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# Successful Entrepreneurship

A case study of restaurants in Leppävaara, Espoo

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# Successful Entrepreneurship

A case study of restaurants in Leppävaara, Espoo

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Degree Programme in  
Business Management  
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Successful Entrepreneurship

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In Finland, many foreigners seeking to settle in the country have embarked on starting up their own businesses. Most have been successful and growing, others have not been as lucky. The Ministry of Employment and the Economy (MEE) wishes to raise the number of successful entrepreneurs and help the existing ones.

The purpose of this study is to establish which factors affect business survival and success among SMEs owned by persons of foreign origin in Finland. Based on a survey of restaurants in the Leppävaara area, the study discloses that customer relations, access to capital, marketing and knowledge of Finnish language significantly affect the likelihood of business success in a positive way, while taxation and legality do so in a negative direction.

These findings suggest that to be a successful business, the owners of SMEs should pay more attention to improving marketing strategy, learn the Finnish language, and to acquire capital and improved access to information. Other parties interested in the development of SMEs, such as government agencies, schools and business development services, should also be prepared to give assistances in these areas-

Key words; Entrepreneurship, SMEs, Foreign entrepreneurs, Ministry of Employment and the Economy (MEE)

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## Table of Contents

1	Introduction.....	Error! Bookmark not defined.
1.1	Purpose of the thesis .....	7
1.2	Research problem .....	8
1.3	Research approach .....	8
1.4	Theoretical approach .....	9
1.5	The framework of the thesis.....	9
2	Theoretical background .....	9
2.1	Entrepreneurship .....	9
2.2	Definition of entrepreneurship .....	10
2.3	The entrepreneur.....	10
2.4	Entrepreneurial success .....	11
2.5	Measuring success and setting objectives.....	13
2.6	Success and social responsibility .....	13
2.7	Inhibitors to the success of a business .....	14
2.7.1	Management incompetence .....	14
2.7.2	Lack of experience .....	14
2.7.3	Forcing a flawed idea .....	15
2.7.4	Undercapitalization .....	15
2.7.5	Poor cash flow.....	15
2.7.6	Lack of strategic management.....	16
2.7.7	Weak marketing.....	16
2.7.8	Uncontrolled growth .....	16
2.7.9	Poor location .....	17
2.7.10	Lack of inventory control .....	17
2.8	Summary of the theoretical discussion.....	17
3	Research approach.....	18
3.1	Introducing various methods with requirements.....	18
3.2	Research Methods .....	18
3.2.1	Primary data.....	19
3.2.2	Secondary data.....	19
3.3	Chosen method .....	20
3.4	Methodology, how the study was carried out and data processed .....	21
3.5	Sample size and sampling procedures .....	21
3.6	Research instruments.....	21
3.7	Questionnaire for the respondents.....	21
3.8	Interview Schedules.....	22
3.9	Problems encountered .....	22

3.10	Introducing validity and reliability with requirements.....	22
3.11	Reliability of the Study .....	23
3.12	Records and relevant data sources .....	23
3.13	Data collection Procedures .....	23
3.14	Data Analysis Procedures .....	24
4	Empirical study .....	24
4.1	Introducing the company ; Ministry Of Employment and the Economy .....	24
4.2	Entrepreneurship in Finland .....	25
4.3	Foreign entrepreneurship in Finland.....	25
4.4	Respondents' Information .....	26
4.4.1	Educational background .....	26
4.4.2	Location and services offered.....	27
4.4.3	Entrepreneurial qualifications .....	27
4.4.4	Reasons for becoming an entrepreneur .....	28
4.4.5	Skills .....	28
4.4.6	Information regarding financing the business .....	29
4.4.7	Contentment with the current state .....	29
4.4.8	Growth of business .....	30
4.4.9	Access to resources.....	30
4.5	Information regarding customers and competitors .....	31
4.6	Information concerning growth of business.....	31
4.6.1	Taxation.....	32
4.6.2	Technology.....	33
4.7	Factors facilitating success .....	33
4.7.1	Paying attention to customer needs .....	33
4.7.2	Management of resources .....	34
4.7.3	Access to reliable and timely information. ....	34
4.8	The results of the study with comments .....	35
4.9	Research summary .....	35
5	Theoretical linkage .....	38
6	Conclusions and recommendations .....	39
6.1	Summary.....	39
7	References .....	41
	Figures .....	43
	Appendices .....	44

## 1 Introduction

The intention of a business is to be successful. Entrepreneurship is about risk taking, venturing into the unknown or undiscovered and identifying and preparing well for the risk that may occur. In Finland, the government is trying to make it possible for the natives and immigrants to have access to resources in terms of capital and information through one of its ministries.

The Ministry of Employment and the Economy (MEE) is an autonomous ministry in Finland tasked with the responsibility of creating opportune environments and regulating entrepreneurship activities. In addition, the MEE facilitates general business innovation activities within the Finnish market. The MEE is noted as also playing a central role in regulating labor markets. The MEE has a conclusive task of actualizing regional development objectives as well as ensuring sustainable growth of the Finnish economy in tandem with developing global standards. The MEE was created in 2008 through a merger of the Ministries of Trade and Industry, Labor and departments charged with regional development within the Ministry of Interior. As part of the government in Finland, it is tasked with a huge responsibility of taking care of one of the most important economic growth sectors which is Entrepreneurship.

In the past, Finland has not attracted much immigration and has practiced a very traditional way of business but in recent years the borders have opened up and there have been a lot more people coming in and trying to make Finland their home. The job market in recent years has proved difficult for some. A lack of knowledge of the Finnish language and culture has driven most of the immigrants to seek alternative ways of making money. One of these has been to start their own businesses, but, this has not been as easy as some may have expected. Many foreigners wonder if being foreign is a factor in the hardships they face as entrepreneurs in Finland. MME is trying to work with them and educate others concerning the prerequisites for success for foreigners hoping to establish their own businesses. This study will examine the factors affecting success and likely inhibitors to being an entrepreneur in Finland.

### 1.1 Purpose of the thesis

The purpose of this research is to investigate how a foreign entrepreneur can ensure success as a business owner in the Finnish market and the obstacles they may face while doing so. Many of the known factors have been sources of capital, relevant skills required, experience, and the Finnish business culture which include the Finnish language, legislation and taxation. This study will discuss these among other success and challenge factors. The research will benefit the Ministry of Employment and the Economy in knowing whether the foreign entrepreneurs are satisfied with the services provided to them and how (if necessary) to improve them.

## 1.2 Research problem

Foreign entrepreneurship in Finland is currently noted as a developing trait; it takes into account socio-cultural drives deemed as factors that lead to ethnic entrepreneurship. Although a factor observed in many western states, ethnic entrepreneurship in Finland is understood to have evolved to include individual inclinations towards business as well. Nevertheless, entrepreneurship entails creating new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them. Foreigners have taken on the challenge and have started their business in Finland. While entrepreneurship is universally considered as being core to economic growth in most economic settings globally, the concept is skeptically perceived by many business-minded individuals and in turn avoided. This problem seems to be particularly prevalent among SME sectors. In retrospect, entrepreneurship involves a great measure of individual risk that is often avoided by many individuals. The risk is noted to be greater for individuals opting towards foreign entrepreneurship. Regardless of the help from the Ministry of employment and the economy, people are still reserved and skeptical on what makes a business owned by a foreigner successful in Finland.

This study aims to answer this main question; what factors affect business survival and success among SMEs owned by persons of foreign origin in Finland?

## 1.3 Research approach

The study will utilize a mixed methodology or the usual use of multiple methods of collecting data. This ensures that the research questions are best and comprehensively answered using mixed research solutions. The research firstly goes through the theory and written statements from previously done researches, journals and books and what entrepreneurship is and what being an entrepreneur entails. The researcher will cover the Espoo area and specifically leppävaara as its research population so as to get more specific details and accurate data. Since there are many sectors of business this research chose to use restaurants as its main case study to avoid generalizing information. A questionnaire and interviews are used to get information from respondents who are entrepreneurs in the named sector and the information analyzed. Additionally using information obtained from MME within the study. The information derived from the research will be linked to the theory to see if it is satisfactory and appropriate for the research. Recommendation and a summary will be provided by the researcher.



## 1.4 Theoretical approach

The theory part of this research states the definition of Entrepreneurship, who is an entrepreneur and reasons to become an entrepreneur. In addition, it states the ways in which the success can be measured and how to set new objectives. It also covers the important factors that bring about successful entrepreneurship and factors that hinder the same.

## 1.5 The framework of the thesis

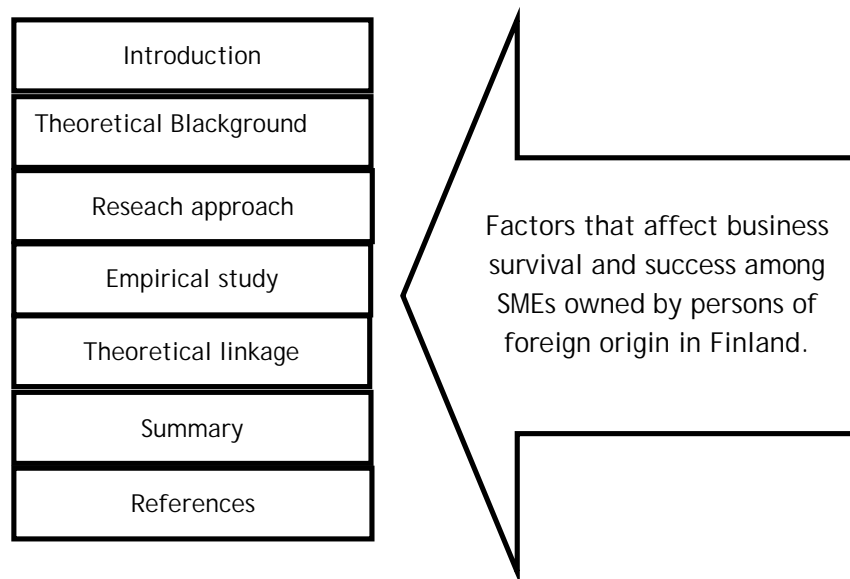


Figure 1: Framework of thesis

## 2 Theoretical background

### 2.1 Entrepreneurship

Of all the players who feature in the management of the modern world economy, it is the entrepreneurs who most attract attention. We all have some view of them. We may see entrepreneurs as heroes, as self-starting individuals who take a great personal risk in order to bring the benefits of new products to a wider world markets. We may express concern at the pace of economic and social change entrepreneurs bring and of the uncertainty they create. We may admire their talents or question the rewards they get for their efforts. Whatever instinctive reaction to them, the impact of entrepreneurs cannot be ignored (Wickham 2001, 2).

