

# CHALLENGES AND OPPORTUNITIES FOR NEW ENTRANTS TO TRANSPORTATION MARKET

Focus on Finnish-Russian Logistics

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Abstract <p>The purpose of the study is aimed to describe the challenges and opportunities of establishing a transportation company in Finland. This study is aimed on providing the explanations and guidelines for international entrepreneurs. The provided solutions can help to avoid uncertainties in logistics market.</p> <p>The theoretical part covers the logistic business environment in Finland as well as Finnish – Russian logistic relations. Current study provides detailed analysis of the logistic transportation segment. The thesis gives ideas in what to take into consideration while establishing logistics start-up in Finland.</p> <p>The research method used in this study was a mix of qualitative and quantitative research. Primary and secondary data were used as the reference materials. The primary data was gathered through the survey from 25 companies and the face to face interview with representative from SKAL Company. The information for the research was collected from various sources – electronic articles, guides and books.</p> <p>The analyzed data helps to get deeper understanding of the future development of Russian-Finnish logistics. The challenges and opportunities of transportation segment in logistics environment are highlighted.</p>		
Keywords Transportation, Challenges, Entrepreneurship in Finland, Start-up, Finnish-Russian Logistics		
Miscellaneous		

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# 1 INTRODUCTION

## 1.1 Background

During the studying period at JAMK University of Applied Sciences, the author of the thesis was interested in the logistic processes all over the world. By the way, he has received some experience in Logistic Company in Germany while being on the internship. After all, the author was willing to analyze the condition of logistic processes in Finland due to the various transportation transactions through this country. And one of the most critical partners of Finland is Russia, especially in the field of importing various goods.

The transport and logistics industry is an easy business for start-up, but the trick comes in sustaining and developing the business. The transport business has a 'low barrier to entry' at the bottom of the market, meaning that anyone who owns a truck or a trailer can start offering transport services. This results in a flood of competition at the bottom end of the market.

When goods are imported or exported within Finland, a lot of logistic companies are evolved in the process, from the fresh start-uppers to the mature and experienced logistic operators. Very often the giant companies step aside the small establishments from the profitable bargains. Consequently, it is an actual problem to survive at the first steps of entrepreneurship in Finland.

That's why in the thesis research, the author wants to investigate various aspects of logistic transportation establishments and conduct useful advices and guidelines for entrepreneurs, which can help to be more successful and gain a good development rate, particularly for start-up in Finland.

### **Aim of the thesis**

The main goal of the thesis is to investigate and analyze the condition of logistic operations among the Finnish logistic companies, which are oriented to Russian market. And then, based on the founded information, the author will represent possible opportunities and challenges for the transportation start-ups in Finland. Also, some charts of the Russian-Finnish collaborations

during 2012-2013 will be presented. Therefore, it is possible to create a superficial forecast for the logistics market for the next several years.

### **Theoretical approach**

In the theoretical part of the thesis, the author intends to cover the main theories and descriptions concerning logistics, supply-chain management, entrepreneurship and analysis. Most of the theories will be gathered from the course books, and some from the network sources.

### **Limitations**

The author will write the research concerning only the transportation companies; such specification helps to make the research more concrete and narrow. Another thing that needs considering is that the transportation logistic companies will cover only Finnish-Russian logistic transactions and collaborations.

### **Structure of the research**

The first part of the thesis describes the theoretical framework of the studying, where all necessary theories and visual interpretations are expressed. The second part of the thesis will be concentrated on the empirical research, consisting of the qualitative (face-to-face interview) and quantitative (Internet survey) approaches. In the final part, the discussion and the results are going to be highlighted.

### **Research problem and research questions**

The main problem of the research is a shortage of proper knowledge during the starting-up of the logistic company, particularly Transportation Company in Finland. Additionally, the author of the thesis wants to cover the problems, which can be surmounted at the entrepreneurship stage.

The main research questions include:

- What are the opportunities and challenges in Finnish-Russian logistic company?
- What are the main issues that an entrepreneur should be aware of while starting-up a logistic transportation company in Finland?

## 2 LOGISTICS IN THEORY

### 2.1 Logistics as a concept

Logistics is the process of planning, implementing and controlling the efficient, effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements. It is possible to state that logistics is not closed to manufacturing operations only. It is suitable to all enterprises, comprising government, service organizations and financial service organizations.

(Lambert 1998, 3.)

In business, logistics may have 2 types of functions. It can have either internal focus (inbound logistics), or external focus (outbound logistics) covering the flow storing of materials from the point of origin to point of consumption. The main functions of qualified logistic managers include inventory management, purchasing, transportation, warehousing, consultation and the organizing and planning of those activities (Shamim 2009, 2).

According to the Ohio State University's research of logistics career arrangements, it is possible to conclude the top-rated global tendencies that may have an influence on the logistics processes. The following pie chart describes the top-ranked trends and their percentage relation.

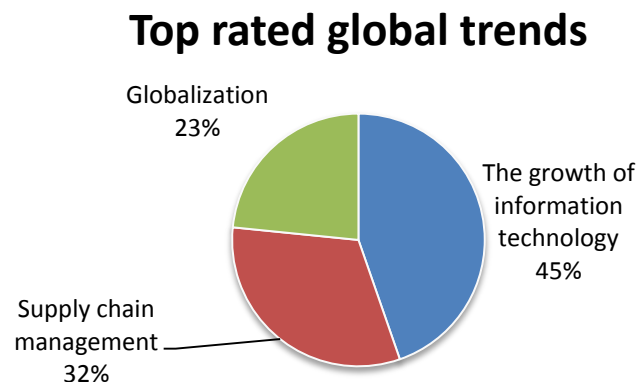


Figure 1: Top rated global trends (Ohio State University Research).

As shown in the chart information, one can admit that the growth of the information technology may have the most significant influence on the logistics processes. The update of information technology requires a permanent development and process in the technology and tools, information and knowledge; such processes may require additional costs and effort. Globalization and supply chain management have a less visible effect but they are also should be taken into the consideration. To fulfill a success in logistics operations, the organizations should set up the business strategies relying on these trends.

Logistics management involves a very significant term – supply chain management (SCM). SCM encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In general, supply chain management integrates supply and demand management across companies. (Pienaar, 2005.) It is possible to get in deeper details of SCOR model (Supply Chain Operations Reference), which is an irreplaceable part of supply chain explanation and background.

The Supply-Chain Operations Reference-model (SCOR) is the product of the Supply-Chain Council (SCC), an independent, not-for-profit, global cooperation where the membership is available to all companies and organizations, which are captivated by supply-chain management systems and practices. The SCOR- model offers an exclusive scope which links business process, metrics, best practices and technology features into a logical construction. The main targets of the model are to improve the communication and collaboration, and effectiveness of the supply chain management.

It is suggested to find below a SCOR model (Supply Chain Operations Reference), which defines exhaustively the basic activities of logistics in supply chain process.

<b>SCOR Process</b>	<b>Definitions and activities</b>
<b>Plan</b>	<b>Demand/ Supply Planning and Management</b>
	<ul style="list-style-type: none"> <li>• Balance resources with the instructions and set up plans and processes for the whole supply chain (Return, execution process such as Source, Make, and Deliver.</li> <li>• Management of business rules, supply chain performance, data collection, inventory, capital assets, transportation, regulatory requirements.</li> </ul>
<b>Source</b>	<b>Sourcing Stocked, Make-to-Order, and Engineer-to-Order Product</b>
	<ul style="list-style-type: none"> <li>• Schedule deliveries; receive, verify, and transfer product; authorize supplier payments.</li> <li>• Identify and select supply sources when not predetermined.</li> <li>• Manage business rules, assess supplier performance, and maintain data.</li> <li>• Manage inventory, capital assets, incoming product, supplier network, import/ export requirements, supplier agreements and risk.</li> </ul>
<b>Make</b>	<b>Make-to-Stock, Make-to-Order, and Engineer-to-Order Production Execution</b>
	<ul style="list-style-type: none"> <li>• Schedule production activities, issue product, product and test, package, stage product, and release product to deliver.</li> <li>• Finalize engineering for engineer-to-order product.</li> <li>• Manage rules, performance, data, in-process products, equipment and facilities, transportation, production network, and supply chain management.</li> </ul>
<b>Deliver</b>	<b>Order, Warehouse, Transportation, and Installation Management for Stocked</b>
	<ul style="list-style-type: none"> <li>• All order management steps from processing customer</li> </ul>

	<p>inquiries and quotes to routing shipments and selecting carriers.</p> <ul style="list-style-type: none"> <li>• Warehouse management from receiving and picking product to load and ship.</li> <li>• Receive and verify product.</li> <li>• Invoicing Customer.</li> <li>• Manage Deliver business rules, performance, information, finished product inventories, capital assets, transportation, product life cycle, import/export requirements and deliver risk.</li> </ul>
<b>Return</b>	<b>Return of Raw Materials and Receipt of Returns of Finished Goods</b>
	<p>Manage Return business rules, performance, data collection, return inventory, capital assets, transportation, network configuration, regulatory requirements and compliance, return risk.</p>

Table 1: SCOR Model (Supply-Chain Council, SCC 2008.).

