

Arcada Oasis Entrepreneurship Hub – Guide for Novice Immigrant Origin Entrepreneurs

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| <p>Sammandrag:</p> <p>Denna avhandling är skriven som en handbok för besökare av Arcada Oasis. Arcada Oasis är ett centrum för entreprenörskap vid Högskolan Arcada i Helsingfors. Arcada Oasis är en mötesplats utanför klassrummet för studenter, företagare, lärare och mentorer och en plattform för innovationsbaserat entreprenörskap.</p> <p>Denna handbok är speciellt användbar för potentiella företagare med en internationell bakgrund, vilka överväger att påbörja utmaningen att grunda och hantera en egen affärsverksamhet i Finland. Författaren, som själv är en entreprenör, delar sina egna erfarenheter kring grundandet och skötandet av en affärsverksamhet som varit verksam i fyra år i Helsingforsregionen, från sent 2007 till tidigt 2012.</p> <p>Författarens mål med handbok var att presentera vad utländska småföretagare som saknar kunskap om företagshantering och finsk företagslagstiftning bör lära sig. Författaren lyfter även fram möjligheter och utmaningar som potentiella företagare möter beträffande immigrationslagstiftningen, arbetsmarknaden och integrationen av immigranter och relaterad information. Genom avhandlingen refererar författaren till sig själv i tredje person. Forskningsmetoden som använts var ett undersökande arbete genom kvalitativ forskning.</p> | |
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| <p>Abstract:</p> <p>This thesis was written as a guide book for visitors to Arcada Oasis. Arcada Oasis is the entrepreneurship hub located at Arcada University of Applied Sciences in Helsinki, Finland. Arcada Oasis is an “out of class” meeting place for students, entrepreneurs, teachers and mentors and a platform for innovation-based entrepreneurship.</p> <p>This guide will be particularly useful for potential entrepreneurs with an international background whom are contemplating whether or not to undertake the challenge of establishing and managing their own business enterprise in Finland. The author, an entrepreneur himself, shares his own experiences in establishing and running a business, in operation for 4 years in the Helsinki region from late 2007 to early 2012.</p> <p>The author’s mission while writing this guide was to speak to the learning needs of small business owners of foreign origin who do not know business management basics and Finnish business legislation. The author also mentions the opportunities and challenges which face potential entrepreneurs with respect to immigration legislation, the labor market and integration of immigrants and related information. Throughout the thesis the author refers to himself in the third person. The research methodology utilized was an investigative work through qualitative research.</p> | |
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1 INTRODUCTION

In an entrepreneurial society, creating a profitable business is one way, to attain wealth and attain a high status position level. Profitable new businesses are built upon innovations, advantages that allow them to become established and build a customer base before their rivals can pre-empt them, and in consequence the search for wealth and status will encourage at least some people to innovate.

1.1 Background and Objectives

Continuous, mass immigration to Finland is a very recent phenomena that began to take place at a marked pace shortly before the Union of Soviet Socialist Republics (USSR) collapsed in 1991. In 1990 Finland's first permanent, large scale, non-European Somali-origin migrants entered the country via the crumbling USSR. In the USSR most were students applying for political asylum at the Finnish-USSR land border or at the Helsinki port on ferries from Tallinn. In 1990 Finland received 15 times more political asylum requests than the year before, in 1989. (Myyryläinen, 1998)

In 1990, one year prior to the complete collapse of the USSR and the formation of the successor state the Russian Federation, the immigrant/foreign background population of Finland was just 25,000 people. Today the population with a non-Finnish background permanently resident in Finland has increased to 183,133 as of the end of 2011. In a 21 year time span the non-Finnish origin population total increase percentage-wise was 732%. Finland's overall population increase percentage-wise during the same time period was just 7.5%. (Tilastokeskus - Statistics Finland, 2012)

In 2001, the population in Finland whose mother tongue was other than Finland's domestic languages of Finnish, Swedish or Sami passed the 100,000 mark for the first time. This figure took 84 years to reach since independence in 1917. In a remarkably shorter period of time, 8 years later in 2009, this population segment surpassed the 200,000 mark. Today, in Finland there are speakers of at least 31 foreign mother tongue language groups whose speakers are greater than 1000 people. (Karinén & Korhonen, 2011)

At the end of 2009 Finland had a total of approximately 60,000 people in the workforce who held foreign citizenship. Of these, 27,500 were citizens of other EU countries and the remaining was of non-EU nationality. At the same time there were 18,700 unemployed foreign citizens living in Finland, of which 4,500 were from the EU. (Karinen & Korhonen, 2011)



Figure 1 Data from the end of 2009 showing the workforce in Finland of foreign citizenship. All foreign nationalities are combined on the left and the nationalities represented by the EU countries are on the right (Karinen & Korhonen, 2011, p. 16)

In 2011, the global recession and the increasing presence of immigrants in Finland lead many Finns to support the Finns (Perussuomalaiset in Finnish) political party. Carl Mars writes in his essay “The Rise of Right-wing Populism in Finland: The True Finns” that

“In 2005 Elina Kestilä suggested that the mood and outlook of Finnish voters is as favorable to a radical right-wing party as in those European countries where the radical right has had success. Finns, actually, fear the effects of immigration on the economy and culture more than average Europeans. The Finns’ attitudes toward immigrants are particularly tough compared to other Nordic countries. Kestilä also noticed that voter turnout had decreased, dissatisfaction toward political institutions had grown and xenophobia and criticism of the EU had increased” (Mars, 2011)

As the global and European economy continue to find themselves on shaky ground, the economic turmoil described above has led to fear and misunderstanding between the immigrant origin and native host population in Finland. This correlates with the fact that the Finns party received 19.1% of the national parliamentary vote in April 2011. (Tilastokeskus - Statistics Finland, 2011) The Finns party stated in their election platform that they wish to limit immigration to work based only and they believe that the vast majority of refugee applicants are in fact economic migrants.

(Lauri Heikkilä, 2011, pp. 40-41) New challenges have arisen between the host and immigrant population in Finland vis-à-vis their daily interaction with one another in the public sphere. As an immigrant origin entrepreneur, the reader may also have to resolve cultural misunderstandings in their business practice.

In Finland, the presence of an immigrant origin workforce being felt across all sectors of Finnish industry prompted the Finnish government to adopt immigration directives in 1992, 1997 and 2006. The last directive in 2006 was the first time a clear position was taken on increasing employment-based immigration into Finland. Work-related immigration was seen as one way to answer the problem of the labor shortage that existed in Finland at that time. (Koivuniemi, 2012, pp. 13-15) A segment of these immigrant origin entrepreneurs choose to set up their own businesses as a way to have gainful employment. This was one of the factors which lead the author to open his business.

The Finnish government program from 2011 (Hallitusohjelma, 2011 cited in Koivuniemi, 2012, p. 13) speaks to the importance of immigrants being part of the Finnish community:

“Immigrants are a permanent and welcome part of Finnish society. The government considers the integration of immigrants and non-discrimination policies as a core activity. During the present government, the immigration policy is to support a tolerant, safe and pluralistic Finnish societal construct and increase Finland’s international competitiveness.”

Currently, there are around 6,500 businesses operating in Finland that have been established by someone of immigrant origin. More than half of these businesses are based in the Helsinki metropolitan area. These businesses tend to commence with an idea from the founding entrepreneur. A potential immigrant origin entrepreneur may already have a business idea, and s/he may feel the need to develop it further. Some important questions and issues that an immigrant origin entrepreneur must ask themselves is if they know Finnish law well enough, have all calculations and estimates been done, and if they have acquired the necessary finances and if the person has the ability to take risks which is so common in entrepreneurialism. (Suomen Uusyrityskeskukset ry, 2011, p. 2)

Finland is an exemplary country in which to be an entrepreneur. The country was rated as ‘least failed state’ at number 177 in the 2012 Failed States Index by the US-based Fund for Peace and

Foreign Policy Magazine. (The Foreign Policy Group, LLC, 2012) In 2012 Finland was rated as the least corrupt country in the world, along with Denmark and New Zealand, in Corruption Perceptions Index of German-based Transparency International. The index defines corruption as the abuse of public office for private gain and measures the degree to which corruption is perceived to exist among a country's public officials and politicians. It is a composite index, drawing on 13 different expert and business surveys. (Transparency International, 2012) Finland's virtually corrupt free environment is ideal for a novice entrepreneur who is establishing his/her first business.