Developments in entrepreneurship are sometimes seen as stemming from three sources: firstly, from the contributions of economic writers and thinkers on the role of the entrepre-

neur in economic development and the application of economic theory; secondly, from the psychological trait approach of personality characteristics of the entrepreneur, as will be examined critically later; and thirdly, a social behavioral approach which stresses the influence of the social environment as well as personality traits (Balnaves & Caputi, 2001).

## 2.2 Definition of entrepreneurship

The word 'entrepreneur' is widely used, both in everyday conversation and as a technical term in management and economics. Its origin lies in seventeenth-century France, where an entrepreneur was an individual commissioned to undertake a particular commercial project (Wickham 2001, 7).

In the mainstream or neo-classical economic theory, the entrepreneur can be viewed as someone who co-ordinates different factors of production, but the important distinction is that this role is viewed as a non-important one. As attention has become more focused on the importance of the small and medium sized enterprise (SME) sector for economic development and job creation, greater attention has also been directed at theories of entrepreneurship (Deakins 1996, 8).

## 2.3 The entrepreneur

An entrepreneur is one who creates a new business in the face of risk and uncertainty. The purpose is achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them. Although many people come up with great business ideas, most of them never act on their ideas; entrepreneurs do (Zimmerer & Scourborough 2006, 4).

Too many people find their work boring, unchallenging, and unexciting, but not entrepreneurs. To them, there is little difference between work and play; the two are synonymous. Entrepreneurs' businesses become their instruments for self-expression and self-actualization. They know that the only boundaries on their success are those imposed by their own creativity, enthusiasm, and vision (Zimmerer & Scourborough 2006, 8).

Much effort has gone into identifying entrepreneurial characteristics. This has diverted research away from important areas concerning the entrepreneur's ability to learn from problem solving and to gain from their business experience. Entrepreneurs have the ability to learn from problem and see them as business experiences. We do not understand how entrepreneurs learn, yet it is accepted that there is a learning experience from merely establishing a new enterprise. The learning process that is involved in business and enterprise development is poorly understood, yet programmes have been designed and interventions are made in business developments.

Entrepreneurs who become task-oriented are likely to fail. Entrepreneurship involves a learning process, an ability to cope with problems and learn from those problems. This ability to learn from experiences involves the concept of double-loop learning, a process which involves examining the problem occurred and to learn from that process. It is a process of learning how to learn (Deakins 1996, 21).

There is no universally accepted definition of an entrepreneur. However, it has been found useful to classify entrepreneurs into different types. Such classifications provide a starting point for gaining an insight into how entrepreneurial ventures work and the factors underlying their success. The American entrepreneurship academic Fredrick Webster (1977) considers classification schemes for both the individual entrepreneur and for their venture. Four types of individual entrepreneur are recognized within this scheme. (Wickham 2001, 19)

This approach to classifying technical entrepreneurs is useful for two key reasons. First it indicates the type of support the entrepreneur will need in order to drive the venture forward successfully. Even as they are in command of the technical aspect of what they are doing, may need support with the commercial management of their ventures, user and opportunist entrepreneur may call upon dedicated technical experts to underpin their commercial moves. Second, it enables investors to judge the managerial balance of the ventures to which they are called upon to commit. An investor seeks not only a good idea, but also one that has a clear market potential and is backed by a managerial team that can not only invent but also deliver that invention to the customer profitably (Wickham 2001, 20).

## 2.4 Entrepreneurial success

Entrepreneurship is all about success. Failure is not seen as completely negative but rather an experience which is occasionally necessary and which presents an opportunity for the organization and the entrepreneur to learn.

Entrepreneurs aim to be successful, it is the possibility of success that drives them on and success is the measure of their achievement. Success is however, quite a difficult concept to define because it is multi-faced. Both individuals and organizations enjoy success. It may be measured by hard and fast numbers and by softer qualitative criteria. Success is something which is both visible in public but is also experienced at a personal level.

Success can be understood in terms of four interacting aspects:

- The performance of the venture.
- The people who have expectations from the venture.
- The nature of those expectations.
- Actual outcomes relative to expectations.

The performance of the venture is indicated by a variety of quantitative measures. These relate to its financial performance and the presence it creates for itself in the market-place (Wickham 2001, 123).

Every business is characterized by variables that determine the relative success of market participants. Identifying and manipulating these variables are how a small business gains a competitive advantage. Key success factors come in a variety of different patterns depending on the industry. Simply stated, they are relationships between a controllable variable and a critical factor influencing the firm's ability to compete in the market.

An entrepreneur must use the information gathered to analyze their business their competitors and their industries in order to isolate these sources of competitive advantage. They must then determine how well their business meets these criteria for successfully competing in the market. Highly successful companies know and understand these relationships, but marginal competitors are mystified by which factors determine success in that particular business (Scarborough & Zimmerer 2006, 80).

- The entrepreneurial venture has six groups of stakeholders, each of which has its own interest and expectations from the venture.
- The entrepreneur: expects the venture to be a vehicle for personal ambitions.
- The employee: expects reward for their efforts and personal development. The supplier; expects the venture to be a good customer.
- The customer: expects the venture to be a good supplier.
- The investor: expects the venture to generate return on the investment they have made.
- The local community: they expect the venture to make a positive contribution to the quality of local life.

The performance of the venture as an organization provides the means by which individual stake holders can fulfill their own goals. Personal goals are manifested at three levels:

1. The economic - monetary rewards
2. The social - fulfilling relationships with people
3. The self-development - the achievement of personal intellectual and spiritual satisfaction and growth.

Success experienced at a personal level is not absolute. Success is recognized by comparing actual outcomes to prior expectations. At a minimum, success is achieved if outcomes meet expectations and success is ensured if expectations are exceeded. If expectations are not met, however, then a sense of failure will ensue (Wickham 2001, 124).

Success is achieved if the organization uses its performance to meet, or better to exceed, the financial, social and personal growth expectations of the people who have an interest in it. The success of a venture depends on how its performance helps stakeholders to achieve their individual goals, and the way different people judge the success of the venture will depend on how well these expectations are met (Wickham 2001, 125).

## 2.5 Measuring success and setting objectives

Ultimately success is personal. The entrepreneurial venture is a vehicle for individual success as much as organizational success. If it is to be an effective vehicle, the venture must be successful as a business. The performance of the venture is subject to a variety of measures. An entrepreneurial venture is distinguished from a small business by the ambition of its strategic goals.

The specifics of the objectives set for the venture depends on the type of business it is, the market in which it is operating and the stage of its development. They are used by management to define objective, evaluate strategic options and to benchmark performance. Different businesses set different ways: they vary in specificity: they may be for the organization as a whole or they may define consensus or they may be 'imposed' on the organization by the entrepreneur. The way the entrepreneur defines and sets goals and uses them to motivate and monitor performance is an important aspect to leadership strategy.

The objectives of the firm may not be an entire internal concern. Financial and market performance measure may form part of the agreement made with investors. They provide manageable and explicit proxies for the success of business and indicate the returns it can hope to generate. They provide a sound and unambiguous basis for monitoring its development. The objectives are also used in communication with suppliers and customers to indicate the potential of the business and to elicit support (Wickham 2001, 128).

## 2.6 Success and social responsibility

An entrepreneurial venture touches the lives of many people. All its stakeholders have an interest in its success since this success provides the means by which they can fulfill their personal goals. People have expectations about what an entrepreneurial business can achieve and how it should undertake its business. Some of these expectations are formal, informal, explicit or implicit. Some result from binding contract, others from a trust that has been accumulated. Entrepreneurs perform on a social stage and in creating an entire new world they must take responsibility for its ethical content as well as its new value.

The moral dimensions of their activity cannot be ignored. There are rarely clear-cut answers to moral issues and there are rarely definite methods by which moral issues can be resolved, only frameworks and perspectives for understanding them. The social responsibility ascribed to an organization and the people who comprise it, must be determined by precedents, cultural norms and personal judgment. The entrepreneur must be conscious of the nature and scope of the social responsibility they expect for the organizations they create. To understand

corporate social responsibility a multi-dimension by Archie Carroll (1979) is used (Wickham 2001, 129).