## 2.2 Global logistics

In the modern world, a lot of international companies start actively participating in international collaborations and trade; enter new markets and widen the customer audience. The organizations have several specific factors to enter international markets (Lambert 1998).:

- Market potential.
- Geographic diversification.
- Source of new products and ideas.
- Foreign competition in domestic market.
- Products near the end of their cycle in the domestic market could generate growth in the international market.

As a matter of fact, it is fair to describe the global logistics situation throughout the world. Many leading organizations start international logistics practices through purchasing inputs to production; importing and exporting,

joint ventures, alliances and foreign subsidiaries. This generates a need to conversant with the definition of international logistics. Global logistics can be explained as the formation and management of a strategy, monitoring the material flows internally, externally or through the firm across the national borders to accomplish its objectives at cumulative costs. The key aspects of the management of international logistics are the constant upkeep of warehousing and inventory management.

To fit the global market, organizations should take into consideration that distribution network should suit the particular necessities of the markets. For instance, in the well-developed countries (e.g. Canada, United States, Western Europe) the distribution arrangements are highly sophisticated and tooled, have modern transportation systems, high technology warehousing, and a skilled labor force.

Inventory regulation needs more awareness about the international and domestic inventory management differences. Global processes usually have much more complicated system. As usual, international inventory has more points at more levels between suppliers and customers. Counting on the length of transit and delivery; possible delays and deviation from the deadline that can happen during the international movements, companies may supply distributors and foreign mediators with higher than accustomed levels of inventory. Relying on the statistics, domestic companies have 25-30 percent of assets in inventory, but firms that operate in international markets may have more than 50 percent in inventory. (Lambert 1998a.)

The level of competition is really aggressive and each organization needs to familiarize with the global logistics condition and the actual tendencies, to establish a solid and well-thought strategy. There is also a special guideline to apply while the establishment of the global logistics strategy. The subsequent plan can be advantageous for organizations in almost any international trade. (Lambert 1998b.)

1. Logistics planning should be integrated into the company's strategic planning process. In other words, it is necessary to focus more on the markets and customers, including just-in-time delivery of goods and inputs to the product processes. To achieve main targets, logistics

personnel have been added to each business unit to contribute in planning activities ranging from the site location to customer delivery programs.

2. Logistics departments need to be guided by a clear vision and must measure output regularly.
3. Import- export management should try to ensure integrated management of all elements of the logistics supply chain from origin to destination. Deregulation in transportation, for e.g. in the USA, Europe, Mexico and Japan permits negotiation of creative “door-to-door” service and price packages with carriers.
4. Opportunities to integrate domestic and international operations should be pursued to leverage total company volumes with globally oriented carriers. This requirement usually needs change in organizational thinking and planning.

Successful and well-thought interpretation of logistics activities on the global markets can be conducive to the development of international collaborations and operations including door-to-door freight services which offer accelerate and reliable delivery; expansion into new world markets which were unreached; ability to offer a reasonable after-sales service or replacement policy to international markets; reduced delivery costs through consolidation.

### **2.3 Obstacles to international logistics**

International means that the process includes transactions involving individuals or firms in more than one nation. Without doubt, there are several special restrictions on the international global logistics activities to make the operations more safe and reliable. These factors that influence trade consist of the political, economic and cultural reasons. Political situations are very important for logistics. Permanently, the government applies limitations to the trade; embargoes (the U.S. with the Iraqi); tariffs; comprehensive trade treaties (the trade union of the European Community) and so on. Embargoes put a total constraint on trade processes between specific countries. With the help of tariffs, governments can protect the domestic manufactures and producers. Friendly nations negotiate treaties to increase the flow of commerce between them. (Wood 2002,17.)

Here is one example of political influence on the international logistics activities. In April 2014, the Russian Federation has posted an embargo on the dairy products from Ukraine. In compliance with the official reason, they were deemed irrelevant to the requirements of technical regulations for fatty acid composition, as well as the mass fraction of protein, fat and moisture, and regarded it as "evidence tampering". But some political experts comment this product war reasons from the point of view of the tense struggle between new Ukrainian Government and the Russian Federation. Especially, the relationships have become tighter after the annexation of Crimea to the Russian Federation in March 2014. (Daily newspaper Newsru, 2014.)

Economic conditions and similar economic strengths also have an impact on the trade patterns. Changes in relative values of two nations' currencies influence amounts and directions of trade between them. Shifting currency values complement an element of uncertainty to all international transactions. Cultural differences also play a significant role in selling and establishment of ongoing relationships. By cultural factors, it covers difference in religion, values, time management, language and national holidays. For instance, the German businessman may be very direct and precise in price negotiations, while the Italian may be very deliberately and expertly coy. (Wood 2002,19.)

## **2.4 Logistics Characteristics of the European Union**

The European continent has undergone a major political and economic transformation since early 1990s. The transformations have created a solid and profitable basis for the successful entrepreneurship formation.

The EU groups 28 sovereign member states (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom) with the population of more than 400 million persons, and a gross regional product similar to that of the United States. Africa, particularly North Africa, is economically important to Europe. It has permanent trade collaborations and has been the source of massive immigration.

Logistics has become an industry in its own right, presenting constant growth over the several years. Some of the leading worldwide logistics companies are European. If to speak about the logistics condition in the European Union, with the increasing volumes in freight transport, logistics exerts should find alternative emerging solutions for the accelerate growth. In economic terms, logistics service providers need to find a solution to the costs incurred through congestion, labor shortages and to the dependency on fossil fuels. Regarding the environmental and social spheres the issue is reduction of freight transport's negative influence on the natural and social habitants.

In 2006, the European Commission rearranged its policy on freight transport logistics, taking up the highlighted. The Communication is being followed up through a Logistics Action Plan that was adopted in October 2007, as part of a package of measures. It offers a variety of specific solutions in priority areas such as electronic information on freight, training and quality indicators, simplification of processes, vehicle sizes and loading units, urban transport and long-distance corridors.

The economic center of Europe is a rectangle with vertexes in London, Hamburg, Trieste, and Marseilles. Most consumption and production operations are held in this area. Additionally, these regions visualize a major logistics importance. Different distribution and warehousing services are allocated in this area. One should note here that there are special characteristics about European Logistics:

- Customs and transit procedures. The EU has abolished customs and transit procedures among its member states: there is a free flow of goods between its members and the European Free Trade Association (EFTA).
- Transportation modes. Trucks and pipelines account for the majority of tonnage transported in Europe. They will continue to gain tonnage at the expense of rail and coastal and inland water transportation, although for the environmental reasons, the national railroads are waging a campaign to force more traffic to use rail. Consequently, the international transportation numbers should increase.

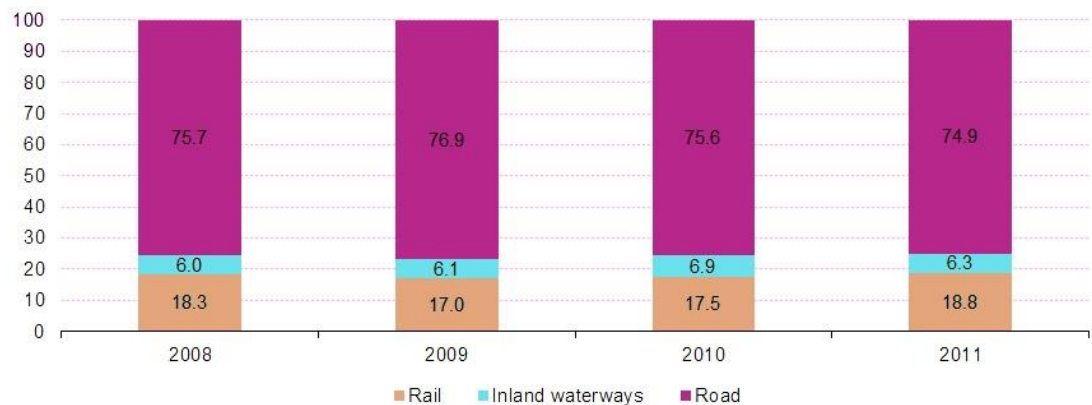


Figure 2: Freight transport in the EU-28, modal split of inland transport modes.

From the presented graph, it is visible that the main mean of transport in the EU is road transport. The percentage measure is quite stable and high comparing with other modes of transport.

- Subcontracting of services. Logistics services are increasingly being subcontracted to logic service companies instead being performed in-house. This drift is likely to quicken as the average shipment size continues to decrease and the average shipping frequency to increase.
- Eurotunnel. The creation of the Eurotunnel across the English Channel improved service and reduced transportation costs between the United Kingdom and Continental Europe.
- Palletization. Palletized freight is increasingly using the ISO standard pallet sizes. (Lambert 1998, 414.)

## 2.5 Finnish- Russian logistics collaboration

In this chapter, the author defines the logistics connections and process of Finland and Russia. In the previous chapter, the main logistics characteristics were defined. Now, it is time to fulfill a detailed research into a non-EU (the Russian Federation) country and EU country (Finland) export and import processes.

All the data will be explained with the help of graphic and charts, as they describe this field in more visible and understandable way. All the materials in the chapter were gathered from the official website of Finnish customs statistics- Tulli.fi

From the introduced graph, it is easily to define the main Finnish partners in the field of export and import of goods. The top place occupies the Russian Federation in the import operations. The top place of the exporting goods from Finland can be given to Sweden and Germany.