1.2 Theoretical framework and research design

This guide, Arcada Oasis Entrepreneurship Hub – Guide for Novice Immigrant Origin entrepreneurs was created as the thesis component of the author's degree program in International Business at Arcada University of Applied Sciences. The author opened his service business with no knowledge of the service business environment in the Helsinki region, no knowledge of the Finnish language, and no business experience whatsoever to speak of. The author's principal aim for this thesis is to write a guide for someone like him when he opened his business in late 2007.

In this thesis, the author wishes to shed light on the challenges faced by immigrant origin entrepreneurs in Finland, using as a special case example his own service company which he owned and operated for over 4 years from its birth in late 2007 to its closure in early 2012. The author will explore his experiences as an immigrant origin entrepreneur interacting with the host Finnish population's business environment and related fiscal government agencies. The author will explore and reflect on the phases through which a new entrepreneur must progress in order to open a business, to operate, and the necessary insurance that must be taken out. He will be looking at the different factors which lead to his company not achieving the growth that it had started and to its eventual closure in early 2012.

The author used a methodology based research approach. Through qualitative research, he was able to gather the necessary source material for this thesis to form a clear picture for the reader on the steps necessary in opening and managing a company. The author uses his own company as a method of evaluating the results of a novice entrepreneur. He also used the Internet as well as several libraries in the Helsinki region to conduct his research.

Important research questions that were asked while compiling the thesis were to ascertain the best way an entrepreneur could be able to be equipped with the most basic knowledge to open and operate a relatively successful business within the Finnish market. What knowledge or skills does a potential entrepreneur of immigrant-origin need to go through the process of applying for special residence permit and operating a successful enterprise in Finland? The author was able to form a roadmap for the novice entrepreneur to run an effective business.

This thesis is divided into 2 broad areas. The first part is the theoretical section and it presents the most basic information for a novice entrepreneur to operate a business anywhere in the world where western business practice is standard. This part of the thesis contains information that was drawn from many sources both domestically in Finland and from abroad.

The second part delves into the author's own experiences of establishing, opening and operating his own business. This process takes place within a Finnish context and with him as an immigrant-origin entrepreneur. Other areas that are covered are the special types of insurance, permits and other documents that are needed to operate a business in Finland. The final part of the section discusses the author's own personal observations of the challenges in Finnish bureaucracy which make it difficult for an immigrant-origin (specifically non-EEA/Swiss origin) entrepreneur to own and operate a business and possible ways in which to alleviate them.

2 ENTREPRENEURSHIP

2.1 Defining it

Merriam-Webster defines an entrepreneur as one who organizes, manages, and assumes the risks of a business or enterprise. Entrepreneur originates from the old French word *entreprendre*, which means to undertake. (Merriam-Webster, 2013)

Indeed, entrepreneurs must be able to undertake the challenge of forming a new enterprise that calls for a change or new direction in life.

An entrepreneur is usually born when a person believes that their talents and time could be channeled towards attaining a revenue stream through their own means and effort. Commonly held views of entrepreneurs are people who are a rare breed of super humans. Michael E. Gerber writes comically how many view an entrepreneur:

“Picture the typical entrepreneur and Herculean pictures come to mind: a man or woman standing alone, wind-blown against the elements, bravely defying insurmountable odds, climbing sheer faces of treacherous rock—all to realize the dream of creating a business of one’s own.” (Gerber, 1995, pg. 9)

John Legge and Kevin Hindle (Legge & Hindle, 2004, p. 34) have mentioned that

“out of society’s diverse peoples, certain individuals are able to differentiate themselves by pursuing their longings, ambitions and dreams. Certain people desire to become world class political figures, scientists, dancers, athletes, writers or musicians. Some people, an elect few, at times feel a powerful urge to build an organization that will do something or produce something that has not been done before. When they put these urges into practice, they become entrepreneurs.”

The key idea behind entrepreneurship is that entrepreneurs earn their rewards by overseeing projects and accepting and managing the associated risk. This does not mean that an entrepreneur is a gambler. The most successful entrepreneurs are not risk takers, although part of their job deals with risk. Uncertainty, not risk, challenges a novice entrepreneur. No venture is certain to succeed. Entrepreneurs choose to ‘enter and take charge’ of projects where they have a unique advantage. This implies that the challenges in an uncertain world are less present as long as the entrepreneur is managing them, instead of a government agency, or a financier or a customer. (Legge & Hindle, 2004)

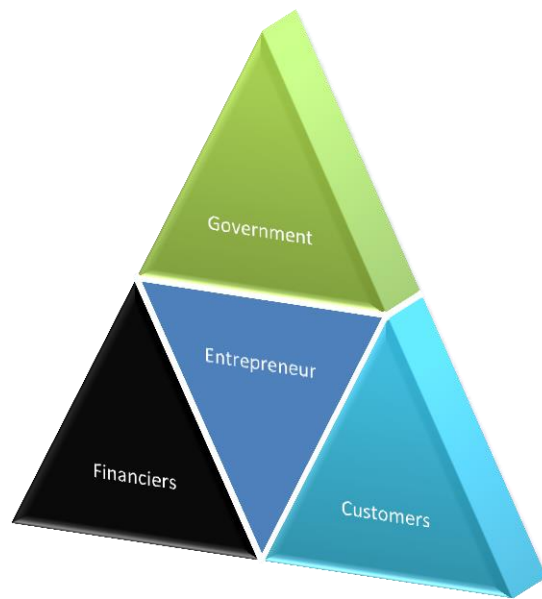


Figure 2 An entrepreneur acts as a go-between 3 major stakeholders (Legge & Hindle, 2004, p. 35)

The above table shows one large triangle demonstrating the major stakeholders for an entrepreneur. An entrepreneur acts as go-between 3 major stakeholders. A government sets the limits on what is and not acceptable in trade, while requiring substantial donations to tax authorities in return for the needed approvals and permits. There are the financiers, which are either venture capitalists or lending institutions, who loan capital to entrepreneurs at interest so that as an enterprise grows an entrepreneur will be able to continue to finance his/her enterprise. Customers or clients are the third important stakeholder and are the lifeblood of an enterprise for without them there would be no profit. (Legge & Hindle, 2004, p. 35)

Finland's Ministry of Labor (Suomen Uusyrityskeskukset ry, 2011, p. 4) from the standpoint of unemployment benefits views an entrepreneur as someone whom

- “is liable to take out insurance as specified by the Self-Employed Persons' Pension Act
- works in a managerial position as either a managing director or member of the board of directors in an enterprise where s/he owns at least 15% or where the person with family members owns at least 30 percent
- Works in an enterprise where they, their family members or all of them together own at least 50 percent.”

2.2 Ideal entrepreneurs

A potential entrepreneur must ask themselves if they are 'ideal' entrepreneurs. Personal qualities that are either innate or honed overtime help lay the foundation for a sustainable, successful business. A potential entrepreneur must ask themselves, after a long self-examination, if their skill set is useful for the specific field in which they want to operate. It is important to remember that different qualities and skills come in handy in differing fields.

Finland's Enterprise Agencies (Suomen Uusyrityskeskukset ry, 2011, p. 5) writes that important qualities that potential entrepreneurs should have are being:

- "hard-working
- creative
- bold, works on one's own initiative
- strives for good results
- determined
- knows how to sell his/her product
- prepared to take risks
- can cope with uncertainty"

SCORE (Counselors to America's Small Business, 2013) writes that potential entrepreneurs should ask themselves the following questions and give honest answers before opening up a business:

- "Can I persevere through tough times?
- Do I have a strong desire to be my own boss?
- Do the judgments I make in life regularly turn out well?
- Do I have an ability to conceptualize the whole of a business?
- Do I possess the high level of energy, sustainable over long hours, to make a business successful?
- Do I have significant specialized business experience?"

