through LUT Primo. A narrow search produced 70 article results and three additional books. Web of Science was also tested during the search process, but it produced a very high number of results that were not relevant to this thesis. For this reason, Web of Science was not included in the main screening process but was used for targeted follow-up searches to check specific topics.

After the initial searches, any duplicates or clearly irrelevant results were removed in Excel. This left 111 records in the broad search set and 56 in the narrow search, which were then screened at title and abstract level. Each study was classified as "Yes", "Maybe" or "No" based on how directly relevant it was to the thesis aim.

The final literature base was organised into five categories: international expansion and location selection; talent- and employee-related drivers of expansion; service delivery and knowledge-intensive office location factors; barriers, risks, and constraints of expansion; and comparative decision-making and evaluation frameworks. This categorisation helped to structure the theoretical foundation.

4 Development of the location-selection framework

The aim of this chapter is to develop a framework which will be used to compare potential EU locations for the planned office. The literature review revealed that selecting a location cannot be reduced to a simple cost comparison. A suitable location must fit the intended activity, the expected role of the office, and the conditions offered by the host country or city.

Building on the theoretical foundation established in Chapter 2, this chapter translates the key findings of the literature review into a practical decision-support framework. The framework is designed in stages. It begins with a broad, country-level pre-selection, moving towards a more detailed assessment of the most relevant alternatives. This is necessary because, while the thesis initially considers all EU countries, a detailed city-level comparison across the whole EU would be neither realistic nor useful for the scope of this thesis.

The chapter first explains the purpose and development logic of the framework. It then defines the planned office profile and the associated decision requirements. Next, preliminary location criteria are derived from the literature and checked against data availability. The chapter then describes how expert input, weighting and scoring are employed to refine the framework. Finally, the finalised the Case company location-selection framework is presented, which will form the basis of the comparative analysis in Chapter 5.

4.1 Purpose and development of framework logic

The location-selection framework developed in this thesis is a staged process, in which the number of alternatives is gradually reduced as the level of detail increases. The process begins with broad, country-level screening and moves towards a more detailed assessment of the remaining relevant alternatives.

This staged approach serves two purposes. Firstly, it ensures that the scope of the thesis is proportionate and manageable. Secondly, it distinguishes between different decision-making tasks that require different types of information.

Table 4 summarises the resulting framework logic. Each stage has a specific purpose and output, providing the input for the next stage.

Table 4 Staged development logic of the framework

Stage	Purpose	Output
Stage 0: Labour-cost pre-selection	Identify countries that can meet case company's cost objective	Initial list of cost-relevant countries
Stage 1: Data availability check	Make sure that the remaining countries can be assessed on a comparable basis	Feasible country list for detailed comparison
Stage 2: Weighted country comparison	Compare feasible countries	Ranked country comparison and shortlist
Stage 3: Shortlist analysis	Interpret the results behind the scores	Justified shortlist for deeper analysis
Stage 4: City-level refinement	Compare cities within shortlisted countries	City options within shortlisted countries

Stage 0 begins with the pre-selection based on labour costs. Since cost-effectiveness is one of the main reasons for setting up a new EU office, countries with labour costs above an acceptable level should be excluded before the detailed comparison begins. The cost threshold should be defined based on input from the company, because the required cost advantage depends on the business case. At this stage, cost is used as a boundary condition. Countries that pass the threshold remain under consideration, but no conclusion is made yet regarding their overall suitability.

Stage 1 checks whether the countries that remain after the labour-cost pre-selection process can be evaluated using the selected secondary data. The goal is not to determine the attractiveness of the countries, but to guarantee that the next stage is supported by consistent and comparable data. A country would only be removed at this stage if it was missing key indicators or if the indicators were too incomplete to support a useful evaluation. The outcome of this stage is the final set of countries used in the weighted comparison.

Stage 2, the weighted country comparison, is the main analytical stage of the framework. The remaining countries are assessed against criteria based on the planned office profile.

These criteria are organised in an AHP-inspired hierarchy, which allows the decision to be broken down into broader dimensions, criteria, and indicators. The weighting and scoring are based on SMART framework, which is easier to apply with expert input and company judgement. This combination provides structure without making the framework overly technical. AHP supports the organisation of complex location decisions, and SMART offers a more practical scoring logic for multi-criteria comparisons (Liu et al., 2008; Taherdoost & Mohebi, 2024).

Stage 3 interprets the results of the weighted country comparison, creating a justified shortlist. It basically acts as a sense check after the numerical scoring. The goal is to review the reasoning behind the total scores and verify that the shortlist is reliable.

Stage 4 introduces city-level refinement once the country shortlist has been finalised. This makes the framework more realistic and prevents broad city comparisons across the whole EU. As city-level data is more specific and less consistently available than country-level data. Once the most relevant countries have been identified, the analysis can focus on specific location factors such as regional labour pools, the presence of universities, access to airports, local salary differences, office availability, and the local business services environment.

The framework should provide the Case company with a clear explanation of how the shortlisted location options were selected and what compromises were made. These implications form the basis for Chapter 6, in which the establishment roadmap is developed.

4.2 Office profile and decision requirements

The planned EU office is intended to support the Case company's project-based work in a location that is more cost-effective. The founder interview, as documented in the semi-structured interview guide in Appendix 1, indicates that reducing salary costs is the main driver behind the planned expansion. The office would also give the Case company the capacity to take on more projects and support growth with less pressure on liquidity than if it were to expand only in Germany. Therefore, the planned office is closely connected to Case company's need to remain competitive in a changing market environment.

Cost competitiveness plays a central role in the decision-making process. The interview suggests that an advantage in salary costs of around 30% compared with Germany would be the minimum acceptable level, while an advantage of around 50% would be preferable. For the latter framework, this provides a starting point for the initial labour-cost pre-selection on this specific case. Countries that cannot offer a meaningful salary-cost advantage are unlikely to align with the basic business logic of the planned office. However, the financial considerations are not limited to salaries. State support, public incentives, and similar support systems could improve the overall business case, as they would reduce the initial liquidity burden. However, these are considered an additional advantage rather than a strict requirement. A country with very low salary costs may remain relevant even with weaker state support, provided the overall calculation is favorable.

Competition in the market is increasing, so providing high-quality project work alone may no longer be enough to maintain long-term client relationships. Clients now expect an added financial benefit as part of the overall service. Therefore, a lower-cost project support structure could help the Case company to offer more attractive conditions while maintaining the quality and reliability of its work.

The German headquarters will continue to operate as Case company's project management, customer and team management knowledge center. The new EU office will be responsible for operational project work that can be delegated from Germany. During the first phase, a designated person from the German headquarters will lead or coordinate the employees abroad. Employees in the new office will be able to work directly with clients while receiving guidance and support from the relevant person at headquarters. This setup therefore combines local operational execution with continued project and customer leadership from Germany.

The expected staffing profile also provides more information about the type of location that is suitable. The first hires are expected to be senior project managers, followed by project engineers, and then mid-level or junior profiles later on. For project engineers, relevant industry experience is very important. Experience in the automotive, pharmaceutical and medical technology industries would be preferred, although other industry backgrounds may also be acceptable if they fit the project context.

The interview also identified a number of exclusionary conditions. A country would be deemed unsuitable if it experienced very high levels of corruption, weak protection by public institutions, a lack of reliable government or police structures, a crisis, war or extreme financial instability. Attractive conditions for a country include a lower administrative burden, favourable tax conditions, and useful international or trading relationships that could create further opportunities in the future.

4.3 Refinement and operationalisation of literature-based criteria

The previous section defined the planned office profile and the main requirements for the Case company. These requirements provide the company-specific context for the framework. The next step is to connect this context with the preliminary location criteria derived in Chapter 2.5. The purpose of this section is to refine the existing literature-based criteria so that they can be applied specifically to this case.

The criteria identified in Chapter 2.5 are relatively broad and conceptual. In order for the framework to be useful for comparative analysis, these broad criteria must first be translated into a more practical assessment structure.

4.3.1 Refinement of the case specific criteria

The literature-based criteria from Chapter 2.5 can be organised into the following four main dimensions:

- talent and labour-market suitability
- cost and business environment attractiveness
- risk and institutional feasibility
- connectivity and strategic fit

While these dimensions are suitable for the Case company framework, they need to be adapted to the planned office type.

The first dimension, talent and labour-market suitability, is important because the planned office will rely on employees who can carry out knowledge-intensive project work. At first, the relevant talent pool will consist mainly of senior project managers and project engineers, and later on, mid-level and junior profiles. Therefore, the framework should prioritise technical and engineering-related skills, project management capability, relevant professional experience, and the ability to work in an international environment. Language capability and communication reliability are also important because the foreign office will be connected to the German headquarters and may work directly with clients. Furthermore, the location should offer a labour-market that can support future growth, rather than only providing a small number of suitable candidates initially.

The second dimension is cost and business environment attractiveness. Although salary-cost reduction is the main driver behind the planned expansion, it should not be limited to average wages alone. A location can appear attractive based on salary levels alone, but the overall cost position can also be influenced by factors such as employer contributions, taxation, office and recruitment costs, and the availability of local professional services. Public incentives or state support can also strengthen the business case, during the initial setup phase.

The third dimension, risk and institutional feasibility, is important because the cheapest location does not necessarily mean the most suitable one. The framework must consider institutional and operating risks that could affect the feasibility of setting up and running the office. Political and legal stability, the rule of law, corruption risk, administrative burden and employment regulation are all relevant factors here. Some of these factors can be treated as weighted criteria, while others function as exclusionary conditions. Based on the requirements, a country would be deemed unsuitable if it experienced very high levels of corruption, weak protection by public institutions, crisis, war or extreme instability, even if it offered low salary costs.

The fourth dimension, connectivity and strategic fit. As the new office is not expected to become an independent sales center during the initial phase, connectivity is less about immediate access to new customers and more about coordinating effectively with headquarters to support project delivery. Therefore, international transport accessibility, digital infrastructure, time-zone compatibility, and the presence of relevant business service networks are important. At the city or regional level, universities, technical education

institutions, and local knowledge networks may also be relevant as they can support recruitment and the long-term availability of talent.

The refinement of the literature-based criteria is summarised in Table 5 The table shows how the broad dimensions from Chapter 2.5 are translated into criteria that are more directly connected to the Case company office profile.

A criterion was considered if it directly supported the assessment of the planned project office e, helped to distinguish between potential EU locations or represented a condition that could affect the feasibility of establishing it. Some literature-based criteria were narrowed down or combined where they overlapped. For example, talent-related factors were translated into criteria related to technical skills, project-related experience, language capability, and labour-market scalability. Similarly, cost-related factors were refined to salary cost, total employer costs, and operating costs.

Table 5 Refinement of literature-based criteria for the Case company case

Dimension	**Refined CASE COMPANY-specific criteria**
Talent and labour-market suitability	Availability of senior Project Managers
	Availability of Project Engineers
	STEM and engineering education pipeline
	Relevant industry and applied professional experience
	Language skills (Enlish/German)
	Labour-market competition and scalability
Cost and business environment attractiveness	Salary-cost advantage compared with Germany
	Total employer cost
	Operating costs
	Tax conditions
	Public support and investment incentives
	Availability of local professional services
Risk and institutional feasibility	Political, legal and institutional stability
	Corruption and integrity risk
	Administrative burden and regulatory clarity
	Labour-law flexibility and employment regulation
Connectivity and strategic fit	Transport availability
	Universities
	Time-zone compatibility
	Knowledge networks and business-service environment
	Fit with the intended support-office role

The criteria were also considered in terms of data availability. Some can be assessed using comparable country-level indicators, while others are better suited to shortlist analysis or city-level evaluation. The operationalisation of these criteria into measurable indicators is addressed in the following subsection.

4.3.2 Operationalisation of refined criteria

The refined criteria differ in terms of how directly they can be measured. Labour-cost advantages and institutional conditions, for example, can be assessed using relatively direct measures such as hourly labour costs and established governance indicators. Other criteria, particularly the availability of experienced project managers and project engineers, require proxy indicators. This approach follows the general logic outlined by Keller and Zoller-Rydzek (2019), who translate broader location factors into measurable indicators for regional comparison.

Operationalisation requires the differentiation of different types of assessment. Some criteria can be measured relatively directly. Salary-cost advantage, for one, can be evaluated using labour-cost or salary-related data. Political stability and corruption risk can also be estimated using established governance or corruption indicators. These criteria are suitable for the country-level stages of the framework because comparable data is more likely to be available across EU countries.

Other criteria are more difficult to observe directly and therefore require proxy indicators. These include talent criteria, such as the availability of senior project managers or experienced project engineers. These cannot be precisely measured through one official indicator across all EU countries. However, they can be estimated using indicators such as relevant professional employment, technical and engineering occupations, STEM graduates, human resources in science and technology, and labour shortage information. While these proxies do not completely measure the talent criteria, they can provide a defensible basis for comparison.

The operationalisation of a criterion depends on the geographical level at which it can be assessed. Labour costs and tax conditions are suitable for country-level comparisons because they are usually reported at a national level. Other criteria, such as airport accessibility, office

rents and local business service networks, are more useful at a regional or city level. These indicators should therefore only be introduced after a shortlist of countries has been created. This prevents the framework from becoming unnecessarily detailed initially and keeps the comparison proportionate to the staged selection process.

Before the country-level comparison begins, the framework applies a cost-based pre-selection using whole-economy hourly labour costs as a percentage of the German average. This step eliminates countries that do not meet Case company's minimum cost-advantage requirement before the detailed comparison begins. For this step, the latest year with complete EU country coverage will be used. After this pre-selection, the remaining criteria are translated into specific indicators. Table 6 presents the indicators used for the country-level comparison. Table 7 presents the indicators more suitable for the shortlist and city-level assessment.

Table 6 Country-level comparison indicators

Dimension	**Refined criterion**	**Country-level indicator**	**Main source**
Talent and labour-market suitability	Availability of senior Project Managers	Experienced HRST, aged 45-64, as % of employment (proxy)	Eurostat, HRST statistics
	Availability of Project Engineers	ISCO-08 groups 21 and 31 per 1,000 employed persons (proxy)	Eurostat Labour Force Survey
	STEM and technical education pipeline	STEM/technical tertiary graduates per 1,000 people aged 20-29	Eurostat, tertiary graduates in STEM and technical fields
	Relevant industry and applied professional experience	Employment share in industries, relevant to the Case company (Proxy)	Eurostat LFS/SBS, employment by NACE activity
	Labour-market tightness and competition for recruitment	Unemployment rate among tertiary educated people aged 25-74 (proxy)	Unemployment by educational attainment level
Cost and business environment attractiveness	Salary-cost advantage	Average hourly labour cost in NACE M, EUR/hour	Eurostat Structural Business Statistics, personnel costs by activity

	Total employer cost	Non-wage labour costs as % of total labour costs	Eurostat, Labour cost levels
	Business investment and setup-cost environment	Price level index for total investment, EU = 100	Eurostat comparative price-level indices
	Tax conditions	Combined statutory corporate income tax rate	OECD Corporate Tax Statistics
	Availability of professional services	Employment share in NACE M (proxy)	Eurostat Structural Business Statistics, employment by activity
Risk and institutional feasibility	Political, legal and institutional stability	Rule of Law and Political Stability	World Bank, Worldwide Governance Indicators
	Administrative and regulatory quality	Regulatory Quality and Government Effectiveness (proxy)	World Bank, Worldwide Governance Indicators
	Efficiency of digital public administration	Digital public services for businesses score	European Commission, Digital Decade / DESI, Digital Public Services for Businesses
	Corruption and integrity risk	Corruption Perceptions Index score (proxy)	Transparency International, Corruption Perceptions Index
Connectivity and strategic fit	Knowledge networks and business-service environment	Employment in knowledge-intensive activities in business	Eurostat, "Employed persons in knowledge-intensive activities by NACE Rev. 2 activity".

Table 7 Shortlist and city-level indicators

Dimension	Refined criterion	Shortlist / city-level indicator	Main source
Talent and labour-market suitability	Availability of senior Project Managers	Regional HRST and senior PM vacancy check (proxy)	Eurostat regional HRST; EURES/job platforms; recruiter input

	Availability of Project Engineers	Regional engineering employment and vacancy check (proxy)	Eurostat regional employment by NACE; EURES/job platforms; recruiter input
	STEM and technical education pipeline	Engineering/STEM students and graduates in the city/region	ETER database; national statistics; university websites
	Relevant industry and applied professional experience	Local presence of the Case company -relevant industries (proxy)	Eurostat regional NACE data; cluster maps; investment agencies
	Language skills	Local English/German candidate availability (proxy)	Recruiter input; EURES/job platforms; job-board checks
	Labour-market competition and scalability	Vacancies and shortage signals for target roles (proxy)	EURES shortages/surpluses; national employment services
Cost and business environment attractiveness	Local salary level	Salary range for PM and engineering roles	Recruiter input; salary surveys; national wage statistics
	Office and operating costs	Prime/quality office rent and availability	Local data
	Public support and incentives	Incentive potential score for Case company's setup	National/regional investment agencies; EU regional aid maps
	Availability of local professional services	Local legal, payroll, tax, HR and recruitment support (proxy)	Investment agencies; chambers of commerce; provider search
Risk and institutional feasibility	Labour-law and employment setup feasibility	Hiring, probation, dismissal and contract rules	OECD Employment Protection Indicators; local legal review
	Administrative setup burden	Employer registration, tax, payroll and reporting steps	Your Europe business portal; national business portals
Connectivity and strategic fit	Transport accessibility	Airport access, passenger volume and direct connections	Eurostat air-transport data; airport/airline data

	Connectivity to Germany/HQ	Door-to-door travel time to Case company's German base	Airport/railway data; route planners
	Universities and knowledge networks	Relevant universities, research institutes and clusters	ETER database; university websites; cluster organisations
	Fit with intended support-office role	Overall fit with Case company's delegated office model	Internal THE CASE COMPANY assessment; shortlist evidence

After the weighted country-level comparison, the highest-ranked countries are reviewed in terms of their potential for public support and investment incentives. This is a factor that modifies the business case rather than a fully standardised indicator because incentives are highly specific to the country, region, project and company in question. Their relevance depends on conditions such as location, job creation, investment volume, activity type, wage level, training commitments, and implementation timeline. The framework therefore assesses the likelihood of the Case company eligibility, the potential strength of the business case with the support in place, and whether the support scheme is clear and realistic enough to pursue.

Based on this operationalisation, the next subsection defines how the country-level indicators are weighted, normalised and combined into a comparable assessment.

4.4 Criteria and weighting

After the indicators were operationalised, the next step was to determine the importance of each criterion in the country-level comparison. The weighting system is based on Case company's own priorities, and the aim is to translate expert judgement into transparent criterion weights that can be applied in Chapter 5.

The criteria were organised into two levels: the main dimensions and the individual criteria within each dimension. Their importance was determined by a direct point-allocation method, in which respondents distributed 100 points according to their assessment. The normalised indicator scores and the resulting weights were then combined based on the general logic of SMART. This method was chosen as it is transparent and easy for

respondents to understand (van Til et al., 2014; Taherdoost & Mohebi, 2024). The following subsections explain how the survey responses were processed, present the resulting weights, and describe how these weights are used for country comparisons.

4.4.1 Weighting results and final weighting structure

The expert survey resulted in the dimension weights presented in Table 8. The highest original weight was given to cost and business environment attractiveness at 33.57%, followed by talent and labour-market suitability at 27.14%, and risk and institutional feasibility at 26.43%. Connectivity and strategic fit received 12.86%.

Connectivity and strategic fit were transferred to the city-level assessment, the weights of the remaining three dimensions were proportionally adjusted so that they totaled 100%. The resulting country-level weights were 38.52% for cost and business environment, 31.15% for talent and labour market, and 30.33% for risk and institutional feasibility.

Table 8 Dimension weights derived from the expert-input survey

Dimension	**Original survey weight (%)**	**Adjusted country-level weight (%)**
Talent and labour-market suitability	27.14	31.15
Cost and business environment attractiveness	33.57	38.52
Risk and institutional feasibility	26.43	30.33
Connectivity and strategic fit	12.86	Assessed at city level
Total	100.00	100.00

The final criterion weights were calculated by combining the adjusted dimension weights with those assigned to the individual criteria. Table 8 shows the resulting weighting structure for the country-level comparison.

$$Adjusted\ dimention\ weight = \frac{Original\ weight}{87.14} \times 100$$

For example, the adjusted weight of talent and labour-market suitability was calculated in the following way:

$$\frac{27.14}{87.14} \times 100 = 31{,}15\%$$

Using the same calculation, cost and business environment attractiveness received an adjusted country-level weight of 38.52%, while risk and institutional feasibility received 30.33%.

The final weight of each criterion was then calculated by multiplying its weight within the dimension by the adjusted weight of that dimension.

$$Final\ criterion\ weight = \frac{Weight_{within\ dimention}}{100} \times Adjusted\ dimention\ weight$$

For example, the availability of senior project managers was given a weighting of 24.41% within this dimension. Multiplying this by the adjusted talent dimension weight of 31.15% gives a final country-level weight of 7.60%.

$$\frac{24.41}{100} \times 31.15 = 7.6\%$$

The same calculation was applied to all the criteria included in the country-level comparison. The resulting weighting structure is presented in Table 9.

Table 9 Final criterion weights for the country-level comparison

Dimension	**Criterion**	**Within-dimension weight (%)**	**Final country-level weight (%)**
Talent and labour-market suitability	Availability of senior Project Managers	24.41	7.60
	Availability of Project Engineers	24.41	7.60
	STEM and technical education pipeline	16.36	5.10
	Relevant industry and applied professional experience	20.85	6.49
	Labour-market tightness and competition for recruitment	13.97	4.35
Talent subtotal		100.00	31.15
Cost and business environment attractiveness	Salary-cost level	30.00	11.56
	Employer non-wage labour cost	19.38	7.46
	General operating-cost environment	19.38	7.46
	Tax conditions	20.00	7.70
	Availability of professional services	11.25	4.33
Cost subtotal		100.00	38.52

Risk and institutional feasibility	Political, legal and institutional stability	32.50	9.86
	Administrative burden and regulatory clarity	23.13	7.01
	Efficiency of digital public administration	23.13	7.01
	Corruption and integrity risk	21.25	6.44
Risk subtotal		100.00	30.33
Country-level total			100.00

The salary-cost level received the highest individual weighting of 11.56%, followed by political, legal and institutional stability with 9.86%. However, the weights remained relatively balanced across the three main dimensions. These weights form the basis of the country-level comparison in Chapter 5.

4.4.2 Country scoring and comparison

As the indicators are measured in different units, it is not possible to directly combine their original values. While Eurostat ensures that the values within an individual dataset are comparable across countries, this does not make different indicators directly comparable with one another. For example, labour costs are expressed in euros per hour, whereas labour-market indicators are expressed as percentages or the number of people per 1,000 employees. Therefore, the values are converted to a common scale of 0 to 100 before the weights are applied. This follows the approach used by Keller and Zoller-Rydzek (2019) in their European Nearshoring Index, as well as the methodological guidance of the OECD and the European Commission (2008).