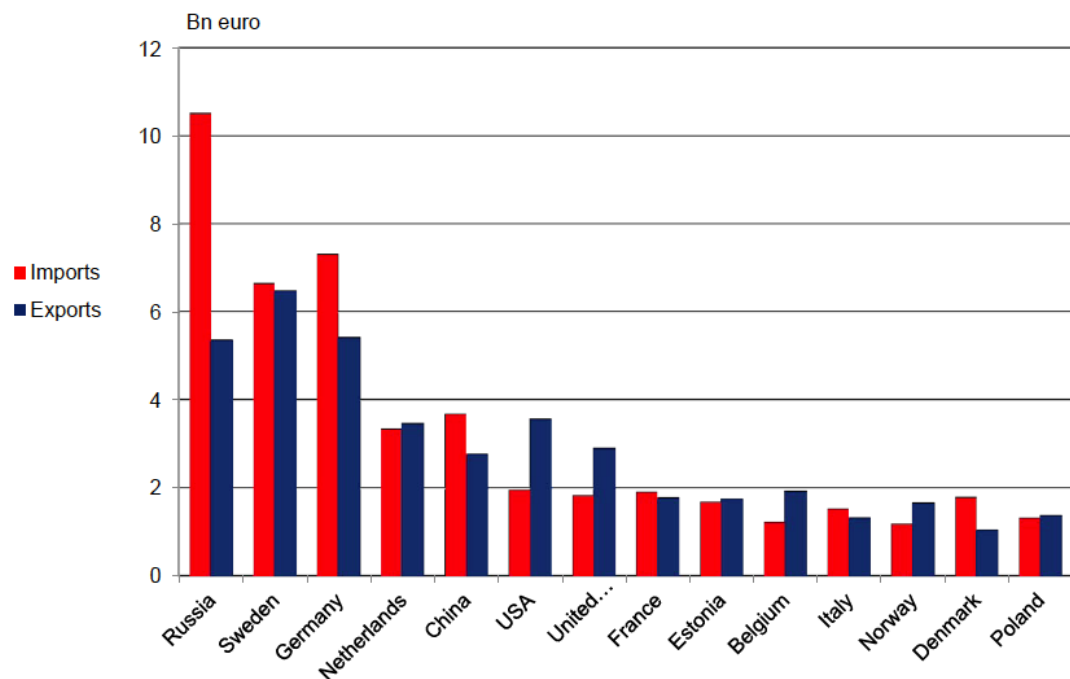


Figure 3: Foreign trade by countries 2013 (Tulli.fi).

According to the Figure 2.3, so the graph defines a more detailed picture of the exports processes from Finland to the main exporter partners: Russia, Germany and Sweden in the course of 5 years: 2009-2013. Sweden is in the first position from 2010 year and the volume is approximately more than 500 million Euros. Germany and Russia hold the similar roles, especially in 2013 year. The volume escalates between 200 and 600 million Euros.

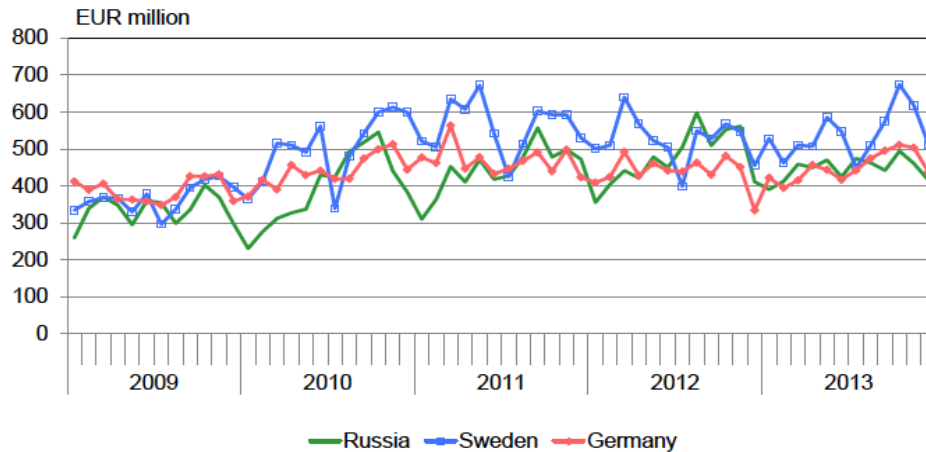


Figure 4: Monthly exports to Russia, Germany and Sweden 2009-2013 (Tulli.fi).

The next graph defines the main importing partner-country. Without doubt, the author can claim the Russian Federation as a top country. The volume of importing goods is more than 400 million Euros during four last years. In other words, it can be concluded that Russia and Finland have strong transportation relationships. Germany takes the second position on the list; volume is even bigger than with Sweden. As it was marked in the previous chart, Finland exports more in Sweden than to Germany, but the situation is different with import.

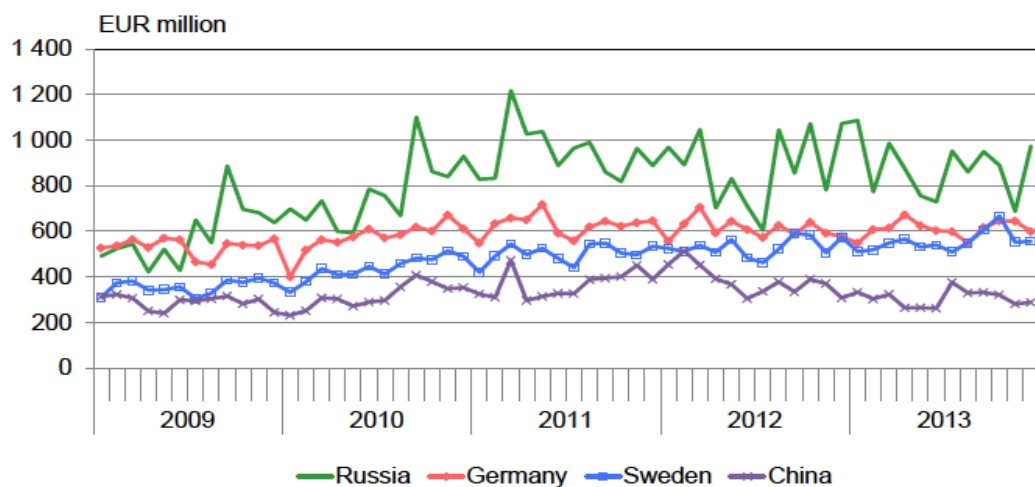
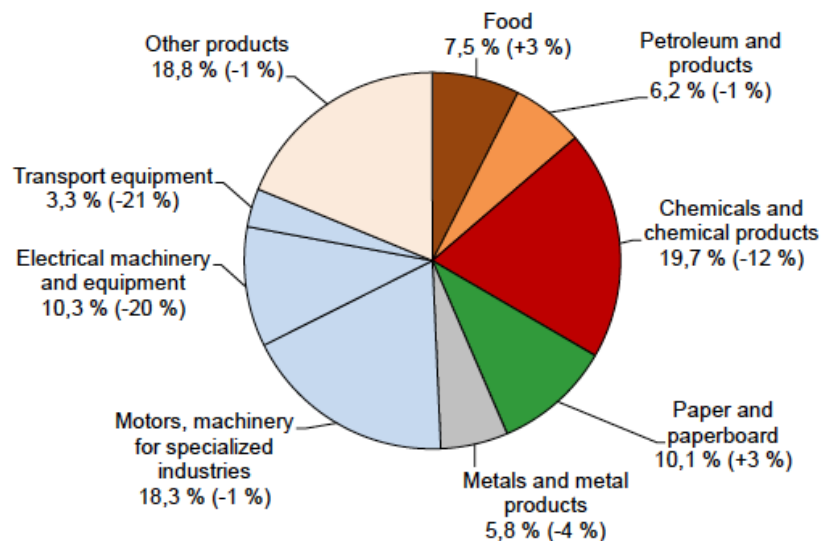


Figure 5: Monthly imports from Russia, Germany, Sweden and China (Tulli.fi).

The fourth graph describes the main exporting goods to Russia from Finland. Additionally, it is probable to compare the numbers with the previous year, if they have increased or not. The total value of exports to Russia in 2013 was roughly EUR 5,4 billion. It is by 6 % lower than in 2012 year. The main exports consist of chemicals and chemical products- 19,7% in 2013 (the indicator increased by 12% comparing with 2012). The next group of exporting goods includes motors, machinery for specialized industries. The figure equals to 18,3%, which is 1% lower than in 2012. Other exporting products are electrical machinery and equipment; paper and paperboard; food, etc.



Total value of exports to Russia in 2013 was EUR 5,4 billion (- 6 %)

Figure 6: Exports to Russia by products 2013 (Tulli.fi).

The Figure 2.6 represents the fields of importing from Russia to Finland. The author summarizes that the most popular goods are petroleum and products, which occupy 68,2% of the total quantity of importing goods. The import of this kind of goods is quite stable; there are no changes in amounts comparing with the last year. Gas; chemicals and chemical products are also taken up the significant positions- 10,8% and 7.0% of the whole import. The total value of

import from Russia in 2013 was equal to EUR 10,5 billion, which decreases by 1% percent comparing with 2012 year.