3 SMALL BUSINESS BASICS

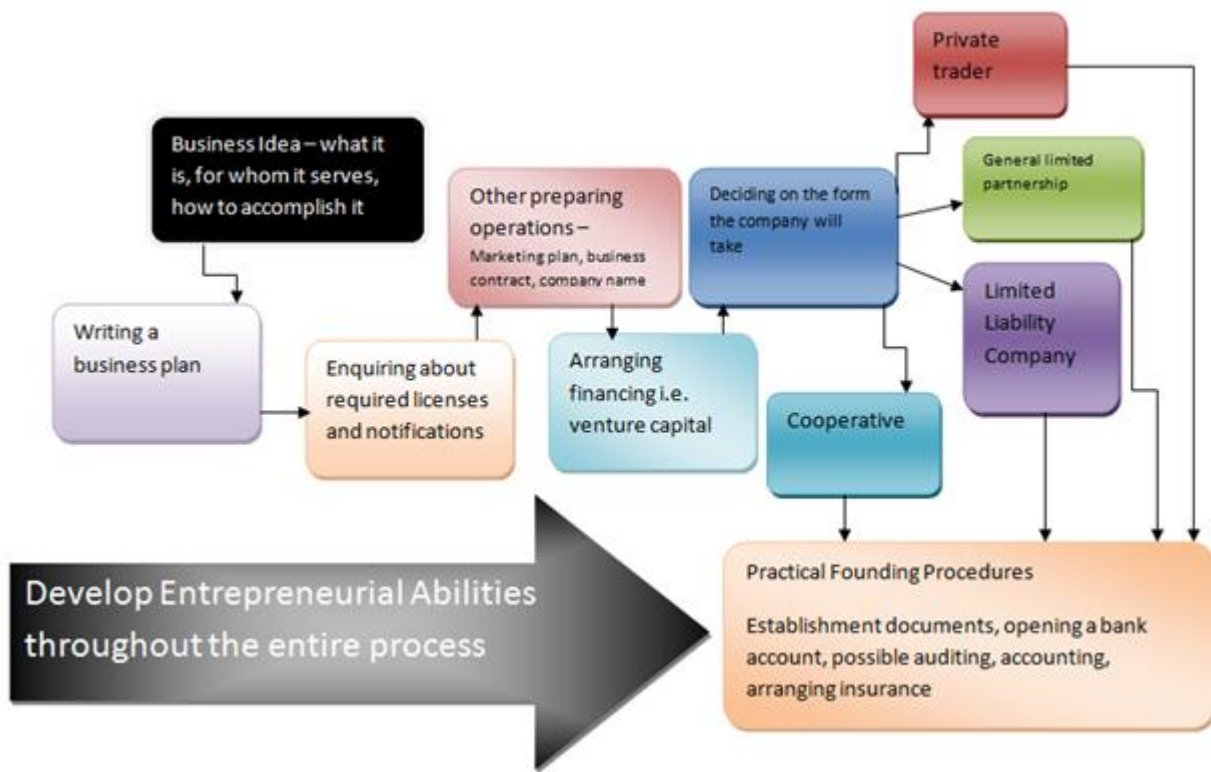


Figure 3 Various stages of setting up a business in Finland are mentioned above (Suomen Uusyrityskeskukset ry, 2011, p. 8)

3.1 Business Plan

3.1.1 What is a Business Plan?

A business plan is an essential key for an entrepreneur's roadmap for a successful business. A novice entrepreneur should be able to organize their thoughts in such a way that they can be put down in a business plan. The business plan is a document that describes in detail a proposed venture, the purpose of the plan is to show the current status, expected needs and projected results of a new or expanding business. The business plan summarizes what the entrepreneur expects to accomplish with their enterprise and the process in which it will be completed. Every characteristic of the project is written about in detail, marketing, research, risks, financing and a timetable for completing the pre-set goals. (Cirtin & Kuratko, 1990) The process of writing down what is involved in bringing your idea to reality stipulates that the entrepreneur is involved with dealing with the why, what, who, how, where, when and how much of a venture. The completion of a business plan allows an entrepreneur to see a blueprint of their business on paper and how they will turn it into reality. The

business plan allows them to make changes they deem necessary or rethinking certain areas of their proposed enterprise. (Cole Ehmke, 2005, p. 1)

3.1.2 Importance of a Business Plan

When planning a business plan, the entrepreneur must come up with objectives and a direction for the firm's future success. The business plan is a valuable tool regardless of whether the business is not yet open, just open, or has been in operation for many years. Realistic, attainable goals should be in the business plan that are time-specific and measurable. Projected milestones must be taken into account in the business plan. Flexibility is important in a business plan so that there is room for anticipation of obstacles and there is a possibility to choose alternative strategies. (Cirtin & Kuratko, 1990)

A new enterprise always has a business plan to back it up. One purpose for the business plan in this example is that new business's usually need large amount of cash to invest in their operations. Lending institutions, major investors in securities, venture capitalists and other sources of capital usually request a large amount of information about the business. A business plan is a basic prerequisite for such an institution. (Cirtin & Kuratko, 1990)

Donald Kuratko (Kuratko, 2004) writes on the number of advantages are found in completing a formal business plan. Some of these benefits are as follows:

- “The time, effort, research, and discipline needed to put together a formal business plan force the entrepreneur to view the venture critically and objectively.
- The competitive, economic, and financial analyses included in the business plan subject the entrepreneur to close scrutiny of his or her assumptions about the venture's success.
- Since all aspects of the business venture must be addressed in the plan, the entrepreneur develops and examines operating strategies and expected results for outside evaluators.
- The business plan quantifies objectives, providing measurable benchmarks for comparing forecasts with actual results.
- The completed business plan provides the entrepreneur with a communication tool for outside financial sources as well as an operational tool for guiding the venture toward success .”

3.1.3 The Components of a Business Plan

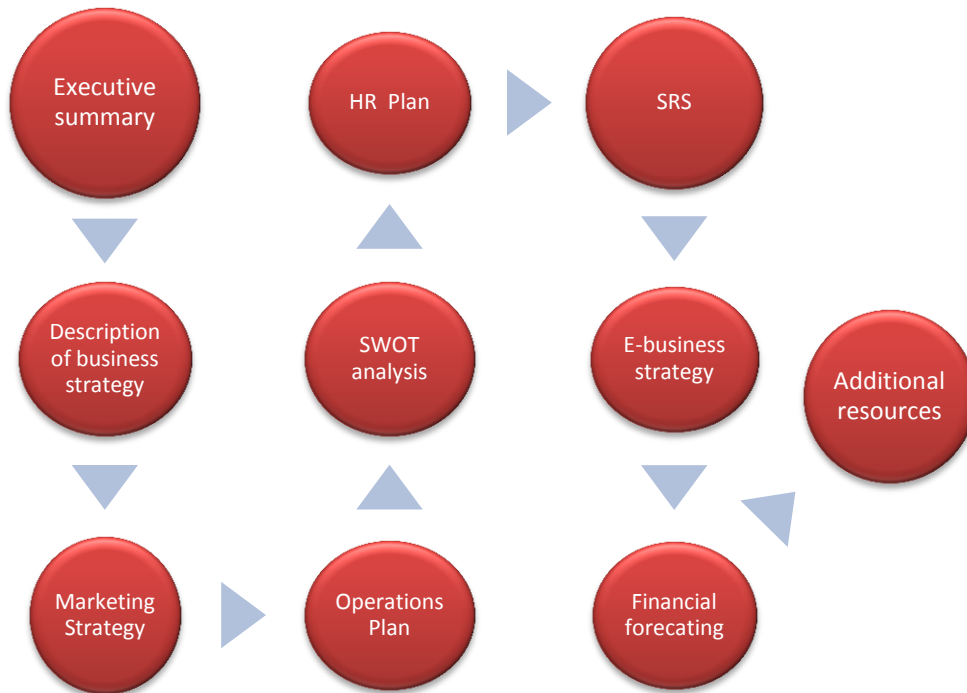


Figure 4 Steps in Writing a Business Plan

Typically one will find that a business plan has 10 sections. These sections include an executive summary, description and business strategy, a marketing strategy, an operational plan, strengths weaknesses, opportunities and threats analysis, a human resources plan, a social responsibility strategy. Important complements to the aforementioned sections include an e-business strategy, financial forecasting and the appendix and additional resources section (Canada Business Network, 2013)