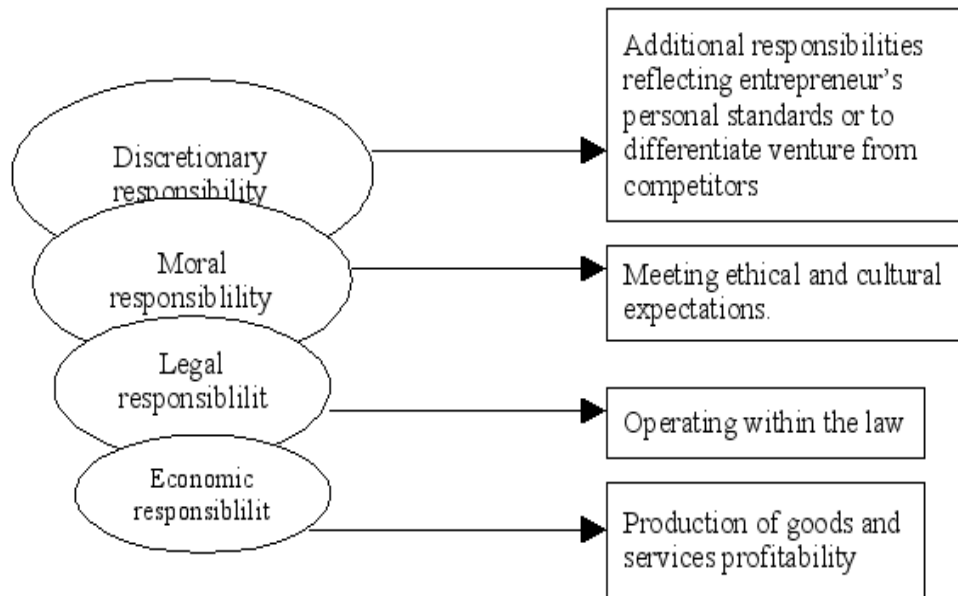


Figure 2: Levels of entrepreneurial responsibility (Wickham 2001, 129)

## 2.7 Inhibitors to the success of a business

Studies by Small Business Administration (SBA) suggest that 50 % of new businesses will have failed within four years, because of their limited resources, inexperienced management, and lack of financial stability, small businesses suffer relatively high mortality rates. Exploring the causes of business failure may help to avoid it.

### 2.7.1 Management incompetence

In most small business, management inexperience or poor decision making ability is the chief problem of the failing enterprise; sometimes the manager of the small business does not have the capacity to operate it successfully. The owners lack the leadership ability and knowledge necessary. Many managers simply do not have what it takes to run a small enterprise (Scarborough & Zimmerer 2006, 29).

### 2.7.2 Lack of experience

Small business managers need to have experience in the field they want to enter. This will give them practical experience as well as help them learn the nature of the business, this

type of experience can spell the difference between failure and success.

Ideally, a prospective entrepreneur should have adequate technical ability a working knowledge of the physical operations of the business sufficient conceptual ability, the power to visualize, coordinate, and integrate the various operations of the business into a synergistic whole and the skill to manage the people in the organization and motivate them to higher levels of performance (Scarborough & Zimmerer 2006, 29).

#### 2.7.3 Forcing a flawed idea

Thousands of dot-com entrepreneurs folded their companies when they discovered that merely drawing people to a web site was insufficient for business success. Their business models simply made no sense because there was no way for them to generate a profit without producing a sale. Other Entrepreneurs launch businesses without identifying how they will reach their customers efficiently and profitably.

Preparing a solid business plan enables entrepreneurs to measure their ideas against the yard stick of reality and avoid such costly mistakes (Scarborough & Zimmerer 2006, 29).

#### 2.7.4 Undercapitalization

Sound management is the key to small companies' success and effective managers realize that any successful business venture requires proper financial control. The margin for error in managing finances is especially small for most small businesses, and neglecting to install proper financial controls is a recipe for disaster. Two pitfalls affecting a small business's financial health are common: undercapitalization and poor cash management. Many small business owners make the mistake of beginning their businesses on a shoestring, a fatal error which may lead to business failure. Entrepreneurs tend to be overly optimistic. They often underestimate the financial requirements of launching a business. Moreover, they never seem to catch up financially as their companies consume increasingly amounts of cash to fuel their growth. One key to success with a business start-up is to begin with enough capital. Which should be enough to get the company to the point at which it can support itself with its own cash flow. (Scarborough & Zimmerer 2006, 29)

#### 2.7.5 Poor cash flow

Insufficient cash flow due to poor cash management is a common cause of business failure. Many entrepreneurs believe that profit is what matters most in new venture, but cash is the most important financial resource a business owns. Companies need adequate cash flow to thrive; without it, a company is out of business. Maintaining adequate cash flow to pay bills in

a timely fashion is a constant challenge for small companies, especially those in the turbulent start-up phase or more established companies experiencing rapid growth. Fast growing companies devour cash fast. Poor credit and collection practices on accounts receivable, sloppy accounts payable practices that exert undue pressure on a company's cash balance, an uncontrolled spending are common to many small business bankruptcies. When it comes to managing expenses, George Grendon author of "The failure myth" and an experienced business owner advises entrepreneurs to "throw nickels around like man hole covers" (Scarborough & Zimmerer 2006, 29).

#### 2.7.6 Lack of strategic management

Too many small business managers neglect the process of strategic management because they think that it is something that benefits only large companies (Berta 2002). Failure to plan, usually results in failure to survive. Without a clearly defined strategy, a business has no sustainable basis for creating and maintaining a competitive edge in the marketplace. Building a strategic plan, forces an entrepreneur to assess the proposed business's potential. They should answer these four questions;

- Is it something customers are willing and able to purchase?
- Who is the target customer?
- How will the business attract and keep those customers?
- What is the company's basis for serving customers' needs better than existing companies? (Scarborough & Zimmerer, 2006, 29)

#### 2.7.7 Weak marketing

Sometimes entrepreneurs make the classic "field of dreams" mistake. They believe that if they build it, customers automatically will come.

Business success requires a sustained, creative marketing effort to attract a base of customers and to keep them coming back. This is especially true for start-up companies. That does not mean that entrepreneurs must spend vast amounts of money on costly marketing and advertising campaigns. Creative entrepreneurs find ways to market their business effectively to their target customers without breaking the bank. One technique many small business owners find particularly valuable is to pay attention to their customers. Asking for their suggestions and paying attention to what they say can give a small company an edge over much larger competitors (Scarborough & Zimmerer 2006, 29).

#### 2.7.8 Uncontrolled growth



Growth is natural, healthy and desirable part of any business enterprise, but it must be planned and controlled. Management expert Peter Drucker says that start-up companies can expect to outgrow their capital bases each time sales increase 40 to 50 %. Ideally, entrepreneurs finance the expansion of their companies by the profits they generate or by the capital contributions from the owner/s, but most businesses wind up borrowing at least a portion of the capital investment.

Expansion usually requires major changes in organizational structure, business practices such as inventory and financial control procedures, personnel assignments, and other areas. Nevertheless, the most important change occurs in managerial expertise. As the business increases, in size and complexity, problems tend to increase in proportion and managers must learn to deal with this. Sometimes entrepreneurs encourage rapid growth, and the business outstrips the ability to manage it (Scarborough & Zimmerer 2006, 29).

#### 2.7.9 Poor location

For any business, choosing the right location is partly an art and partly a science. Too often, entrepreneurs select their locations without adequate research and investigation. Some beginning owners chose a particular location just because they noticed a vacant building. However, the location question is much too critical to leave to chance. Especially for a retailer, the choice of location influences heavily the lifeblood of the business—sales.

Another factor to consider in selecting location is the rental rate. Although it is prudent not to pay an excessive amount for rent, business owners should weigh the cost against the location's effect on sales. Location has two important features; what it costs and what it generates in sales volume (Scarborough & Zimmerer 2006, 29).

#### 2.7.10 Lack of inventory control

Normally, the largest investment the small business owner must make is in inventory; yet inventory control is one of the most neglected of all managerial responsibilities. Insufficient inventory levels result in shortages and stock outs, causing customers to become disillusioned and not return. A more common situation is that the manager has too much inventory and too much of the wrong type of inventory. Many small firms have an excessive amount of working capital tied up in an accumulation of needless inventory. Poor inventory management translates directly into strains on a company's cash flow (Scarborough & Zimmerer 2006, 29).

### 2.8 Summary of the theoretical discussion

If a business fails, it is most likely to do so in its first five years of life. Making it over the "entrepreneurial start-up hump" however, it is no guarantee of business success. After the start-up growth usually requires a radically different style of leadership and management. Many businesses fail when their founders are unable to make the transition from entrepreneur to the manager and are unwilling to bring in a professional management team. The abilities that make an entrepreneur successful often lead to managerial ineffectiveness. Growth requires entrepreneurs to delegate authority and to relinquish hands-on control of daily operation, something many entrepreneurs simply cannot do. Their business's success requires that they avoid micromanaging and become preservers and promoters of their companies' vision, values and culture.

### 3 Research approach

#### 3.1 Introducing various methods with requirements

This chapter highlights the research methodology used to actualize the study. It therefore, focuses on the means used for research, the population the study aims to target, the size of the sample that has been used as a demonstration base to the theory of the study and the procedure used to select the mentioned sample. In addition, this chapter will also take into account the research instruments that have been used for the study as well as procedures taken to measure the validity of the information. It will conclude with a discussion on the data collection and analysis approaches that have been used.

#### 3.2 Research Methods

For this thesis, there are mixed methodology/multiple methods of data collection used. Both quantitative method and qualitative methods to collect the necessary data is used. In this case, a questionnaire and a semi- structured interview is used to a certain data.

Quantitative researches employ measurement. It can be construed as a research strategy that emphasizes quantification in the collection of data and that:

- entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of theories
- has incorporated the practices and norms of the natural scientific model and positivism in particular; and
- Embodies a view of social reality as an external objective reality.
- By contrast, qualitative research can be construed as a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data that:

- predominantly emphasizes an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories;
- has rejected the practices and norms of the natural scientific model and positivism in particular in preference for an emphasis on the ways in which individuals interpret the social world; and
- Embodies a view of social reality as a constantly shifting an emergent property of individuals' creation. ( Bryman & Bell 2003, 25)

There are two main sources of data, primary and secondary, and for a research to be considered valid; the two sources of data have to be used.