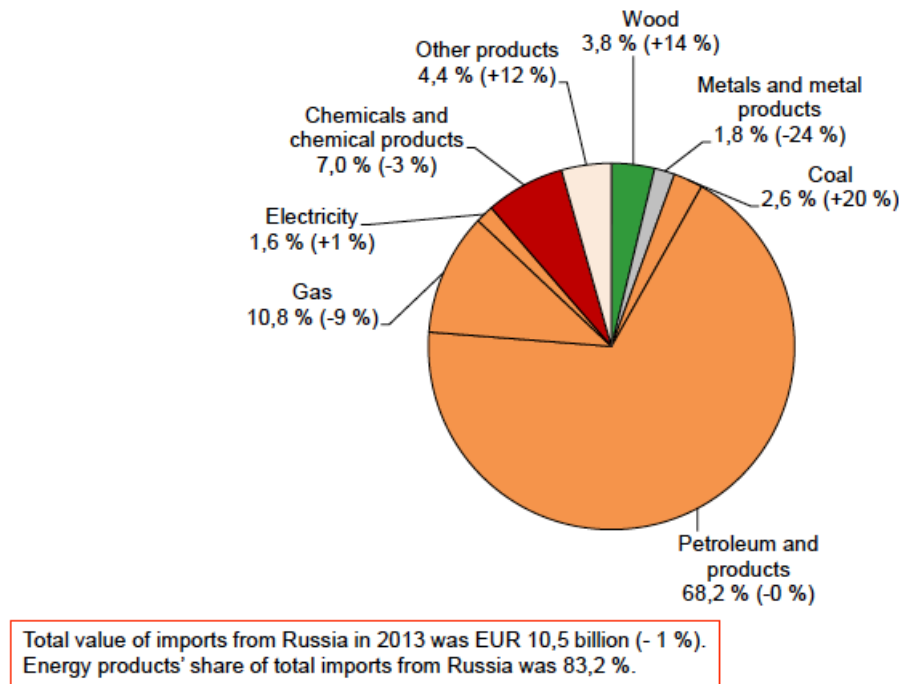


Figure 7: Imports from Russia by products 2013 (Tulli.fi).

Relying on the analysis of the graphs, the author can assume that Russia and Finland have close and solid collaborations in the sphere of transportation. Both countries are important trade partners between each other. In other words, the future perspectives of such collaboration are really optimistic and accelerate developing. It is estimated that transportation entrepreneurship in Finland, which aims on partnership with Russia, could be an absolutely thought-out business idea.

## 2.6 Incoterms

Incoterms (International Commercial Terms) are very important part of the interpretation of trade conditions. They are used in all international transactions. The International Chamber of Commerce (ICC) advanced these terms as a setting and managing uniform rules. In most cases Incoterms

define the costs, risks and obligations of sellers and customers under the trade contract.

It is conceivable to find different versions of Incoterms, the last adaptation and current is called Incoterms 2010. As usual, Incoterms are used as a set of the contractual and specifying instruments serving the sale and transport of goods in international trade transactions. Moreover, Incoterms are supposed to reduce the misunderstandings between the global partners. (Incoterms, 2010.)

As the topic of the research relies on the logistics and entrepreneurship processes, the author explains only the main group of Incoterms, which could be used with any means of transportation. Definitely, this won't distract from the general research, but provide with the mandatory knowledge about the international shipping policies and rules.

All Incoterms are going to be defined according to the last version- Incoterms 2010 by the international Chamber of Commerce.

EXW	Ex Works
FCA	Free Carrier
CPT	Carriage Paid To
CIP	Carriage and Insurance Paid To
DAT	Delivered At Terminal
DAP	Delivered At Place
DDP	Delivered Duty Paid

Table 2: Rules for any mode or modes of transport.

EXW- Ex Works (named place). According to this term, the customer and the seller should discuss and establish a place for the delivery. In fact, a seller is responsible for the goods until it will be delivered to the buyer on the particular date and in the particular place. The buyer manages all the risks involved after the delivery of goods. Additionally, a buyer pays all the costs of

importation and exportation. All the additional agreements between buyer and seller such as the responsibility of seller during the loading of goods onto a vehicle must be recorded in the trade contract.

FCA- Free Career (named place). The seller should deliver products to the carrier or another person, who was discussed in the contract. Moreover, both sides should discuss a definite place of shipment deliver, particularly, in this place the responsibility comes from the seller to the buyer. Additionally, the seller is responsible for the clearing goods for the export of the product, but not for the import.

CPT- Carriage Paid to (named place of destination). Relying on this statement, the seller should be responsible for all the expenses while clearance of product and bringing it to the named destination between seller and buyer. Neither carrier nor the buyer is compelled to show insurance during the shipping.

CIP- Carriage and Insurance Paid To (named place of destination) means that the seller supposed to deliver products to the carrier to place of the stated delivery. He must pay for all the expenses during the delivery to the final destination. In addition, the seller should make an insurance, which covers the minimum amount of the risk.

DAT-Delivered at Terminal (named place) means that the seller has completed the delivery when the goods are shipped and unloaded from the transport and placed at the named terminal (air, rail, and warehouse). The seller is not responsible for insurance, but responsible for the clearance goods for export.

DAP- Delivered at Place means that the seller delivers when the goods are placed at the disposal. He is culpable for all the risks and expenses during the delivering goods to the named destination.

DDP- Delivered Duty Paid obligated the seller with all the risks and expenses during the transportation: customs formalities, duty import and export. The seller delivers goods, which are cleared for import and export to the disposal of the buyer.

## **2.7 International Trade Documents**

Paperwork is one of the most distinctive features of the international logistics. To overlap some extra troubles while transportation, it is necessary to handle all the documents in the right order and legal condition. Sellers and buyers usually use different papers in various situations, such as bookkeeping, invoicing, cost accounting, taxation, export and import, and payments. (Pienaar 2005, 266.) The author wants to organize all the possible documents into several subcategories. According to Pienaar, there are following subchapters:

Transaction documents.

The main transaction document is a commercial invoice. All members of the transportation process use it for invoicing, payments, cost accounting, banking operations. Additionally, it should be presented for the import and export formalities.

Export documents.

Export documents consist of the licenses; permits; official statements; inspection certificates; export declarations and so on. All of them are mandatory for the customers or export authority.

Inspection documents.

Inspection documents usually verify the condition of the shipping goods. The third specific inspection firms issue them. During the export and import transactions, it is mandatory to specify the health and safety regulations.

Insurance documents.

Insurance documents describe the coverage of the possible risks during the transportation of goods. It can be issued in the form of contract or certificate.

Financial documents.

Financial documents proof the banking operation results and the payments for the goods. As a rule, all financial documents should be available during the international transactions to express the financial aspects.

Import documents.

Import documents should be compulsory presented to the customs authorities of the import countries. The author can name some examples of the import documents: an entry form and a commercial invoice.

Transport documents.

These documents are stated by the transport operator and identify the terms of transportation and delivery. The main transport document is the bill of lading. The following features are included in the bill of lading: the name of the carrier; an identification of the consignment condition; an indication of place of departure and delivery; an original copy; the terms and conditions of carriage.

### **3 ENTREPRENEURSHIP**

In the 20th century, economist Joseph Schumpeter (1883-1950) focused on how the entrepreneur's drive for innovation and improvement creates upheaval and change. Schumpeter viewed entrepreneurship as a force of "creative destruction." The entrepreneur carries out "new combinations," thereby helping render old industries obsolete. Established ways of doing business are destroyed by the creation of new and better ways to do them (Principles of Entrepreneurship a, 1). Successful business requires that you fulfill the obligations and keep up the motivation for work.

#### **Meaning of entrepreneurship**

According to Finnish Enterprise Agencies "The entrepreneur" is a person who, alone or together with others, carries out activities in a business whose objective is to make a profit. These activities include a degree of risk taking. (FEA)

#### **Reasons to become an entrepreneur**

Very often a person want to have his own business because you can determine and organize your work tasks, work hours and you can be your own boss. It is possible to name several reasons, why people become the entrepreneurs:

- Entrepreneurs are their own bosses. They make the decisions. They choose whom to do business with and what work they will do. They decide what hours to work, as well as what to pay and whether to take vacations.
- Entrepreneurship offers a greater possibility of achieving significant financial rewards than working for someone else.
- It provides the ability to be involved in the total operation of the business, from concept to design and creation, from sales to business operations and customer response.
- It offers the prestige of being the person in charge. (Principles of Entrepreneurship b, 2.)

### **Different types of entrepreneurship**

When you decide to establish an enterprise, you have several options.

- **New Business idea**

An enterprise may be set up to commercialize a completely new business idea, product, service or invention. This is the most challenging way to start a business, and it includes the most risks.

- **Existing Business idea**

The most typical way to start a business is to use an existing business idea but implement it in a new and more competitive way or in a new market area.

- **Buying an operating business**

In Finland, there are many businesses that need someone to continue their operations. The unearthing of such a business could be the impulse to start up as an entrepreneur. The acquisition of a business always includes risks, but this provides the new entrepreneur with a simple way of setting up and the possibility of starting business operations straight away, as the business will already have customers and sales. (FEA)

### 3.1 How to establish an Enterprise?



Figure 8: Stages for Establishing an Enterprise.