3.1.3.1 Executive Summary

The first and most significant part of the business plan is the executive summary. It contains a general review of the main points covering the business plan. It should be noted that a potential investor or lender will carefully analyze the executive summary. If not presented properly, the executive summary might be the only section that lending or other officials read. The summary should at least contain the following:

- Have interesting points that would engage the reader, and encourage him or her to read the rest of the entrepreneur's business plan
- Basic input from other sections of the business plan to add clarity to the entrepreneur's business idea
- Be clear and brief – no longer than two pages long

This section should include a basic explanation of the entrepreneur's business concept, reflections on competitive advantage (noted advantage over competitive firms), legal structure (sole proprietorship, limited company, etc.). The inclusion of some description of the market and the entrepreneur's own experience would be also be advisable. This section should be written last when drafting the business plan, but presented first, as the executive summary is the first section of the business plan. (Canada Business Network, 2013)

3.1.3.2 Description and Business Strategy

This section is an important means to introduce the company to the potential lender or investor. While it should remain clear and brief, this section aims to provide a more thorough description of the enterprise, its history, current progress, and future direction. The description should also contain relevant information of the overall industry. The four subsections included in the business strategy section include introduction, current position, competitive advantage, and growth plan. The product or service which the entrepreneur plans to sell should be described in such a way as to illustrate clearly the strengths of the firm and documented advantage over competitors. Goals and milestones should be included in this section. A clear vision for future growth in this subsection of the business plan describing short and long-term goals adds legitimacy to the business's capacity for survival and overall sustainability. (Cirtin & Kuratko, 1990)

Broken into sections, the Canada Business Network (Canada Business Network, 2013) writes that the Description and Business Strategy should have the following:

-“An Introduction

This section gives a brief overall outline of the business. If the business is already in operation, an outline of where the business has been, where it is now where it is headed. Topics that should be included are a short history of the business, the purpose of the business, a description of products and services, and the business's legal structure.

-Current Position

The current position should mention the stage that the business is in. The current situation of the industry, and the achievements (degrees, etc.) of the entrepreneur themselves

-Competitive Advantage

This section contains how the enterprise will have a competitive advantage. Here the entrepreneur mentions their advantages over their competition, possible innovative products, strong business models and/or niche markets. Competitors are also mentioned and their relative weakness when in comparison to what you have to offer, and why the entrepreneur's business model is effective.

-Growth Plan

The growth plan contains a growth timeline, milestones and goals. The growth timeline should contain where the entrepreneur wishes to see their business in one year, 3 and 5 years down the road. Milestones should be the objectives that the entrepreneur has set for their business and how they plan to achieve them and goals are short term (less than a year) and long term (3-5 years) goals that the entrepreneur wishes to attain with their business." (Canada Business Network, 2013)

3.1.3.3 Marketing Strategy

A marketing section is one which describes the actions that the entrepreneur plans to take in order to sell the product of service. This section is divided into two major parts. The first part contains a research and analysis section. The target market has to be defined, with special importance placed on the client profile of who will purchase the product or service. Ideal customers can be mentioned here. Some customer profiles maybe be drawn up based on customer type –private clients, retailers, wholesalers- or the entrepreneur may wish to discuss customers by segments, such as age, location or income level. The size and trends of the market should be quantified and the market share should be estimated. Competitors of the firm should be studied with scrutiny. (Cirtin & Kuratko, 1990) (Canada Business Network, 2013)

The second section should have a marketing plan. Market strategy, sales and distribution, pricing, advertising, promotion and public relations should be covered in this section. The "4 P's" which will be discussed later on in this thesis in relation to the author's enterprise, should be covered here as well.

SCORE (Counselors to America's Small Business, 2013) writes that they are:

“Product—What good or service will your business offer? How is that product better than those offered by competitors? Why will people buy/want it?

Price—How much can you charge? How do you find the balance between sales volume and price to maximize income?

Promotion—How will your product or service be positioned in the marketplace? Will your product carry a premium image with a price to match? Will it be an inexpensive, no-frills alternative to similar offerings from other businesses? What kinds of advertising and packaging will you use?

Place—Which sales channels will you use? Will you sell by telephone, or will your product be carried in retail outlets? Which channel will economically reach your market?”

The marketing strategy should contain information about the entrepreneur’s budget - is capital budgeted for marketing and sales costs? Solid market research is a good start towards achieving effective marketing strategy. In the business plan it is important to back your material with facts. Statistics from reliable sources will give the business plan a solid foundation. (Canada Business Network, 2013)

3.1.3.4 Operations Plan

This section requires an investigation focused on identifying the optimal location for the company. Proximity to suppliers, availability of transportation and labor supply are very important. If the venture requires highly skilled/educated labor, the entrepreneur should consider areas in which the supply of talent will allow them to successfully recruit and retain employees at reasonable costs. The requirements and costs of production facilities and equipment must be determined in advance. Specific needs should be discussed in terms of the facilities required to handle the new company (plant, warehouse storage, and offices) and the equipment that needs to be acquired (special tools, machinery, computers, and vehicles) For Internet-based businesses, the outline of operations is essential because the customer base may be diverse and geographically dispersed. Finally, the costs associated with purchasing this

The business plan should outline the company’s current operational requirements as well as the projected requirements for the next three to five years. The company’s inventory management and accounting systems should have the ability to produce up-to-date reports.

Canada Business Network (Canada Business Network, 2013) writes that the entrepreneur can include in this section:

-“Day-to-day operations – provide a general description of the day-to-day operations of the business, such as hours of operation, seasonality of business, suppliers and their credit terms, and so on.

-Facility requirements – identify the company’s requirements in terms of size and location. Included are any related documents in the appendix of the business plan, such as lease agreements or supplier quotations. Detail any special requirements associated with the facility and include any licensing documentation in the appendix.

-Management information systems – indicate how the entrepreneur plans to control stock, manage accounts, control quality and track your customers.

-Information technology (IT) requirements – identify the IT systems the company will be using for business. As this is a key factor for most businesses, indicate if the business plans to use a consultant or IT support service and any future IT plans should be outlined.

-The entrepreneur may also want to include the company’s operations manual as an appendix to the business plan.”

3.1.3.5 Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

Banks and other lending institutions comprehend that all businesses go through rough patches at some point in time, and they would like to know how a potential entrepreneur will handle these challenges. In the SWOT section it is important to not exaggerate the business’s strengths and opportunities. Potential obstacles that may hinder the business’s growth must also be mentioned. (Canada Business Network, 2013)

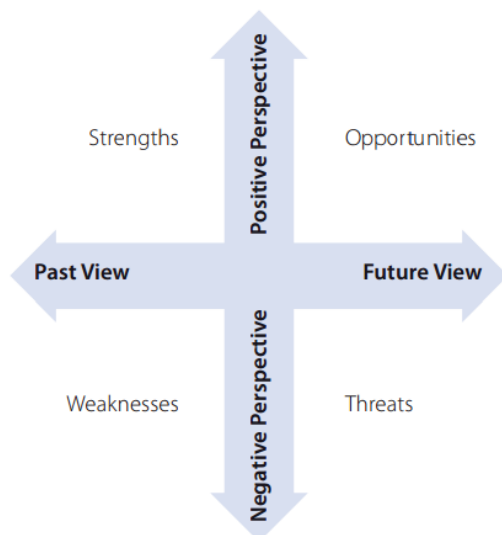


Figure 5 Four elements of SWOT (Small Business BC, et al., 2013, p. 9)

The SWOT analysis may also be a separate document entirely. Strengths and Weaknesses are internal factors that the entrepreneur is able to control somewhat. Opportunities and Threats are external factors that the entrepreneur cannot control. (managementstudyguide.com, 2013)

An important purpose of the SWOT analysis is to identify the strategies that will help create a business model that will bridge a company's resources and capabilities to the competitive demands of the market in which it operates in. A SWOT analysis should contain all positive and negative factors within and outside a company that affects its growth. A thorough understanding of the competitive market in which a firm operates in will help the entrepreneur in predicting changing trends and helps in strategic decision-making.