### 3.2.1 Primary data

Primary data are data collected at source; this is mainly in two forms; survey and experimental data. In this case survey data which is data obtained in an uncontrolled situation by asking questions is used in the form of questionnaires and structured interviews.

Questionnaires are a list of carefully structured questions, chosen after considerable testing, with a view to eliciting reliable responses from a chosen sample. The aim is to find out what a selected group of participants do, think or feel. (Collis & Hussey 2003, 173) A positive questionnaire will be used which means that closed questions are to be used.

Interviews are methods of collecting data in which selected participants are asked questions in order to find out why they do, think or feel. Interviews make it easy to compare answers and may be face to face, voice to voice or screen to screen; conducted with individuals or a group of individuals (Collis & Hussey 2003, 168). In this case, a positive approach will be used. This means that structured, closed questions which have been prepared beforehand will be used.

In both of these cases, there is a need to be sure that each respondent will understand the question in the same way and that every respondent is asked the question in exactly the same way as the others (Collis & Hussey 2003, 174).

### 3.2.2 Secondary data

Secondary data are the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data also may be available when primary data cannot be obtained at all.

- Text books

Text books are written by different professionals and academic staff. They mainly do not have a specific reference to a certain area and few of them are recently published. However, the merit of using textbooks is that they basically contain general ideas and a researcher can compare different authors' opinions on different topics.

- Newspapers and related journals.

The journals used were current or archives. Newspapers contain information researched by a journalist who might be biased. Attention was paid to newspaper articles used. Journals have more tendencies to be biased even though they are more practical in orientation. The journals used in this research were mainly in electronic format and downloaded via the Internet.

- Past research

Past research constitutes research conducted by other students in the past years. In this research, past research was used mainly to gain ideas on how past research was conducted and the format of the research.

- Electronic sources

Internet contains the most updated information about the area of research. Even though, the Internet has much information regarding the research area Collis & Hussey (2003) argue that researchers have to be careful that they do not become victims of information overload where they can spend a long time searching for irrelevant information from the internet. The Internet was used to retrieve up-to-date information, as well as archives relating to the research area. The researcher was aware of information bias and information overload as the main disadvantages of using the internet. As a result of this, Web address from newsgroups, companies' Web pages and established search engines were the only ones used.

### 3.3 Chosen method

The researcher chooses to do the research by making use of a mixed mode approach which is understandably general and complementary (Burke & Onwuegbuzie 2004, 15). A mixed methodology or the retrospective use of multiple methods of collecting data ensures that the research questions are best and comprehensively answered using mixed research solutions. The study will also utilize a sample survey research design to select the relevant populations for the study. The proposed means follows a usual approach utilized in most studies since it gives room for convenience and reliability as well as efficiency in information sourcing. The nature of the survey research is being a good tool that can be used to make sense of or "...describe existing facts..." within a population through querying socio-cultural attributes of the respondents. Eventually, this approach allows the research to gain comprehensive information on various traits and perceptions of relevant respondents.

### 3.4 Methodology, how the study was carried out and data processed

The population targeted for the study sourced is the wider Leppävaara area in Espoo. The study will concentrate on restaurant owners who have opened their SMEs within the area. The study additionally maintains an all-inclusive outlook by sourcing respondents from different socio-economic backgrounds. In addition, the study aims to achieve accurate findings through the use of a small number of respondents. The study therefore, aimed in one specific sector of business that is; restaurants.

### 3.5 Sample size and sampling procedures

Citing the rather elaborate detail required for the study as well as particular convenience the researcher hoped to utilize a perceived non-biased snowball approach to pick the sample for the study. However, the risk of introducing bias within the study domain necessitated the use of a different yet equally complacent sampling procedure. Therefore, the sample for this study will be selected through quota sampling method (Chilisa & Preece 2005, 79). The sampling method is used since it provides an inexpensive approach to developing findings through convenience or judgment sampling. It allows for limited cases of sample errors through stratified sampling. In retrospect, the sampling will work through initially developing a section curved from the general population and will eventually be narrowed down through judgment sampling to develop the final sample (Nachmias & Nachmias 1996, 38).

As previously implied, the study is designed on gaining as much information as is possible in regards to the study objectives and utilizing convenience instead of the perceived expensive approach expected for such studies. Therefore, the sample size for the study has been confined to identifying respondents involved in the restaurant sector within the larger SME environment. Twenty owners of restaurants within Leppävaara were provided with questionnaires and only four interviewed.

### 3.6 Research instruments

The study aims to utilize both quantitative and qualitative approaches of determining findings. Therefore, the research instruments that were utilized to gain information from respondents included a researcher-administered questionnaire (Appendix...) that includes a semi-structured interview. Only one type of questionnaire has been constructed which was also utilized in the interviews as well.

### 3.7 Questionnaire for the respondents

The respondents' questionnaire had the following features; A summary of the background information of the respondents, information regarding the origination and situational aspects of the business the respondents own or run, questions regarding financial acuity of business, information on customers and competitors, and information detailing the growth of the business.

### 3.8 Interview Schedules

The researcher conducted four main interviews which were all in the chosen in terms of geographical position i.e. Leppävaara which was the study's area. The interviews were utilized as a way of acquiring key information that is understandably more elaborate and may otherwise be missed by the questionnaire. The information is also more in depth and inclusive.

### 3.9 Problems encountered

The main problem encountered during the data collection was the lack of co-operation of most respondents. On average, the maximum time it would have taken anyone to fill in the questionnaire was 20 minutes. This was not the case in most cases; a wait for more than 30 minutes close to an hour for the respondent to finish filling in the questionnaire and answer the questions to the interview. This was significantly understood because most of the respondents had to cater to their customer needs which left me waiting for their return.

Some entrepreneurs were very cautious to disclose information about their businesses and were very unfriendly and distrustful of the fact that I was doing this as part of a school project. In addition, they were not sure if I was working for one of their competitors or in my best interests when it comes to setting up a business.

### 3.10 Introducing validity and reliability with requirements

The proposed study takes into account a need to establish background and theoretical relevance of the instruments before the study. In addition, validity of the instruments is pegged as being vital to the eventual success of the study. To achieve this, the questionnaire was piloted through a proposed zone which will be selected through judgment snowball sampling. The pilot study is aimed at determining purposed response rates, possible errors, irrelevancies, bias and ambiguities in the instruments. In retrospect, the pilot study allowed the researcher to determine whether the instruments will provide the data expected or if the objectives chosen for the study are equally articulated in the responses and findings. The context of the pilot study was not included or forms a conceptual base for the actual research. Instead, information obtained from the pilot study aided in making changes to the content of

the instruments or altering interviewing approaches towards respondents or defining a sample size for the actual study.

### 3.11 Reliability of the Study

Reliability of the study was checked in the questionnaire and interview guide. This was examined, discussed and successfully reviewed by the researcher. Collis & Hussey (2003) argue that four experiments are commonly used to establish the quality of a case study research. The four experiments are constructing validity, internal validity, external validity, and reliability. As Collis and Hussey (2003) elaborate, reliability and validity are critical issues in qualitative research since the measure of reliability may offer procedures rather than end results. Validity in the same way should focus on extracting rich data from explanation and analysis. Internal validity tests concern explanatory case studies in which only the study with connecting relationships is studied. From the results of the discussion of this case study, the study is illustrative by nature which means that internal and external validity tests are not relevant and thus not applied.

The study of this research is reliable based on when the data was gathered from the interviews and questionnaire findings. The conclusions and recommendations made are the researcher's own opinion drawn from the study.

### 3.12 Records and relevant data sources

Interviews are methods of collecting data in which selected participants are asked questions in order to find out why they do, think or feel. Interviews make it easy to compare answers and may be face to face, voice to voice or screen to screen; conducted with individuals or a group of individuals (Collis & Hussey 2003, 168). In this case, a positive approach was used. This means that structured and closed questions which were also in the questionnaire were used.

Secondary data sources will include returned questionnaires, granted reviews of websites and research records relevant to the scope and concept of the actually study. Additionally, relevant records by the respondents will also be used.

### 3.13 Data collection Procedures

To source information from the respondents, the researcher administered the questionnaires to the respondents in the area of study, coached them on how to answer the questions and maintained a perceived omnipresent existence while the questionnaire was duly filled. Later the questionnaire was taken for data analysis. Any other information other than answers to

the questionnaire provided voluntarily by the respondents will also be analyzed to gain further information.

### 3.14 Data Analysis Procedures

The data collected through the questionnaires and interviews as well as other relevant literature analyzed and evaluated for useful and relevant information that was right for the thesis.

## 4 Empirical study

### 4.1 Introducing the company ; Ministry Of Employment and the Economy

The Ministry of Employment and the Economy (MEE) is an autonomous ministry in Finland tasked with the responsibility creating opportune environments and regulating entrepreneurship activities. In addition, the MEE facilitates general business innovation activities within the Finnish market. The MEE is noted as also playing a central role in regulating labor markets. The MEE has a conclusive task of actualizing regional development objectives as well as ensuring sustainable growth of the Finnish economy in tandem with developing global standards. The MEE was created in 2008 through a merger of the Ministries of Trade and Industry, Labor and departments charged with regional development within the Ministry of Interior. The MEE offers services aimed at ensuring market growth and economic development within the Finnish setting, which can be summarized as:

- Labor regulation and monitoring
- Regional development
- Industry policy formulation and regulation
- Resource and energy management
- Climate and environment management
- Innovation development and regulation
- Regulating functionality of markets

The current study context is centered on identifying difficulties in establishing SMEs within the Finnish business environment. SMEs fall under the domain of the MEE. Consequent information gained from this study will therefore, aid the MEE in developing objectives aimed at improving the market with an aim of sparking SME growth and development. The study will also help the MEE identify factors affecting the SME market environment with an aim of providing retrospective solutions. The study will provide a conclusive outlook on the present identity of SMEs within the Finnish business environment.