Min-max normalisation is used for this purpose. The country with the most favourable observed value is given a score of 100, while the country with the least favourable value is given 0. The remaining countries are placed proportionally between these two points. In this way, indicators with different units become comparable (OECD and European Commission, 2008; Keller and Zoller-Rydzek, 2019).

The calculation depends on the direction of the indicator. For indicators where a higher value is better, the score is calculated as follows:

$$N_i = \frac{x_{ci} - x_{i,min}}{x_{i,max} - x_{i,min}} \times 100$$

For indicators where a lower value is better, the calculation is the opposite:

$$N_i = \frac{x_{i,max} - x_{ci}}{x_{i,max} - x_{i,min}} \times 100$$

In these formulas x_{ci} represents the original value for indicator (i). The values $x_{i,min}$ and $x_{i,max}$ are the lowest and highest values for that indicator among the countries included in the comparison.

The direction of each indicator is defined before the scores are calculated. Higher values are favourable for indicators such as talent availability and institutional quality, and lower values are favourable for indicators such as labour costs and tax rates. After normalisation, a higher score always represents a more favourable result for the Case company.

The normalised scores are relative to the countries included in the analysis. This means that a score of 100 represents the strongest result within the selected countries. The same group of countries is used throughout the country-level comparison so that the results are consistent. The original values are presented alongside the scores in Chapter 5 to make the actual differences between countries visible.

After normalisation, the final score of each country is calculated using the criterion weights established in the previous section. Each score is multiplied by its final weight, after which the weighted scores are added together like so:

$$Final\ country\ score = \sum_{i=1}^{n} \left(\frac{w_i}{100} \times Score_{ci} \right)$$

Here, w_i represents the final weight of criterion i, and n is the total number of criteria included in the comparison. Countries are ranked from the highest to the lowest score.

This calculation follows the weighted scoring logic of SMART, as described in Section 2.4.3. It is a transparent method of combining the indicators and also makes the impact of each criterion visible (Taherdoost and Mohebi, 2024). The overall score is considered together with the results for the individual dimensions and criteria, since countries with similar total scores may have different strengths and weaknesses.

5 Comparative analysis of location options

When selecting a location for CASE COMPANY's planned EU office, several factors must be considered. One location could offer a strong cost advantage but have a limited supply of relevant employees, while another could provide a more favourable business and institutional environment but at a higher operating cost. This chapter aims to systematically compare different locations and identify those that best align with the planned role and requirements of the new office. In doing so, the chapter addresses the third research question, which focuses on how the developed framework can be used to compare EU countries and, where relevant, shortlisted cities.

The analysis shifts from a broad EU-level comparison to a more detailed evaluation of the most relevant options. As the number of potential locations decreases, the analysis becomes more specific. Country-level indicators provide a consistent basis for comparing the wider operating environment. The later shortlist and city-level assessment then allow factors that cannot be properly measured by national averages to be considered in more detail.

5.1 Labour-cost pre-selection of EU countries

The country-level analysis begins with a labour-cost pre-selection, which covers all 27 EU member states. One of the main reasons for setting up a new office in another country is to reduce costs. The founder interview indicated that labour costs should be at least 30% lower than in Germany, while a reduction of around 50% would be preferable. Countries that do not meet this minimum expectation are excluded before the broader location criteria are applied. In this way, the detailed comparison only focuses on alternatives that are consistent with the basic financial purpose of the planned office.

The pre-selection uses the Eurostat 'Labour Cost Levels by NACE Rev. 2 Activity' dataset (LC_LCI_LEV). The selected measure is the hourly labour cost for the Labour Cost Index (D1_D4_MD5), which is expressed in euros. This includes compensation for employees, as well as employment-related taxes and subsidies. This measure therefore provides a more comprehensive picture of the costs that employers face than wages or salaries alone.

Eurostat's labour cost calculations are mainly based on the 2020 Labour Cost Survey and are estimated using the Labour Cost Index. (Eurostat, 2025; Europa.eu, 2019).

In terms of economic activity coverage, the analysis uses the NACE Rev. 2 B-S_X_O classification. This includes industry, construction, and services, but excludes public administration, defense, and compulsory social security. The reference year is 2024. Although Eurostat also provides estimates for 2025, Belgium's value was not released due to unavailable Labour Cost Index data.

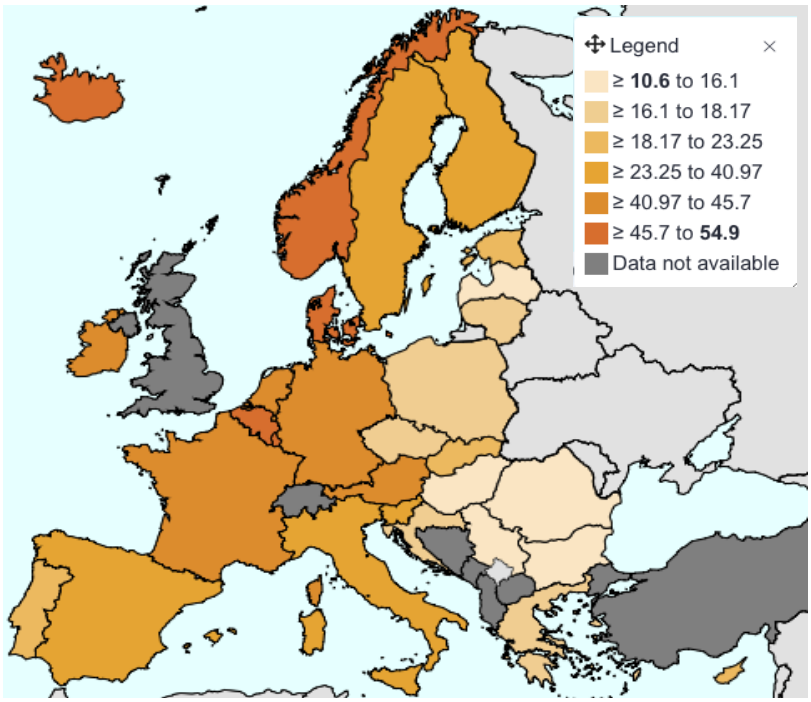

Figure 2 Labour-cost levels across EU Member States, 2024

In 2024, Germany's hourly labour cost was €43.5. Based on this, the maximum cost of meeting CASE COMPANY's minimum expectations is:

$$43.5 \times 0.7 = 30.45$$

The preferred costs would be:

$$43.5 \times 0.5 = 21.75$$

Therefore, countries with hourly labour costs of €30.45 or less meet the minimum requirement. Countries with costs of €21.75 or less also meet the preferred expectation. The labour-cost advantage relative to Germany is calculated as follows:

$$Labour - cost\ advantage = (\ 1 - \frac{Labor\ costs_{Country}}{Labor\ costs_{Germany}}) \times 100$$

Table 9 shows the results for all EU member states. The countries are ordered from lowest to highest hourly labour cost.

Table 10 Pre-selection of labour costs compared with Germany in 2024

Country	**Hourly labour costs (€)**	**Cost advantage**	**Preference**
Bulgaria	10,6	75,6	Preferred
Romania	12,4	71,5	Preferred
Hungary	14	67,8	Preferred
Latvia	15,1	65,3	Preferred
Lithuania	16,3	62,5	Preferred
Croatia	16,5	62,1	Preferred
Greece	16,8	61,4	Preferred
Poland	17,3	60,2	Preferred
Czechia	18,1	58,4	Preferred
Portugal	18,2	58,2	Preferred
Slovakia	18,5	57,5	Preferred
Malta	19,1	56,1	Preferred
Estonia	19,6	54,9	Preferred
Cyprus	21	51,7	Preferred
Spain	25,5	41,4	Minimum
Slovenia	27,1	37,7	Minimum
Italy	31	28,7	No
Finland	37,7	13,3	No
Sweden	40,2	7,6	No
Ireland	42,5	2,3	No
France	43,4	0,2	No
Germany	43,5	0,0	No
Austria	44,3	-1,8	No
Netherlands	45,2	-3,9	No
Belgium	48,2	-10,8	No
Denmark	50,2	-15,4	No
Luxembourg	54,9	-26,2	No

Source: own calculation based on Eurostat, lc_lci_lev, 2024. Frequency: annual; unit: €per hour; labour-cost structure: D1_D4_MD5; NACE Rev. 2 activity: B-S_X_O.

The pre-selection identified 16 countries that met the minimum labour cost expectations. Fourteen of these also have labour costs that are at least 50% lower than in Germany. This group includes Bulgaria, Romania, Hungary, Latvia, Lithuania, Croatia, Greece, Poland, Czechia, Portugal, Slovakia, Malta, Estonia and Cyprus. Spain and Slovenia meet the minimum requirement but are above the preferred target.

Successful completion of Stage 0 does not indicate that a country is overall suitable. It only confirms that the country meets the initial cost requirements. Talent availability, sector-specific labour costs, the business environment, and institutional conditions are assessed in the following stages.

5.2 Data collection and preparation

Following the labour-cost pre-selection process, country-level data were collected for the remaining 16 EU Member States. Data collection was conducted according to the indicator definitions set out in Chapter 4, mainly using harmonised European and international sources. Eurostat was used for the talent, labour-market and cost indicators, while later business environment and institutional indicators were based on data from the OECD, World Bank, European Commission and Transparency International.

The indicators are updated according to different publication schedules. Therefore, using one reference year for the entire comparison would mean relying on older data for several indicators. To avoid this, the latest year with comparable data for all 16 countries was selected for each indicator. Most labour-market indicators used a reference year of 2025, while 2024 was used where newer complete data were not yet available.

5.2.1 Talent and labour-market suitability

The talent and labour-market dimension assesses whether a country has an experienced and skilled workforce, sufficient pool of engineering-related professionals and a continuous supply of graduates with technical qualifications and relevant industrial experience. It also considers the level of competition for employees with a tertiary education. All five indicators

were collected from Eurostat. The selected sources, filters and reference years are presented in Table 11.

Table 11 Data sources and filters for talent and labour-market suitability

Criterion	Indicator	Eurostat source	Selected filters	Year
Availability of senior Project Managers	Experienced technical and knowledge-based talent pool	hrst_st_ncat; supporting labour-force data: lfsa_agan	hrst_st_ncat: annual; PC_ACT; category HRST; ages 35-44 and 45-64; sex total. lfsa_agan: annual; THS_PER; sex total; citizenship total; ages 35-39, 40-44, 45-49, 50-54, 55-59 and 60-64	2025
Availability of Project Engineers	Engineering-related professionals and technicians	lfsa_egai2d	Annual; sex total; age 20-64; ISCO-08 groups OC21, OC31 and TOTAL; unit THS_PER	2025
STEM and technical education pipeline	STEM and technical tertiary graduates	educ_uoe_grad04	Annual; sex total; ISCED levels 5-8; P_THAB	2024
Relevant industry and applied professional experience	Employment in high- and medium-high-technology manufacturing	tsc00011	Annual; sex total; NACE Rev. 2: C_HTC_MH; unit PC_EMP	2025
Labour-market tightness and competition for recruitment	Unemployment among tertiary-educated people	lfsa_urgaed	Annual; sex total; age 20-64; ISCED levels 5-8; unit percentage	2025

Source: own compilation based on Eurostat datasets hrst_st_ncat, lfsa_agan, lfsa_egai2d, educ_uoe_grad04, tsc00011 and lfsa_urgaed

Availability of senior Project Managers

The availability of experienced employees was estimated using Eurostat's Human Resources in Science and Technology (HRST) statistics. The HRST category includes people who have completed tertiary education and/or are employed in scientific or technological occupations. It therefore provides a broad indication of the presence of highly qualified, knowledge-based professionals in the national labour-market.

Seniority is determined by professional experience, responsibility, and the complexity of the role, rather than age alone. However, as directly comparable data on senior project managers is not available, age can be used as a proxy. The 35-64 age range was chosen because people in this group are more likely to have gained significant professional and project experience.

The unit used is the percentage of the active population (PC_ACT). The active population includes employed and unemployed people who are active in the labour-market. Using this unit makes it possible to compare countries of different sizes and shows how strongly HRST professionals are represented within the relevant working population.

Eurostat publishes separate HRST percentages for the 35-44 and 45-64 age groups. Taking a simple average would give the two age groups equal importance, even though their active populations differ. The two percentages were therefore combined using the size of their active populations:

$$HRST_{35-65} = \frac{(p_{35-44)} \times A_{35-44}) + (p_{45-64)} \times A_{45-64})}{A_{35-44} + A_{45-64}}$$

Here, p represents the HRST percentage and A represents the active population of the relevant age group. A higher value indicates a higher proportion of experienced technical and knowledge-based professionals.

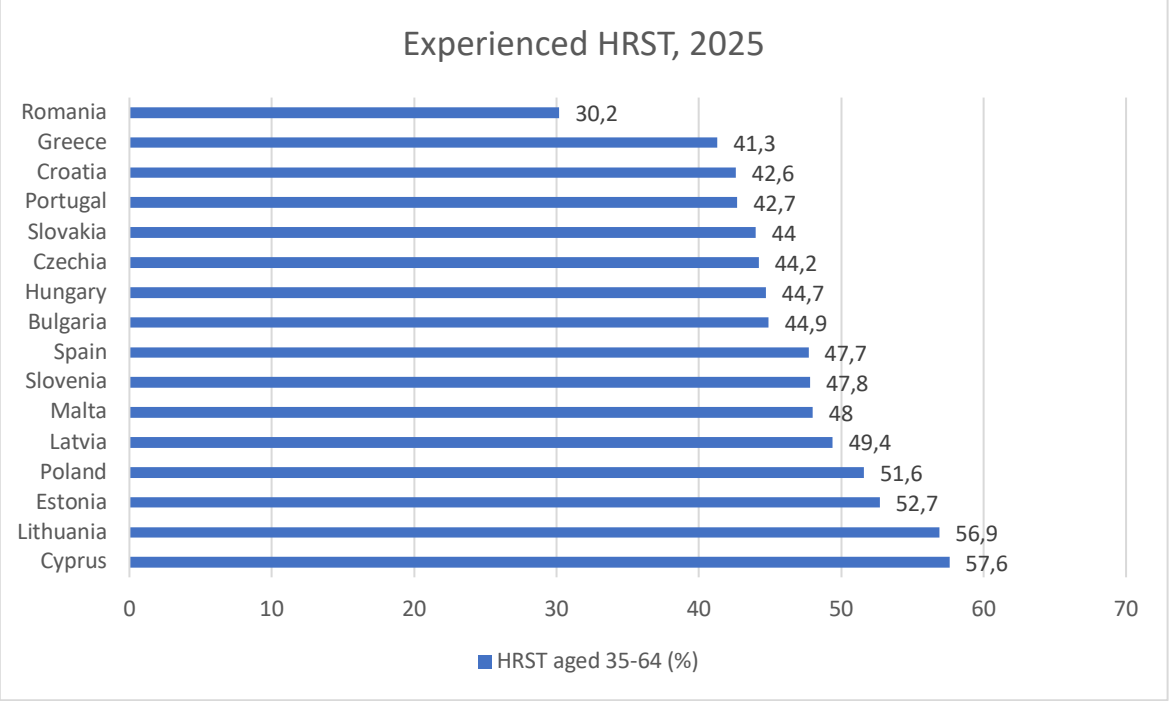

Figure 3 Experienced HRST as a share of the active population aged 35-64, 2025 (%)

Cyprus and Lithuania record the highest shares, at 57.6% and 56.9%, respectively, followed by Estonia at 52.7% and Poland at 51.6%. Romania records the lowest share, at 30.2%.

Availability of Project Engineers

The availability of project engineers and technical project support professionals was assessed based on employment in ISCO-08 groups 21 and 31. Group 21 covers science and engineering professionals, and group 31 covers science and engineering associate professionals. These groups are the closest available match to the technical profiles required. The broad managers category (OC01) was excluded because it includes many unrelated commercial, administrative, retail, and service management occupations, which would weaken the technical focus of the indicator.

The indicator was calculated as follows:

$$Engineering\ retaled\ empoyment\ per\ 1000 = \frac{OC_{21} + OC_{31}}{Total\ employement_{20-64}} \times 1000$$

The results show the number of science and engineering professionals, as well as associate professionals, per 1000 people in employment. The 20-64 age range excludes the youngest workers, who are unable to meet the qualification requirements for these occupations. A higher value indicates that engineering-related work has a stronger presence in the country's employment structure. However, the measure remains a proxy because the two occupational

groups contain some scientific occupations that are not directly relevant to the Case company. It also measures people who are already employed.

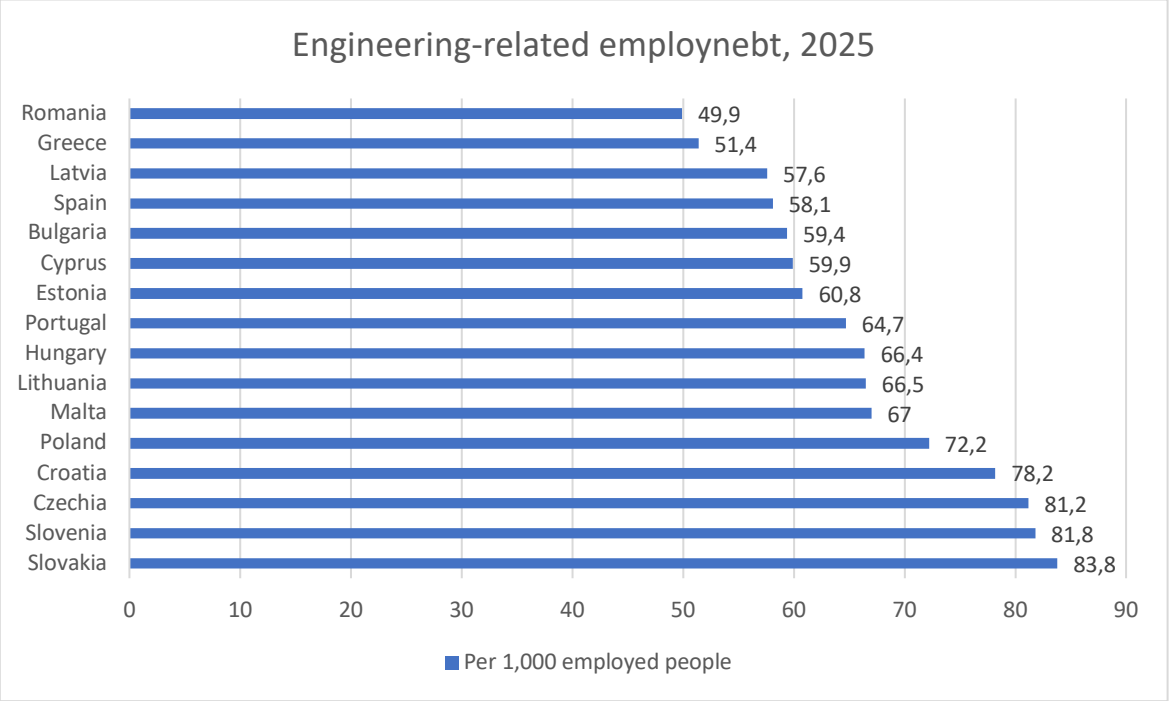

Figure 4 Engineering related professionals and technicians per 1000 employed people aged 20-64, 2025

Slovakia has the highest number of employment at 83.8 per 1000 people, followed by Slovenia at 81.8 and Czechia at 81.2. Romania records the lowest value at 49.9. Croatia and Poland also show relatively strong engineering-related employment structures.

STEM and technical tertiary graduates

The technical education pipeline was measured by the number of graduates in the following fields: natural sciences, mathematics and statistics, information and communication technologies, and engineering, manufacturing and construction. Tertiary education refers to

ISCED levels 5-8, which cover short-cycle tertiary education, as well as bachelor's, master's and doctoral level education.

Eurostat provides this indicator as the number of graduates per 1,000 people aged 20-29. The latest common year for the included countries is 2024. A higher value indicates a stronger annual graduate output relative to the size of the young population.

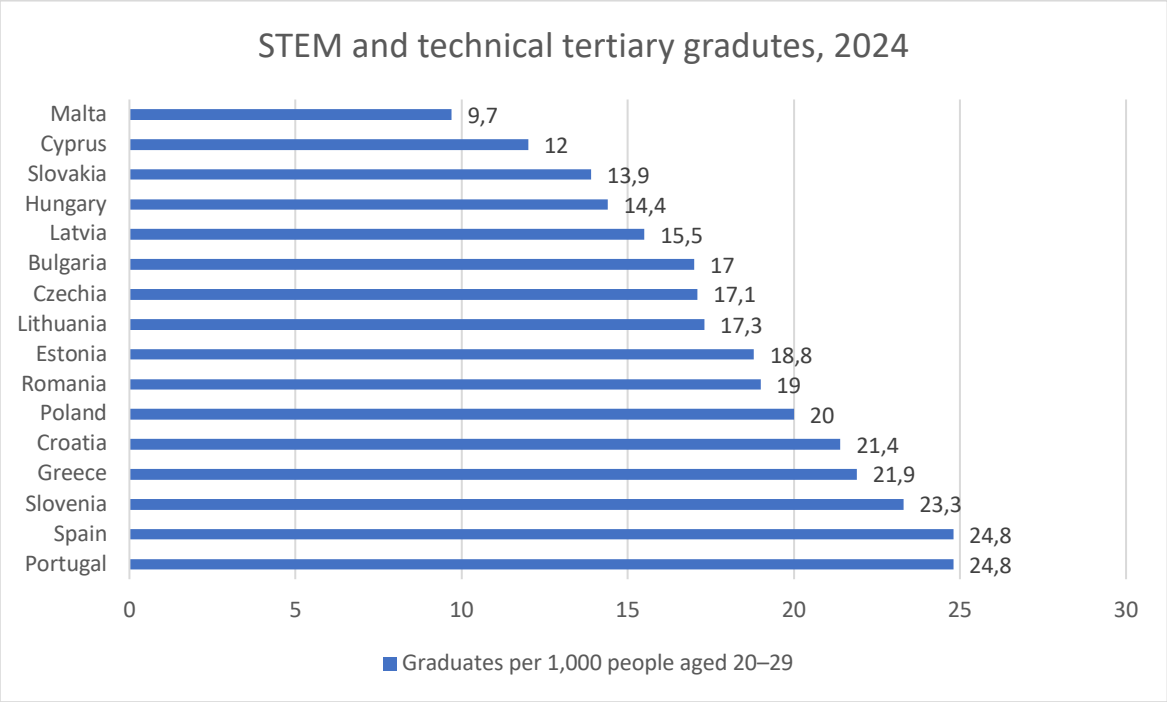

Figure 5 STEM and technical tertiary graduates per 1000 people aged 20-29, 2024

With 24.8 graduates per 1,000 people, Portugal and Spain have the highest graduate output, followed by Slovenia with 23.3. Malta has the lowest value, at 9.7, while Cyprus and Slovakia also record relatively low results.