An overview of the four factors (Strengths, Weaknesses, Opportunities and Threats) is given below-

Strengths are qualities that enable the company to accomplish its mission. Continued success is sustained through the basis of a company's or entrepreneur's strengths. Strengths may be such traits and qualities that the entrepreneur or the employees of the company possess which lead to the distinct features that give the company its consistency. They are what an entrepreneur is well-versed in and what they have expertise in. They can also be the aspects of a company that beneficially contribute to its success, which can be process capabilities, financial resources, products and services, customer goodwill and brand loyalty. (managementstudyguide.com, 2013)

Weaknesses are those qualities that act as an obstacle towards accomplishing the company's mission and achieving the full potential. Weaknesses stunt growth and success within a company. Weaknesses may be depreciating machinery, insufficient research and development facilities, narrow product range, poor decision making, etc. Weaknesses are manageable and may be minimized and eliminated. Other examples of weaknesses are huge debts, high employee turnover, complex decision making processes, large waste of materials, high employee turnover rate, etc. (managementstudyguide.com, 2013)

Opportunities arise when the company can take advantage of the market conditions and plan to execute strategies that enable it to become more profitable. Companies gain competitive advantages by making use of opportunities and should grasp at opportunities when they arise. Opportunities arrive from the market, competition, industry/government initiatives and through technology. (managementstudyguide.com, 2013)

Threats arise when conditions in the market challenge the reliability and profitability of the company. A company may be weakened by a combination of the weaknesses and related threats placing it in a very vulnerable position. Unlike weaknesses, threats cannot be managed. Threats can take the form of unrest among employees, changing technologies, increasing competition leading to excess capacity and price wars which reduce profits industry-wide. (managementstudyguide.com, 2013)

3.1.3.6 Human Resources Plan

The human resources section contains how the entrepreneur plans to manage new employees and the entire human resource process. In this section short-term and long-term plans for potential recruitment, training and retention should be covered. An organizational layout or chart of the company will be helpful to determine the roles and responsibilities of employees in the company. Important skills needed for each employee role should be mentioned. Separately, information on a new employee training program will be helpful so that HR managers may be able to follow a hiring and training process with each new hire according to their position. (Canada Business Network, 2013)

3.1.3.7 Social Responsibility Strategy

Global warming and other environmental concerns have made every company take actions towards implementing socially responsible strategies. Globally, the decade from 2000-2009 was the warmest ever since instrumental records began to measure such phenomena in 1850. (Met Office , 2013) Global climatic and environmental change is a factor which leads to all companies, both small and large, adapting these policies.

Environmentally friendly policies and social practices are good for a business – it can give a company a competitive advantage and cultivate a sense of goodwill towards the company from the public. This section should mention the company’s environmental policies and initiatives, contributions to the wider community, and any relevant certification such as the Swan Nordic Ecolabel. (Canada Business Network, 2013)The Swan logo demonstrates that a product is a good environmental choice and can be effective when marketing a product to environmentally conscience consumers. (Ympäristömerkki, 2012)

3.1.3.8 E-business strategy

An information technology strategy is important in today's wireless, interconnected world. Areas that the entrepreneur should cover in this section include what IT policies will the company take up to reach customers, manage the business and reduce costs. Some areas that should be covered include e-business transactions, web development and presence and hardware and software needs for the company's office. (Canada Business Network, 2013)

3.1.3.9 Financial forecasting

This section of the plan contains financial figures. All business plans require that the entrepreneur provide financial projections for the company. The forecasts should run from the next 3 to 5 years from the estimated time of the opening of the company. The first 12 month forecast should be the most in depth. It should cover costs and revenues of various parts of the company, so investors and government officials can clearly see the financial viability of the company. (Canada Business Network, 2013)

It is advisable also to contact a certified accountant or business advisor to assist in the preparation of this section. This section is important to obtain possible financing from a bank or lending institution provided that the financial data is clearly shown to have realistic budgeting and forecasting. Employee costs and materials can be calculated from the sales budget and projected inventory. Fixed overhead, or the general fixed costs of running a business, such as rent, lighting and heating expenses should be included. When combined with variable overhead, such as employee salaries, a budget can be drawn up. (Cirtin & Kuratko, 1990)

The financial forecasts should include cash flow statements, profit and loss forecasts and sales forecasts. The cash flow statement is a cash balance and monthly flow pattern for the first 12-18 months of the company's operations. In this section, working capital, salaries and sales should be included. Working capital is a financial metric which represents operating liquidity available to the business. Along with fixed assets which may include company property and machinery, working capital is considered a part of operating capital. Networking capital is calculated as current assets minus current liabilities. If current assets are less than current liabilities, the company has a working capital deficit. (Wikipedia, 2013) The profit and loss forecast should contain the level of profit the company expects to make given the projected sales, the costs of providing goods and services, and the overhead costs. The sales forecast is the amount of capital the entrepreneur expects from the sales of their product and/or service. (Canada Business Network, 2013)

Areas to consider in this section are the amount of capital needed if the entrepreneur is seeking external funding, possible collateral offered to investors if the entrepreneur cannot repay loans and other sources of revenue and income of the entrepreneur.

3.1.3.10 Additional Resources and Appendix

The final section of the business plan is the additional resources and appendix. The entrepreneur should summarize everything that was written in the business plan. An appendix should be included which includes valuable information not found in other sections. It may include names of references and advisers, as well as important documents which support the plan. A bibliography may also be included if the entrepreneur deems it appropriate. (Canada Business Network, 2013)

3.2 Business Building Basics

A company's business activity should constantly be focused on the idea of reaching its business aims and objectives. The aim of a company is a realistic goal that the company wishes to reach. All companies wish to be more valuable, whether with a higher stock value or increased sales. This aim is achieved through making a profit. Other strategic aims include expansion, market leadership and brand building. To achieve the aims of the business an entrepreneur needs to have business objectives, or detailed steps that they plan to undergo to achieve that aim. (Business Case Studies LLP, 2013)

Business Case Studies LLP (Business Case Studies LLP, 2013) write that an entrepreneur has to use SMART methods in order to achieve their business objectives. SMART stands for:

“Specific - clear and easy to understand.

Measurable - i.e. able to be quantified.

Achievable - possible to be attained.

Realistic - not 'pie in the sky'.

Time bound - associated with a specific time period.”

Public sector organizations such as the City of Helsinki set objectives. One of these objectives may be processing customers at a faster pace in their respective offices throughout the city. Private companies like Saunalahti, a Finnish telecoms company, may set objectives for customer satisfaction and effectiveness in handling customer orders within a given time period. Objectives in a company are established at many levels, from the top of the corporate ladder down to basic operational activities. Staff is encouraged to reach short-term goals which come about from targets based on these objectives. Objectives provide a framework to achieve various goals that an entrepreneur has in their business. (Business Case Studies LLP, 2013)

3.2.1 Competitive Advantage

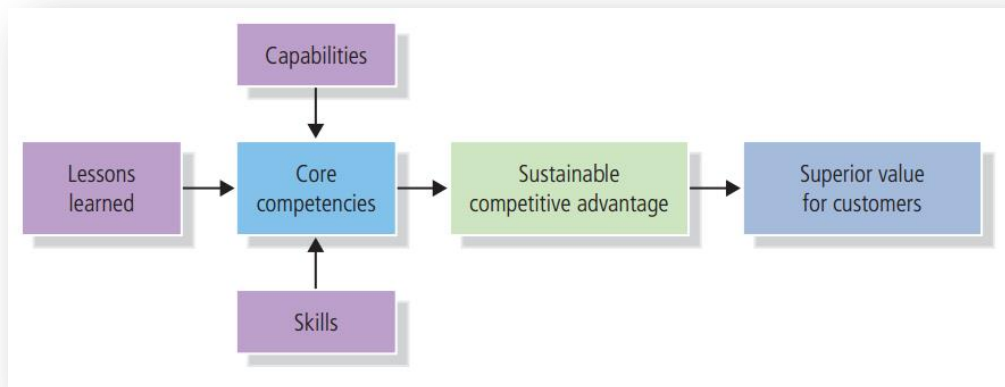


Figure 6 Core Competencies in Business (Zimmerer, et al., 2007, p. 86)