## 4.2 Entrepreneurship in Finland

On certain conditions, employment offices may provide grants for business start-ups. The purpose of a start-up grant is to help secure the entrepreneur's survival for the period they require for starting up their business and becoming established. Moreover, when it comes to training the labor administration usually organizes training for prospective entrepreneurs as labor market training. There are many types of entrepreneurship training offered by other organizations including the Business Departments of the Employment and Economic Development Centers, ([www.ely-keskus.fi](http://www.ely-keskus.fi)), Tekes and finnpartnership.

(<http://www.easyexpat.com/en/helsinki/job/adverts-recruitment.htm>)

Financial aid for independent initiative may be granted by the Labor Force Departments of the Employment and Economic Development Centers to support cooperatives established by unemployed persons. The aid is intended to cover certain costs arising from cooperative start-ups that create jobs or employment opportunities for unemployed persons.

Social enterprises are promoted to improve the way in to employment of disabled and long-term unemployed jobseekers and to advance entrepreneurship.

Only businesses accepted to the register of social enterprises maintained by the Ministry of Labor can use the title and special logo. [Www.mol.fi](http://www.mol.fi) - self-employment in Finland

## 4.3 Foreign entrepreneurship in Finland

Foreign entrepreneurs played an important role in the industrialization of Finland and as importers of foreign know-how. In the late 1800s and early 1900s Europe, entrepreneurs and artisans were widely mobile, seeking opportunities to apply their skills. Some settled and established businesses in Finland. For example, the food and wood working industries and trade benefited greatly from foreign entrepreneurs and foreign know-how. As a whole, however, the impact of foreign entrepreneurs and direct investments in the Finnish economy has been relatively minor compared to many other small industrial countries. In the decades following independence and the World Wars, investments made in Finland by foreign companies were fairly small. This had to do with reservations on the part of Finnish people, but also with Finland's small size and remote geographic location as a market area. The situation changed in the 1990s - the circle became complete. The legislation that had restricted foreign ownership was repealed and active measures were taken to attract foreign capital to Finland. Foreign companies and entrepreneurs have clearly helped make the economy more effective, and multinational corporations have opened up new marketing channels for Finnish technology and products. (Yrkkö, Joronen & Anttila 2002, 67)

Entrepreneurship arose as a central theme in Finnish social discourse during the recession years of the early 1990s, when it was hoped that it would ease mass unemployment. Also, the

interest toward supporting immigrant entrepreneurship awakened already in the latter half of the 1990s. In part, this was connected to immigrant unemployment, which, even as the overall employment situation improved, remained high. In part, it was connected to hopes inspired in the authorities with regard to the degree of business activity among immigrants by the small, immigrant-owned shops and restaurants that appeared on the scene in Helsinki. (Joronen 1997, 131-132)

According to Statistics Finland and the Trade Register, Finland has around 6,500 enterprises established and led by immigrants and keep increasing. Immigrants are also more willing to start a business than native-born Finns. The proportion of entrepreneurs out of the foreign job holders is 16 per cent, while the corresponding figure for the original population is only 10 per cent. ([www.uusyrityskeskus.fi](http://www.uusyrityskeskus.fi))

The image of foreigners as "pizza and kebab entrepreneurs" is outdated. Even though, the majority of immigrant entrepreneurs are still working in commerce and restaurant sector, some 11% of businesses provide "information-intensive" services. This percentage is the same for the businesses in this branch run by the original population. (Helsinki sanomat)

#### 4.4 Respondents' Information

The study aimed at gaining objective information to conceptualize the study in which case, the researcher did not lay emphasis on defining gender paradigms when sourcing respondents. For this study therefore, three males and one female were interviewed. Citing privacy requests from the respondents, information on their names, individual country of origin and names of the businesses they are not included in the context of this analysis. The respondent's details are therefore cited as M1, M2, and M3 for males and F1 for the female. The respondents were aged between 36 and 40 years. Of the four respondents, three (M1, M3 and the F1) were married and M2 was single. The men have Finnish wives while the female is married to a Chinese. Despite the inclusion of the country of origin of retrospective spouses, the aforementioned information does not affect the study hypothesis but was relevant background information regarding the respondents.

##### 4.4.1 Educational background

As previously implied, all respondents had lived in the Finnish setting for a period exceeding 6 years. All respondents in the study had surpassed secondary school education (high school), Two (M1 and M3) had graduate qualifications; M2 had a masters education in addition to the graduate qualification. The information regarding education levels attained by the respondents reflects an inherent understanding on education as being vital in good business startup and management.

#### 4.4.2 Location and services offered

All the four respondents in the study have based their businesses in Espoo. It would appear that the choice of business location or delimitation is based on knowledge of retrospective area as well as perceived access to relevant resources within the mentioned areas. In addition, the area chosen is considered a developed town in its own right which makes it equally resourceful for business startup and continuation as any other central business city.

As previously implied, the study focused on restaurant businesses as part of a larger SMEs environment. Therefore, all the respondents operate businesses that fall under service domain defined in the questionnaire. However, it is still important to note that the individual businesses the respondents own operate in different ways, through either product produced or provided, pricing, marketing and selling mechanism. M2 and F1 for instance operate a restaurant that caters to in-house clientele. M1 and M3 on the other hand, operate conventional restaurants that cater for in-house customers as well offering delivery services to customers outside the business setting.

Knowledge on the Finnish business environment seemed to be key to making the decision on whether to start a business among all the respondents. All the respondents seem to have lived for more than two years in the country before they made the decision to start up their individual businesses. M1 had lived in Finland for 3 years before starting the business, M2 had lived 5 years, M3 for 4 years and lastly F1 for two and half years; M2 added that his perceived delay in business startup was also because he was pursuing his masters' degree. Which meant it would be logistically impossible for him to open the business earlier.

He said that he had made the choice to open the restaurant much earlier into his stay in Finland.

#### 4.4.3 Entrepreneurial qualifications

Citing the information on the need to study the region before opening retrospective businesses, it is noted that all individuals have successfully operated their individual enterprises for a period exceeding 4 years. Of the four respondents, F1 is noted to have temporarily closed shop for personal reasons for a period of approximately 1 year before she again reopened a revamped and rebranded enterprise.

Becoming an entrepreneur seems to have been an inherent trait among all the respondents. Despite having perceived knowledge in alternative economic objectives, they seemed to commonly have the urge to pursue restaurant management albeit with different management inclinations. Of all the respondents, only F1 was a trained chef in her own right and seemed as being the only individual suited for the restaurant business. However, the other respondents seemed to have filled the perceived void through having individual attributes that predisposed them to aptly tackle restaurant management obligations. M1 and M3 for example,

hold graduate certificates in business management while M2 has a certificate in nutrition and food science.

#### 4.4.4 Reasons for becoming an entrepreneur

All respondents consequently answered that they always wanted to become entrepreneurs. Apart from respondent M2 all other respondents had other careers before choosing to be entrepreneurs in the restaurant businesses. M2 as previously mentioned was pursuing a master's degree that meant he only had part-time work objectives to earn sustaining income. M1 and M3 both worked white collar jobs for different institutions in their individual skill sets and F1 worked as professional job in a hotel as a cook. The need to be independent and 'own boss' quoting the owners was a huge factor for wanting their own businesses. They illustrated that the shift to entrepreneurship may have been as a result of individual inclination and desire as opposed to it being viewed as a way of extra monetary gain. Though M2 did say it was a factor. Two of them did note it was a way of status in a way they wanted to make something that would last and create security for their families.

#### 4.4.5 Skills

Background knowledge on the area one wants to set a business seems to be an opinion shared by all respondents in the study. In addition, personal interest and determination was also seen as a common point in the respondent's choice to go into entrepreneurship.

Although not openly agreed by all respondents, they seemed to ironically understand the need of a good educational background to aptly run or manage a business. The reservations were held by respondent F1; who despite ticking educational background added that she felt it was not prudent or wise for an individual without knowledge in restaurant management to go into the restaurant service sector. All respondents agreed on the need to have good business planning as well as good management skills to make sure the enterprise runs well. Respondents M1 and M3 seemed to refer to their work background in adding the importance of supervisory skills to ensure the work force follows laid out organizational process objectives. As well as, good record-keeping skills to maintain accountability.

They also included the need for communication skills as a tool of good management and on the importance of good record-keeping skills. M2 solely ticked the need to have good organizational and time management skills whenever planning business startups. The other respondents felt that it was covered in management skills. All respondents agreed that previous business experience was an added advantage in starting up a business but, they all failed to tick it seeing that they all had no experience in running businesses before their own. This they made up for with mentoring/family guidance. They however, agreed that resources or

information from others was key to understanding the scope and context of any viable business. Finally, all respondents agreed that having good people skills was important for the success of any business within the service provision sector. They pegged this as including the sales/marketing skill domain which they consequently failed to tick. Computer skills were termed as being vital in modern business management by all respondents.