Employment in high- and medium-high-technology manufacturing

Relevant industrial experience was measured by the share of total employment in high- and medium-high technology manufacturing. Eurostat's NACE Rev. 2 includes the following sectors: pharmaceuticals, chemicals, computer and electronic products, electrical equipment, machinery, motor vehicles, and other transport equipment.

The source value was used directly as a percentage of total employment. The underlying employment population is aged 15-74. A higher share indicates a larger workforce with experience of working in technological manufacturing environments.

This indicator replaces the originally planned calculation based on five separate NACE sectors. That construction produced unavailable or low-reliability observations for several smaller countries, and missing estimates could not be treated as zero. The broader Eurostat aggregate provides complete 2025 coverage for the country set. Its main limitation is that it excludes engineering consultancy, technical testing and most professional-service activities. It should therefore be interpreted as a proxy for technology-intensive industrial exposure rather than a complete measure of applied professional experience.

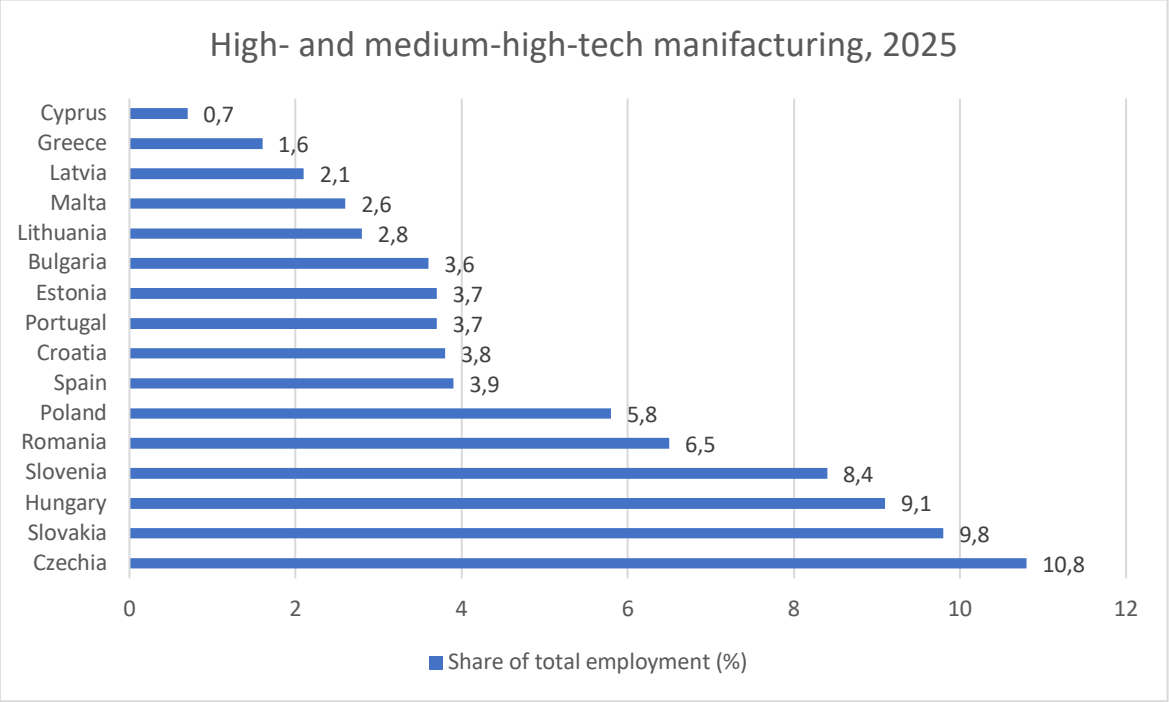

Figure 6 Employment in high- and medium-high-technology manufacturing as a share of total employment, 2025

The highest employment share is in Czechia at 10.8%, followed by Slovakia at 9.8%, Hungary at 9.1%, and Slovenia at 8.4%. With 0.7%, Cyprus is the lowest, followed by Greece with 1.6% and Latvia with 2.1%. The indicator strongly differentiates between countries with well-established technology-intensive manufacturing bases and those with more service-oriented industries.

Unemployment among tertiary-educated people

Labour-market tightness was measured using the unemployment rate among people with a tertiary education aged 20-64. Eurostat's exact age category is "from 20 to 64 years". This age range was chosen to align with the engineering employment indicator and to cover the working-age population relevant to both junior and senior recruitment.

A lower unemployment rate indicates a tighter labour market. Conversely, here, a higher rate is used as a proxy for labour-market slack among people with a tertiary education. While it may suggest recruitment potential, it does not directly measure occupational suitability, language proficiency, willingness to relocate, or the immediate availability of candidates.

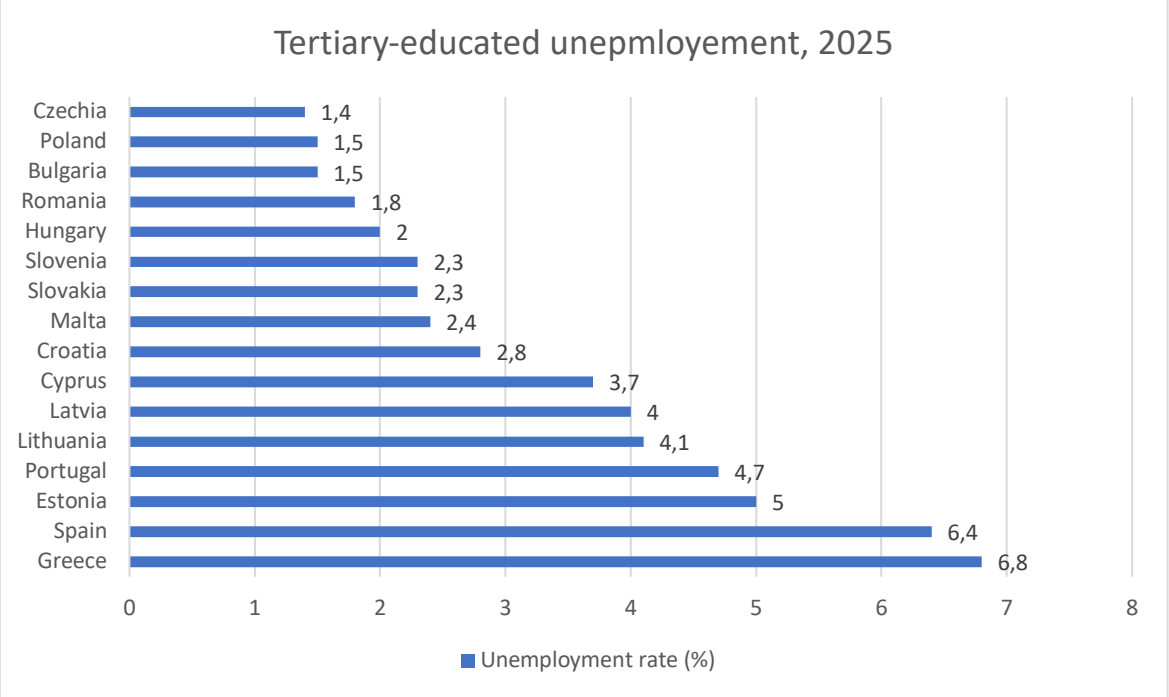

Figure 7 Unemployment rate among tertiary-educated people aged 20-64, 2025

The highest unemployment rates are in Greece and Spain, at 6.8% and 6.4%, followed by Estonia at 5.0% and Portugal at 4.7%. Czechia records the lowest value at 1.4%. Romania, Bulgaria and Poland also have rates below 2%, suggesting strong competition for tertiary-educated labour despite differences in the size and structure of these countries.

Summary of original indicator values

Table 11 shows the values used for normalisation and weighting calculations. No country performs most favourably across all five indicators.

Table 12 Talent and labour-market indicator values for the 16 countries

Country	Experienced HRST aged 35-64 (%)	Engineering-related employment per 1,000	STEM graduates per 1,000	Technology manufacturing (%)	Tertiary unemployment aged 20-64 (%)
Bulgaria	44,9	59,4	17	3,6	1,5
Romania	30,2	49,9	19	6,5	1,8
Hungary	44,7	66,4	14,4	9,1	2
Latvia	49,4	57,6	15,5	2,1	4
Lithuania	56,9	66,5	17,3	2,8	4,1
Croatia	42,6	78,2	21,4	3,8	2,8
Greece	41,3	51,4	21,9	1,6	6,8
Poland	51,6	72,2	20	5,8	1,5
Czechia	**44,2**	**81,2**	**17,1**	**10,8**	**1,4**
Portugal	42,7	64,7	24,8	3,7	4,7
Slovakia	**44**	**83,8**	**13,9**	**9,8**	**2,3**
Malta	47,8	67	9,7	2,6	2,4
Estonia	52,7	60,8	18,8	3,7	5
Cyprus	57,6	59,9	12	0,7	3,7
Spain	47,7	58,1	24,8	3,9	6,4
Slovenia	**48**	**81,8**	**23,3**	**8,4**	**2,3**

Although relative indicators allow countries of different sizes to be compared, they do not show the scale of the national talent pool. Table 13 presents the absolute values as supporting information. These values are not treated as additional indicators and are not given their own weighting.

The size of the experienced, active HRST pool was estimated by multiplying the PC_ACT percentage of each age group by the corresponding active population and then adding the two results together. Engineering employment is the sum of ISCO-08 groups 21 and 31. The graduate count combines Eurostat dataset educ_uoe_grad02's ISCED-F 2013 broad fields 05, 06 and 07. Technology-manufacturing employment is taken from htec_emp_nat2. The number of unemployed people with a tertiary education is estimated as the difference between the tertiary-educated labour force in lfsa_agaed and tertiary-educated employment in lfsa_egaed.

Table 13 Contextual absolute talent-pool values, per 1000 persons

Country	Experienced active HRST aged 35-64	Engineering professionals and technicians employed	Annual STEM and technical graduates	High- and medium-high-tech manufacturing employment	Tertiary-educated unemployed aged 20-64
Bulgaria	1034,9	166,4	9,4	104	16,9
Romania	1822,8	378,5	37,1	500,9	32,8
Hungary	1549,9	299,5	15,4	422,8	30,7
Latvia	324,9	47,3	2,7	18,5	14,9
Lithuania	607,7	92	5,1	40,9	31,5
Croatia	526,2	129,6	9,1	64,1	16,9
Greece	1411,7	214,6	22,9	67,4	116,7
Poland	6406,1	1202,1	76,3	998,8	111,5
Czechia	1738,4	408,8	18,1	564,6	20,4
Portugal	1643,5	323,4	28,3	196	88,9
Slovakia	878	212,4	7,8	254,4	19,2
Malta	96,9	21,3	0,8	8,7	3,2
Estonia	262,6	38,9	2,5	25,8	14,4
Cyprus	201,1	28,8	1,4	3,6	9,9
Spain	8451,9	1256	129,7	867,4	700,4
Slovenia	355,8	79,0	5.8	86,9	5,9

As shown in Table 13, Spain and Poland have the largest pools of engineering professionals, with approximately 1.26 and 1.20 million employed science and engineering professionals and associate professionals. They also have the largest annual technical graduate flows within their respective countries. Poland has the largest technology-manufacturing workforce, with around 998,800 people employed in this sector, followed by Spain with around 867,400 people. These absolute values provide important context to the relative comparison, showing the actual size of the national talent pools.

Table 12 also shows why the relative and absolute data should be analysed together. Although Romania records the lowest relative HRST and engineering concentrations, its larger labour market still contains around 1.82 million experienced active HRST and 378,500 engineering-related professionals and technicians. On the other hand, Slovenia performs strongly on the relative indicators but has substantially smaller national talent

pools. The absolute values therefore provide useful context for recruitment scale, while the relative values show the concentration of relevant skills within each labour market.

Normalised and weighted talent results

Each indicator was normalised using the following min-max method, explained in chapter 4.4.3.

For indicators where a higher value is better:

$$N_i = \frac{x_{ci} - x_{i,min}}{x_{i,max} - x_{i,min}} \times 100$$

For indicators where a lower value is better:

$$N_i = \frac{x_{i,max} - x_{ci}}{x_{i,max} - x_{i,min}} \times 100$$

The talent-dimension score was then calculated using the within-dimension weights established earlier:

$$\mathrm{T} = 0.2441N_{HRST} + 0.2441N_{ENG} + 0.1636N_{STEM} + 0.2085N_{TECH} + 0.1397N_{UNE}$$

The resulting score has a maximum of 100 within the talent dimension. The results are shown in Table 14.

Table 14 Normalised and weighted results for talent and labour-market suitability

Rank	Country	Experienced HRST	Engineering employment	STEM graduates	Technology manufacturing	Tertiary unemployment	Weighted talent score
1	Slovenia	64,89	94,13	90,07	76,24	16,67	71,78
2	Czechia	51,11	92,55	49,01	100,00	0,00	63,93
3	Slovakia	50,18	100,00	27,81	90,10	16,67	62,32
4	Spain	63,74	24,23	100,00	31,68	92,59	57,37
5	Poland	77,93	65,93	68,21	50,50	1,85	57,06
6	Lithuania	97,17	48,98	50,33	20,79	50,00	55,23
7	Croatia	45,27	83,49	77,48	30,69	25,93	54,13
8	Estonia	81,89	32,04	60,26	29,70	66,67	53,18
9	Portugal	45,53	43,63	100,00	29,70	61,11	52,86

10	Hungary	53,03	48,60	31,13	83,17	11,11	48,79
11	Cyprus	100,00	29,40	15,23	0,00	42,59	40,03
12	Greece	40,34	4,28	80,79	8,91	100,00	39,94
13	Latvia	70,04	22,64	38,41	13,86	48,15	38,52
14	Malta	64,13	50,56	0,00	18,81	18,52	34,50
15	Bulgaria	53,58	28,03	48,34	28,71	1,85	34,08
16	Romania	0,00	0,00	61,59	57,43	7,41	23,08

Slovenia had the strongest overall talent result, with a score of 71.78. These results are due to its strong engineering sector, high graduate output and substantial technology and manufacturing industries. Czechia and Slovakia follow, primarily due to their engineering and industrial employment structures. However, their low tertiary unemployment scores indicate tight recruitment conditions.

Spain and Poland achieve similar overall talent scores, but with different strengths. Spain has strong graduate output and greater labour-market flexibility, while Poland has a high share of experienced HRST and stronger engineering and industrial employment. The data also show that both countries have very large national talent pools. Lithuania ranks sixth due to its strong HRST result and more favourable tertiary unemployment rate, despite having more limited engineering and industrial talent.

The results also show the limitations of relative rankings. Romania ranks last in terms of talent because of its low HRST and engineering concentrations. However, its absolute engineering and industrial talent pools are larger than those of several higher-ranked countries. Slovenia shows the opposite: it has the strongest relative talent profile, but a much smaller national talent pool. Therefore, the normalised score should be interpreted alongside the absolute values.

5.2.2 Cost and business-environment attractiveness

The cost and business environment dimension evaluates whether the planned office would be able to operate with a clear cost advantage while still having access to the necessary services for set-up and day-to-day operations. Five indicators are used: wages and salaries

in professional, scientific, and technical activities. The five indicators, the selected sources, filters and reference year are presented in Table 15. All indicators use data from 2025.

Table 15 Data sources and filters for cost and business-environment attractiveness

Criterion	Indicator	Source	Selected filters	Year
Salary-cost level	Hourly wages and salaries in NACE M	Eurostat lc_lci_lev	Annual; euro per hour; D11 wages and salaries; NACE M professional, scientific and technical activities	2025
Employer non-wage labour cost	Share of non-wage costs in total labour costs	Eurostat lc_lci_lev	Annual; D2-D4_MD5_RAT; NACE B-S_X_O, excluding public administration, defence and compulsory social security	2025
General operating-cost environment	Price-level index for gross fixed capital formation	Eurostat prc_ppp_ind_1	Annual; PLI, EU27_2020=100; analytical category gross fixed capital formation	2025
Tax conditions	Combined statutory corporate income tax rate	OECD Corporate Income Tax Rates Database; Cyprus supplement	Annual; statutory; combined central and sub-central government; percentage of taxable income	2025
Availability of professional services	NACE M employment as a share of total employment	Eurostat lfsa_egan2	Annual; thousand persons; sex total; age 20-64; NACE M and TOTAL	2025

Source: Eurostat lc_lci_lev, Eurostat prc_ppp_ind_1, Eurostat lfsa_egan2, and the OECD Corporate Income Tax Rates Database

Salary-cost level

The salary cost criterion was measured using hourly wages and salaries in the NACE M sector (professional, scientific and technical activities). This classification includes activities include management consultancy, architecture, engineering, technology, and research and development.

Only the wages-and-salaries component (D11) was used. Total hourly labour cost was not selected as it also contains employer non-wage costs, which are assessed separately in the next criterion. This avoids counting the same employer cost component the Case company. Lower hourly wages are treated as more favourable.

Bulgaria has the lowest NACE M wage level at €15.8 per hour, followed by Slovakia at €17.5, Greece at €17.7, Romania at €18.3, and Hungary at €18.5. Slovenia has the highest value within the 16 countries sample at €31.1 per hour. Even after the initial cost screening, the differences are significant, showing that a country can pass Stage 0 but still have comparatively expensive professional services salaries.

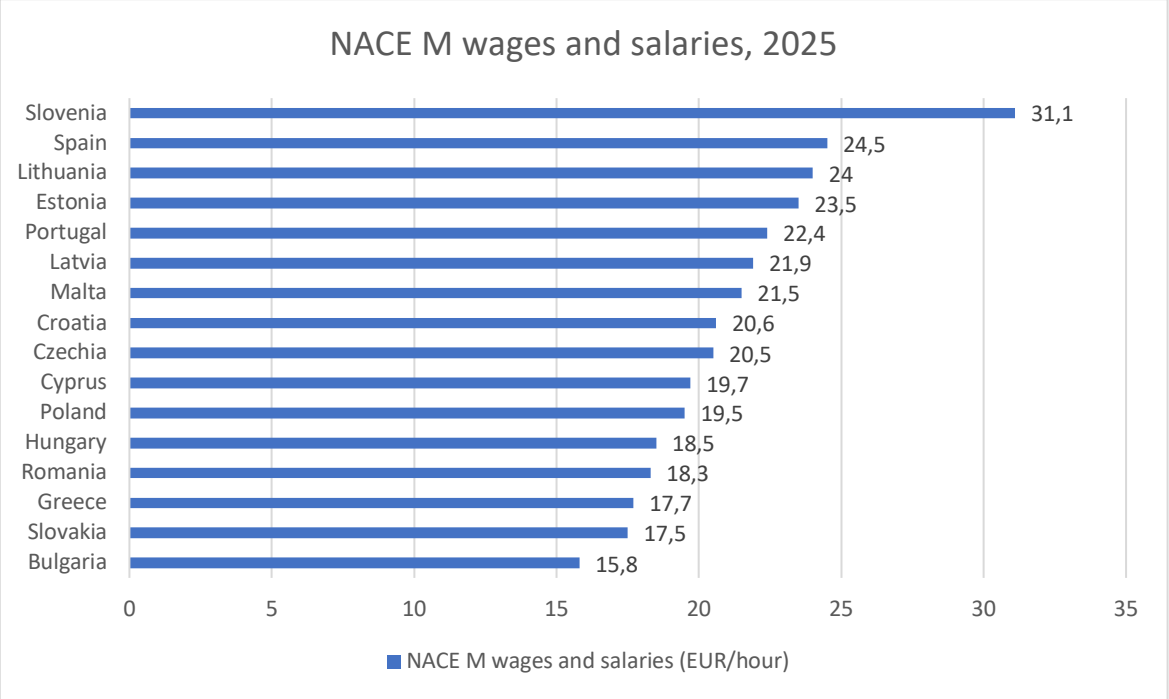

Figure 8 Hourly wages and salaries in professional, scientific and technical activities, 2025 (EUR/hour)

The indicator is a sector-level proxy. NACE M covers legal, accounting, advertising, veterinary and other professional services, as well as consultancy and engineering. It does not distinguish between project managers and project engineers or between senior and junior roles, but it is the closest estimate.

Employer non-wage labour costs

Employer non-wage labour costs include social contributions and employment-related taxes paid by employers, minus any subsidies received. This indicator uses the Eurostat component D12_D4_MD5 to measure labour costs other than wages and salaries, expressed in euros per hour. Therefore, it measures the additional hourly amount paid by the employer, rather than the proportion of total labour costs that are not wages or salaries. A lower value is considered more favourable.

Employer non-wage labour costs include social contributions and employment-related taxes paid by employers, minus any subsidies received. This indicator uses the percentage share of total labour costs rather than an absolute amount per hour in euros. The Eurostat filters are lc_lci_lev, D2-D4_MD5_RAT, B-S_X_O and 2025.

Romania has the lowest non-wage labour cost share at 4.8%, followed by Lithuania at 5.5% and Malta at 5.8%. Hungary also records a comparatively low share of 13.7%. The highest shares are observed in Slovakia (28.6%), Spain (26.2%), Estonia (25.6%) and the Czech Republic (24.5%). A lower share is considered more favourable in terms of costs.

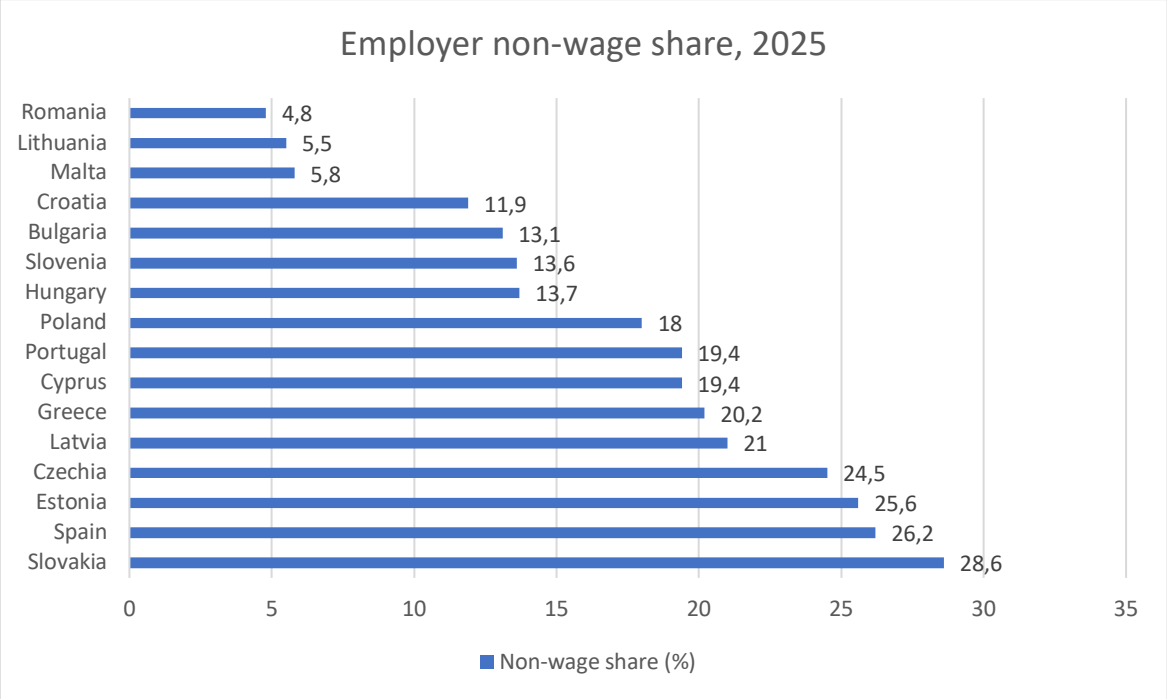

Figure 9 Employer non-wage costs as a share of total labour costs, 2025 (%)

General operating cost environment

The general operating cost criterion was measured using Eurostat's price level index for gross fixed capital formation. This index compares the cost of investments across countries against an EU average of 100. Gross fixed capital formation covers construction, machinery, equipment, software, and other investment products. A value below 100 indicates that the cost of the relevant investment assets is lower than the EU average, with lower values being considered more favourable.