In today's economic environment an entrepreneur has to be ready for different rules to be played in the business. An entrepreneur should employ strategic management in their firm to assist them in a competitive marketplace. Strategic management is the process of developing a 'game plan' to help a firm achieve its vision, mission, goals and objectives and to prevent it from derailing. (Zimmerer, et al., 2007) Entrepreneur's should be focused on creating a competitive advantage which is a set of factors which sets a particular company apart from the rest and gives it a privileged place amongst the competitors superior to other firms in the field. Core competencies, shown in Figure 6, are a special set of capabilities that a firm works on in quality, customer services, innovation, team-building, flexibility, responsiveness and other areas to allow a firm to have a sustainable competitive advantage over competing firms. An entrepreneur should focus on core competencies that be-

come the driving force of a firm's competitive advantage. Markets, customers, and competitors all change over time but a company's core competencies remain. If the entrepreneur is able to hone in on their core competencies they will have clear advantages over their larger competitor's due to their small size – they will have more agility, speed and closeness to their customer's which their larger and older competitor's do not have. (Zimmerer, et al., 2007, pp. 85-87)

3.3 Strategies

3.3.1 Organizational Strategy

An entrepreneur has to devise an organizational structure for their planned company. The organizational structure lists the internal behaviors that are acceptable, the chain of command and seniority, and in some ways the relationship that the enterprise has with its external environment. The organizational structure reveals the arrangement of jobs and groups of jobs within the enterprise. Single parts of the organizational structure include smaller elements which form the building blocks of the company. (Mansueto Ventures LLC., 2013)

Mansueto Ventures LLC (Mansueto Ventures LLC., 2013) states that these organizational strategies include:

- “Departments or divisions
- Management hierarchy
- Rules, procedures, and goals
- More temporary building blocks such as committees”

There is no one which way to organize an effective organizational strategy. Each one depends on the business in question, the needs and mission of the business, and in some cases even on the unique quirks of company management. Different markets with specific needs in regards to products, strategies, constraints and opportunities also affect planning for an appropriate organizational plan.

Business experts have been able to determine which organizational structure designs will be effective in achieving sustained company growth and which will lead to stagnation and closure. Recognizing the common characteristics of effective organizational structures is important for an entrepreneur as the authors of their company's organizational plan.

Mansuetto Ventures LLC (Mansueto Ventures LLC., 2013) also states that the following should be taken into consideration when planning an organizational structure:

- “Relative strengths and weaknesses of various organizational forms.
- Legal advantages and disadvantages of organizational structure options.
- Advantages and drawbacks of departmentalization options.
- Likely growth patterns of the company.
- Reporting relationships that are currently in place.
- Reporting and authority relationships that you hope will be implemented in the future.
- Optimum ratios of supervisors/managers to subordinates.
- Suitable level of autonomy/empowerment to be granted to employees at various levels of the organization (while still recognizing individual capacities for independent work).
- Structures that will produce greatest worker satisfaction.
- Structures that will produce optimum operational efficiency.”

Once these factors have been impartially examined and placed within a solid organizational structure, the entrepreneur will have another part of their management strategy in good shape to take on the rigors of operating in a competitive market.

3.3.2 Risk Management Strategy

Another important step before launching a business is for the entrepreneur to do have a management risk strategy. Risks are a part of life, both in and outside of the business environment. Business risk management involves identifying risk and taking preemptive measures to combat risks from becoming losses. Some entrepreneurs are risk acceptors, such as innovators with a revolutionary new product, while others are wary of risk and chose to take the most cautious path possible.

Risks in business can be both good and bad. The productive management risk strategy ensures that both forms of risk are represented.

Risk management identifies and **minimizes** events that can negatively impact a business's purpose while identifying and **maximizing** the events that positively impact the business's purpose. (Atreya, 2007) It is clear that an entrepreneur must have at least a little bit of a risk taking attitude. The entrepreneur should always examine the cost-benefit of each risk and make strategic decisions. These concepts can be applied in non-business environments as well. In order to do this, an entrepreneur must be able to ascertain the sources of risk.

CA Atreya (Atreya, 2007) of Forbes Magazine states that there are external and internal factors that are the sources or 'drive' the risk. Some external drivers include:

“Strategic risks: Competition, Customer needs & demands, Industry changes

Operational risks: Government regulations, Political environment, Culture, Vendors/suppliers, contracts

Financial risks: Interest rates, Foreign exchange, Credit

Hazard risks: Natural disasters”

The aforementioned source (Atreya, 2007) also states that Internal drivers include:

“Strategic risks: R&D, Intellectual capital

Operational risks: HR, Systems & processes

Financial risks: Cash flow, liquidity

Hazard risk: Safety (Employee and Equipment), Security”

3.4 Human Resources Strategy

In the first few years of operations, a new company will most likely have less than 100 people. Once the number of personnel begin to pick up, it is important to set up an HR department with delegated management activities. Human Resources managers are primarily concerned with the physical and mental labor contributed by new personnel for the production of goods and services in the

company. Small enterprises may hire a personnel or HR manager to oversee human resource functions in the business.

BusinessBlogs Hub (BusinessBlogs Hub , 2013) writes that a human resources office manager's (HRM) managerial responsibilities include the following:

- “As a small business, it is important that the HRM verify the characteristics of the type of personnel to recruit whom will be the best fit for the young company

- Deciding whether to outsource work to staffing agencies or hiring full time employees. As a small business, the HRM may wish to recruit labor through outside staffing agencies. As business operations expand in the new company, the HRM has to decide whether to continue the contracting agreement with an outside staffing agency or begin the process of recruiting full time employees

- Trains new employees with specific information about the company and the employment relationship. HRM formulates a training program for new hires which takes them through different sections in the company

- Employee rewards- In order to prevent a high turnover rate the HRM plans reward strategies for the employees with the best job performance. A rewards program, which may include free trips, gym memberships, etc, provide employees with a purpose to work even harder and better at what they do.

- Adopting best practices in the business to retain talent- The company should adopt all the best practices used by other competitors to keep employees happy. If the entrepreneur's employees are receiving the industry's best awards, they will most likely not look elsewhere.”

3.5 Marketing Strategy

Marketing is a process of communicating the value of a product or service to customers. (Wikipedia, 2013) Marketing is also the sum of activities involved in directing the flow of goods and services from producers to consumers. (Encyclopædia Britannica Online, 2013) Marketing is a vital business function for attracting customers.

Marketing's main scope is to advocate and make possible exchange between two or more separate entities. Marketing allows groups and individuals to acquire needed products and services through exchange with other parties. There must be at least 2 entities for the marketing process to ensue both of which have something to offer. The exchange cannot occur unless both entities are able to articulate about or what they have to offer. In layman's terms, if a baker would like to sell bread to a customer, the baker as one entity can articulate the bread as a product which he would wish to sell in exchange for the money which the customer can provide. All parties in marketing must be able to freely accept or reject what is on offer. Marketing is distinct from other methods of obtaining goods,

such as begging, theft, force, etc. Besides businesses, other institutions such as hospitals schools, museums, etc. also engage in forms of marketing. Marketing can take on various forms, whether as a set of functions, a department within an organization, a managerial process or philosophy or a social process. (Encyclopædia Britannica Online, 2013)

The marketplace's general perspective is that marketing is the link between a given market's material requirements and its economic patterns of response. As mentioned above, marketing meets the needs and wants of both entities through exchange processes. Marketing is a discipline of choosing target markets through market analysis and market segmentation, through examining and evaluating consumer buying behavior while providing superior customer value. (Wikipedia, 2013)