### 3.2 The strengths of small start-up

Every entrepreneur who is planning to start-up a company should weight all the strengths and weakness comparing with the giant-chains and most competitive organizations in the market. With the help of careful planning and analyzing, an entrepreneur can claim all the advantages and destinations, to which it is necessary to pay more attention to become competitive and successful.

The author wants to enlist some competitive advantages of small start-ups:

- A small firm has an opportunity to change its goods or services in accordance to specific customer needs. The average entrepreneur of a small start-up knows the audience of customers far better than one in a large company. Customers can even have a role in product development.
- The other strength comes from the involvement of highly skilled and experienced personnel in all aspects and processes of a start-up business.
- People involved in the start-up — the entrepreneur, any partners, advisers, employees, or even family members — have a passionate, almost compulsive, desire to succeed. This motivates to work harder and better. (Principles of Entrepreneurship c, 16.)

### **Challenges**

According to Finnish E A the main challenges that every entrepreneur will most likely face are lack of knowledge about legislation and taxation in another country, lack of familiarity with Finnish Business culture and insufficient level of Finnish language. Other issues can be connected with arranging finance and time management.

### **3.3 Business Culture in Finland**

To succeed in business it is important to know Finnish business culture, attitudes and customs. Then it is possible to serve customers better and also understand what your customers expect.

Finnish people like to use their time effectively. They happily plan timetables and stick to the times agreed. All people are valued as equal regardless of age, gender, profession and religion. Women are equally involved both in corporate life and as public servants. Addressing people using the familiar form of “you” in Finnish is very common.

In Finland, businesses encounter little bureaucracy. Decisions are made quickly, and businesses act efficiently after careful planning and preparation.

Finland is among the world’s least corrupt countries, so gifts, of either goods or money, must never be offered to officials or business partners. However, a

small reminder of a good acquaintance is allowed, such as giving a card or a small gift of minor value, for example at Christmas. (FEA, 2014.)

### 3.4 Taxes

In Finland the business pays income tax based on its taxable income, depending on the form of enterprise. However VAT tax does not depend on the form of enterprise. It is paid monthly and based on the sales and purchases.



Figure 9: Taxation on income of sole traders, example (FEA, 2014.)

In this case a small logistics company would mostly fit a Sole trader form of enterprise. According to FEA, the income earned from a sole trader's business is taxed as his/her own income. Part of the business's income is capital income, and part is earned income. The business's income is divided into earned income and capital income on the basis of the net assets of the business (net assets = assets of the business – liabilities of the business). Capital income is 20 % of net assets for the previous year, and the rest is earned income. Alternatively, the entrepreneur can decide that capital income will only be 10 % of net assets or that all of the business's income is earned income. In the

year of foundation of the business, the capital-income share is calculated according to net assets on the last day of the first accounting period.

## 5 OPPORTUNITIES OF TRANSPORT COMPANY

Transportation represents the highest cost among other logistic elements; this means that the development of transportation branch will have a huge impact on overall performance of logistics systems. Figure 1 describes the components of costs in logistics, based on estimation.

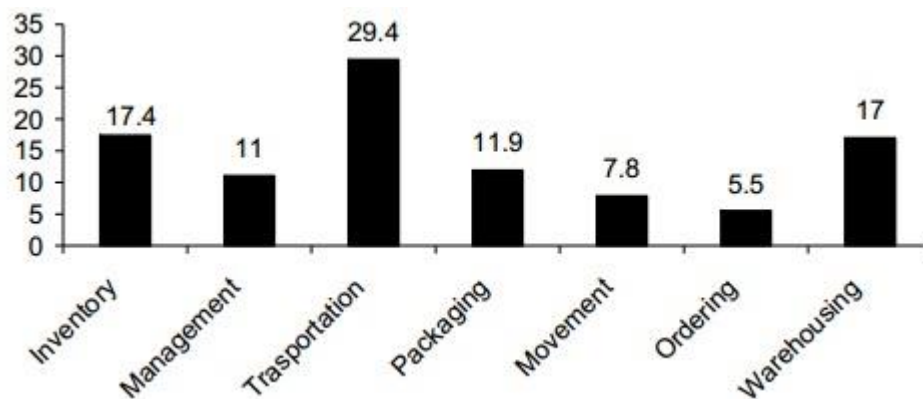


Figure 10: Costs ratio of logistic items. (Chang, 1988).

The role that transportation plays in logistics system is more complex than carrying goods for the proprietors. Its complexity can take effect only through highly quality management. By means of well-handled transport system, goods could be sent to the right place at right time in order to satisfy customers' demands. It brings efficacy, and also it builds a bridge between producers and consumers. Therefore, transportation is the base of efficiency and economy in business logistics and expands other functions of logistics system. In addition, a good transport system performing in logistics activities brings benefits not only to service quality but also to company competitiveness. (Dr. T. Srinivas, 8.)

Without well-developed transportation systems, logistics could not bring its advantages into full play. A good transport system in logistics activities could provide better logistics efficiency, reduce operation cost, and promote service

quality. The improvement of transportation systems needs the effort from both public and private sectors. A well-operated logistics system could increase both the competitiveness of the government and enterprises. (Srinivas, 6.)

## **6 IMPLEMENTATION OF THE RESEARCH**

When it is time to think about the research methodology, it is very significant to take into account the different approaches for gathering of data. The author should think about the differences between qualitative and quantitative approaches.

Qualitative research explores attitudes, behavior and experiences through such methods as interviews or focus groups. It attempts to get an in-depth opinion from participants. As it is attitudes, behavior and experiences, which are important, fewer people take part in the research, but the contact with these people tends to last a lot longer. Under the umbrella of qualitative research there are many different methodologies. Examples of some of these methodologies are interviews, observations. (Dawson 2002, 15.)

Quantitative research generates statistics through the use of large-scale survey research, using methods such as questionnaires or structured interviews. This type of research reaches many more people, but the contact with those people is much quicker than it is in qualitative research. (Dawson 2002, 15.) That's why it is very important to think about the structure of the design beforehand .

### **6.1 Research methodology**

Nowadays, analysts can face such definition as research methodology, particularly, in every information seeking process. The author of the thesis wants to highlight the definite meaning of the statement. According to Sue Greener, 'research' methods are usually related to the special activities, designed to generate data (e.g. questionnaires, interviews, focus groups, observation) and research 'methodology' is more about the attitude to the understanding of research and the strategy, which were chosen to answer research questions.

If to speak about the business research, the academic research requires valid and fair information, which is closely related to the research topic. In other words, it is important to have clear objectives and purposes for the information searching process. But business research is not a single academic pure discipline, it covers many issues. To understand some basic things and make a research, the researcher needs to get in details about some other related terms. According to the fact that a business research is multi-disciplinary, the author should draw different disciplines and domains less than one roof to receive as more accurate results as probably. (Greener 2008, 10-11.) Quantitative type of research is better to use in descriptive or usual research.

In current business and management condition, the author states that it is more suitable to use a mix of both types of the data seeking approaches. The following method could be used, as looking at observable objective facts where they might be seen to exist, though the use and manipulation of numbers, and looking at the perceptions of those involved with these 'facts'. In other words, this type of research work can be the best to investigate all aspects of the messy reality and establish definite research purposes and targets.

In this thesis, the author uses both qualitative and quantitative research approaches to get more detailed information. Theoretical research and face-to-face interviews are aiming to widen the results of qualitative research. And the Internet survey among different logistic companies gives the detailed representation about the group of target companies.

### **Research methods**

For this research the author chooses two data collection methods. The first method is the survey (quantitative).

The research questions are sent to all target companies via e-mail. Although, the majority of the companies could not fully cover the topic according to the company policy or lack of knowledge from an entrepreneur perspective, the data that was received, has formed a clear picture of Finnish Russian logistics business in general and the guidelines for entrepreneurs in logistics business

sphere. Also, one of the bigger companies was open for the interview in personal, where more specific issues were covered (qualitative method).

### **Interview**

The qualitative research interview seeks to describe and the meanings of central themes in the life world of the subjects. The main task in interviewing is to understand the meaning of what the interviewees say. Interview seeks to cover both a factual and a meaning level, though it is usually more difficult to interview on a meaning level (Steinar, 1996). During the research, the author used a face-to-face interview, which assists to get more close contact with the representative of the company and get some more valuable facts.

Face-to-face interview is a data collection tool when the interviewer directly communicates with the respondent in accordance with the prepared beforehand questionnaire. This method enables to gain factual information, consumer evaluations, attitudes, preferences and other information coming out during the conversation with the respondent. Moreover, face-to-face interview method ensures the quality of the obtained data and increases the response rate. Face-to-face standardized / semi-standardized interview is a quantitative research tool. This type of interview can be more informative than other methods of information research.

### **Questionnaire**

In the thesis, the author uses a closed-ended type of questionnaires while the researching data. Closed- ended questions establish maximum in respect of answers of the respondents and members of the survey to response options provided on the questionnaire. The most visible advantage of such method is time-economy; easy and quick analysis and it is an ideal tool for the quantitative interpretation of research. This type of questionnaire is used to generate statistics in quantitative research. As these questionnaires follow a set format, and as most can be scanned straight into a computer for ease of analysis, greater numbers can be produced (Dawson 2002, 31).