All respondents seemed to agree that the success of their individual enterprises is based on the knowledge they gained in the course of their entrepreneurship. They consequently ticked that they wished they had more of the following skills, abilities and experiences when starting up their businesses: Record Keeping/Accounting Skills, Business Knowledge/Experience, Personnel/Hiring Employees, Finance/Payroll, Marketing/Sales, Tax/License/Business Law, Management Skills, Computer/Technical Skills, Service/ Product Knowledge, Strategic/Business Planning and Organizational Skills/Time Management.

#### 4.4.6 Information regarding financing the business

The study leaned a lot on identifying the sources of capital among respondents. All respondents were therefore, advised to tick one choice and those additional comments regarding the same would be taken into consideration. Respondents to the study concurred that starting up their individual enterprises required large amounts of capital. Apart from respondent M1, all other respondents required secondary help to source the capital. M1 financed his business through personal savings and family support. M2 utilized funds from his own capital plus business subsidies and start-up grants. M3 on the other, hand approached an investor who aided in funding his business, he did state that the investor was his brother and he served as a silent partner in the respondent's business but was eventually remunerated through the business' profits to bring the enterprise to its current sole-entrepreneurial nature. F1 sourced her funds through a local bank and got some business subsidies. All respondents agreed that being of foreign origin did not mean that they could not easily access business subsidies, start-up grants or bank loans that would help them gain capital to start up their businesses.

#### 4.4.7 Contentment with the current state

The current success of the respondents' businesses means that they have aptly managed their enterprises. This question was however, aimed at investigating individual perceptions regarding their expectations. As well as whether, they feel they have achieved objectives developed during the business startup aimed at a defined business growth level at the time of this study. In this regard, M1 ticked 2 to indicate that he felt it was unlikely he had met all the objectives he had set upon starting up his business. M2 on the other hand, ticked 4 having felt that he had accomplished most of the objectives he set up for his business. M3 similarly felt

that it was very likely he had completed all tasks objectified upon start up and consequently ticked 5. F1 also felt it was likely she had met most her objectives and ticked 5. She however, added that business management requires that an individual is constantly setting up new objectives to develop one's business further. This then implies that the conferring a "very likely" for this question would be erroneous. This sentiment was particularly voiced by M1 who felt that he needed to do more to ensure that his business maintains constant profit-making trends. He added that any good manager should equally portray similar sentiments.

#### 4.4.8 Growth of business

It was well spelled out that all businesses in Finland have to have a business plan showing where they want their business to be in the next couple of years. This may be one of the factors that have helped most of this individual stay focused and on the ground, the fact that they have focus on the future of their business. With most businesses that do not have any plan, the business is more or less likely to collapse after a couple of years or even months when hit by a crisis that the business owner had not counted on encountering along the way. The respondents in the research stated that knowing how the financing the business from the very start was a very crucial part in the growth of the business.

#### 4.4.9 Access to resources

As previously mentioned, most respondents agree that being foreigners did not predispose them to biased resource allocation from government and other Finnish institutional facilities. They all seem to agree that the Finnish government has strived to maintain a perceived evenly-pegged business environment that allows for equal competition standards for all market players within their retrospective fields of trade. For the purposes of the question regarding the influence of government funds, the respondents were expected to provide sentiments regarding the influence government resources have had on sparking the growth of their business. In this regard, we note that M1 and M3 equally felt that they have not considered government funding to help finance or keep their business running but do keep it as an open option. M2 and F1 on the other hand, felt that it was likely that government funds were a big contribution to their business. Respondent F1's continued to add that resources provided by the government have allowed for easier market penetration by individuals who in any case would not afford to raise the whole amount of capital.

All respondents to the study agreed that they would eventually seek new capital to finance the growth of their businesses. They also seemed to have a general inclination towards ploughing profits back into the business to serve as capital for development and consequential growth.

#### 4.5 Information regarding customers and competitors

Customers and competitors play a big role in the growth of the enterprise. As we all know, a business cannot survive without customers, and it cannot measure itself against anything without competitors. As a foreigner in Finland, one has to know whom exactly they are competing with in their field of business. They also have to have a certain target group to help them know exactly what they are up against. In this research, all respondents regarded their customers as being sourced from the municipal demographic in the town the businesses are located. In addition, town is said to have an almost evenly matched population in terms of the amount of foreigners and natives. Being in Finland however, it is expected that most customers would be of Finnish origin. To limit bias responses regarding the question on customers, the researcher advised the respondents that the question was aimed at investigating whether the market consumers seemed biased towards native businesses or not. In this regard, both foreigners and Finns were ranked as frequently customers by all respondents. They additionally agreed that the fact they were foreigners meant that Finnish entrepreneurs had a better understanding of the business environment within Finland and seemed to benefit from additional advantages absent to the foreigners. This meant they have a stronger competitive advantage over foreign entrepreneurs.

Additionally, it is noted that respondents agreed that they face high competition within their business environment and this might increase since a lot of restaurant businesses might be opened in Leppävaara area in the future as the area develops. They also argued that the expensive business environment makes competition fiercer, however noted that perceivable breaks-even in terms of profit because being in Leppävaara means they have access to a larger market relevant to their restaurant business orientation. Although all respondents are of foreign origin, they feel that ethnicity has little to do with the success or failure of their businesses. They all ticked it at 2, being that they concur that their individual ethnicity may affect their access to relevant resources within the Finnish state.

#### 4.6 Information concerning growth of business

As previously mentioned, all respondents indicated that they have businesses that have been operating for more than 4 years. They attribute this perceived duration to good business management as well as a good resource allocation within the environment their businesses are located at.

They seemed to agree that managing a restaurant in Finland requires a hands-on approach. In addition, the perceived expensive business environment makes it difficult to source enough capital to comfortably run more than one business.

The respondents all agreed that the Finnish government contributed to the growth of their individual business. They all seemed to give accolades to the government for providing a conducive atmosphere for retrospective business growth. Respondent M1 went on to add that he felt the government should also be commended for providing incentives such as providing different courses on a lot of topics and language classes to attract foreign investment. Respondent F1 felt that the business environment in Finland was ideal for foreign investment. All respondents agreed that the competition is very likely the greatest impediment to future success of businesses within the Leppävaara setting. Location of a business premises is vital to business success, and all the respondents agreed that it was likely to affect business success. Respondent M1 affirmed that the availability of technology was unlikely to be an impediment to future success of the business. The respondent seemed to feel the Finish setting had enough technology to ensure the success of restaurant businesses. They all did say that they did consider sales, costs, employees and collections as being factors that may affect the success of a business. All the respondents agreed that it was very likely they would conduct work force training in the areas of work ethics, computer literacy, technical training, specific "in time" training and environmental responsibility which is very important in Finland.

They cited that a good reputation is important; keeping the customer happy meant they would keep coming back and telling their families and friends hence lowering the overall marketing budget and increasing the profits.

#### 4.6.1 Taxation

Taxation is a factor that most foreigners are very much aware of. Most respondents claimed that the taxation rate is quite high and they did not make as much profit as they expected while starting up the business. Employees were also a factor that most businesses claimed they had to consider. To have a successful business, the respondents who have employed people to work with or on their behalf claimed that this was of great importance. Overall, most of them said that it was quite difficult to find people who were willing to work and meet their standards unless they were family and they knew the business was as much a part of their life as that of the owner. Getting skilled employees was also a factor that the respondents said was difficult to find. An example to this was in the hair dressing business. Often, they had to train their employees and after a lot of dedication on doing so and the trainee gains the wanted skills, they left, making the business owner not feel like they just wasted their time doing all that training.



#### 4.6.2 Technology

Technology was not a problem to any of the respondents. Finland offers the best technology to everyone. There is access to the internet everywhere; the machines used to charge on payment are quite cheap and efficient. One can use their electronic card anywhere. Overall, technology was only a matter of ignorance to any business owner in Finland.

#### 4.7 Factors facilitating success

The researcher asked the respondents to state factors that they thought were the most important in their line of business that facilitated for them to be successful. The success of a business and survival of a business is looked at as one and the same thing in most cases. The difference between the two is very minimal and one interconnects with the other. A business has to survive in the market to be considered successful; this differs from the growth of a business. As stated earlier, a business man should think more on keeping the business on the ground and not on the expansion. Expansion is a good thing but should always come after making sure that the business is stable enough to sustain itself, paying its way into the market and not the owner having to sustain it from his/her pockets. During the research, the respondents had been able to keep their business running without having to put more capital to sustain the business were and were quick to say that they were running a successful business even at the time when it did not offer as much profit as they expected.

Some of the major factors that they put forward that would lead a business to its success in hierarchical order were:

- Paying attention to customer needs. Putting the customer first.
- Management of resources: putting sufficient time and commitment to devote to the business
- Access to reliable and timely information about markets and opportunities
- The absence, reduction or streamlining of regulations.

##### 4.7.1 Paying attention to customer needs

Customer's needs are the single most important factor that most of the respondents said to succeed in business one has to do. The fact that they need the customers as much as they need to be able to meet their basic needs from the returns of the business makes them (the business persons) work on making their customers satisfied. From the responses given, there is always willingness to adopt the products and services to the needs of customers and pay attention to quality. This is especially important in the restaurant business because they had

to be careful with the food preparations; this does not only create customer rapport, but also creates confidence to the customer who is willing to market the business positively to others. The entrepreneurs stated that as much as they would like to do things their own manner or ways that they see most appropriate, they often have to get out of their comfort zones to fit in the customers shoes and meet up to their expectations.

#### 4.7.2 Management of resources

This especially applies to time sufficiency, commitment and devotion to the business. All four interviewed responders showed an underlining air of their devotion to their businesses. They said that there was always need to know all the nittey gritty details of the business progression. Every penny in the business had to be accounted for and all the hours input in the business had to be accountable.