In order to understand target customers, certain questions must be answered: Who constitutes the market segment? What do they buy and why? And how, when, and where do they buy? Knowing who constitutes the market segment is not simply a matter of knowing who uses a product. (Encyclopædia Britannica Online, 2013) The most important aspect of marketing is grasping the customer's needs. This is achieved by developing a plan that understands, anticipates and supports those needs. The entrepreneur should be focused on a marketing approach through 'organic growth' in a small business. (Lake, 2013)

Organic growth may be achieved through acquiring more customers or convincing clients to buy more products, purchase more expensive products, or convincing customers to buy profitable products. This organic growth naturally leads to increased revenue and profit. The entrepreneur should focus on acquiring more customers because this will lead to the business having a larger customer base and revenues will expand from that base. (Lake, 2013)

With a small business, it is important for an entrepreneur to focus on their target market first. This is because a small segment of the marketplace will initially be likely to buy products or services from a recently launched small business. Time is very important and marketing the company's products and/or services to a niche market will lead to a solid customer base. (Lake, 2013)

3.6 Entrepreneurial ethics

Ethics is the discipline concerned with what is morally good and bad, right and wrong. (Singer, 2013) Business ethics is a very broad category which will be looked at briefly here. Business ethics concerns how a company ethically interacts with the world at large, with consumers, with employees, and within and between the various departments within a company through its roles and behaviors. (Conjecture Corporation, 2003-2013) The pursuit of self-interest for an entrepreneur in business may conflict with advancing society's wider goals. The entrepreneur must realize that their business activities have wider and broader ramifications than just selling goods and/or services to their clients. Society's overall interests benefit from companies that practice good, proper ethical business practice. Business ethics, which should be practiced and developed throughout the company, can become a silent force within a company's culture which will also lead to increased revenues.

S.E. Bromberg (Bromberg, 2012) writes:

“Why ethics in business? Ethical guidelines tend to maximize profits while minimizing the conflict and disruptions that slow business growth. Ethical practices also protect against legal trouble, sustain good health and keep away the kinds of financial predators that can scar an individual and destroy a business. When one is acting from an ethical base, it is easy to recognize and experience contrast when dealing with those acting unethically. Learning to recognize (and thereby avoid) dishonest and predatory business people is one of the advantages of ethical behavior.”

One contributor (Aileron, 2013) to Forbes magazine wrote about the importance of business ethics and his naiveté as a novice entrepreneur in the early 1990s-

“Small business owners face ethical decisions every day in their companies. When I started my last business in 1993, I remember that our first customer wanted to visit our office. We had no employees or furniture at the time. We thought this would hurt our credibility. A few days before our customer came, we purchased a lot of furniture on a credit card with a 30-day return guarantee. We had our computers dial our phone system to make it seem like we were a busy company receiving a lot of calls. We also “hired” a few good friends for the day to make it seem like we had at least a few employees. After we sent all the furniture back, we faced another problem. The customer wanted to come back a month later to visit us again!”

The above example shows how dishonest practice in a basic way can turn small problems into large ones. Dishonest practices range from what is mentioned above to invoicing customers with work hours that were never completed, or reporting false information to tax or insurance authorities.

Robert Moment (2013) wrote in the 7 Principles of Admirable Business Ethics that in order to ethically run a business an entrepreneur should:

1. “Be Trustful: Recognize customers want to do business with a company they can trust; when trust is at the core of a company, it's easy to recognize. Trust defined, is assured reliance on the character, ability, strength, and truth of a business.

2. Keep An Open Mind: For continuous improvement of a company, the leader of an organization must be open to new ideas. Ask for opinions and feedback from both customers and team members and your company will continue to grow.

3. Meet Obligations: Regardless of the circumstances, do everything in your power to gain the trust of past customer's and clients, particularly if something has gone awry. Reclaim any lost business by honoring all commitments and obligations.

4. Have Clear Documents: Re-evaluate all print materials including small business advertising, brochures, and other business documents making sure they are clear, precise and professional. Most important, make sure they do not misrepresent or misinterpret.

5. Become Community Involved: Remain involved in community-related issues and activities, thereby demonstrating that your business is a responsible community contributor. In other words, stay involved.

6. Maintain Accounting Control: Take a hands-on approach to accounting and record keeping, not only as a means of gaining a better feel for the progress of your company, but as a resource for any "questionable " activities. Gaining control of accounting and record keeping allows you to end any dubious activities promptly.

7. Be Respectful: Treat others with the utmost of respect. Regardless of differences, positions, titles, ages, or other types of distinctions, always treat others with professional respect and courtesy.”

4 BUSINESS FINANCE BASICS

In order to have an in-depth understanding of the resources needed to establish and maintain a business as well as to plan for the future fiscally, knowledge of business finance basics is imperative. Complying with governmental mandates requires the business owner to keep a portfolio usually consisting of financial statements, consisting of balance sheet and income sheet as well as a brief financial analysis which should be made in order to give the business owner the ability to make ed-

uated financial decisions for the benefit of the company. A closer look at the make-up of a portfolio is provided in the following pages.

In relation to immigration affairs if a company is already in operation and the entrepreneur wishes to obtain a self-employed residence permit to live in Finland, one of the requirements for processing the application is to provide a balance sheet and income state of the company.

4.1 Financial Statements

4.1.1 The Balance Sheet

A balance sheet is a financial statement that captures a firm's financial position in a specific accounting period. The closing dates usually end on December 31. The two parts of a balance sheet are financial resources that are owned by a company and the claims made against those resources. The claims against the resources come from two groups. These groups are the creditors who have a claim on the firm's assets and have the right to sue the firm if the obligations are not made, and the owners of the firm whom have rights to anything left over after the creditors' claims have been paid. (Kuratko & Hornsby, 2009)

Assets are financial resources that the company owns. Liabilities are claims that creditors have against the company. Owner's equity is the residual interest of the firm's owners. When the three are placed on a balance sheet, the assets are listed on the left, liabilities and owner's equity is listed on the right. (Kuratko & Hornsby, 2009)

Many assets are easily identifiable because they are tangible. These assets can include cash, land and equipment. Intangible assets can be copyrights and patents. Liabilities are the debts of a company. Liabilities may be incurred through normal operations or through applying for loans in the company. A short-term account payable is a liability that occurs when the business orders merchandise, receives it, and has not yet paid for it. (Kuratko & Hornsby, 2009)

Liabilities can either be short or long term. Short-term liabilities must be paid during the next 12 months. Long-term liabilities are those that may be paid after 12 months. Owner's equity is the re-

remainder of the firm's liabilities subtracted from its assets. If a company loses money owner's equity will decrease. (Kuratko & Hornsby, 2009)

4.1.2 Balance sheet components

In the examples given here the assets are on top, the liabilities are in the middle, and the owner's equity is on the bottom. The balance sheet in this section is for Company X Ltd based out of British Columbia, Canada (Small Business BC, et al., 2013) and the figures are in Canadian dollars. The balance sheet has been broken up into 2 sections.

4.1.2.1 Current Assets

| Assets | Sept 30, 20X4 Year End 1 | | Sept 30, 20X5 Year End 2 | | Sept 30, 20X6 Year End 3 | |
|-------------------------------|-----------------------------|---------------|-----------------------------|---------------|-----------------------------|---------------|
| | \$ | % to Asset | \$ | % to Asset | \$ | % to Asset |
| Current Assets | | | | | | |
| Cash | - | 0.0% | - | 0.0% | - | 0.0% |
| Accounts Receivable | 70,000 | 22.2% | 85,000 | 27.8% | 100,000 | 34.2% |
| Inventory | 90,000 | 28.5% | 112,500 | 36.8% | 132,500 | 45.3% |
| Total Current Assets | 160,000 | 50.6% | 197,500 | 64.6% | 232,500 | 79.5% |
| Capital Assets | | | | | | |
| Equipment | 150,000 | 47.5% | 120,000 | 39.3% | 90,000 | 30.8% |
| Automobiles | 30,000 | 9.5% | 20,000 | 6.5% | 10,000 | 3.4% |
| Computers | 24,000 | 7.6% | 16,000 | 5.2% | 8,000 | 2.7% |
| Less Accumulated Amortization | 48,000 | -15.2% | 48,000 | -15.7% | 48,000 | -16.4% |
| Total Capital Assets | 156,000 | 49.4% | 108,000 | 35.4% | 60,000 | 20.5% |
| Total Assets | 316,000 | 100.0% | 305,500 | 100.0% | 292,500 | 100.0% |