The lowest price-level index in the sample is recorded by Croatia, at 73.2, followed by Romania at 75.8 and Hungary at 78.3. Malta has the highest value at 93.8, while Spain,

Cyprus and Greece also have relatively high values within the selected group. All 16 countries remain below the EU reference level of 100.

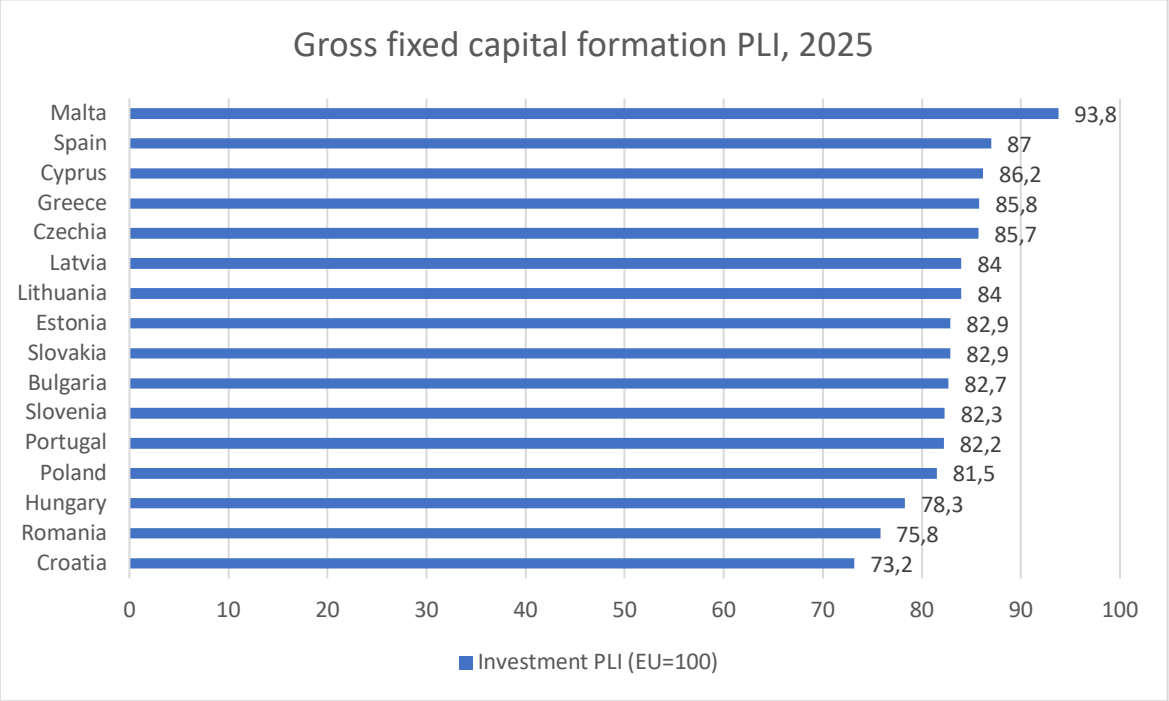

Figure 10 Price-level index for gross fixed capital formation, 2025

This indicator is a proxy for setup and investment costs rather than a direct measure of the recurring costs of a small consulting office. It is strongly influenced by construction and investment goods, but does not directly capture office rent, utilities, co-working space, local travel or service fees. These costs can be examined only at city level.

Tax conditions

Tax conditions were assessed using the combined statutory corporate income tax rate, including central and, where applicable, sub-central corporate taxation. The indicator provides a comparable screening measure but does not capture the tax base, credits, local business taxes or special regimes.

The lowest statutory rate is in Hungary at 9%, followed by Bulgaria at 10% and Cyprus at 12.5%. Romania and Lithuania both have a rate of 16%, while Malta has the highest rate at 35%, followed by Portugal at 30.5%. The tax indicator contributes strongly to Hungary and Bulgaria's cost structures.

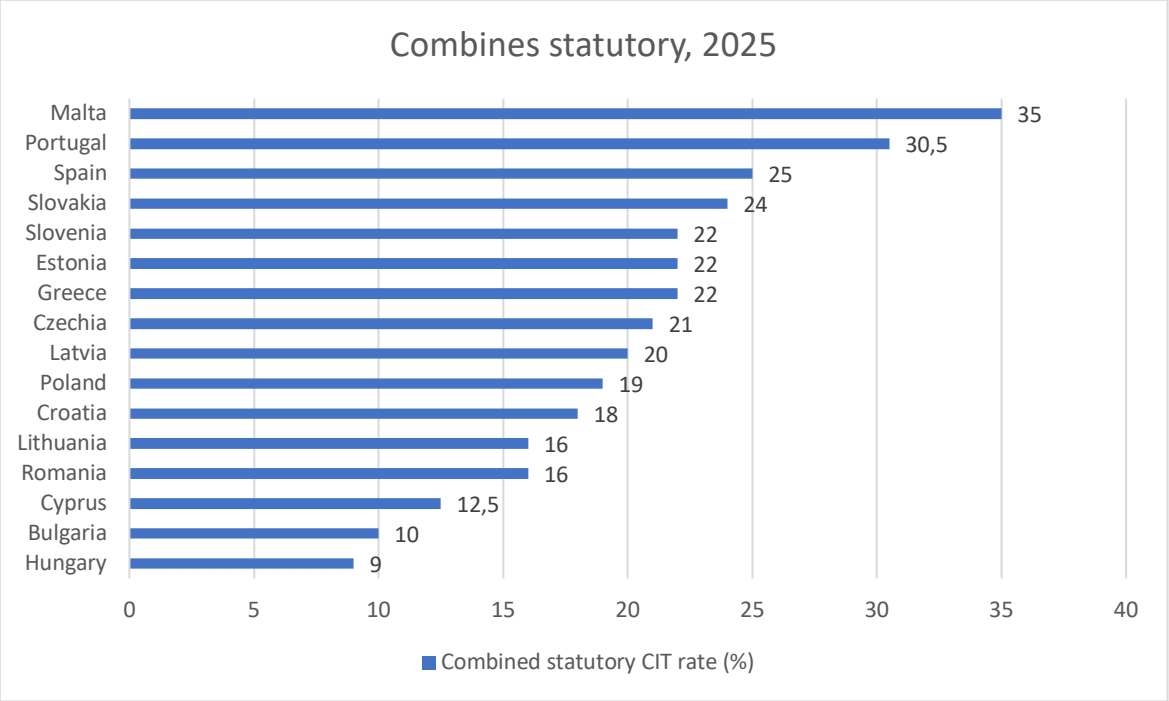

Figure 11 Combined statutory corporate income tax rate, 2025

The statutory rate is a screening indicator only and does not represent the Case company's effective tax burden. Estonia taxes distributed rather than retained profits, while Hungary's headline 9% rate excludes local business tax. The complete tax implications must therefore be assessed separately for the shortlisted countries and for the intended legal and operating model.

Availability of professional services

The availability of professional services was estimated based on the proportion of people aged 20-64 who were employed in NACE M, which includes legal and accounting activities, management consultancy, engineering, technical testing, research and development, and other professional services. The indicator was calculated as follows:

$$Professional\ services\ share = \frac{NACE\ M\ employment}{total\ employment\ aged\ 20-65} \times 100$$

A higher share indicates a stronger presence of professional, scientific and technical work in the national employment structure. Cyprus has the highest share at 8.40%, followed by Greece at 7.27%, Slovenia at 6.54%, and Lithuania at 6.23%. Romania has the lowest share at 2.99%, followed by Slovakia at 3.65%.

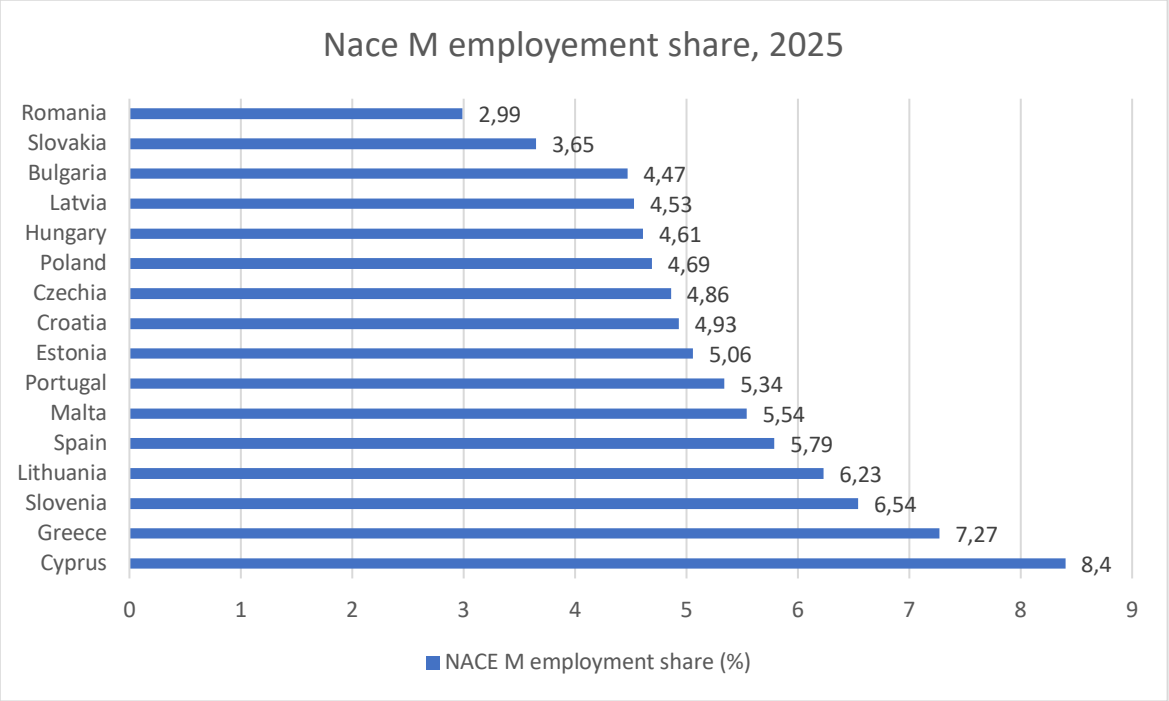

Figure 12 Employment in professional, scientific and technical activities as a share of total employment aged 20-64, 2025 (%)

Relative shares do not indicate the size of the service market. Spain has around 1.25 million employees in the NACE M sector, while Poland has approximately 780,900. Despite its leading relative share, Cyprus has only around 40,400. Romania has the lowest relative result, but its NACE M workforce still numbers around 226,900. The absolute values are therefore included in Table 16 for context, but are not given separate weighting, as this would introduce an additional size-based preference without expert-derived weighting.

Summary of original indicator values

Table 16 shows the original values used for normalisation. The share of professional services was calculated from unrounded employment values. NACE M employment is shown in thousands of persons for contextual purposes and is not included in the weighted score.

Table 16 Cost and business-environment indicator values for the 16 countries

Country	NACE M wages	Employer non-wage share (%)	Investment PLI	Combined CIT	NACE M employment share	NACE M employment
	(EUR/hour)	(%)	(EU=100)	(%)	(%)	(thousand)
Bulgaria	15,8	13,1	82,7	10	4,47	125,3
Romania	18,3	4,8	75,8	16	2,99	226,9
Hungary	18,5	13,7	78,3	9	4,61	208

Latvia	21,9	21,0	84	20	4,53	37,2
Lithuania	24	5,5	84	16	6,23	86,2
Croatia	20,6	11,9	73,2	18	4,93	81,7
Greece	17,7	20,2	85,8	22	7,27	303,4
Poland	19,5	18,0	81,5	19	4,69	780,9
Czechia	20,5	24,5	85,7	21	4,86	244,3
Portugal	22,4	19,4	82,2	30,5	5,34	266,7
Slovakia	17,5	28,6	82,9	24	3,65	92,5
Malta	21,5	5,8	93,8	35	5,54	17,6
Estonia	23,5	25,6	82,9	22	5,06	32,4
Cyprus	19,7	19,4	86,2	12,5*	8,4	40,4
Spain	24,5	26,2	87	25	5,79	1,251,2
Slovenia	31,1	13,6	82,3	22	6,54	63,2

Normalised and weighted cost results

Table 17 Normalised and weighted results for cost and business-environment attractiveness

Rank	Country	Salary	Non-wage	Operating cost	Tax	Professional services	Cost score	Contribution
1	Romania	83,66	100,00	87,38	73,08	0,00	76,02	29,28
2	Bulgaria	100,00	65,13	53,88	96,15	27,38	75,37	29,03
3	Hungary	82,35	62,61	75,24	100,00	29,89	74,78	28,80
4	Croatia	68,63	70,17	100,00	65,38	35,78	70,66	27,22
5	Cyprus	74,51	38,66	36,89	86,54	100,00	65,55	25,25
6	Lithuania	46,41	97,06	47,57	73,08	59,88	63,30	24,38
7	Greece	87,58	35,29	38,83	50,00	79,00	59,52	22,93
8	Poland	75,82	44,54	59,71	61,54	31,42	58,79	22,64
9	Latvia	60,13	31,93	47,57	57,69	28,41	48,18	18,56
10	Slovakia	88,89	0,00	52,91	42,31	12,10	46,74	18,00
11	Czechia	69,28	17,23	39,32	53,85	34,43	46,38	17,87
12	Portugal	56,86	38,66	56,31	17,31	43,31	43,79	16,87
13	Malta	62,75	95,80	0,00	0,00	47,09	42,68	16,44
14	Estonia	49,67	12,61	52,91	50,00	38,26	41,90	16,14
15	Slovenia	0,00	63,03	55,83	50,00	65,63	40,41	15,57
16	Spain	43,14	10,08	33,01	38,46	51,74	34,80	13,41

Interpretation and cost-dimension conclusion

Romania ranks first in the cost dimension with 76.02 points, closely followed by Bulgaria (75.37) and Hungary.

Romania's top position is due to its low employer non-wage share and second-lowest investment price level. Bulgaria has the lowest NACE M wage level, a low statutory tax rate, and a comparatively low non-wage share. Hungary ranks third due to its low wage level, the lowest statutory tax rate, and a favourable non-wage share.

At this level, the indicator is used for a general comparison and will be combined with an analysis of city-level salary, rent, tax and legal structure.

5.2.3 Risk and institutional feasibility

The risk and institutional feasibility dimension evaluate whether the national operating environment is sufficiently stable, predictable and transparent to support a foreign office. It includes four criteria: political, legal and institutional stability, administrative and regulatory quality, digital public administration, and corruption and integrity risk. The first two indicators are derived from the World Bank's Worldwide Governance Indicators (WGI), while the latter two are based on the European Commission's eGovernment Benchmark and Transparency International's Corruption Perceptions Index (CPI). All four indicators are measured on a scale of 0-100, with higher values indicating a more favourable environment. Table 18 summarises the sources, construction and reference years.

The reference years differ because the latest complete WGI observation is from 2024, although this was published in the 2025 edition. The digital public service and CPI observations are based on data from 2025. All sources provide full coverage of the 16.

Table 18 Data sources and construction for risk and institutional feasibility

Criterion	Indicator	Source	Selected fields and construction	Year
Political, legal and institutional stability	Average of Political Stability and Rule of Law	World Bank WGI, 2025 revision	Sheets pv and rl; Governance score (0-100); arithmetic mean of the two components	2024

Administrative burden and regulatory clarity	Average of Regulatory Quality and Government Effectiveness	World Bank WGI, 2025 revision	Sheets rq and ge; Governance score (0-100); arithmetic mean of the two components	2024
Efficiency of digital public administration	Digital public services for businesses	European Commission eGovernment Benchmark 2026	Machine-readable file; year 2025; variable DD_Bus; breakdown EGOV_LIFE_EVENTS; unit eGov_score	2025
Corruption and integrity risk	Corruption Perceptions Index score	Transparency International CPI 2025	Sheet CPI2025; CPI 2025 score; published value used directly	2025

Source: World Bank's Worldwide Governance Indicators, the European Commission's eGovernment Benchmark 2026 and Transparency International's Corruption Perceptions Index (CPI) 2025.

Political, legal and institutional stability

Political, legal and institutional stability was constructed from the WGI's Political Stability and Absence of Violence/Terrorism and Rule of Law dimensions. Political stability reflects the perception of how likely it is that a government could be destabilised or removed through unconstitutional or violent means. Rule of law reflects confidence in, and compliance with, the rules of society, including contract enforcement, property rights, the police, and the courts. Together, these dimensions offer a comprehensive view of conditions relevant to a foreign office, providing insight into the continuity of the wider political environment and the reliability of the legal framework in daily business activity.

The 2025 WGI revision publishes an absolute governance score ranging from 0 to 100. As both components use the same scale and no separate expert weights were assigned to them, they were combined by taking their average.

$$Stability = \frac{Political\ stability + Rule\ of\ Law}{2}$$

Lithuania has the highest combined stability value at 81.28, followed by Estonia at 80.20 and then Czechia at 79.95. Latvia, Slovenia and Portugal also achieved values above 75. Bulgaria has the lowest score in the sample, at 61.48, followed by Greece at 65.19 and Romania at 65.98.

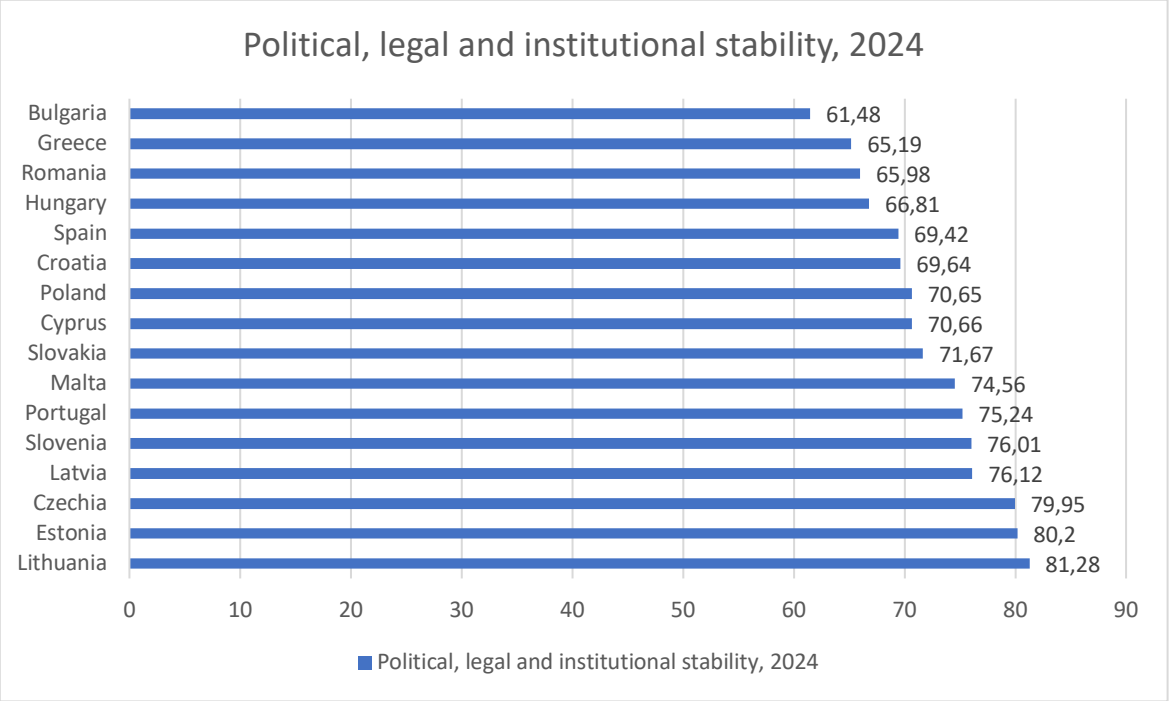

Figure 13 Political, legal and institutional stability scores, 2024

WGI values are estimates based on perceptions. The World Bank publishes standard errors and 90% confidence intervals and recommends not over-interpreting small differences when the ranges of uncertainty overlap.

Administrative burden and regulatory clarity

The administrative and regulatory criterion combines the WGI dimensions of regulatory quality and government effectiveness. Regulatory Quality measures how well the government is perceived to be able to formulate and implement policies and regulations that support private-sector activity. Government Effectiveness covers the quality of public services and the civil service, policy formulation and implementation, and government credibility. Together, these two dimensions indicate whether firms can expect a capable and comparatively predictable administrative environment.

The two dimensions were averaged before normalisation.

$$Administration = \frac{Rugulatory\ Quality + Goverment\ Effectiveness}{2}$$

Estonia records the highest combined value, at 76.73, followed by Lithuania at 74.97 and Czechia at 74.26. Slovenia, Latvia and Spain form the next group, with values between 68.80

and 69.99. Bulgaria has the lowest value, at 55.79, followed by Greece at 58.74, Romania at 60.19.