### **Sources of data**

When the whole strategy of research is established, it is necessary to plan the project tips and resources. The first thing, which should be taken into

consideration, is a background research. This can assist to become more familiar with the research topic and introduce to the other research aspects and fields, which are critical for the general research. According to Dawson (2002a.), there are two types of background research- primary research and secondary research. Primary research consists of the studying of subject with the help of firsthand observation and investigation (40-41.). Primary data includes some kind of raw material, which was gathered via the exploratory and descriptive research. The secondary research involves the collection of information from studies that the other researchers have made of subject.

The most accessible way to find this kind of information is libraries, the Internet and databases (Dawson 2002b, 42).

Primary data was collected through the face-to-face interview and the questionnaire among logistic companies. On the other hand, the secondary data was found in the books, databases sources, the Internet.

## **6.2 Face-to-Face Interviews: preparation and implementation**

### **Forming Research questions**

**Research Question 1:** What are the Opportunities and Challenges in Finnish-Russian Logistics Business?

This question gives a deep perception of the current situation in business and logistics environment between Finland and Russia. The research of this question will help to analyze the development of business relationship between the two countries and predict possible future changes concerning business and logistics in general. It will also define the benefits of Finnish-Russian Logistics and the reasons of opening the company in such field.

**Research Question 2:** What issues (problems, opportunities, challenges) should an entrepreneur be aware of when starting up a logistics transportation company in Finland?

The main goal of the second question is to get better understanding of the positive and negative issues that one may possibly face while opening any kind of Logistics Company in Finnish environment. After that it will be determined what the main challenges are for the entrepreneur in starting his/her own

Logistics Company and the ways of overcoming them will be discussed. Also the main benefits and opportunities of doing logistics business in Finland will be researched as well as the required knowledge needed in order to successfully operate such types of companies.

### **Research Questions Analysis**

The main issue for any international entrepreneur that is establishing the company in Finland is the lack of laws and Finnish business culture. However, European Union is struggling with this issue – there is an obligatory course for the newcomers to the branch. This course lasts for 4-5 weeks and it covers a very wide area of information, laws and statutes, practices, requirements, responsibilities for the entrepreneurs, who also have to pass the examination after the 4 week training and studying period. There are special subjects like financial planning of a road haulage company, grounds for company taxation, marketing of transport services and others.

### **Choosing recipients**

In order to cover main logistics spheres, the pool of logistic companies was conducted. The chosen companies were from different regions, they varied in sizes and service coverage. This search was held through Internet search engine. The author managed to find several big companies like SKAL –the haulage transport company, VR and Nurminen Logistics (railway transportation). Also, the majority of the companies were mid-sized businesses with a lot of years of experience, for example SA-TU Logistics and Polar Logistics (international transportation). The main task in the beginning was to define the most suitable logistics company types and compare them according to different aspects. That is why more than 30 companies of different types and sizes all over Finland were chosen as potential recipients.

### **Preparation for the interview**

The Face-to-Face interview was used as one of the data collection methods. The target company for the interview was chosen according to size and operating services coverage. The interviewee is Backlund Sakari, employee of SKAL Company. In order to familiarize the respondent with the topic of the interview, a description of the thesis and possible questions were sent via e-

mail beforehand. The suitable date and time was discussed with the company representative.

### **Company background**

SKAL – the Finnish transport Logistics Company that is representing 6000 transport companies and logistics service providers. They are mostly operating in Finland but naturally many of them also have international businesses or businesses abroad. The board of SKAL consists of haulage entrepreneurs. The company was established in 1936. SKAL is a member of International Road Transport Union and Nordisk Lastbil Union.(skal.fi) SKAL is concentrated mostly on transportation but they also have other logistic services – customs and warehouses; the company is also taking care of issues in customers premises : loading, unloading and storage.

### **Implementation of the interview**

Before the interview session the author has conducted a list of research questions. The interview was held in Helsinki office of SKAL Company. The author went to Helsinki and met the company representative Sakari Backlund in the SKAL office. A brief conversation was held in the reception, where the main aspects of the interview were discussed. The interview itself was held in a conference room. The company representative made a short presentation of the company background. After this, the conversation moved to the topic of logistic and trade relations between Finland and Russia. The main research questions were fully covered by the interviewee from the perspective of entrepreneur and from the company point of view. Also the information including statistics dealing with transit via Finland to Russia and truck transportation at the borders was shown in pictures and charts, as well as some specific figures of car transportation and cost development.

### 6.3 Charts

During the interview, the representative showed several graphs, which present some aspects and destinations of the Finnish-Russian logistic collaborations and tendencies.

All the graphs are part of the annual report (2013) of SKAL Company. Here is one example:

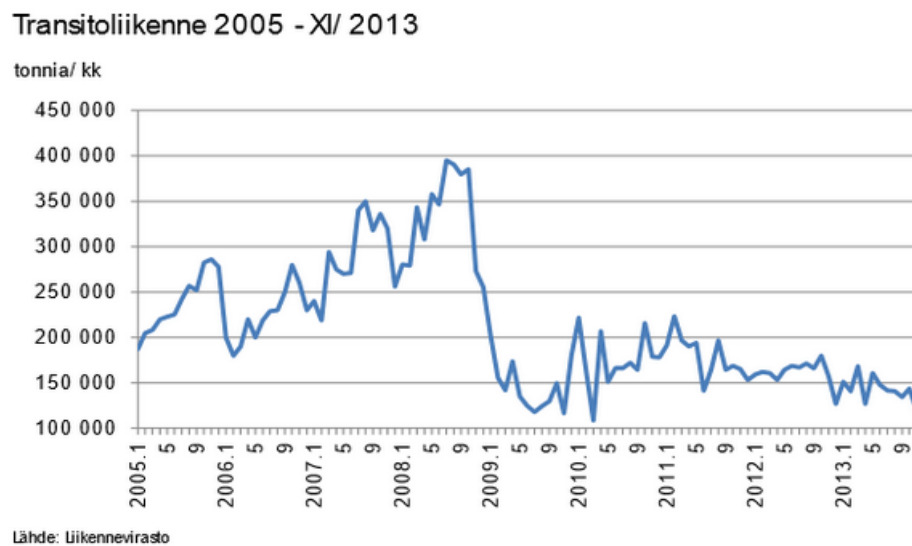


Figure11: Transit traffic 2005- XI/2013.

From the graphic, the author can describe some data analysis. The tons amount of transit traffic from Finland to Russia has achieved a high level in July 2008 at more than 390 000 tons per month. The peak was in 2009 and its lowest level in July and November, during which the amount of tones was equal to 116 000 - 117 000. In 2010, a monthly average of estimated tones was slow and equal to 500. At the end of 2011, an average of volume equated 179 100 tones per month (2.6%), but again in 2012, falling to 161 400 tones (-9.9%). In January-November 2013 the amount of production was 143 300 tones. After the financial crisis in 2009, Russian transit traffic volumes, therefore, have not returned. Russian and Baltics ports have taken a greater share of ported returned goods flows part. Finland's competitiveness is not sufficient to meet the challenges posed by the new circumstances.

## 6.4 Interview analysis

The Face-to-face interview was held in the Helsinki SKAL office. The process of interview was formal and many topics were discussed, concerning both Finnish-Russian Logistics and the Company operations. The yearly statistics was shown in pictures. The main questions discussed on the interview are about the future changes in the logistics market in Finland and in Europe in general. The trade relations between Russia and Finland were covered also.

One of the biggest trends that have a huge impact on Logistics in general is globalization. The global pressure in terms of price, quality, different kind of requirements in transportation and in logistics, the clients and the market are demanding more, cheaper and better quality in shorter times - these are the main trends in logistics that happen nowadays. The influence of Technology Development on Logistics was analyzed and discussed; such new technologies as RFID (Radio Frequency Identification) and 3D Printing have been used already for a long time and they were changing the logistics industry a lot, but this didn't happen in a big scale.

The other trend is that Customers want to have less contracts and operators; therefore they are offering bigger parts of their operations to one company only. There are a lot of small transport companies in Finland and not every company is capable of doing that kind of larger services, this is why such companies try to unite together and form a big transportation network. There are many transportation networks all over Finland, they are called KTK. A lot of small companies own the local KTK and all of them are using the trucks and trailers under the same name. The biggest transport central, Helsinki KTK is operating with more than 800 trucks; it is a private owned company with 400-500 different owners, each of them is operating with one or two trucks only, but together they form a big operator. 2 KTK Networks are currently operating in Jyväskylä area.

In Finland there are other developed means of transportation used in logistics industry. However, train transportation is carried only by the state owed railways – VR. At the moment it is impossible to get the train transportation permit for the private company in Finland. In Sweden the situation is different – the authorities started to deal with this issue long time ago and for the

moment there are around 20 private owned companies that are offering different kinds of services on carrying the goods. This means that in couple of years the current train situation in Finland is going to shift towards the private companies.

Every business start-up has general requirements for the international entrepreneur. In logistics business the requirements are different, depending on the type of Logistics Company. The most challenging part in establishing the transportation logistics company is that the owners are required to pass a 5 week special courses and examination. Except of that the entrepreneur is required to own a certain amount of capital, have a good reputation and clear crime history.