Time input in the business at the very beginning was mentioned to be more than most of the entrepreneurs expected to have the business running as expected. As the businesses progressed and the respondents got a strong grip on the business, the hours put in became less and less up until they were sure the business could run by itself without making any significant losses.

As mentioned earlier Specific skills and knowledge including the language and culture was also a factor mentioned by the respondents. They stated that running the business was quite difficult as most of the business was run using the Finnish language and culture. Which they said is different from that of most countries. Even if, the target group may be to other foreigners, those foreigners are also living in a different culture and the only neutralizing factor is to adapt to the Finnish culture in order to understand each other. The Finnish language is a major requirement for all those willing to do business and run it successfully in Finland. Although F1 said she had not mastered the language in full, there was the fact that most government offices have not translated their documents, thus it is very difficult to claim anything or get the necessary information to run a business to its maximum potential in Finland but she gets by.

#### 4.7.3 Access to reliable and timely information.

This will apply when dealing with information about markets, opportunities, regulations available forms of assistance and the process involved in dealing with customers and bureaucracies. To get ahead of competitors, a business owner has to be always on the lookout for new opportunities that could benefit the business positively. The Finnish government offers entrepreneurship seminars once in a while. The seminars are mainly done in Finnish but, the contents discussed focus on entrepreneurship in Finland as a whole.

Once in a while, there are seminars that are done solely for ethnic entrepreneurs, whereby, the lecturers will focus on lecturing foreigners who want to start a business in Finland how to go about it. In these seminars, there is also lectures updating the foreign entrepreneurs on the new rules and regulations that have been implemented by the government that they may benefit from or barriers to their business, whereby there is advice given on how to go around the barriers. This kind of information can be found in the Ministry of Employment and the economy's website [www.mol.fi](http://www.mol.fi). On search for entrepreneurship or SME's will give an overview of the general information and direct one to the appropriate websites that will answer in detail about the information that one is searching for. Sites like the ministry of employment and economy and enterprise Finland which are relevant in advising entrepreneurs.

For respondents who said to have taken advantage of the courses offered by the government on how to undertake their business, they mentioned that this has helped them understand and become tolerant with the regulations. It has also made them have awareness on the changes that one has to take up to ensure that their businesses do not go under. A monthly newsletter is sent to all those who have registered with the Finnish entrepreneurial organization which is a good source of information.

#### 4.8 The results of the study with comments

The context presented in this chapter details information relevant to summary of research findings, conclusions and research recommendations. The summary of the research findings includes a descriptive breakdown of all the information collected via questionnaires in the course of the study. The discussion in this chapter will then explain the findings based on the theory deductions. A conclusion is given to reiterate key points identified to see if the study answered the thesis question. Recommendations then provided to finalize the thesis.

#### 4.9 Research summary

This summarizes the respondent's answers to the questionnaire and points out the key points answering the thesis question - What affects business survival and success among SMEs owned by foreign origin in Finland.

Background	SME characteristics	Variables related to SME's
<ul style="list-style-type: none"> <li>• Age (-)</li> <li>• Gender (-)</li> <li>• Work experience-</li> <li>• Education (x)</li> <li>• Marriage()</li> <li>• Length of time in the country (x)</li> </ul>	<ul style="list-style-type: none"> <li>• Length of time in operation (x)</li> <li>• Location of the business (-)</li> <li>• Size of the business(-)</li> <li>• Source of capital (x)</li> </ul>	<ul style="list-style-type: none"> <li>• Legality (-)</li> <li>• Access to capital(+)</li> <li>• Technology (-)</li> <li>• Sales and marketing (+)</li> <li>• Government support (-)</li> <li>• Access to information (-)</li> <li>• Finnish language (+)</li> </ul>

Figure 3: Summary of respondents' answers

Key: No significant link, (x) significant link, (+) positive significant link, (-) negative Significant link ()

In this case, education and the length of time stayed in the country were found to have a significant relationship with the survival and success of the business. The respondent who had a university education had added knowledge on theory but lacked the practical compared to those who had high school or vocational school diploma. This can be affirmed by the fact that those latter respondents had gone into business earlier than their university graduate counterparts thus they had more years of experience in their businesses. One may also note that most entrepreneurs did not utilize all their education in the business. Almost all the respondents mentioned that most of the skilled learned to run their businesses was mainly self-taught. Those with formal education in their line of business stated that; they applied the theory when it came to doing things that were mainly in the line of technology and not in the management of the business.

While age, gender, and work experience did not have the slightest significant relation to the survival and success of the enterprises/businesses. Marital status to some extent had something to do with success of some businesses. Although almost all respondents said that this did not affect their business in any manner, those who were married to Finnish natives said that having a Finnish partner who worked hand in hand or helped with business matters had a slightly higher positive effect on the survival of their businesses. From this, it may be noted that the Finnish partners had some influence in running the business. When it comes to the legality or official matters that the business has to meet, it is easier to do so with a person

who is already well acquainted with the culture and manner of dealing with the officials concern, not only in business, but also on a social level.

Respondents who had their start-up capital from their own personal savings or family investments, showed a significant level of success more than those who had their source of capital from elsewhere. The businesses that these persons have are their main source of income thus; there is a higher level of commitment in making the business highly functional while looking out for their future. They aim at higher returns and expansion and in most cases, there is the case where they would like the next generation in the family lineage to take up from where they have left off, thus the need to have a firm base for the business; The length of time in business was a factor that most respondents agreed on, is significant to the business success. In a foreign country, it takes time and patience to understand the culture and environment. The Finnish culture is way too diverse from other cultures in the world. Most businesses collapse within the first or second year. This is due to lack of patience and willingness to understand the culture. Those who have done business for years stated that, it is easy to start-up a business but, managing it to a point of success was the most difficult thing to do in an environment where the people are not very welcoming to changes.

From the researcher's analysis, access to capital, marketing and knowledge of the Finnish language were big plus determinants to the success of a business and its survival. The Finnish language as much as it may seem minimal, has played a big role in enhancing the survival of the business. The most unifying language in the world is English and is used widely even in the Finnish community in the capital area, but this is not always the case. To a large extent when doing business the main language of communication is Finnish. This is because, firstly it is the national language and foreigners settling in the country, and have no knowledge of English or Swedish will enroll in school to master the Finnish language before enrolling in an English course for easy communication purposes. Secondly, Finnish is the first business language in Finland and all business contract come in Finnish, followed by Swedish and thirdly in English. To be able to get away with any business easily there is no short-cut but learn the Finnish language.

Access to information, government support and employees were not considered as part of the survival process. These were requirements that were part of starting up the business as a formality but after starting the business, they were not any more important, as one had to use common sense to do the every day to day tasks. Technology is easily accessible all around to everyone in Finland. Finland as a whole is a technologically advanced country. As seen earlier in the discussion, only the ignorant few would not use the technology in Finland. Legality was seen as a negative point to a certain extent, this is when there is a lot of bureaucracy to follow and the taxation. Most foreigners are out to start businesses and become rich, but the

Finnish culture equalizes all persons' earnings to a certain extent. Doing business means the more you earn, the higher one is taxed, those in rich business do not get as rich as they would have perceived.

## 5 Theoretical linkage

The research has studied the Finnish business setting which is retrospectively cited as being centralized, making it quite difficult for small business owners to get a good grip on the market despite concise knowledge on the business environment. This trend has made it difficult for such businesses to survive in the long run. Despite this, the Finnish business setting is characterized by a myriad of foreign-owned enterprises that are operating rather successfully. This trend is understood to come as a result of a good business environment within Finland that provides investment opportunities for both local and foreign investors. In addition, the research findings confirm a liberal consumer base that is unbiased against both foreign and native business owners and the products or services they provide. Ensuring success within the Finnish setting is inherently set on ensuring a sustainable balance of factors related to good management and business dedication, location, capital acquisition, competition, government influence and market share acquisition.

Good business management is noted as being key to the startup and continuity of any business enterprise. This involves having taking to account principles of experience and relevance. In the study, it was identified that inherent experience may not necessarily be a perceived requirement for retrospective business startup. Nevertheless, a good educational background or relevant business cognition may suffice. In retrospect, entrepreneurial success is based on utilizing relevant knowledge and insightful management techniques to ensure the growth of the business.

Location is a principal requirement in business planning. The research has revealed that location affects additional factors relevant to future growth of businesses. These factors may include resource acquisition, market share and competition. Research findings reveal that towns and cities in Finland offer good locations for entrepreneurship businesses. In addition, the location has the advantage of being in proximity to resources relevant to business growth. Therefore, a good location will ensure that the entrepreneur gains from retrospective advantages.

Capital acquisition for entrepreneurship may involve the use of private funds or credit. In light of the risks involved through entrepreneurship, the banking and credit sectors are somewhat conservative about granting loans. It was duly noted that there were many more financial options available. Several entrepreneurs in Finland consequently opt for these

sources of funding and their personal savings. Current market trends are however, encouraging investors especially those of foreign origin to utilize available credit facilities to facilitate the growth of their businesses. This trend hopefully may transcend to the eventual growth of the Finnish economy.

Entrepreneurship business is seen to favor natives at the small expense of foreign investors in Finland. This may stem from the fact that natives have a better understanding of market. Competition and market share acquisition are noted to affect the eventual success of entrepreneurial businesses in Finland. Research findings reveal that development is stagnated through increased competition that eventually limits the market share of an entrepreneurship business. Limiting competition and working towards developing a strong market shares ensures the success of the before mentioned entrepreneurship business.