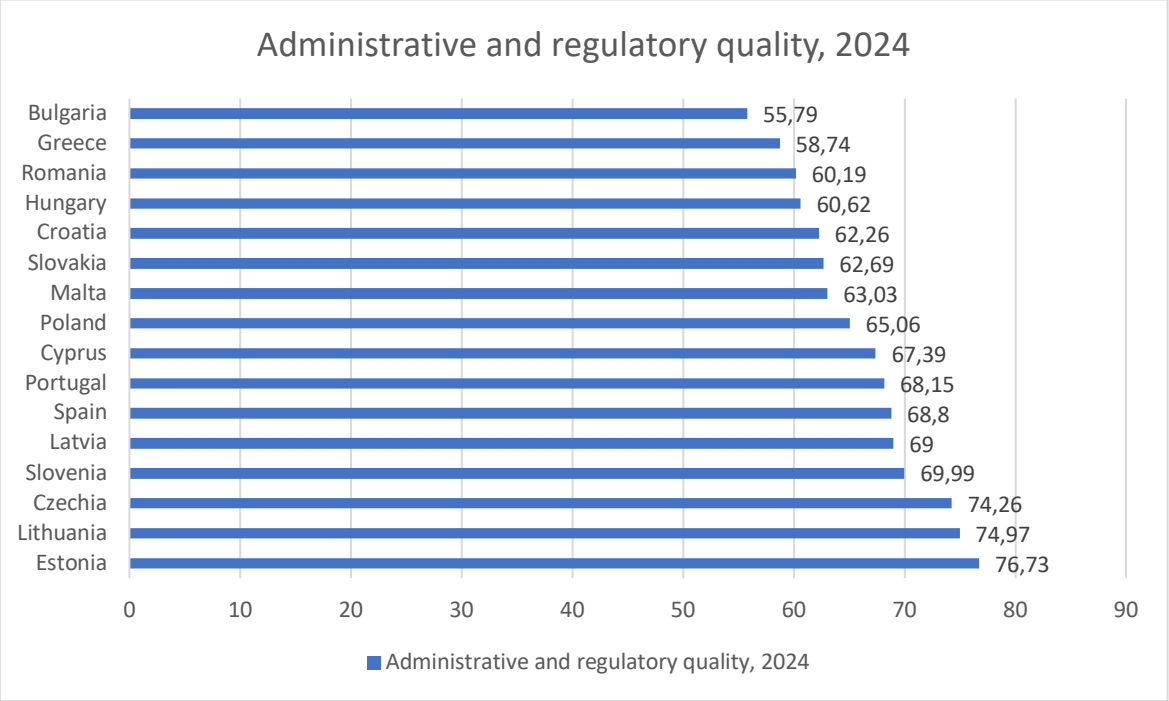

Figure 14 Administrative and regulatory quality scores, 2024

Efficiency of digital public administration

The level of digital public administration was assessed using the European Commission's eGovernment Benchmark score for digital public services for businesses. The selected variable, DD_Bus, measures the online provision of services relating to business-related events, such as setting up and running a business. The 2026 reporting edition contains 2025 data sets. The published yearly average score was used directly, with a higher value meaning that more administrative tasks can be completed online in a user-friendly manner.

Czechia and Malta received the maximum score of 100.00. Estonia and Latvia each recorded 97.50, followed by Lithuania with 96.74. Romania recorded the lowest value of 66.83, while Croatia recorded 67.61 and Slovakia recorded 73.85.

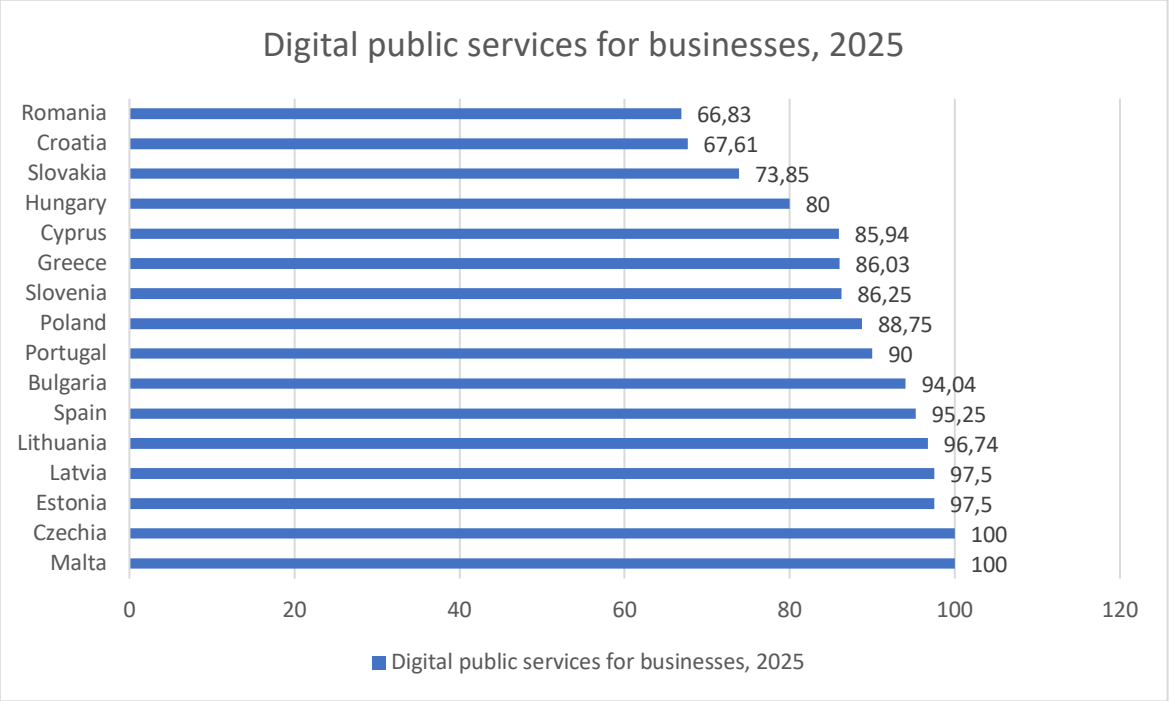

Figure 15 Digital public services for businesses, 2025

Corruption and integrity risk

The Corruption Perceptions Index, developed by Transparency International, was used to measure corruption and integrity risk. The CPI combines expert and business evaluations of perceived corruption in the public sector. Scores range from 0 (highly corrupt) to 100 (relatively clean). The published score was used directly. Therefore, a higher value represents a lower perceived corruption risk and is more favourable.

Estonia recorded the strongest CPI result in the sample at 76, with Lithuania following well behind at 65. Bulgaria and Hungary have the lowest score of 40, followed by Romania with 45 and Croatia with 47.

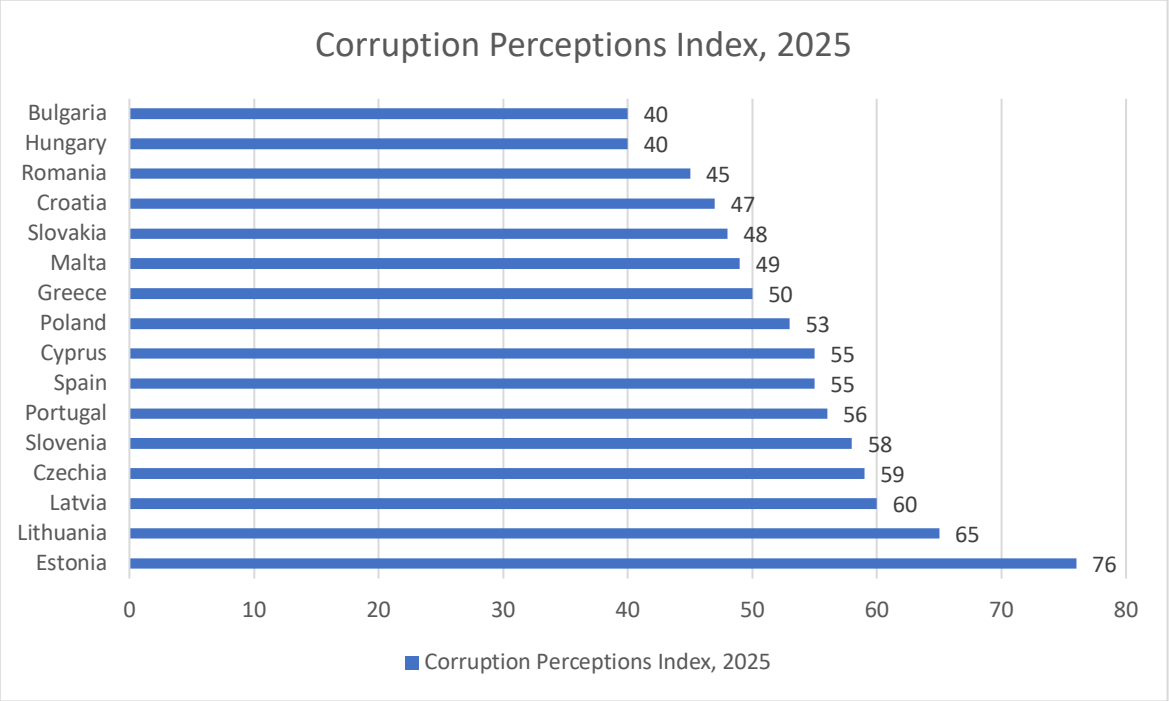

Figure 16 Corruption Perceptions Index scores, 2025

Summary of original indicator values

Table 18 shows the four values used for normalisation. All four indicators are higher-is-better measures.

Table 19 Risk and institutional-feasibility indicator values for the 16 countries

Country	**Stability**	**Administration**	**Digital services**	**CPI**
	2024	2024	2025	2025
Bulgaria	61.48	55.79	94.04	40
Romania	65.98	60.19	66.83	45
Hungary	66.81	60.62	80.00	40
Latvia	76.12	69.00	97.50	60
Lithuania	81.28	74.97	96.74	65
Croatia	69.64	62.26	67.61	47
Greece	65.19	58.74	86.03	50
Poland	70.65	65.06	88.75	53
Czechia	79.95	74.26	100.00	59
Portugal	75.24	68.15	90.00	56
Slovakia	71.67	62.69	73.85	48
Malta	74.56	63.03	100.00	49
Estonia	80.20	76.73	97.50	76

Cyprus	70.66	67.39	85.94	55
Spain	69.42	68.80	95.25	55
Slovenia	76.01	69.99	86.25	58

The final values of each indicator were normalised across the 16-country, using the min-max formula. The normalised scores were multiplied by the final country-level weights.

$$R = 0.325N_{Stability} + 0.231N_{admin} + 0.2312N_{digital} + 0.2125N_{CPI}$$

Table 20 Normalised and weighted results for risk and institutional feasibility

Rank	Country	Stability	Administration	Digital services	CPI	Risk score
1	Estonia	94,55	100,00	92,46	100,00	96,48
2	Lithuania	100,00	91,60	90,17	69,44	89,29
3	Czechia	93,28	88,20	100,00	52,78	85,05
4	Latvia	73,94	63,09	92,46	55,56	71,81
5	Slovenia	73,38	67,81	58,55	50,00	63,70
6	Portugal	69,49	59,03	69,85	44,44	61,83
7	Malta	66,06	34,57	100,00	25,00	57,90
8	Spain	40,10	62,13	85,68	41,67	56,07
9	Cyprus	46,36	55,40	57,61	41,67	50,06
10	Poland	46,31	44,27	66,08	36,11	48,24
11	Slovakia	51,46	32,95	21,16	22,22	33,96
12	Greece	18,74	14,09	57,88	27,78	28,64
13	Croatia	41,21	30,90	2,35	19,44	25,21
14	Hungary	26,92	23,07	39,70	0,00	23,26
15	Bulgaria	0,00	0,00	82,03	0,00	18,97
16	Romania	22,73	21,01	0,00	13,89	15,20

Interpretation and risk-dimension conclusion

The analysis identifies Estonia, Lithuania and the Czech Republic as the strongest countries in terms of risk and institutional feasibility. Estonia provides the most consistently favourable profile. Lithuania is particularly strong in terms of political and legal stability. Czechia combines strong governance results with fully developed digital public services for businesses. A country with a weaker institutional score may still offer significant cost or

labour-market advantages, while the countries with the strongest institutions may present different cost challenges.

5.2.4 Final country-level results

At country level, the overall assessment is made by combining the three dimension scores developed in Sections 5.2.1-5.2.3: talent and labour-market suitability, cost and business environment attractiveness, and risk and institutional feasibility. The aim is to compare the overall performance of the 16 eligible countries.

Talent and labour-market suitability accounts for 31.15% of the final score, cost and business-environment attractiveness for 38.52%, and risk and institutional feasibility for 30.33%.

Each dimension is scored from 0 to 100. The final country score was calculated by multiplying the talent, cost and risk scores by their adjusted weights and adding the three results together.

$$Final\ score = 3{,}3115 \times T + 0{,}3852 \times C + 0{,}3033 \times R$$

The same weighted approach has also been applied in previous nearshoring research (Keller & Zoller-Rydzek, 2019). Table 21, and Figure 17 shows the final scores.

Table 21 Final country-level scores and ranking

Rank	Country	Talent score	Cost score	Risk score	Final score
1	Lithuania	55,23	63,3	89,29	68,67
2	Czechia	63,93	46,38	85,05	63,58
3	Estonia	53,18	41,9	96,48	61,97
4	Slovenia	71,78	40,41	63,7	57,24
5	Poland	57,06	58,79	48,24	55,05
6	Cyprus	40,03	65,55	50,06	52,9
7	Latvia	38,52	48,18	71,81	52,34
8	Portugal	52,86	43,79	61,83	52,09
9	Croatia	54,13	70,66	25,21	51,73
10	Hungary	48,79	74,78	23,26	51,06
11	Spain	57,37	34,8	56,07	48,28
12	Slovakia	62,32	46,74	33,96	47,72

13	Bulgaria	34,08	75,37	18,97	45,4
14	Malta	34,5	42,68	57,9	44,75
15	Greece	39,94	59,52	28,64	44,05
16	Romania	23,08	76,02	15,2	41,08

For example, Lithuania's final score was calculated as follows:

$$Lithuania = 3{,}3115 \times 55{,}23 + 0{,}3852 \times 63{,}3 + 0{,}3033 \times 89{,}29$$

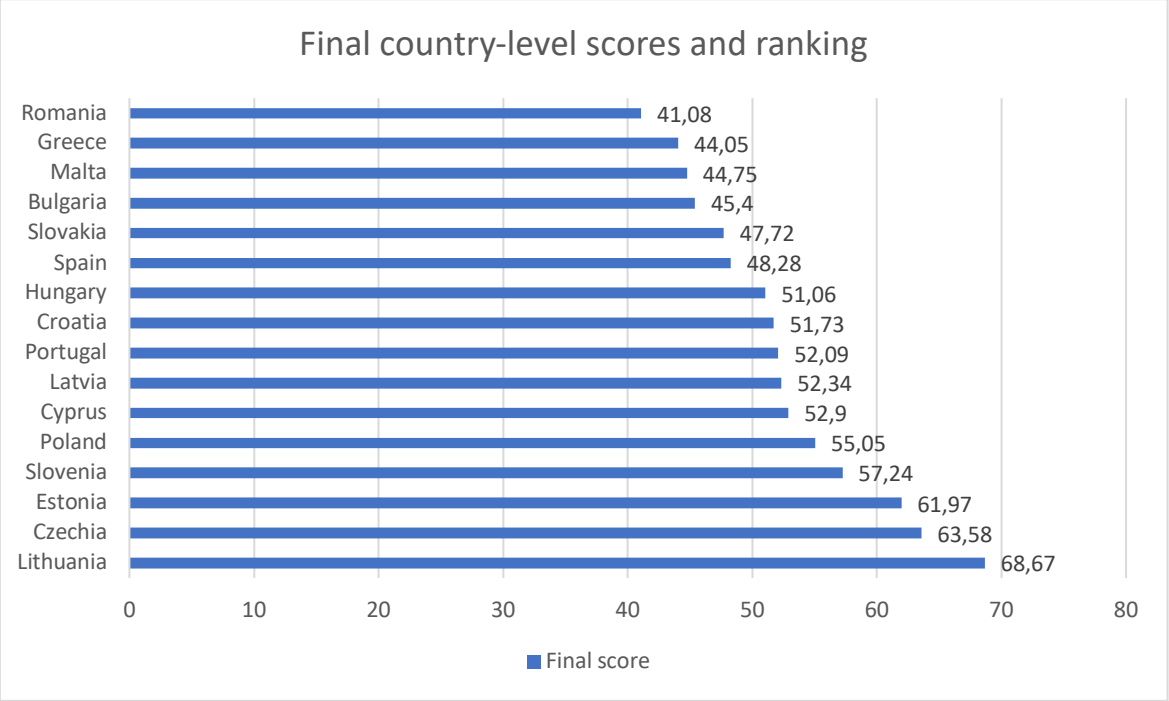

Figure 17 Final country-level scores and ranking

Lithuania ranks first with 68.67 points and has the strongest overall balance of talent, costs, and institutional conditions. Czechia follows in second place with 63.58 points, with strong talent and institutional results, followed by Estonia in third place with 61.97 points, with the strongest institutional score.

Slovenia ranks fourth with 57.24 points with a very good talent score but with a quite poor cost performance. Poland follows with 55.05 points, showing a better cost profile and a larger labour pool. Cyprus, Latvia, Portugal, Croatia and Hungary form a closely grouped middle section, but their strengths and weaknesses are quite different.

5.3 Assessment of shortlisted countries

The country ranking is followed by a more detailed evaluation of the most promising options. At this stage, the focus is on the conditions most relevant to the practical business case, such as economic development, company taxation, public support, and differences between possible locations within each country. Germany is also included as a reference case where direct comparison is useful.

5.3.1 Country selection

In order to keep the analysis focused and manageable, the three highest-ranked countries were selected: Lithuania, Czechia and Estonia. This way, each alternative can be examined in detail. The three countries also have different advantages, as shown in Table 22. Lithuania achieved the strongest overall balance, while the Czechia performed well in terms of talent and applied industrial experience. Estonia, on the other hand, has the best institutional and digital environment.

Hungary has been included as a fourth country for comparison, even though it ranked tenth in the overall assessment. This is because Hungary achieved the third-highest cost score among the 16 countries with 74.78 points, making it one of the strongest cost-oriented alternatives available. While Bulgaria and Romania also performed well in terms of cost, their poor talent and institutional results placed them near the bottom of the overall ranking. Hungary, in comparison, achieved a considerably stronger overall result and is a more credible option for exploring further.

Table 22 Country shortlist

Country	Rank	Final score	Main profile
Lithuania	1	68,67	Strongest overall balance
Czechia	2	63,58	Talent and industrial experience
Estonia	3	61,97	Institutional and digital environment
Hungary	10	51,06	Cost-oriented alternative

The detailed assessment therefore covers Lithuania, Czechia, Estonia and Hungary.

5.3.2 Economic performance and stability

Although the country ranking takes the Case company's location priorities into account, it does not show how the economies have developed over time. This is important for an office intended to grow over several years. Planning is more reliable in a stable economic environment, whereas significant fluctuations can affect recruitment, wage development and overall outlook of the business.

The comparison uses Eurostat's annual real GDP growth rates between 2016 and 2025. This ten-year period demonstrates the consistent development of each economy, including the impact of the pandemic, energy crisis and inflation. Stability shown in Figure 18 by the fluctuation, as well as the number of years in which the economy contracted. A contraction year means that the value of real GDP was lower than in the previous year. The forecast data for 2026 and 2027 are taken from the European Commission's Spring 2026 Economic Forecast (Eurostat, 2026; European Commission, 2026).

Table 23 GDP growth performance and stability

Country	2016-2025 average (%)	Years of contraction	2025 (%)	2026 forecast (%)	2027 forecast (%)
Lithuania	3,24	0	2,9	3	2,1
Czechia	1,96	1	2,6	1,8	2,4
Estonia	2,07	2	1,3	1,6	1,7
Hungary	2,47	2	0,5	1,8	2,1
Germany	0,86	2	0,2	0,6	0,9

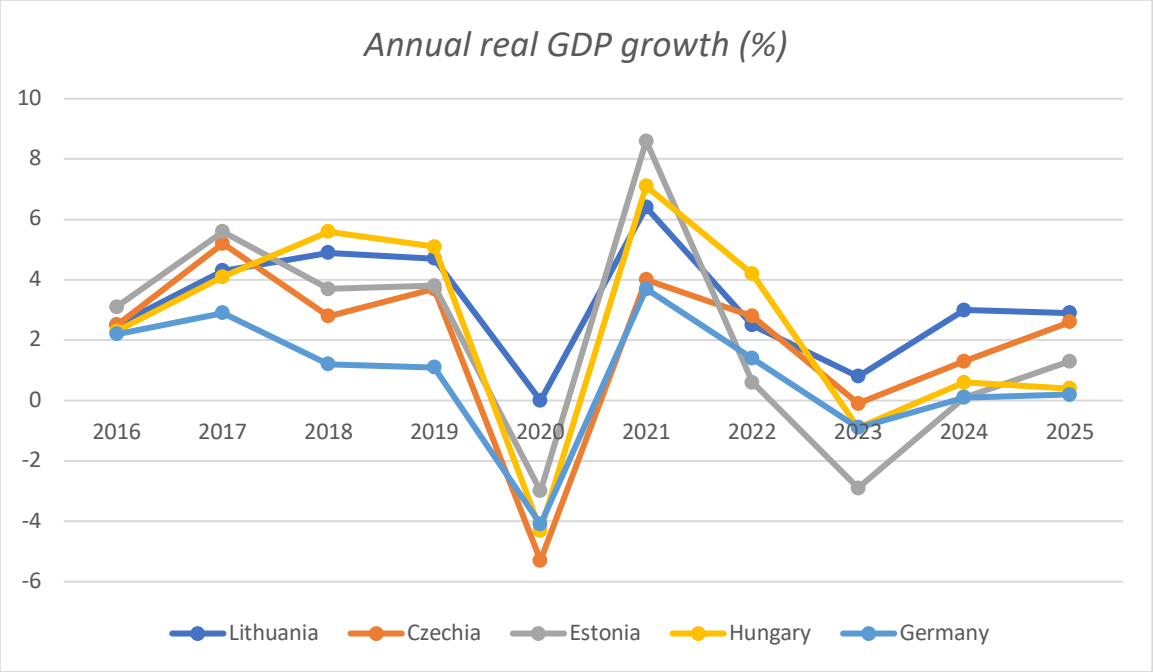

Figure 18 Annual real GDP growth, 2016-2025

Lithuania has shown the strongest overall economic development. Its economy grew by an average of 3.24% per year between 2016 and 2025, with no contraction in any of those ten years. Even during the pandemic in 2020, when most of the other countries experienced a decline, Lithuania's real GDP remained unchanged. Growth reached 6.4% in 2021, remaining comparatively strong at 3.0% in 2024 and 2.9% in 2025.

Czechia recorded an average annual growth rate of 1.96%. Its economy contracted by 5.3% in 2020, but this was followed by growth of 4.0% in 2021. Growth then weakened, reaching 0.0% in 2023, before increasing to 2.6% in 2025. Despite this temporary slowdown, the country has shown comparatively steady development over the full period.

Estonia and Hungary recorded relatively strong ten-year averages, but their annual growth was less consistent. Estonia recorded rapid growth following the pandemic, but then experienced contractions in 2020 and 2023. Hungary followed a similar pattern. Strong growth before the pandemic and in 2021-2022 was followed by a contraction in 2023, with only modest growth in 2024 and 2025.