Many logistics companies concerned about international transportation. In order to get the permit for Customs services from authorities, the company should represent itself as a reliable partner, which takes some time. Finnish Customs use background check, in order to see if the company can be trusted and has a clear history. Usually the company should operate for some years before getting such permit, in order to have proven statistics and reputation. It usually depends on what level the company is operating. Due to transit development via Finland to Russia, a lot of small logistics companies that are owned by Russian entrepreneurs were established in different ports of Finland. Currently there are around 100 Russian Logistics Companies in Kotka and Hamina.

The company representative has also provided the statistics charts.

### **6.5 Survey Analysis**

The survey results include results from 25 respondents – logistics companies that are operating in Finland. The companies vary in size and operation coverage. The majority of the companies had freight forwarding as their main service, though 31% of the respondents are operating in transportation segment. From 14 transport companies only 10 have been operating internationally. The low number in warehousing type of services describes this sphere as challenging for new businesses.

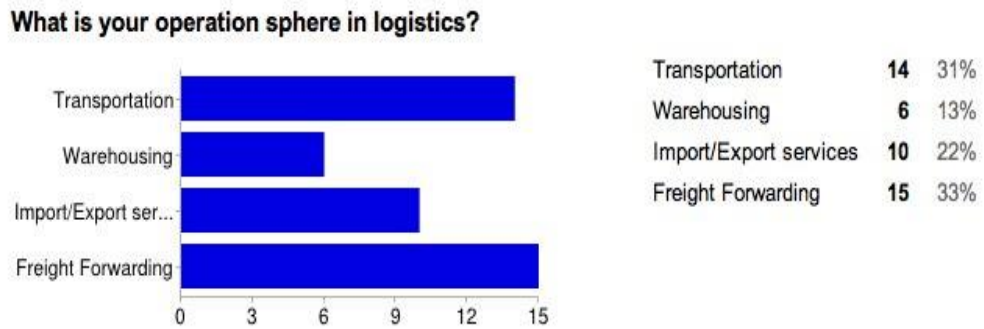


Figure 12: Main logistics spheres for Finnish companies.

Analysis of the barriers and issues for the new logistics companies shows that the one of the most important challenges is taxation and laws. It is related to the variety of Finnish laws and the differences with the business laws of non-European countries.

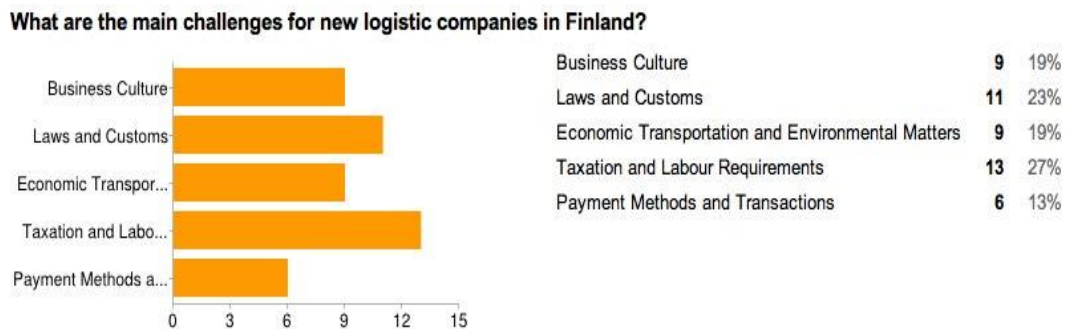


Figure 13: Main challenges for new logistic companies in Finland.

Overall survey analysis helps to get deeper understanding of the main challenges and benefits of establishing international logistic business in Finland. The main problems for majority of entrepreneurs can include laws and customs, taxation, different business environment and culture. Most of the newcomers in the Finnish logistics segment have an issue connected with the lack of knowledge about the business laws and environment. There are different ways of overcoming such issue that can be solved by the entrepreneurs themselves and the EU law authorities. One of the solutions is a

4-5 week course for all new entrepreneurs about Finnish law in general as well as specialized topics like transportation and financing.

The data, gathered from the surveys was useful, though the main questions about the challenges and opportunities in transportation sphere were unanswered by the majority of recipients. The data, collected from the recipients concerning other questions is not enough to analyze and compare. The lack of open answers can be a result of a questions complexity. Some recipients did not provide the information because of company policies. Also the questionnaire has only 2 multiple choice questions out of 6. Most of the recipients were not eager to answer open questions, consequently the author only got less than a half of all data that could be received.

## **7 RESULTS OF THE RESEARCH**

The author has combined the analyzed data and as a result defined the main barriers challenges for new entrants in Finnish logistics market. The data gathered from the interview has helped to get better understanding on the current situation in Finnish-Russian logistics environment.

Additionally, the sufficient proposal and guidelines for each challenge and issue were conducted. The problem was highlighted from entrepreneurial perspective, though these issues may have impact on other segments of logistic environment. The research only covered the Finnish business environment, but because of the similarity of laws and policies, these solutions can be applied in other European countries.

Moreover, the results of the research include the requirements that are needed to be fulfilled by each entrant in the transportation market as well as the other types of barriers such as language and culture differences. The solutions and guidelines are provided in the discussion part below.

## 7.1 Discussion

Border crossing facilities have been improving a lot during two decades and now the focus should be on improving the infrastructure. On the other hand volumes are on a low level – a consequence at least partly arisen by the targets that were set in Russian logistics strategy – if compared to the peak in 2008. From the Finnish point of view and taking into account recent economic development in Russia, the low volume period seem to be a regular “business portfolio”. On the other hand, Russia has been unpredictable and surprising so many times, and this could be the case once again, so the volumes might recover faster than expected.” (e-mail from SKAL).

The majority of international entrepreneurs face a lot of issues when establishing the logistic transportation company in European Union or in Finland. Such barriers as a lack of business culture and taxation requirements can be easily avoided and solved by several weeks of specialized courses, aimed to enrich entrepreneurs with sufficient knowledge of all aspects of business and logistics environment. The Finnish Enterprise Agencies also offer entrepreneur courses for all new entrants to the business surroundings.

Nowadays there are two main trends that are having a huge impact on logistics in general; moreover these effects can be seen in Transportation business. The Globalization has already left its trace on the transportation logistics segment. When the author was searching for the Russian transportation companies that are operating in Finland, it turned out that the majority of them have Finnish company names so one cannot see the difference at first sight. That significantly complicated the research process. It turns out that the name of the company plays an important role, especially if someone wants to establish such start-up in another country with different language, culture and customs.

The technological development might seem so different from logistics in general, but it has and will have an actual impact on the logistics and transportation environment in the near future. The representative from SKAL Company talks about the future changes in logistics: Now there is a phenomenal issue like 3D Printing, which will obviously have a huge impact on the Logistics Business. Maybe even RFID (Radio Frequency Identification), such technologies have been popping up already for a long time and they are

were changing the logistics a lot but this was not happening in big scale , but there might be some new technologies with even bigger impact. It might lead to less need of transportation and digital businesses in general. (SKAL Interview)

Another challenge is that the demands of important customer sectors are constantly growing, moreover the clients tend to rely on a single company services instead of using various companies for different parts of logistics operations. This means that the company that has full service coverage has more opportunities and benefits than the company with one or two types of logistic services. This issue brings additional challenges for small new logistic companies in terms of gaining customers.

According to Sakari Backlund, the representative from SKAL, in future the structural change in the market will occur – there will be changes in the amount of companies, in their size and in the services that they are offering. That happens due to the pressures all over: globalization is here, although SKAL will be acting and operating only in Finland. The global pressure in terms of price, quality, different kind of requirements in transportation and in logistics, basically we can say roughly that the customers, the clients and the market are demanding more, cheaper and better quality in shorter times; these have been the trends in logistics.

There are different goods and packages that are transported throughout Finland on a daily basis. Certain types of goods bring additional challenges, for example when transporting some kinds of food or animals, the entrepreneur needs to deal with frequent quality control procedures that are time-consuming and rather expensive. Also every person operating in this segment should get a hygiene passport as a proof of sufficient knowledge in this sphere.

Competition is an issue that every businessman should keep in mind, even if the company is not established yet. The ways to avoid or struggle the competition are different. The company can offer a wider range of services, or put itself ahead of competitors on the basis of price or quality. If we are speaking about a small Transportation Company, which consists of 1-2 trucks, it is very problematic to find customers, but a good alternative might be joining the logistic transportation network. Such networks include several

hundred entrepreneurs, operating under one roof, and they are located in every big city. 2 KTK networks are currently operating in Jyväskylä. The advantage of such networks is a constant customer base and certain stability. Also every entrepreneur can join various trade organizations in order to get up-to-date information on the news of his operating sphere.

The new start-up company should keep in mind that in order to get certain permits they need to meet the requirements set by Finnish law authorities. These requirements vary, depending on the type of permit. In order to reach the Russian Market, every transportation company has to deal with a lot of paperwork. The Finnish customs can only provide the permit to trusted companies that have clean background and proven statistics, as well as firm reputation. Moreover, the company should exist for several years in order to prove its intentions.

An important thing that an entrepreneur should consider is taxation. The amount of taxes depends on the form of business. If a person has limited resources, the most suitable option is to choose the Sole Trader form of business, this means that one person will be responsible for everything, but the taxes are much lower than in other types of business forms like partnerships. The private entrepreneur with one truck can register Sole Trader firm, but with the expansion of the employees and business he needs to change to other forms, for example limited liability company.