## 6 Conclusions and recommendations

Starting a business in Finland whether for natives or foreigners is understood to follow conventional practices recognized globally. Business knowledge and a good educational background are important. In retrospect, it is noted that any individual hoping to invest into entrepreneurship has to have a concise understanding of the environment they wish to set their premises. In addition, the individuals are also expected to be conversant with business practices such as good managerial and planning skills, technological expertise and additional knowledge on the organizational processes of the business they wish to open. The skills are noted as key to ensuring the sustainability of the business.

While being of foreign origin affect usual entrepreneurs to factors that perceivably alienate business practices, the Finnish setting seems to be more tolerant to foreign investment as compared to other western states. As confirmed through the findings, most foreign entrepreneurs perceive Finland as having a good socio-cultural climate that fosters business growth. The Finnish consumer market is also seen as being tolerant to foreign marketers or is in turn not essentially biased towards Finnish business owners and their products. In addition, the Finnish market appears to favor entrepreneurial business for both foreigners or natives, even though the rather expensive business market that again makes it difficult for individuals to have numerous businesses. In general, Finland is noted as a good location to invest in entrepreneurial business.

### 6.1 Summary

The main aim of this study was to discuss the "factors which affect business survival and success among SMEs owned by persons of foreign origin in Finland?" The project also aims to identify the main problems affecting the ability of business owners from diverse backgrounds

to work in Finnish market. The research finds out the skills and knowledge required in controlling the quality of service and products provided by foreign business owners. The study used questionnaires and interviews to collect the data, and then examine it to establish key points in a successful business.

Business startup in Finland is noted as being comparatively simple. Government policies and objectives are perceivably geared towards sustaining development through creating a competitive business atmosphere, providing various courses and supporting many entrepreneurial organizations that support start-ups, for example Technopolis and Uusyrityskeskus. In this regard, processes of business registration for both foreign and native business owners are seen as being less tasking, making it easier for one to get information, grants, license and guidance to startup a business. This may explain the reason why respondents failed to consider the impact government licensing and permit approval had on their business startup objectives.

Banking and credit lending sectors within the Finnish setting are deemed perceivably tolerant or liberal to both native and foreign investors. Foreign investors are, however, seen as being skeptical about sourcing funds from banks or credit lenders. This trend may however, stem from traditional business practices within the Finnish setting that may have made it difficult for foreigners to get loans from the afore-mentioned institutions. This trend has since changed but efforts to demystify the banking and credit sector among foreigners is understandably required. These sentiments are similarly voiced by natives who are weary about sourcing credit from lending institutions. As noted, most business owners prefer to seek private sources to raise capital for business investment.

This has, however, not been a hindrance to starting a business since Finland has other sources of capital: namely, business subsidies intended to aid innovative business ventures from agencies like Tekes, Kesksintosaatio, ely-keskus and finnpartnership just to mention but a few.

It is worthwhile for someone starting a business to contact their local Employment and Economic Development Office (MEE - [www.mol.fi](http://www.mol.fi)) who also provide start-up grants.

Competition is seen as being fierce within the Finnish setting. This competition is seen to exist within all sectors of the business environment and affects both local and foreign business owners. It is additionally seen to be focused within major towns and cities within Finland.

Competition is however seen to favor natives as opposed to foreigners. This may be because the natives have a better understanding of the business climate in Finland. In addition, the natives are noted to have access to more resources. Most foreign entrepreneurs perceive this bias as a risk.

In general, findings revealed that foreigners found the business environment in Finland conducive to foreign entrepreneurship.



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## Figures

Figure 1: Framework of thesis .....	9
Figure 2: Levels of entrepreneurial responsibility (Wickham 2001, 129) .....	14
Figure 3: Summary of respondents' answers .....	36

## Appendices

### Thesis Questionnaire

#### Background information

1. Age \_\_\_\_\_

a) Under 21 years \_\_\_\_\_

Between

b) 21-25 years

c) 26-30 years

d) 31-35 years

e) 36-40 years

f) 41-45 years

g) 46-50 years

h) 51-55 years

i) 56-60 years

j) Over 60 years

2. Gender

a) Male

b) Female

3. Marital status

a) Married

b) Single

c) Divorced

d) Separated

3.1 If you are married divorced or separated; your spouse is

a) Finnish

b) Foreigner

• Country of origin \_\_\_\_\_

4. How long have u lived in Finland

a) Less than 1 year

b) between 2-5 years

c) 5-10 years

d) 10-15 years

5. Highest level of education completed

a) No education

b) Grade school

- c) High school
- d) Graduate
- e) Other - - - - -

#### Starting up business

(Please tick the best answer to the questions below)

6. Where is your business located?

- a) Helsinki
- b) Espoo
- c) Vantaa

7. What type of business do you operate?

- A. Retail      B. Wholesale    C. Distributing
- D. Manufacturing      E. Service

8. Having lived in Finland, after how many years did you decide to start up on your business

\_\_\_\_\_

9. How many years have you been in operation in the business

- a) Less than 1 year
- b) 2-5 years
- c) 6-10 years
- d) 11-15 years
- e) More than 15 years

10. Why did you become an entrepreneur?

- a) Lack of a well-paying job
- b) Need to utilize my education
- c) Need to be recognized and respected in the community
- d) To create opportunities for those around me
- e) Always wanted to be an entrepreneur

11. Before becoming an entrepreneur, what kind of job did you do?

- a) White collar
- b) Professionals
- c) Engineer
- d) Business
- e) Sales and clerks

- f) Blue collar
- g) Government, public office or teacher
- h) Never worked
- i) Other

12. in which country

- a) Finland
- b) Elsewhere

13. Which of the following do you believe was most important when you made the decision to start your business? Circle all that apply:

- A. Previous Business Experience
- B. Educational Background
- C. Customer Service/People Skills
- D. Mentoring/Family Guidance
- E. Determination
- F. Management Skills
- G. Recordkeeping Skills
- H. Sales/Marketing Skills
- I. Personal Interest
- J. Communication Skills
- K. Initiative/Motivation
- L. Business Planning
- M. Organization Skills/Time Management
- N. Computer Skills
- O. Supervisory Skills
- P. Resources/Information from others

14. What skills, abilities and experiences do you wish you had more knowledge of when starting your business? Circle all that apply:

- a) Record Keeping/Accounting Skills
- b) Business Knowledge/Experience
- c) Personnel/Hiring Employees
- d) Finance/Payroll
- e) Marketing/Sales

- f) Tax/License/Business Law
- g) Management Skills
- h) Computer/Technical Skills
- i) Service/ Product Knowledge
- j) Strategic/Business Planning
- k) Organizational Skills/Time Management
- l) Other

#### Financing the business

15. What was your primary source of funds when financing the startup of your business?

- A. Personal Savings B. Local Banks C. Mortgage D. Family E. Other F. Investor(s) G. Credit Card

Please use the following scale in answering these questions and circle the appropriate number:

- 1 - Very Likely                      2 - Unlikely    3 - Haven't Considered                      4 - Likely                      5 - Very Likely

16. How well have you managed to finance your business?

- 1            2            3                      4                      5

17. How well has the government funds helped in financing your business?

- 1            2            3                      4                      5

18. Please rate the overall banking environment for startups and small business:

A. Very Risk Tolerant 1 2 3 4 5

B. Risk Tolerant 1 2 3 4 5

C. Conservative 1 2 3 4 5

D. Very Conservative 1 2 3 4 5

19. Do you plan on seeking new capital? Yes or No

If yes, from what source\_\_\_\_\_

#### Customers and competitors

18. Who are your main customers? Please rank them according to the most frequent customers.

- a) Foreigners

- b) Finnish natives
- c) Both foreigners and Finns

19. Who are your main competitors?

- a) Foreigners
- b) Finnish people
- c) Both foreigners and Finns

On a scale of 1-5 (1 - lowest, 2 - low, 3 - Medium, 4 - high, 5 - highest)

20. What kind of competition do you face?

1   2            3            4            5

21. Do you think your ethnicity has anything to do with the success or failure of your business?

1   2            3            4            5

Growth of business.

22. How long has your business been in operation?

23. Do you own other businesses?            Yes            or            No

24. Does the Finnish government contribute to the growth of your business in any way  
Yes or No

If yes for the above question, how has the government contributed to this growth?

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Please use the following scale in answering these questions and circle the appropriate number:

1 - Very Likely                      2 - Unlikely    3 - Haven't Considered            4 - Likely            5 - Very  
Likely

25. What is the single biggest obstacle to the future success of your business?

- |                    |           |
|--------------------|-----------|
| A. Sales           | 1 2 3 4 5 |
| B. Costs           | 1 2 3 4 5 |
| C. Access to money | 1 2 3 4 5 |
| D. Location        | 1 2 3 4 5 |
| E. Employees       | 1 2 3 4 5 |
| F. Collections     | 1 2 3 4 5 |



- G. Competition 1 2 3 4 5  
 H. Technology 1 2 3 4 5  
 I. Other 1 2 3 4 5

26. Rate to which extent you need work force training in the following areas:

- A. Work Ethics 1 2 3 4 5  
 B. Computer Literacy 1 2 3 4 5  
 C. Technical Training 1 2 3 4 5  
 D. Specific "in time" Training 1 2 3 4 5

27. How would you rate your community as a location to start and operate a new business?

- A. Excellent 1 2 3 4 5  
 B. Good 1 2 3 4 5  
 C. Fair 1 2 3 4 5  
 D. Poor 1 2 3 4 5

28. Please rate the "business friendliness" of your business license and permit process:

- A. Excellent 1 2 3 4 5  
 B. Good 1 2 3 4 5  
 C. Fair 1 2 3 4 5  
 D. Poor 1 2 3 4 5

30. Is there anything you would like to add to this questionnaire?

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