Of all the countries in the comparison, Germany has shown the weakest long-term development, with average annual growth of just 0.86%. Its economy contracted in 2020 and 2023, remained unchanged in 2024, and grew by just 0.2% in 2025. All four of the other shortlisted countries achieved higher average growth over the same period. The German

case therefore provides a relatively weak economic growth benchmark for the planned expansion.

The European Commission's Spring 2026 forecast mostly follows this pattern. Lithuania is expected to grow by 3.0% in 2026 and 2.1% in 2027. Meanwhile, Czechia is forecast to grow by 1.8% and 2.4%, and Estonia and Hungary are expected to return to moderate growth. As these values are forecasts rather than actual results, they are used only to provide forward-looking context.

Overall, Lithuania has the most promising economic outlook for the expansion. Czechia also shows relatively reliable development. Estonia and Hungary remain economically viable, but their recent performance has been less stable. For the Case company, however, stronger growth is not necessarily beneficial as it can also lead to increased wage demands and competition for employees.

5.3.3 Legal structures and tax environment

The country ranking used the statutory corporate income tax rate as a comparable indicator. While this was enough for the initial comparison, it does not show the full picture. The effective tax burden also depends on the legal structure, employer contributions, local taxes, the timing of profit distributions, and how transactions with the German parent company are priced. This subsection therefore examines the standard tax system in Lithuania, Czechia, Estonia and Hungary for the year 2026, with the German system used as the benchmark

Legal structure

The Case company could establish the office as either a branch of the German company or a locally incorporated subsidiary. A branch is registered in the host country but remains part of the German company. A subsidiary, on the other hand, is a separate local company owned by the German parent company. While both structures create local tax and reporting obligations once the office is operating permanently in the host country, their legal and financial consequences differ, as summarised in Table 24.

Table 24 Main differences of a subsidiary and a branch

	Local subsidiary	**Branch**
Legal position	A separate local company owned by the German parent. The subsidiary enters into its own contracts and is responsible for its own liabilities.	Not a separate company. It is a registered part of the German company, which remains directly responsible for its contracts and liabilities.
Tax position	Pays corporate tax on its own taxable profit in the host country. Transactions with the German parent must use market-based prices comparable to those agreed between independent companies.	The host country taxes the share of the German company's profit connected to the branch. The applicable double-taxation agreement generally prevents the same profit from being taxed.
Profit transfer	After local corporate tax, profit can be retained in the subsidiary or paid to the German parent as a dividend. Dividend withholding tax may be removed if the relevant EU and national conditions are met.	There is no dividend because the branch and the German company are the same legal entity. After local taxation, branch funds can generally be transferred to the German head office.
Employment and operations	Employs staff in its own name and maintains its own payroll, accounting, VAT registration and annual reporting.	Can employ staff locally but does so as part of the German company. Local payroll, accounting, tax and reporting obligations still apply.

While a branch may require less initial corporate separation, this advantage becomes less relevant as the operation grows. A subsidiary provides a clearer division of contracts, liabilities, payroll and financial performance. For this reason, the subsidiary structure is used as the standard in the following tax comparison.

The corresponding private limited company is an UAB in Lithuania, an s.r.o. in Czechia, an OÜ in Estonia, and a Kft. in Hungary. While these legal forms are comparable to a German GmbH, their minimum capital requirements differ. A UAB in Lithuania requires €1000, an s.r.o. in Czechia can be established with capital from CZK 1, and an OÜ in Estonia requires at least €0.01 per shareholder. The minimum capital required for a Hungarian Kft is higher at HUF 3 million (Invest Lithuania, 2026; Estonian e-Residency, 2026; Czech Ministry of Industry and Trade, 2026; Hungarian Civil Code).

Tax landscape

There are four relevant types of taxation. Firstly, corporate income tax is charged on a company's taxable profit, except in Estonia, where the main charge arises when profit is distributed. Secondly, employer contributions are added to the employee's gross salary. Thirdly, how funds can be transferred across the group is determined by dividends, VAT and the pricing of services between the subsidiary and the German parent. Finally, income tax and employee social contributions from the gross salary. These deductions affect the employee's net pay. Table 25 provides an overview before the individual systems are explained in more detail.

Table 25. Overview of the standard 2026 tax position

Country	Profit taxation	Direct employer charge	VAT
Lithuania	17% of annual taxable profit	Normally about 1.77% of gross salary	21%
Czechia	21% of annual taxable profit	33.8% of gross salary	21%
Estonia	0% while profit is retained, 22% of a net distribution	33% social tax plus 0.8% unemployment insurance	24%
Hungary	9% of annual taxable profit	13% of gross salary under the standard system	27%
Germany	30% combined average	21% of gross salary	19%

Lithuania: moderate profit tax and low employer costs

A Lithuanian subsidiary will be taxed on its annual taxable profit at the standard corporate income tax rate of 17% from 2026. This calculation starts with the accounting result and is then adjusted in accordance with tax law. Expenses such as salaries, premises and other ordinary costs incurred to generate income are generally deductible. Tax is payable when profit is earned, regardless of whether it is retained by the company or distributed later on (Lithuanian Ministry of Finance, 2026a; Sorainen, 2026a).

Lithuania has comperatively very low employment costs. The standard direct employer charge is usually around 1.77% of gross salary, though this can vary depending on the occupational accident category. A fixed-term employment contract adds 0.72%, normally increasing the employer charge to around 2.49%. Employees pay social and health insurance contributions totalling 19.5% of their gross salary. These amounts are withheld from the employee's salary and therefore affect net pay. However, they are not added to costs in the same way as the employer contribution (Sorainen, 2026a; Sorainen, 2026b).

The standard VAT rate is 21%. A dividend paid to a non-resident parent is initially subject to a 17% withholding tax, but this can generally be avoided if the parent holds at least 10% of the voting rights for a period of at least twelve months and the anti-abuse conditions are met. In the case company's case, this should not be an issue. Tax losses can generally be carried forward, but from 2026 they will normally only be able to offset 70% of taxable profit in a later year. Lithuania offers a conventional annual profit tax system and the lowest standard employer on cost in this comparison.(Lithuanian Ministry of Finance, 2026a; 2026b; Sorainen, 2026a).

Czechia: standard profit taxation and high payroll costs

A Czech subsidiary pays a corporate income tax of 21% on its annual taxable profit. This is calculated from the accounting result, adjusted for deductible and non-deductible items. The standard VAT rate is also 21%. Tax is charged when profit is earned, regardless of whether it is retained or distributed later (CzechInvest, 2026).

The larger cost difference is in payroll. In addition to the gross salary, a Czech employer typically pays social security contributions of 24.8% and health insurance contributions of 9%. The combined direct cost to the employer is therefore 33.8%. Employees pay an additional 7.1% in social security contributions and 4.5% in health insurance contributions, while personal income tax is typically charged at either 15% or 23%. These deductions reduce net salary, but the Case company does not pay them on top of gross salary. (PwC, 2026a).

Dividends are generally subject to a 15% withholding tax. However, a payment made to a German parent company may be eligible for exemption under the EU parent-subsidiary legislation, if the holding and participation requirements are met. Czech tax losses can generally be carried forward for up to five years. While this can reduce taxable profit following a loss-making start-up period, it does not reduce recurring employer contributions once the office is staffed. Overall, Czechia provides a relatively straightforward tax structure, although it is the least favourable of the four candidate countries in terms of standard direct employer charges (CzechInvest, 2026; European Commission, 2026b).

Estonia: tax is deferred until profit is distributed

Estonia has a different model for taxing companies. A resident company does not usually pay corporate income tax on profits earned and retained. However, tax becomes due when

profit is distributed, or deemed to be distributed, for example through dividends, non-business expenses, or certain payments that provide a private benefit. From 2025, tax on normal distributions is calculated 22% of the profit (Estonian Tax and Customs Board, 2026a; Sorainen, 2026a).

The easiest way to understand the concept is to use an example of €100 profit. If the profit remains in the Estonian company and is used for recruitment, equipment, or working capital, no corporate income tax is payable. However, if the full amount is distributed, €22 is paid in company income tax and €78 can be transferred to the parent company. Estonia therefore creates a cash flow and timing advantage during periods of growth. However, it does not allow for tax-free distributions, so a company that pays out its profits every year would face a 22% tax burden on the distributed amount.

This benefit is somewhat reduced by employment taxation. Employers typically pay a social tax of 33% and an unemployment insurance contribution of 0.8% on gross salary. From the employee's gross salary, the employer withholds income tax at a rate of 22%, a contribution to unemployment insurance at a rate of 1.6%, and a funded pension contribution of 2%, 4% or 6%, where applicable. While these deductions affect the employee's net salary, they do not increase Case company's costs any further than the gross pay and the 33.8% employer charge (Estonian Tax and Customs Board, 2026b; Sorainen, 2026b).

The standard VAT rate is 24%. Estonia generally does not apply a separate withholding tax to dividends paid to corporate shareholders once the distribution tax has been paid. (Estonian Tax and Customs Board, 2026a; Sorainen, 2026a).

For Case company, the practical value of the Estonian model depends on what happens to the profits. If early earnings are retained and used to recruit employees, purchase equipment, or provide working capital, corporate tax can be deferred, leaving more cash available for expansion. However, if most of the annual profit is transferred to Germany, the timing advantage is reduced because the distribution tax is triggered. Therefore, Estonia is more attractive as a reinvestment model than as the lowest-tax option.

Hungary: a low corporate rate with additional tax layers

Hungary applies a corporate income tax rate of 9% to annual taxable profit. This is the lowest rate in the comparison. Under the standard payroll system, employers also pay a 13% social contribution tax on gross salary. Employees pay 15% personal income tax and an 18.5%

social security contribution, both of which are deducted from gross pay and do not represent an additional cost to the employer. The standard VAT rate is 27%, and Hungary generally does not impose a withholding tax on dividends paid to corporate shareholders (Hungarian National Tax and Customs Administration, 2026a; Hungarian National Tax and Customs Administration, 2026b).

The 9% rate does not, however, show the full extent of the Hungarian position. Municipalities can charge a local business tax of up to 2%. This tax is based on net sales revenue and can only be reduced by certain specified items, including the cost of goods sold, third-party services, subcontracted work, material costs, and direct research and development costs. Salary and general office costs are not included. This means that a service office can have a local business tax base close to its revenue, even if its accounting profit is low. While the tax is deductible for corporate income tax purposes, it can still represent a significant cost. An innovation contribution of 0.3% may also apply to companies that are not classified as small or micro enterprises, using a similar base (Budapest Chamber of Commerce and Industry, 2024; PwC, 2026b). The planned headcount creates another point to check. Hungarian employers with more than 25 employees may owe a rehabilitation contribution when employees with disabilities or reduced working capacity represent less than 5% of the average workforce.

Profit can normally be transferred to the German parent company once the Hungarian taxes have been settled, if the German participation rules and general anti-abuse requirements are met. Tax losses can generally be carried forward for up to five years but cannot usually reduce a later tax base by more than 50% (Hungarian National Tax and Customs Administration, 2026a).

Another option is the KIVA small-business tax. With a rate of 10%, it replaces both the 9% corporate income tax and the 13% employer social contribution tax. The tax base is linked mainly to personnel payments and certain dividend or capital movements. From 2026, entry will be available subject to conditions, including having an average workforce of fewer than 100 employees, and having revenue and balance-sheet totals below HUF 6 billion. The planned office may appear to fit these limits, related-company and other eligibility tests must also be considered. Therefore, KIVA is not necessarily more favourable: the outcome depends on factors such as payroll, retained earnings, dividends and financing. Local business tax, the possible innovation contribution and the rehabilitation contribution remain

relevant even with the KIVA model (Hungarian National Tax and Customs Administration, 2026d; OECD, 2026).

Germany as the benchmark

A German corporation pays a corporate income tax of 15%, plus a solidarity contribution of 5.5% of this amount. Commercial activity is also subject to municipal trade tax. As the trade tax multiplier is set by the municipality, there is no single national combined rate. Germany Trade & Invest reports an average total burden of around 30%. The German employer's share of statutory social insurance amounts to around 21% of gross salary, including an average accident insurance component. Contribution limits and the employee's health insurance provider affect the exact amount (Germany Trade & Invest, 2026a; Germany Trade & Invest, 2026b).

Germany therefore has higher costs for both profit tax and direct employer costs when compared with Lithuania and Hungary under their standard systems.

Cross-border payments between the subsidiary and Germany

How the new subsidiary generates revenue will depend on the final operating model. One option would be for the German parent company to hold the customer contracts, with the subsidiary charging the German company for project management and engineering services provided by its employees. Another possibility is for the subsidiary to directly contract and invoice customers. A combination of the two models is also possible.

If the customer contracts remain with the German parent company, transactions between the two the Case company companies must be based on market-related conditions. This is known as the arm's-length principle, meaning that the fees should be comparable to those agreed by independent companies for similar services. (OECD, 2022).

The VAT also depends on the customer's location. When a subsidiary supplies services to its German parent company or another business in a different EU country, the customer usually pays VAT through the reverse charge mechanism. However, if the subsidiary supplies a customer in its own country, it will normally charge the domestic VAT. According to the general EU rule for business-to-business services, the place of taxation is where the customer is established. As business however can usually reclaim VAT (European Commission, 2026c).

Any profits remaining after local taxation could be either held by the subsidiary or distributed to the German parent company. The EU Parent-Subsidiary Directive prevents additional withholding tax and double taxation on qualifying dividends between EU companies (European Commission, 2026b).

Summary of tax landscape

The comparison does not identify one country as the lowest-tax option in all situations. Lithuania, for example, combines a moderate annual corporate tax rate of 17% with exceptionally low direct employer contributions. This makes it an attractive option for a service office where payroll is expected to be the largest cost. Czechia has a clear and conventional system, but its direct employer charge of 33.8% makes it less favourable for a payroll-intensive operation. Estonia offers the best cash flow when profits are retained and reinvested, although its employer burden is high and full distributions are taxed at an effective rate of 22% of the underlying profit.

Hungary has the lowest standard corporate tax rate, as well as a lower employer charge than Czechia or Estonia. However, local business tax and the possible innovation contribution must be factored in before it can be considered the cheapest option. KIVA is a potentially important alternative as it replaces both corporate tax and the standard employer social contribution. However, modelling should only be carried out once eligibility and the tax base have been confirmed. Germany is the higher-tax benchmark, with an average corporate tax burden of around 30%, plus employer social insurance costs of approximately 21% of gross salary.

5.3.4 Public incentives and state support

Although public incentives can influence the initial business case, they are not a guaranteed cost reduction. Eligibility usually depends on the activities carried out by the new office, the region selected, the number and quality of jobs created investment or payroll costs that qualify for support, and the timing of the application. The analysis therefore identifies which programmes could potentially apply to this specific case.

In this comparison, it is assumed that the Case company would establish a local subsidiary owned by the German parent company. This subsidiary would employ the local workforce

in its own name and apply for any available public support. The analysis considers cash grants, corporate tax relief, support for job creation and training, and R&D-related programmes. The amounts published by public authorities are typically maximum limits. The support ultimately granted may be lower, and it is often paid only after agreed milestones and expenses have been verified.

To evaluate the practical relevance of the published programmes, the analysis was supported by expert consultations with WTS Klient in Hungary and Sorainen in Estonia.

Conditions that apply across the EU

The programmes differ by country, but there are several rules that apply throughout the EU. Firstly, an application must usually be submitted before the investment project begins. Making a binding commitment too early, such as ordering equipment or formally starting the supported investment, can result in a loss of eligibility. Second, different forms of aid can only be combined within the applicable state aid ceiling and cannot be claimed the Case company for the same eligible cost. Thirdly, support usually involves ongoing obligations, such as creating and maintaining the agreed number of jobs, completing the investment, retaining the activity in the region, and providing evidence of expenditure. Failure to meet these commitments may result in a reduced final payment or the repayment of support (European Commission, 2023a; European Commission, 2023b).

Smaller awards may be provided under the EU de minimis rules. These allow a single undertaking to receive up to €300,000 of de minimis aid over a rolling three-year period. The term ‘single undertaking’ can include linked companies, meaning that the German parent company and other group entities may need to be considered together. While this ceiling is useful for targeted recruitment or training measures, it is not large enough to determine the location of such an office on its own (European Commission, 2023c).

Lithuania

The most relevant Lithuanian incentive for the Case company is TUI Invest LT+, a national programme aimed at attracting foreign-owned companies to Lithuanian manufacturing and services. It provides direct financial support by reimbursing part of the eligible costs associated with an investment project. Therefore, a Lithuanian subsidiary owned by Case company’s German parent company could apply as a foreign-owned business. (Ministry of the Economy and Innovation of Lithuania, 2025).

TUI Invest LT+ covers business service centres, technology projects, life sciences, and manufacturing. Project management and engineering office could potentially fall within the business services or technology category. However, the final classification must be confirmed with Invest Lithuania before the investment begins. This classification affects the employment requirement. A business-services project must create at least 50 new jobs, whereas the minimum for a technology project is 20. For business-service and technology projects, the average monthly salary must be at least equal to the average salary in the municipality in which the project is implemented. The investor must also generally demonstrate at least three years of experience in service activities. Additionally, the project requires an investment of at least €1.448 million, and the investor or their corporate group must have an annual turnover of at least €10 million. An alternative threshold of €2.5 million may apply if certain additional conditions are met (Ministry of the Economy and Innovation of Lithuania, 2025).

Support can be calculated based on either the cost of creating new long-term jobs or eligible expenses incurred on tangible and intangible fixed assets. The employment-cost option would be more relevant in the case of Case company. Eligible wage expenses are calculated over a two-year period from the date on which each supported employee begins work. Therefore, the programme has the potential to reduce employment costs during the expansion phase, although only jobs and related expenses approved under the project can be included. Supported jobs must generally be maintained for at least five years from their creation and the investment must remain in Lithuania for at least five years after the project has been completed (Ministry of the Economy and Innovation of Lithuania, 2025).

The amount of support is not determined by a fixed reimbursement rate. The assessment considers factors such as the number of new jobs created, salary levels relative to the municipal average, the innovative and technological value of the activities, export potential, collaboration with Lithuanian suppliers and higher education institutions, and the project's anticipated long-term economic impact. The location also affects the maximum permitted aid. Within the applicable regional aid limits, support can cover up to 35% in Vilnius County, 40% in Klaipėda County, and 50% in the other counties. This ceiling can be increased by up to 10% in certain territories within Kaunas, Šiauliai and Telšiai counties that are covered by the Just Transition framework. (Ministry of the Economy and Innovation of Lithuania, 2025).

The Ministry's evaluation of 100 projects supported by the programme gives a more accurate idea of its scale. These projects accounted for a total investment of €2.61 billion and received around €357.5 million in approved support, with an average financial aid of 14.96% of project expenditure. The majority of the supported projects were in the service or manufacturing sectors. 14.96% should not be interpreted as a guaranteed rate but it provides a more accurate planning reference than the regional maximum. (Ministry of the Economy and Innovation of Lithuania, 2025).

Lithuania also offers corporate income tax incentives, although these depend strongly on the activities and chosen location. Companies investing in substantial technological renewal can reduce their taxable profit by up to 100% of the investment expenses. Eligible assets include computer and communication equipment, software, and acquired rights, provided the investment introduces a new service or process, increases service capacity, or substantially modifies an existing one. This measure applies to eligible expenditure incurred up to 2028, and supported assets must usually remain in use for at least three years. As the Case company will require IT equipment and software for the new office, some of its initial investment may qualify. This deduction can reduce taxable profit (Ministry of Finance of Lithuania, 2026).

A location in one of Lithuania's seven free economic zones could offer additional corporate tax benefits. If it employs an average of at least 20 people, invests at least €100,000 and earns at least 75% of its income from activities performed within the zone, a service company operating in a free economic zone may qualify for a corporate income tax exemption for ten tax periods, followed by a 50% reduction of the standard rate for another six periods. The available zones are located in Akmenė, Kaunas, Kėdainiai, Klaipėda, Marijampolė, Panevėžys and Šiauliai. Vilnius does not have a free economic zone (Ministry of Finance of Lithuania, 2026).

Overall, Lithuania offers a valuable combination of direct and tax-based support. TUI Invest LT+ is the strongest opportunity for the Case company as it is open to foreign-owned service investments and recognises employment expenses in the first two years of each eligible job. Technological investment and free economic zone incentives could provide additional value, but only if assets, operating location and income structure meet their requirements.

Czechia

Czech investment incentives are limited to specific activities, such as manufacturing, technology centres, and business support services. For Case company, the closest category would be a shared services centre. However, this scheme is intended for centralised support functions and requires services to be provided in at least three countries. (CzechInvest, 2026a; CzechInvest, 2026b).

The technology centre scheme is also unlikely to apply. It supports projects involving research, development, or technological innovation. Case company's activities would only qualify if the Czech subsidiary were assigned a separate, clearly documented development function. (CzechInvest, 2026c).

Czechia does not currently offer a national investment incentive that can realistically be included in Case company's business case. The conclusion is that there is no incentive for the Czech subsidiary. However, eligibility could be reviewed with CzechInvest if the final operating model includes qualifying shared-service or research and development activities.

Estonia

Currently, Estonia does not provide a general investment grant simply for establishing a foreign-owned service office or creating a specified number of jobs. Available support is mainly project-based and directed towards business development, innovation, and research activities. While regional location may influence the assessment of individual programmes, locating outside Tallinn does not automatically entitle a business to financial support. This information is confirmed by a consultation with Estonian legal and tax advisers (Estonian Business and Innovation Agency, 2026a).

The most relevant long-term opportunity for the Case company is the Enterprise Development Programme. This programme supports companies in implementing strategic development plans that improve international competitiveness and introduce new or significantly improved products, services, or business processes. Eligible activities include developing services, organisational processes, employees, sales activities and equipment. The programme is currently open and offers grants of up to €500,000, with companies financing at least 55% of the eligible costs (Estonian Business and Innovation Agency, 2026b). However, a newly established the Case company subsidiary would not qualify immediately. Applicants must have been operating in Estonia for at least two years, employ at least eight full-time employees, and be able to demonstrate either a minimum of €50000

in export sales during the preceding financial year, or sufficient recent turnover growth. The programme could become relevant once the office has an operating history. (Estonian Business and Innovation Agency, 2026b).

Other available incentives are not suitable for the planned office. To qualify for the large-scale investment grant, at least €70 million must be invested in fixed assets and at least 20 new jobs must be created (Estonian Business and Innovation Agency, 2026d).

Overall, Estonia does not currently offer a confirmed incentive to support recruitment or establishment costs. Therefore, the financial comparison should assume no public incentive during the start-up phase.

Hungary

The most relevant Hungarian incentive for the Case company is the VIP cash subsidy, which is administered by the Hungarian Investment Promotion Agency (HIPA). This programme provides a non-refundable cash grant for qualifying investments, which is granted on a case-by-case basis. For a service centre project, support may be calculated from the personnel costs of newly created positions over a period of up to 24 months. At least 25 new jobs must be created, and the project must be located outside Budapest (HIPA et al., 2025).