The insurance is the other issue that should be taken into account, various types of insurances can be chosen for entrepreneur in transportation segment: the self-employed person's pension insurance (YEL), liability or expenses insurance and property insurance. The haulage companies are highly recommended to have an accident insurance in order to avoid huge expenses in case of something happens to the goods and truck.

## **7.2 Reliability and Validity**

Speaking of the reliability and validity of the thesis, the author can state that the main purposes of the research were to define and highlight challenges and opportunities that every entrepreneur can face during the establishment of Transportation Company in Finland. Both methods of the qualitative and quantitative data were used during the working process. The mix of the

methods allows gathering more reliable and detailed information. The results of the interview and questionnaire were mutually supportive and provide with a possibility to observe the problem from different perspectives. The author of the thesis didn't have much knowledge about the problem before the research to rely on a specific attitude and position. All the final results were created with the help of the theoretical and research basis.

The reliability of the research has a solid base. When the interview was carried out, the author didn't use some part of material in the research work due to the request of the company's representative. Some personal points of view and confidential information were not suggested to use in the thesis. The published materials of the interview are reliable as they were collected from the official spokesman.

By the way, there are several statements that make the outcomes doubtful and uncertain: a usage of the questionnaires as a source of primary data; some Internet sources as a secondary data and the language difficulties in translation from Finnish to English. All the stated factors may use the validity of presented information.

During the research process, the author of the thesis has faced some other obstacles that made the process more challenging and exhausting. First of all, it was challenging to start the writing of the thesis due to the absence of the definite research questions and research targets. These facts made the author less concentrated and motivated on the research process. Additionally, when the author started to search the suitable companies, which are the giant logistics chains and middle-level firms, for the collection of the primary data, interviews and questionnaires, it took a lot of time to receive the data from the representatives of the companies. The waiting phase was indefinite and it was hard to estimate the time schedule and deadlines for the thesis. Thirdly, only one company out of 26 agreed to arrange the interview, that's why the author felt the limitation of the primary data. In conclusion, the author wants to state that a lot of effort was put into the writing process and hopes that the final results would be useful for the entrepreneurs, who want to start-up the transportation business in Finland, they may use the thesis in the role of the guide which consists of proper opportunities and possible challenges.

### **7.3 Recommendations for further research**

The current study only covers some aspects of logistic business in Finland. It describes the haulage transportation company in Finland, focused on the Russian market. The further research can be made on other types of transportation companies. Moreover the other types of logistic companies can be studied and compared to the current case. The trade relations between Finland and Russia have a huge impact on the logistics sphere, and they are constantly changing and developing. This question requires more detailed research.

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## APPENDICES

### Appendix 1: The Survey

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# Challenges of establishing of Logistic Transportation Company in Finland

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*The date of company's establishment.*

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*What is your operation sphere in logistics?*

- Transportation
- Warehousing
- Freight Forwarding
- Import/Export services

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*What are the main challenges for new logistic companies in Finland?*

Issues, problems and barriers the entrepreneur might face while establishing the company.

- Business Culture
- Laws and Customs
- Economic Transportation and Environmental Matters
- Taxation and Labour Requirements
- Payment Methods and Transactions

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*What are the benefits of transportation logistics in Finland?*

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*What type of logistic company suits best for a small start-up with limited resources?*

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*What type of business model / models could be applied to Your Company?*

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*What are the biggest challenges/opportunities in this business model?*

## Appendix 2: The Transcript from the interview with SKAL

**Erni Basulin:** *Please, tell me some words about the company?*

**Sakari Backlund:** SKAL – the Finnish transport Logistics company that is representing 6000 transport companies and logistics service providers. They are mostly operating in Finland but naturally many of them also have international businesses or businesses abroad. SKAL has been existing since 1936, so this is quite an old association.

**EB:** *What is the current situation in Logistics environment now, and what is it going to be in future?*

**SB:** In future the structural change in the market will occur – there will be changes in the amount of companies, in their size and in the services that they are offering. That happens due to the pressures all over: globalization is here, although we will be acting and operating only in Finland. The global pressure in terms of price, quality, different kind of requirements in transportation and in logistics, basically we can say roughly that the customers, the clients and the market are demanding more, cheaper and better quality in shorter times; these have been the trends in logistics. On the other hand we do not know how deeply and in what scale the changes in the logistics market, businesses and in market in general will have impact on the logistics and transportation. Now there is a phenomenal issue like 3D Printing, which will obviously have a huge impact on Logistic environment. Maybe even RFID (Radio Frequency Identification), such technologies have been popping up already for a long time and they are were changing the logistics a lot but this was not happening in big scale, but there might be some new technologies with even bigger impact. It might lead to less need of transportation and digital businesses in general.

**EB:** *To what extent your company is international and does it operate abroad?*

**SB:** SKAL is mostly operating in Finland, because each country has similar organizations. The trucking companies have been founding their associations for a long time (decades ago). It is very common that some Western-European companies are 70-90 years old. The situation is different in Eastern European companies or in Russia. There is an association called ASMAP which has been existing since 1980s.

**EB:** *Describe Finnish – Russian trade relations from your perspective.*

**SB:** Russia is a big logistics market, the 3<sup>rd</sup> biggest market for SKAL Company. However the latest events in Crimea had influences on international trade and in the trade between Finland

and Russia. On the other hand it didn't start from the political crisis; it started one year ago when the exchange rate of Ruble (RUB) started to decrease and loose its value. Therefore it had led to situation where it is less trade and the economy has been suffering - less consumption and less demand for transportation. This has been going on for one year and even longer. We don't know how strong and in what scale it will have final impact on the situation, although Russia has big importance for Finnish trade and business, but not in transportation sphere. The Finnish transport companies have only a market share of 4-5% from the volume via Finland to Russia. That market is dominated by Russian companies; their market share is close to 90%. The remaining 5 percent are operators from the Third countries (Baltic countries – Poland Romania, Bulgaria); their share is close to Finnish share. This has been happening 60-40% share between Russian and Finnish companies in 1990s. It has been changing during last 15 years, Russian transport operators have been taking over the market. These have been one of the targets for Russian companies, they have been eager to get the market leader situation and they are now there. 10-12

**EB:** *Is it true that SKAL Company only focuses on transportation services?*

**SB:** SKAL is concentrated mostly on transportation but they also have other logistic services – customs, warehouses, taking care of issues in customers premises (loading unloading, storage) SKAL position itself mainly as a transport company but they are increasing their services all the time. The biggest companies in Finland are operating with 100-300 trucks and trailers (the private companies). If for instance they are operating with oil, they also need to monitor the oil tanks at the gas stations.

**EB:** *What are the current trends in logistic services environment?*

**SB:** Customers want to have less contracts and operators; therefore they are offering bigger parts of their operations to one company only. Every transport company is not capable of doing that kind of larger services.

**EB:** *What about train transportation? Does SKAL operate in that segment?*

**SB:** Train transportation in Finland is carried only by the state owned railways (VR). The EU legislation has been forcing Finland to allow private companies to come on the trucks but it is so complicated procedure. There are several companies that have been applying for the permit to start operations on carrying goods on railways too but they have not been doing that yet it

will happen within few years. For example in Sweden there is a different situation – they have been starting to deal with this issue long time ago and now there are around 20 private companies who are offering different kind of services on carrying the goods. But for the passenger lines it is still forbidden for private companies, only the state railways can provide such transportation. In 3-7 years it is going to change for the side of private companies.

What should an entrepreneur consider when starting-up a logistics company? What about Finnish laws?

**SB:** You have to follow general requirements for the business but when we are talking about logistics services it is easier, there are some separate paragraphs. But if you are trying to enter a transport business as a private company it is going to be very tough, you have different requirements like 5-week courses and examination, certain own capital reserves and good reputation.

**EB:** *Is it difficult for small logistics companies to enter the market?*

**SB:** Today it's pretty difficult to enter logistics business as a small company, it is problematic to find clients if you are operating with one truck. There is a solution to do your business in a network. There are a lot of different networks for transportation services in Finland. KTK – 50-60 transport order sender of trucks. There are a lot of small companies who own the local KTK and they are all using the trucks and drivers under the same "Roof". The biggest one is operating with 800 trucks and trailers (KTK of Helsinki) – Private owned company (around 400-500 different owners who are operating with one or two trucks only but together they form a big operator. 2 KTK in Jyväskylä area. Those companies own wide range of logistics services (not only transportation). Goods companies – **Tovaro linijat, Kaukko kiito, Transpoint, Kiito linija**- part of the German owned Shenker group.

**EB:** *What types of licenses or permits should a company obtain in order to go international?*

**SB:** It depends on the quality of the license and what kind of services the company would like to have, for basic procedures it is not that difficult to reach the permit from the customs or from the other authorities. But if one wants to deserve the status of reliable partner it usually takes some time. The Finnish Customs are using the background check and one of their requirements can be that the company should exist for several years already. It should have a good proven

statistics and reputation. It depends on what level the company is operating, for example when the transit via Finland to Russia was much bigger than it is today, a lot of small forwarding agencies and logistics service companies owned by Russian owners were established in the ports of Finland – for example in Kotka and in Hamina, about 100 hundred of them. There are several hundred 100-300 Russian logistic companies operating in Finland – forwarding agencies, brokers, transport companies.