Furthermore, the planned project management and engineering activities represent skilled, high-value services, meaning that the office could potentially be accepted as a service centre investment. This interpretation was supported by the preliminary assessment prepared by WTS Klient. Nevertheless, eligibility depends on HIPA's classification of the final activities and must be confirmed before recruitment or other project implementation begins (WTS Klient consultation, 2026).

The eligible cost base is not the same as the grant amount. It consists of qualifying personnel costs for new employees, up to a maximum of 24 months. The actual support percentage is negotiated on a case-by-case basis and depends on factors including project location, the number and quality of jobs created, salary levels, and wider contribution to the Hungarian economy. It is also limited by the applicable regional state aid ceiling. Consequently, the frequently cited rate of up to 60% represents the maximum legal limit in the most favourable regions. No grant percentage can be included in the business case until a direct HIPA offer is available (HIPA et al., 2025; WTS Klient consultation, 2026).

The support agreement would include employment and other performance commitments. According to the initial WTS consultation, failing to meet the full employment commitment could result in a proportional reduction in support. Falling below the 75% target, however, could create a more serious repayment risk.

A VIP training grant can provide additional support for a structured training programme for at least 25 trainees, covering up to €250,000 of eligible costs. Subject to individual approval, aid may cover up to 50% of eligible training expenditure, with a maximum of €3 million per project and €5,000 per trainee. As the Case company requires a large, formally documented programme, this should be considered a secondary opportunity (HIPA et al., 2025, p. 32).

Hungary also offers a development tax allowance for qualifying investments, including projects aimed at creating jobs. This can reduce up to 80% of the calculated corporate income tax. At the current corporate income tax rate of 9%, full utilisation could therefore reduce the effective tax burden on the relevant taxable profit to approximately 1.8%. Under the current rules, the allowance can generally be claimed from the commissioning year or the following year and then over the subsequent 12 tax years. This means that it can be utilised for a maximum of 13 tax years (Hungarian Corporate Income Tax Act; Government Decree 165/2014).

Overview of the public incentives

Overall, Lithuania and Hungary offer the most attractive incentives for Case company. Both countries allow personnel costs to be included in eligible expenses. Lithuania offers a broader range of direct support and location-dependent tax incentives. Hungary may also provide substantial cash support and tax reduction, but is only available outside Budapest and once the project has been accepted as a qualifying service-centre investment.

Estonia does not offer any comparable establishment subsidies. Programmes could become relevant later if the subsidiary develops a stronger innovation or R&D function, they should not influence the initial location decision. Czechia presents the weakest incentive case because Case company’s current activities do not clearly align with the supported categories of shared services or technology centres.

5.4 City-level analysis

The country-level analysis identified Lithuania, Czechia and Estonia as the three highest-ranked options, while Hungary was selected for comparison on the basis of cost. However, selecting a country does not determine the most suitable location for the new office. Salary levels, the concentration of relevant employees, competition for recruitment, office costs and transport connections can differ considerably between cities within the same country. Access to public support may also depend on the region in which the investment is implemented.

The city-level refinement follows the hierarchical approach to location selection described by Nielsen et al. (2017). This approach first compares broader geographical alternatives and then examines more specific locations after reducing the number of alternatives. Similarly, Keller and Zoller-Rydzek (2019) have demonstrated that regional differences can affect the attractiveness of nearshoring locations, which may not be apparent in national averages.

To keep the city-level analysis manageable, two cities are selected from each shortlisted country. The comparison generally includes the capital and a secondary location with a credible technical labour market, university environment or location-specific financial advantage.

5.4.1 Lithuania: Vilnius and Kaunas

Vilnius and Kaunas were selected in Lithuania. Vilnius is the country's main location for international business services and offers the largest pool of employees with experience in international organisations (Invest Lithuania, 2025). Kaunas, on the other hand, is an engineering-oriented alternative. Its industrial and technological infrastructure, Kaunas University of Technology, and well-established free economic zone make it attractive for recruitment and location-dependent tax assessment.

Labour-market depth and relevant experience

Vilnius provides a safer environment for the initial recruitment. Lithuania's global business services sector employs over 27,000 professionals across around 100 companies, 36% of

whom work in technology-related fields. Vilnius is home to 72 business service centres, accounting for over 70% of the national total. The city therefore offers access to the largest pool of Lithuanian employees with experience of working in foreign-owned companies, international project structures, and multilingual environments. Established centres also perform project management, non-IT engineering, pharmaceutical consulting and clinical trial support, all of which are more closely related to Case company's activities (Invest Lithuania, 2025; Go Vilnius, 2025).

The concentration of international employers also creates competition. Although voluntary employee turnover in the Vilnius business-services sector was reported at 5.8%, this does not indicate an unstable market. However, the number of established technology and service employers means that experienced project managers are unlikely to be available for an city-average salary.

Kaunas has a smaller, more experienced business services market, and is not only dependent on its graduate population. The city already hosts engineering-focused service centres and international operations performing IT, procurement and project-related functions, as well as non-IT engineering tasks (Kaunas IN, 2026). Nevertheless, the difference in scale is still significant. Vilnius is more likely to provide several experienced managers during the initial establishment phase.

University and graduate pipeline

Both cities have significant university environments, although their focus is different. In 2025, Vilnius University had 26,553 students and 4,513 graduates. VILNIUS TECH has more than 9,500 students enrolled in programmes related to engineering, technology, transport, information technology, and business. (Vilnius University, 2025; VILNIUS TECH, 2026).

Kaunas has around 40,000 students enrolled in its universities, colleges, and vocational institutions. Around 60% of these students are enrolled in STEM-related fields, including approximately 8,000 engineering and technology students, as well as a further 5,000 IT students. Kaunas University of Technology is very much relevant due to its focus on engineering and technology, as well as its cooperation with industry. The city is also home to the Lithuanian Engineering College, as well as practice-oriented technical programmes at Kaunas University of Applied Sciences (Kaunas IN, 2026).

Overall, Kaunas has a stronger engineering-oriented student profile relative to its size. Meanwhile, Vilnius boasts a substantial university system and a larger pool of experienced international professionals.

Salary conditions

Official regional earnings data consistently indicate the difference between the two locations. In the first quarter of 2025, average gross monthly earnings were €2,592 in Vilnius County and €2,320 in Kaunas County. Therefore, the Kaunas average was approximately 10.5% lower. These averages cover all occupations, so they cannot be applied directly project management positions (State Data Agency of Lithuania, 2025).

Available salary data indicates that the gross salary of a project manager in Lithuania is typically between approximately €1,349 and €5,461 per month, with an average salary of around €2,609 after five years of experience. (Manoalga, 2026).

Office availability and cost

Vilnius has a larger and more flexible office market. By the end of 2025, the city had approximately 1.26 million square metres of modern office space. Around 135,000 m² was vacant (10.8%). A further 50,000 m² was expected to be finished by the end of 2026 (Ober-Haus, 2026).

By the end of 2025, the range of Class B office rents in Vilnius was €10.00-16.00 per m² per month, while the range of Class A rents was €16.00-22.00. Additional service and operating charges typically amounted to an additional €4.00-6.00 per m². Due to the high vacancy rate negotiation is possible with the landlord.

Kaunas has a much smaller office market. The modern office stock reached approximately 277,300 m² by the end of 2024, with a vacancy rate of just 3.1%. By mid-2025, asking rents for the newest Class A offices were around €16.00-19.00 per m², while Class B space was priced at €10.00-14.00. Around 20,000 m² of additional office space was reported to be under development for completion by 2026 (Newsec and Ober-Haus, 2025).

Connectivity and practical operation

Vilnius offers a stronger connection to Case company's German headquarters. Vilnius Airport offers direct scheduled services to Frankfurt and Munich (Lithuanian Airports, 2025-

2026). Kaunas Airport offers direct flights to Cologne, but with fewer weekly departures and fewer destinations.

Both cities offer the accounting, legal, recruitment and payroll services that a foreign subsidiary requires. While Vilnius has a larger concentration of international advisers, Kaunas has sufficient local infrastructure for ongoing operations. However, this difference is unlikely to influence the location, as specialist advisers can support the subsidiary nationally.

Overall assessment

Vilnius is the lower-risk option in Lithuania. It offers the largest pool of experienced international employees, the most extensive office market, and the best flight connections to Germany. Disadvantages include higher salaries and stronger competition for the exact senior profiles required by Case company.

Kaunas, on the other hand, is a more technically oriented and potentially less expensive alternative. Its student population and engineering base support the planned recruitment of project engineers and junior employees, and the free economic zone could also be benefitial. However, both the pool of experienced project managers and the office market are smaller.

5.4.2 Czechia: Prague and Brno

Prague and Brno were selected in Czechia. Prague has the largest professional labour and office markets in the country, as well as the widest availability of employees with international experience. Brno is the secondary alternative, it combines an established business services sector with a strong technical and university environment (ABSL Czech Republic, 2025; CzechInvest, 2026).

This comparison will therefore examine whether Brno can provide the necessary experienced talent at a lower cost, or if Prague's larger labour market offers a more reliable foundation for growth.

Labour-market depth and relevant experience

Prague accounts for approximately 54% of employment in Czech business-service centres, compared with 25% in Brno. Together, the two cities therefore represent almost four-fifths of the sector's employment. This indicates that both offer an established pool of employees accustomed to working in international organisations, although Prague's market is more than the Case company as large (ABSL Czech Republic, 2025, p. 24).

Prague also has a more international workforce. Foreign nationals represent around 49% of business services employees in Prague, compared to 40% in Brno. Data shows that German-language recruitment is a common requirement in the Czech service sector. (ABSL Czech Republic, 2025, pp. 41-43).

The larger market in Prague provides a wider range of experienced managers. However, it also creates stronger competition between employers. Business-service companies rated local competition as 8.1 out of 10 in Prague and 6.8 out of 10 in Brno. At the same time, the perceived availability of highly qualified employees was rated similarly in the two cities: 7.0 in Prague and 7.3 in Brno. These employer assessments suggest that the smaller labour market in Brno is compensated for by lower competition and a strong concentration of qualified employees (ABSL Czech Republic, 2025, pp. 24-26).

University and graduate pipeline

Prague offers access to the largest university environment in the country. The most relevant institution for the Case company is the Czech Technical University in Prague, whose faculties include mechanical engineering, electrical engineering, information technology, civil engineering, and transportation sciences. This creates a broad technical graduate pipeline and opportunities for recruiting junior engineers or employees who can progress into project management roles (Czech Technical University, 2025).

Brno's university environment is also very significant given the city's size. The Brno University of Technology comprises eight faculties and has almost 18,000 students. These include faculties of mechanical engineering, electrical engineering and communications, information technology, civil engineering, and business and management (Brno University of Technology, 2026).

Salary conditions

Official regional averages clearly show a wage difference. In the first quarter of 2025, for example, the average gross monthly wage was approximately €2,530 (CZK 62,472) in Prague, compared to €1,866 (CZK 46,066) in the South Moravian Region, which includes Brno. Therefore, Prague's average was approximately 36% higher. (Czech Statistical Office, 2025a).

Office availability and cost

Both cities have sufficient modern office space, but their market conditions are very different. In the reporting period used by ABSL, Prague had almost 4.0 million square metres of modern office space, compared with approximately 699,000 square metres in Brno. Prague therefore provides substantially more choice across different office districts. Brno's vacancy rate was higher at 12.07%, compared to 7.35% in Prague. (ABSL Czech Republic, 2025, pp. 106-109).

Rents in Prague's city centre were reported at approximately €15.50-18.50 per square metre per month. In Brno, modern Class A office space was generally available for around €14-16 per square metre per month.

Connectivity and practical operation

Prague has stronger international accessibility. Its airport offers a wide range of scheduled services and the ABSL employer survey gave the city a rating of 9.0 out of 10 for accessibility, compared with 7.0 for Brno (ABSL Czech Republic, 2025, p. 26). Brno is, however, connected to Prague by direct rail services. Local transport and office infrastructure are strong in both cities.

Overall assessment

Prague is the lower-risk Czech location when it comes to the initial recruitment of experienced project managers. It has the largest business services market, the highest concentration of international employees, and stronger connectivity. Disadvantages include higher general salaries, stronger competition from employers and more expensive office space.

Brno is a more balanced cost-and-talent alternative. It already accounts for a quarter of Czech business services employment, has lower employer competition, a major technical university

and a well-established office market with a salary advantage. Its main weakness is international connectivity.

5.4.3 Estonia: Tallinn and Tartu

Tallinn and Tartu were selected in Estonia. Tallinn is the country's main business hub and has the highest number of international companies and experienced professionals. It is also home to Tallinn University of Technology, which makes it a popular destination for technical recruitment (Invest in Estonia, 2026).

Tartu is home to Estonia's leading university and research centre. Although the city's smaller labour market may limit the availability of experienced employees, the University of Tartu and the surrounding technology and science environment provide a relevant graduate pipeline.

Labour-market depth and relevant experience

Tallinn is Estonia's main centre for business, finance and technology. It has the strongest concentration in the country of employees with international experience. The city is also home to most of Estonia's international business service operations and the head offices of larger domestic companies.

Tartu's labour market is considerably smaller and more closely connected to the university, research institutions, and technology companies.

University and graduate pipeline

Tallinn University of Technology, commonly known as TalTech, is the only university in Estonia specialising in technology and engineering. With more than 9,000 students, it offers programmes in areas including industrial, mechanical and electrical engineering, as well as information technology and technology management (TalTech, 2026).

Salary conditions

According to Statistics Estonia, the average monthly gross salary in Tallinn was €2,451 in 2025. The corresponding figure for Tartu County was €2,112, which is approximately 14% lower than in Tallinn.

Office availability and cost

Tallinn has Estonia's only office market that is regularly covered by international property consultancies. In Q3 2025, the office vacancy rate was 8.7%. Rents for A-class offices ranged from €17.30 to €24.00 per square metre per month, and rents for the most central business district locations reached approximately €27.00 (Newsec, 2025).

Tartu has a smaller, office market. Modern office space is available in the city centre, around the university's Delta Centre, and in technology-oriented business locations. There is no consistent, market-wide series that would enable direct comparison of Tartu's rents and vacancy rate with the ones in Tallinn.

Connectivity and practical operation

Tallinn is a better location for regular travel to Germany. Tallinn Airport is Estonia's main international airport and is located close to the city's main business districts. Tartu Airport has a scheduled connection only to Helsinki.

Overall assessment

Tallinn is the stronger Estonian location for the planned first phase. It offers the broader pool of experienced professionals, the most relevant engineering university, a transparent modern office market and better international connectivity.

5.4.4 Hungary: Budapest and Debrecen

Budapest (Vecsés) and Debrecen were selected as locations in Hungary. Budapest offers the largest pool of experienced project managers and engineers in the country, as well as the broadest professional service network and the strongest international connectivity. From an operational perspective, it is therefore the most suitable Hungarian location.

However, investments within Budapest are not eligible for regional VIP cash support. According to our consultation with WTS Klient, municipalities located immediately outside the capital may still be eligible, even if they are part of the wider Budapest labour market. Vecsés is notable because it lies outside Budapest's administrative boundary and is located directly beside Budapest Ferenc Liszt International Airport. The Airport City Business Park and the Aerozone area already provide office and commercial infrastructure in this area, with

connections to the airport (HIPA, 2022; WING, 2026; WTS Klient consultation, 2026). Debrecen is also one of the regional locations identified as increasingly relevant to business service operations (HIPA et al., 2025, pp. 22-23).

Labour-market depth and relevant experience

Budapest and Vecsés can be considered a single labour market due to their close proximity to each other and to Budapest's international airport. In 2025, Budapest had around 911,800 employed residents and an unemployment rate of 3.2%. Pest County, which includes Vecsés, had a further 683,400 employed residents and an unemployment rate of 3.0%. The two regions together accounted for almost 1.6 million employed people (Hungarian Central Statistical Office, 2026a)..

Budapest had approximately 764,400 service sector employees and 145,300 industrial employees in 2025, while Pest County had around 479,600 service sector employees and 186,500 industrial employees. The metropolitan area therefore has a large service-based labour market and an industrial base that can provide candidates with technical experience (Hungarian Central Statistical Office, 2026b). While engineering activities are less dominant than finance, HR and IT, they are still present: 21% of the business-service centres surveyed by HIPA reported engineering functions, while 22% performed research and development. English and/or German are used by 81% of the surveyed centres (HIPA et al., 2025, pp. 8-10).

Debrecen has a substantially smaller labour market. In 2025, Hajdú-Bihar County, which includes the city, had approximately 246,900 employed residents, while its unemployment rate was 5.6% (Hungarian Central Statistical Office, 2026a). Investment in the automotive, electronics and technology sectors has expanded the city's engineering labour market. While this provides a growing pool of technical expertise, it also increases competition for engineers. Although Debrecen already hosts international service and technology operations, the market is much smaller than in Budapest.

University and graduate pipeline

Budapest has the most diverse university scene in Hungary. The Budapest University of Technology and Economics offers specialised education in mechanical, electrical, transportation, civil and chemical engineering, as well as information technology and management. The city is also home to Óbuda University, Corvinus University, and Eötvös

Loránd University, the latter of which has around 30,000 students. Together, these institutions provide graduates in engineering, technology, informatics, economics and business administration.

The University of Debrecen is also significant given the size of the city. With more than 34,000 students, including over 7,700 international students, the University of Debrecen comprises 13 faculties. The faculties of engineering, informatics, science and technology, and economics and business are relevant. The university also collaborates with local and international companies to provide internship, graduate recruitment and practice-oriented training opportunities (University of Debrecen, 2026).

Salary conditions

Official earnings data show considerable regional differences. In 2025, the average gross monthly earnings were approximately €2,140 (HUF 851,211) in Budapest, €1,624 (HUF 646,120) in Pest County, and €1,560 (HUF 620,449) in Hajdú-Bihar County. Therefore, average earnings in Hajdú-Bihar were approximately 27% below the earnings in Budapest (Hungarian Central Statistical Office, 2026c).

These regional averages cover all occupations and cannot be used to determine the salary of the needed positions. According to Hays, the median gross monthly salary was approximately €2,137 (HUF 850,000) for a junior project manager, €3,394 (HUF 1,350,000) for a project manager with three to five years' experience, and €4,526 (HUF 1,800,000) for a senior project manager. For project engineers, the corresponding median was approximately €1,634 (HUF 650,000) for a graduate, and €2,766 (HUF 1,100,000) for a professional with over five years' experience .

The published salary ranges are national and not city-specific. Salaries in Budapest are likely to be towards the higher end due to the concentration of international employers.

Office availability and cost

Budapest has the largest and most developed office market in Hungary. By 2025, the city had around 4.46 million square metres of modern office space. The reported vacancy rate was around 14% , The average rent for a Class A property was around €16.80 per m² per month, while the prime rent was €25.50 (HIPA et al., 2025, pp. 22-23; Colliers, 2025).

Having an office near Budapest Airport would allow access to the capital's labour market while benefiting from lower costs outside the city. Vecsés already has well-established office, hotel and transport infrastructure around the airport. According to the WTS consultation, municipalities outside Budapest may also be eligible for regional investment support.

Debrecen had an estimated modern office stock of around 120,000 m² and an estimated vacancy rate of approximately 18%. Class A rents were reported at €10.50-14.50 per m² per month. While the city offers lower office costs and sufficient current availability, its market is considerably smaller and provides fewer alternatives. (HIPA et al., 2025, pp. 22-23).

Connectivity and practical operation

Budapest offers a stronger connection to the German headquarters. Budapest Airport also provides direct flights to Basel, Munich Frankfurt and several other German cities (Budapest Airport, 2025). An office in Vecsés would be very convenient in terms of airport access and commuting.

Debrecen Airport also provides a direct flight to Munich. While this provides Debrecen with a practical connection to Germany, the frequency and range of alternatives are much more limited than in Budapest.

Both locations offer the accounting, legal, recruitment and payroll services that a foreign subsidiary requires. Budapest offers a much larger network of professional services, but Debrecen also has has local support for day-to-day operations.

Overall assessment

Budapest-Vecsés is the lower-risk option in Hungary. It offers the largest pool of professionals with international experience and German-language skills, a wide range of universities, a flexible office market and strong connections to Germany. Siting the office near Budapest Airport but outside the administrative boundary of Budapest could also preserve access to potential regional investment support. The main disadvantages are higher salaries and stronger competition for experienced project managers and specialised engineers.

5.4.5 Summary of the city-level comparison

Vilnius, Prague, Tallinn and the Budapest metropolitan area offer the best access to experienced international candidates but also have the highest wage levels in their respective countries. Kaunas and Brno offer the strongest balance between the supply of technical labour and lower costs. Tartu and Debrecen have significant university talent pools and more favourable general wage levels, but their smaller experienced talent pools for scaling up.

From a labour-market perspective, Brno and Kaunas are noteworthy because they both have an established technical environment and a professional market that is less dependent on the capital city. Budapest-Vecsés reduces recruitment risk, but the budget should be based on professional salaries in Budapest. Debrecen is a more distinct, low-cost alternative in Hungary, although the salary advantage must be weighed against the actual availability of candidates. Estonia requires the most careful approach to scaling up because its total market is small.

5.5 Financial comparison and location recommendation

Previous analyses have shown that national averages alone are not enough for making a final location decision. The following comparison combines city-level salary data with employer contributions, office costs, and the incentive conditions identified for each location. Germany is included as the benchmark. The aim is to estimate and better understand the initial and later costs, and to identify the location with the strongest overall business case.

This is an indicative financial model based on a standardised staffing and operating structure. Its purpose is to demonstrate the approximate cost differences between locations, rather than to provide a detailed financial forecast. Taxation and public support are examined separately because they depend on additional assumptions and company-specific eligibility.

5.5.1 Assumptions

It is assumed that the office will have 20 employees by the end of Year 1, 50 by the end of Year 2, and 80 by the end of Year 3. It is assumed that recruitment will take place evenly

throughout each year. Therefore, salary and other employee-related costs are calculated using an average of 10 employees in Year 1, 35 in Year 2, and 65 in Year 3. Office space is calculated based on the year-end headcount because leased space usually must be available before all positions are filled.

A single gross monthly salary estimate is used for each city. These figures serve as indicative planning benchmarks, informed by the salary sources and regional wage differences discussed in Section 5. 4.The planned office will employ both project managers and project engineers, who may have different levels of experience. Headcount/year: 20, 50 and 80

The German assumption of €6,500 per month corresponds to €78,000 annually and falls within the published salary range of €62,500–83,600 for senior project managers (StepStone, 2026). The Lithuanian assumptions of €2,800 in Vilnius and €2,650 in Kaunas are close to the national five-year Project Manager benchmark of €2,609 and the Senior Project Manager benchmark of €2,724 reported by Manoalga (2026).

- Office area: 12 m² per employee, including the employee's share of common and meeting space
- Recruitment: 15% of first-year gross salary for each new hire
- Equipment: € 2,500 for each new employee
- Other recurring costs: € 3,600 per employee
- Foreign-entity setup: €15,000 once in Year 1

Table 26 Salary and employer-cost assumptions

Location	Gross salary (€/month)	Employer contribution (%)	Annual employer cost (€/employee)	Office rate (€/m²/month)
Vilnius	2800	1,77	34195	18
Kaunas	2650	1,77	32363	17
Prague	2800	33,8	44957	22
Brno	2450	33,8	39337	19
Tallinn	2700	33,8	43351	24,65
Tartu	2550	33,8	40943	18

Budapest-Vecses	2600	13	35256	21,8
Debrecen	2250	13	30510	16
Germany	6500	21	94380	25

5.5.2 Three-year cost comparison

The annual cost consists of employer payroll costs, office space costs, recurring operating costs, recruitment costs, equipment costs, and one-off establishment costs. Employee income tax and social security deductions are included in gross salary and are therefore not added again. Recoverable VAT is also excluded.

Table 27. Cost of establishing and operating the office before profit taxes and incentives

Location	Year 1 (€)	Year 2 (€)	Year 3 (€)	Three years (€)	Annual cost at 80 employees (€)	Saving vs Germany (%)
Vilnius	595587	1678615	2890217	5164419	3230938	58,5
Kaunas	568989	1599200	2751526	4919715	3072869	60,5
Prague	714728	2084088	3635832	6434648	4137984	48,3
Brno	637292	1846902	3217098	5701292	3653856	54,2
Tallinn	702704	2041572	3556596	6300872	4040064	49,4
Tartu	654068	1901298	3315342	5870708	3770784	52,9
Budapest-Vecses	609944	1732320	2992176	5334440	3359616	57,2
Debrecen	533180	1505550	2597970	4636700	2913120	62,8
Germany	1335800	4035300	7082700	12453800	8126400	0

Before taxes and support are taken into account, Debrecen has the lowest three-year cost, at €4,636,700. Kaunas follows with costs of €4,919,715, while in Vilnius the cost is €5,164,419. The German reference is €12,453,800.

5.5.3 Taxes and indicative public support

It is not possible to compare corporate taxes without assuming how the subsidiary earns income. In this calculation, the local company is treated as a service provider to the German parent company, invoicing its operating costs plus a 5% margin. This margin is only used to estimate taxable profit.

The calculation is simple: revenue is equal to operating costs multiplied by 1.05, while profit before business taxes is equal to operating costs multiplied by 0.05. Lithuania, Czechia and Germany apply their profit tax rate to this figure. In Estonia, no tax is applied while the profit remains in the subsidiary. In Hungary, local business tax and innovation contribution are deducted before the remaining profit is subject to a 9% corporate income tax rate.

Lithuania applies a corporate income tax rate of 17%, while the rate in Czechia is 21%. Estonia does not tax retained profits. If all profits were distributed, the current system would tax 22% of the distributable amount. Hungary applies a 9% corporate income tax rate, but this does not reflect the full tax burden. The calculation also includes a local business tax of 2% and an innovation contribution of 0.3%. Both are estimated based on sales revenue because payroll is generally not deductible from their tax base. (Ministry of Finance of Lithuania, 2026; CzechInvest, 2026; Estonian Tax and Customs Board, 2026; HIPA et al., 2025; Germany Trade & Invest, 2026).

Table 28Simplified three-year tax calculation

Location	Cost before tax (€)	Profit before tax (€)	Local business tax (€)	Innovation contribution (€)	Profit tax (€)	Cost including tax (€)
Vilnius	5164419	258221	0	0	43898	5208317
Kaunas	4919715	245986	0	0	41818	4961532
Prague	6434648	321732	0	0	67564	6502212
Brno	5701292	285065	0	0	59864	5761156
Tallinn	6300872	315044	0	0	0	6300872
Tartu	5870708	293535	0	0	0	5870708
Budapest-Vecses	5334440	266722	112023	16803	12411	5475677
Debrecen	4636700	231835	97371	14606	10787	4759464
Germany	12453800	622690	0	0	186807	12640607

The tax calculation only changes the ranking slightly. However, it does show why Hungary should not be assessed solely on its 9% corporate income tax rate.Estonia provides a cash-flow advantage if profit remains in the subsidiary. If the modelled Estonian profit were fully distributed, the additional tax would amount to approximately €69,310 in Tallinn and €64,578 in Tartu.

Public support is shown separately because no grant has yet been confirmed. A planning rate of 15% is used for Lithuania. This figure is similar to the average support of 14.96% reported for previously approved TUI Invest LT+ projects, and is within the 10-20% employment cost range published by Invest Lithuania. The calculation assumes that the the Case company meets the project classification, investment, turnover, salary and job requirements discussed in Section 5.3.4. For Hungary, a planning rate of 30% is used. This is intentionally below the published regional ceiling of up to 60%. The Hungarian scenario is only available if the jobs are located outside Budapest and if HIPA accepts the activity, eligible payroll and commitments (Ministry of the Economy and Innovation of Lithuania, 2025; HIPA et al., 2025; WTS consultation, 2026).

Table 29 Calculation of public support

Location	Cost including tax (€)	Assumed support rate (%)	Eligible payroll within three years (€)	Indicative support (€)	Cost after support (€)	Saving vs Germany (%)
Vilnius	5208317	15	3360000	504000	4704317	62,8
Kaunas	4961532	15	3180000	477000	4484532	64,5
Prague	6502212	0	0	0	6502212	48,6
Brno	5761156	0	0	0	5761156	54,4
Tallinn	6300872	0	0	0	6300872	50,2
Tartu	5870708	0	0	0	5870708	53,6
Budapest-Vecses	5475677	30	3120000	936000	4539677	64,1
Debrecen	4759464	30	2700000	810000	3949464	68,8
Germany	12640607	0	0	0	12640607	-

5.5.4 Overall assessment

The financial comparison confirms that setting up the new office outside Germany could generate significant savings. Before taking into account public support, the estimated cost over three years ranges from €4.76 million in Debrecen to €6.50 million in Prague, compared to €12.64 million in Germany. The differences between the foreign locations are much smaller than their combined cost advantage over Germany.

Lithuania has the strongest overall balance. The estimated three-year cost in Kaunas is EUR 4.96 million including taxes, whereas in Vilnius it is EUR 5.21 million. Kaunas combines relatively low employment costs with an engineering-oriented university and industrial environment. Although Vilnius is more expensive, it offers Lithuania's largest pool of employees with experience in international service organisations. Therefore, Kaunas is the more cost-efficient Lithuanian option, while Vilnius is the lower-risk alternative if experienced project managers are a priority.

The Budapest metropolitan area remains a strong option. The estimated three-year cost of the Budapest-Vecsés scenario is €5.48 million before public support. While this is around 10% higher than the cost in Kaunas, it still represents a saving of approximately 57% compared to Germany. Budapest offers the largest and most internationally experienced labour market, as well as established business service. An office in Vecsés could draw employees from this metropolitan labour market while remaining close to the airport and potentially qualifying for regional support.

Czechia and Estonia are feasible, but less attractive, based on the assumptions used. While Brno offers a relevant technical and university environment, its calculated cost is higher than that of the Lithuanian and Hungarian alternatives, and no applicable national investment incentive has been identified. While Tallinn and Tartu benefit from Estonia's taxation of distributed rather than retained profit, their comparatively high employer contributions reduce the immediate cost advantage. Prague provides a large labour market, but it is the most expensive foreign location in the comparison.

6 Conclusion

This thesis started with a relatively simple business question: where in the European Union could the Case company establish an additional office that offers a meaningful cost advantage without giving up access to the people and operating conditions needed for project work? As the analysis showed, answering this question required considerably more than comparing salaries between countries.

The aim of the thesis was to develop a theory-based but practical framework for selecting a suitable EU location for a new consulting office and to apply it to the Case company's case. The framework was designed as a staged process, beginning with all EU Member States and gradually narrowing the alternatives as more detailed information became relevant. This made it possible to combine the broad comparability needed at country level with the more practical information required when considering actual cities.

6.1 Main findings and answers to the research questions

The first research question asked which location-selection factors relating to talent, the business environment and risk are highlighted in the literature for establishing a new office.

The literature showed that location suitability cannot be explained by one factor alone. For the type of office considered in this thesis, the most relevant factors could be organised around three main dimensions: talent and labour-market suitability, cost and business-environment attractiveness, and risk and institutional feasibility. Connectivity and strategic fit were also found to be important, once the analysis moved from countries to actual cities. This supports the broader location-selection literature, which argues that the attractiveness of a location depends on the activity being placed there rather than on generic country attractiveness alone (Dunning, 1988; Dunning and Lundan, 2008). For knowledge-intensive services, skilled labour and cost need to be considered together rather than separately (Sass and Fifekova, 2011).

The second research question asked how these factors can be translated into a practical decision-support framework for Case company's planned office profile.

The main contribution of the thesis is the staged framework developed for this purpose. Literature-based factors were first adapted to Case company's requirements and translated into measurable indicators. the Case company expert input was then used to determine their relative importance. At country level, talent received a final weight of 31.15%, cost and business environment 38.52%, and risk and institutional feasibility 30.33%. The relatively balanced distribution of these weights reflects the central problem of the case: cost is important, but it cannot compensate for a location that does not provide sufficient talent or acceptable operating conditions.

Rather than applying the same level of analysis to every location, the framework progressively narrows the search. The initial labour-cost screen removes countries that cannot provide Case company's required cost advantage. The remaining alternatives are then assessed through a weighted country comparison, followed by a more detailed shortlist and city-level assessment. At this later stage, more locally specific evidence, such as professional salary levels, regional talent pools, universities, office markets, connectivity and investment incentives, can be considered without creating false precision across the whole EU.

The third research question asked how the framework can be used to progressively screen and compare EU countries and shortlisted cities.

The application of the framework produced a clear narrowing of the alternatives. After the initial cost screening, 16 countries remained in the formal country comparison. Lithuania achieved the highest overall score at 68.67 points, followed by Czechia with 63.58 and Estonia with 61.97. Lithuania offered the strongest overall balance between the three dimensions. Czechia performed particularly well in talent and applied industrial experience, while Estonia had the strongest institutional and digital profile.

Hungary ranked tenth overall with 51.06 points but was kept for further analysis. This decision is an important result in itself. Hungary achieved one of the strongest cost scores in the comparison and remained sufficiently credible in the other dimensions to justify a closer look. The shortlist therefore consisted of Lithuania, Czechia, Estonia and Hungary.

The city-level analysis showed why this additional step was necessary. National averages hide meaningful differences within countries. Vilnius offers Lithuania's largest pool of professionals with international service experience, whereas Kaunas provides a stronger cost position combined with a technical and engineering-oriented environment. A similar

distinction could be seen between capital and secondary cities in the other shortlisted countries.

When the city-level salary assumptions, employer costs, office expenses and other establishment costs were combined, Lithuania remained the strongest overall option. The estimated three-year cost was approximately €4.96 million in Kaunas and €5.21 million in Vilnius, compared with €12.64 million for the German benchmark. Kaunas therefore provides the stronger cost case, while Vilnius reduces recruitment risk where access to more experienced international professionals is important.

At the same time, the analysis also strengthened the case for Hungary. The Budapest-Vecsés scenario was estimated at approximately €5.48 million over three years before public support. Although this is around 10% higher than Kaunas, it remains roughly 57% below the German benchmark. The Budapest metropolitan area also provides a larger and more internationally experienced labour market, strong connectivity to Germany and the possibility of locating outside Budapest while still drawing from its labour pool.

Czechia and Estonia remain feasible alternatives, but the deeper analysis weakened their relative business cases under the assumptions used in this thesis. Czechia provides relevant technical talent but also faces stronger labour-market pressure and higher employer costs. Estonia offers an attractive institutional and tax environment, but its smaller labour market and comparatively high employer contributions make scaling the planned office more challenging.

6.2 Practical implications

The findings provide a clearer basis for the next management decision. When cost, talent and operating conditions are considered together, Lithuania remains the strongest country-level option. Within Lithuania, the choice between Kaunas and Vilnius mainly depends on the trade-off between cost efficiency and recruitment security.

Hungary should also be considered if the Budapest metropolitan labour market can be accessed from outside the city and if the planned investment qualifies for public support. In this case, the financial difference between Lithuania and Hungary would be less important

than practical factors such as access to experienced professionals, German-language capability, and proximity to the German headquarters.

6.3 Limitations and future research

This study has several limitations that should be considered when interpreting the results. Firstly, the framework was developed for a specific company decision-making context, reflecting the planned office profile and priorities of the case company. Office requirements were primarily defined through one semi-structured management interview, and the weighting system was based on input from eight internal respondents. While the resulting framework is highly relevant to the case company, the exact criteria and weights should not be assumed to apply to other companies or office types.

Secondly, the analysis relies heavily on secondary data and proxy indicators. While country-level datasets provide good comparability across the European Union, they cannot measure every concept directly. For example, while STEM graduates, occupational statistics, and broader human capital indicators can provide an indication of the strength of a labour market, they do not show the exact number of project managers or project engineers with the required industry, client-facing, and project experience. National indicators may also mask significant regional variations.

Thirdly, city-level information tends to be less standardised than country-level data. Salary reports, office-market sources, university data and regional statistics vary in terms of their methodology, timing and level of detail. Additionally, a full primary recruitment market test was not conducted in each shortlisted city. Recruitment feasibility is therefore based on available labour market evidence rather than observed hiring outcomes.

Fourthly, the weighting and scoring results depend on the judgement of participating Case company experts. No separate sensitivity analysis was conducted. The country ranking should therefore be interpreted as the result of the selected criteria, weights, and normalisation approach, rather than as an objective ranking of European locations.

Fifthly, the financial comparison is indicative rather than forming part of a detailed business plan. Standardised assumptions were used for salaries, staffing growth, office space, recruitment, equipment, and recurring operating costs, in order to make the locations

comparable. A single salary benchmark was applied to each city, despite the fact that the planned office will contain roles of different levels of seniority. Public incentives were modelled as indicative planning scenarios and have not been confirmed. The final costs would depend on the actual workforce composition, recruitment conditions, legal structure, tax treatment, choice of office and confirmed eligibility for support.

Finally, several commercially important factors are time sensitive. For example, salary levels, labour-market tightness, tax rules, office rents and public incentive schemes may change between the completion of the thesis and the actual investment decision. The results should therefore be updated before implementation.

Future research could strengthen the framework by testing alternative weighting scenarios, collecting primary recruitment data in shortlisted cities and applying the framework to other knowledge-intensive service companies. It would also be valuable to revisit the case company once an office has been established, comparing the predicted attractiveness of the selected location with the actual recruitment, costs, and operational performance.

6.4 Conclusion

This thesis showed that choosing a location for a new consulting office is not as simple as considering one indicator or one country ranking. Cost, talent, institutional conditions and connectivity all influence the final decision, but their level of importance varies as the selection process becomes more detailed.

The main focus of the thesis is the development and application of a staged decision-support framework. This framework translates literature-based location factors into a practical process. First, unsuitable alternatives are removed. Then, the remaining countries are compared systematically. Finally, more detailed country- and city-level information is introduced only when it becomes relevant. This approach combines broad comparability with the flexibility required for company-specific location decisions.

When applied to the Case company, the framework identified Lithuania as the strongest country option overall under the assumptions used in this study. While Kaunas provides a stronger cost position, Vilnius offers greater recruitment security thanks to its deeper pool of internationally experienced professionals. Budapest-Vecsés also remains a relevant

alternative, offering a combination of cost advantages, a deep labour market, good connectivity and potential investment support. These results demonstrate how the framework can distinguish between locations that appear similar at a country level, but which differ substantially when more practical conditions are considered.

More importantly, the study shows that the value of a decision-support framework lies not only in producing a final ranking, but also in making the reasoning behind the decision visible. Each stage reduces uncertainty and introduces the appropriate level of detail for the decision, showing why an alternative is still under consideration or has been excluded.

The thesis began with the question of where the pin should go. The outcome is therefore not just a point on a map, but a structured approach to deciding where to place it and why.

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Appendix 1: Semi-structured interview: CASE COMPANY's planned EU office profile

Interview type: Semi-structured expert interview

Interviewee: Founder / management representative of CASE COMPANY

Purpose: Clarification of CASE COMPANY's planned EU office profile and company-specific decision requirements

Use in the thesis: The interview was used as case-specific input for Chapter 4.2 and for the later development of the location-selection framework. The interview was conducted in a semi-structured format. The questions below formed the interview guide, while follow-up questions were asked where clarification was needed.

1. Business logic and state support

- Besides lower salary costs and increased project capacity, are there other main reasons for establishing the new EU office?
- What is the minimum required salary cost advantage compared with Germany?
- Should state support be treated as a major decision factor, or only as an additional advantage if the country is otherwise suitable?

2. Role of the new office

- Should employees in the new office work directly with clients, mainly through German colleagues, or both depending on the project?
- Who would manage the employees in the new office during the first phase?

3. Skills and staffing requirements

- Which roles should be hired first, and what experience level is required?
- What technical or industry background is most important for the Project Engineers?

4. Growth and location priorities

- How important is long-term scalability when choosing the country?
- What would make a country clearly unsuitable for the new office?
- What would make a country especially attractive for CASE COMPANY?

Appendix 2. Data sources, filters and logic for country-level indicators

Dimension / stage	Indicator	Source and code	Selected categories	Unit and calculation	Interpretation
Stage 0 labour-cost pre-selection	Labour-cost level compared with Germany	Eurostat, Labour cost levels by NACE Rev. 2 activity, lc_lci_lev	Frequency: annual; unit: euro; labour-cost structure: D1_D4_MD5 - labour cost for LCI; NACE: B-S_X_O - industry, construction and services except public administration, defence and compulsory social security; reference country: Germany	Calculation: country value / Germany value × 100	Lower value means stronger general labour-cost advantage compared with Germany. Used only as a pre-selection filter.
Talent and labour-market suitability	Experienced technical and knowledge-based talent pool	Eurostat, Human resources in science and technology by category, sex and age, hrst_st_ncat	Frequency: annual; category: HRST - persons with tertiary education and/or employed in science and technology; sex: total; age: 45-64; geography: EU countries	Unit: PC_ACT - percentage of active population. No calculation if source value is used directly.	Higher value means a larger experienced HRST group within the active population. Used as a proxy for experienced technical and knowledge-based labour.

Talent and labour-market suitability	Engineering-related professionals and technicians per 1,000 employed persons	Eurostat, Employed persons by detailed occupation, lfsa_egai2d	Frequency: annual; unit: thousand persons; sex: total; age: 15-64; ISCO-08: 21science and engineering professionals; 31 science and engineering associate professionals	Calculation: (ISCO 21 + ISCO 31) / total employment × 1,000	Higher value means engineering-related occupations are more present in the employed population.
Talent and labour-market suitability	STEM/technical tertiary graduates per 1,000 people aged 20-29	Eurostat, Graduates in tertiary education in science, mathematics, computing, engineering, manufacturing and construction, educ_uoe_grad04	Frequency: annual; sex: total; geography: EU countries	Unit already provided by source: graduates per 1,000 population aged 20-29. No calculation.	Higher value means stronger relative output of STEM and technical tertiary graduates.
Talent and labour-market suitability	Employment share in selected CASE COMPANY-relevant economic activities	Eurostat, Employed persons by detailed economic activity, lfsa_egan22d	Frequency: annual; unit: thousand persons; sex: total; age: 15-64; NACE Rev. 2: C21, C26, C29, M71, M72	Calculation: selected sector employment / total employment × 100	Higher value means a larger share of employment is in industries related to CASE COMPANY's client and project environment.

Talent and labour-market suitability	Unemployment rate among tertiary educated people aged 25-74	Eurostat, Unemployment by sex, age and educational attainment, une_educ_a	Frequency: annual; sex: total; age: 25-74; education: ED5-8 - tertiary education; geography: EU countries	Unit: percentage of active population. No calculation if source value is used directly.	Higher value means more labour-market slack among tertiary educated workers. Lower value means tighter recruitment conditions.
Cost and business environment attractiveness	Salary-cost level	Eurostat, Labour cost levels by NACE Rev. 2 activity, lc_lci_lev	Frequency: annual; unit: euro; labour-cost structure: D11 - wages and salaries total; NACE: M - professional, scientific and technical activities	No calculation. Use raw source value directly in weighted country comparison.	Lower value means a more attractive salary-cost level in professional and technical activities.
Cost and business environment attractiveness	Total employer cost structure	Eurostat, Labour cost levels by NACE Rev. 2 activity, lc_lci_lev	Frequency: annual; labour-cost structure: D2-D4_MD5_RAT - share of non-wage costs; NACE: B-S_X_O - industry, construction and services except public administration,	Unit: percent. No calculation.	Lower value means non-wage employer costs form a smaller share of total labour costs.

			defence and compulsory social security		
Cost and business environment attractiveness	Business investment and setup-cost environment	Eurostat, “Purchasing power parities, price level indices, nominal and real expenditures by analytical categories”, prc_ppp_ind_1	Indicator: price level indices	Index, EU27_2020 = 100	A lower value suggests a relatively cheaper investment and setup-cost environment. The indicator is a proxy.
Cost and business environment attractiveness	Corporate tax conditions	OECD, Corporate Income Tax Rates Database, Corporate Tax Statistics; OECD Data Explorer dataset: “Corporate income tax (CIT) - statutory and targeted small business rates”	Rate type: statutory corporate income tax rate; government level: combined central and sub-central government rate; countries: EU Member States; year: latest available year	Percent; source provides final indicator directly	A lower value is considered more attractive.
Risk and institutional feasibility	Political, legal and institutional stability	World Bank, Worldwide Governance Indicators, 2025 Revision. Dimensions: Rule of Law RL; Political Stability and Absence of Violence/Terrorism PV	Aabsolute governance score	Score, 0-100; source provides final values directly	Higher values are more attractive because they indicate stronger rule of law and greater

					political stability.
Risk and institutional feasibility	Administrative and regulatory quality	World Bank, Worldwide Governance Indicators, 2025 Revision	Dimensions: Regulatory Quality and Government Effectiveness	Score, 0-100; source provides final values directly	Higher values are more attractive because they suggest stronger regulatory quality and more effective public administration.
Risk and institutional feasibility	Digital public services for businesses	European Commission, Digital Decade / DESI visualisation tool, desi_dps_biz	Indicator: digital public services for businesses; breakdown: total; unit: eGovernment score; period: DESI 2025; geography: EU countries	No calculation. Use source score directly.	Higher value means business-related public services are more digitally available. Used as a proxy for digital administrative efficiency.

Risk and institutional feasibility	Corruption and integrity risk	Transparency International, Corruption Perceptions Index, CPI 2025	Indicator: CPI score; countries: EU Member States; year: 2025	Score, 0-100; source provides final indicator directly.	Higher values are more attractive because they indicate lower perceived public-sector corruption.