Figure 7 Assets section of balance sheet (Small Business BC, et al., 2013, p. 50)

Current Assets or Capital can be the net worth of a business or the amount by which the company's assets exceed liabilities, it can be the money, property, and other valuables which taken as a whole represent the business or it can be the cash or goods used to generate income either through investments. (WebFinance, Inc., 2013) Common types of current assets are listed in the figure above. Cash may refer to coins, currency and bank checks. Accounts receivable are a company's claims against its customers for unpaid balances from the sale of merchandise or the performance of services. Many firms sell on credit and expect their customers to pay by the end of the month to the accounts receivable. Inventory is merchandise held by the company for resale to customers. The company started the year with some inventory and purchased more as sales were made in Years 2 and 3. (Kuratko & Hornsby, 2009)

Prepaid expenses, not mentioned in this balance sheet, are the costs that a company has already paid but have yet to be used up. An example could be prepaid company car insurance that has been paid for an entire year. This is a prepaid expense because the insurance premium lasts one year. Supplies, services and rent may at times also be considered prepaid expenses. (Kuratko & Hornsby, 2009)

Capital assets consist of land, building, equipment and other assets expected to remain with the firm for an extended period; they are not totally used up in the production of the firm's goods and services. Land is property used in the operation of the firm. The Building entry in the above figure consists of the structures that house the business. Accumulated depreciation of building refers to the monetary amount of the building that has been written off the books because of wear and tear. Equipment refers to the machinery a company uses to produce goods or provide services. (Kuratko & Hornsby, 2009)

4.1.2.2 Current Liabilities

| Assets | Sept 30, 20X4 Year End 1 | | Sept 30, 20X5 Year End 2 | | Sept 30, 20X6 Year End 3 | |
|----------------------------------|-----------------------------|--------------|-----------------------------|--------------|-----------------------------|--------------|
| | \$ | % to Asset | \$ | % to Asset | \$ | % to Asset |
| Current Liabilities | | | | | | |
| Line of credit | 72,700 | 23.0% | 75,785 | 24.8% | 106,235 | 36.3% |
| Accounts payable | 30,000 | 9.5% | 37,500 | 12.3% | 44,167 | 15.1% |
| Income Tax Payable | 2,760 | 0.9% | 3,043 | 1.0% | 1,807 | -0.6% |
| CPTD | 22,500 | 7.1% | 24,000 | 7.9% | 25,700 | 8.8% |
| Total Current Liabilities | 160,000 | 40.5% | 140,328 | 45.9% | 174,285 | 59.6% |
| Long Term Liabilities | | | | | | |
| Term Debt | 99,500 | 31.5% | 77,000 | 25.2% | 53,000 | 18.1% |
| Less Current Portion | 22,500 | -7.1% | 24,000 | -7.9% | 25,700 | -8.8% |
| Shareholders Loans | 80,000 | 25.3% | 80,000 | 26.2% | 80,000 | 27.4% |
| Total Long Term Liabilities | 157,000 | 49.7% | 133,000 | 43.5% | 107,300 | 36.7% |
| Total Liability | 284,960 | 90.2% | 273,328 | 89.5% | 281,585 | 96.3% |
| Equity | | | | | | |
| Owners Equity | 20,000 | 6.3% | 20,000 | 6.5% | 20,000 | 6.8% |
| Current Earnigs | 11,040 | 3.5% | 12,172 | 4.0% | 9,085 | -3.1% |
| Total Equity | 31,040 | 9.8% | 32,172 | 10.5% | 10,915 | 3.7% |
| Income Tax (at 20%) | 2,760 | | 3,043 | | 1,817 | |
| Net Profit after Income Tax | 11,040 | | 12,172 | | 7,268 | |

Figure 8 Liabilities Section of Balance Sheet (Small Business BC, et al., 2013, p. 50)

Current Liabilities are company obligations that will become due and payable during the next year or within the operating cycle. Accounts payable refers to liabilities that the company has purchased on credit. If the company purchases on a basis of 30 days, during those 30 days the invoice for those goods is considered an accounts payable. Income taxes payable are liabilities that are owed to the tax administration. A term debt is the installment on a long-term liability that must be paid during the current year. (Kuratko & Hornsby, 2009)

4.1.3 The Income Statement

The income statement, otherwise known as a profit and loss account, is a financial statement that shows the change that has occurred in a firm's position as a result of its operations over a specific accounting period. This contrasts with the balance sheet, which reflects the company's position at a particular point in time. (Kuratko & Hornsby, 2009)

The income statement reports the financial success of the business during a particular period. It basically shows whether revenues were greater than or less than expenses. These revenues are the funds a company has received from its sales of goods and services. The expenses are the costs of the resources used to obtain the revenues. These costs can include the price of materials, salaries for employees, and other expenses. (Kuratko & Hornsby, 2009)

Income statements can cover monthly, quarterly, semiannual or one-year intervals, the last period being the most common. All revenues and expenses in the period in question are examined, and from this set of data net income is defined. Some firms publish quarterly income statements but produce balance sheets only once a year. Firms and their shareholders are much more interested in profits and losses than in examining the current assets, liabilities and owner's equity positions. The income statement is written up at the end of the year which coincides with the end of a firm's fiscal year. At the end of the year a company will have both a balance sheet and an income statement. (Kuratko & Hornsby, 2009)

A number of different types of income and expenses are reported on the income statement. The income statement can be reduced to three primary categories; revenues, expenses and net income. (Kuratko & Hornsby, 2009, p. 198)

Revenues are gross sales a company accrues in a given fiscal period. In most cases revenue consists of the money actually received from sales. It can also come from sales made on account. For example, if a retail company sells a washing machine on the 10th of November, delivers it on the 14th of the same month, and receives payment on the 24th from the moment the washing machine is delivered it can be claimed as an increase in revenue. (Kuratko & Hornsby, 2009)

Expenses are the costs associated with producing goods or services. For the retail company previously mentioned, expenses associated with the sale would include the costs of acquiring, selling,

and delivering the merchandise. Sometimes these are expenses that will be paid later. For example, the shipping company that delivered the washing machine may need to receive payment from the retailer by the end of the following month, so the actual outflow of expense money in the company accounts will not occur in the same time the work is performed. (Kuratko & Hornsby, 2009)

Net income is the amount of revenue over expenses in a given financial period. When revenues surpass expenses a company has a net profit. When expenses surpass revenues the result is a net loss. At the end of an accounting period revenue and expenses from all sales of goods and/or services are combined. Expenses are subtracted from Revenue so that the firm can evaluate whether it had an overall profit or overall loss. (Kuratko & Hornsby, 2009)

4.1.4 Understanding the Income Statement

Most income statement have five major sections. They are Sales revenue, Cost of goods sold, Operating expenses, Financial expenses and Income taxes estimated. (Kuratko & Hornsby, 2009, p. 199)
The income statement in the example below has a slightly different setup.

| | Year 1 | | Year 2 | | Year 3 | |
|--|----------------|---------------|----------------|---------------|------------------|---------------|
| | \$ | % | \$ | % | \$ | % |
| Sales | 700,000 | 100.0% | 850,000 | 100.0% | 1,000,000 | 100.0% |
| Cost of Goods | 360,000 | 51.4% | 450,000 | 52.9% | 530,000 | 53.0% |
| Manufacturing Labour | 98,000 | 14.0% | 120,000 | 14.1% | 150,000 | 15.0% |
| | 458,000 | 65.4% | 570,000 | 67.1% | 680,000 | 68.0% |
| Gross Profit | 242,000 | 34.6% | 280,000 | 32.9% | 320,000 | 32.0% |
| Overhead Expenses / Operating Expenses (indirect) | | | | | | |
| Labour + Commissions | 78,000 | 11.1% | 110,500 | 13.0% | 130,000 | 13.0% |
| Amortization + Depletion | 48,000 | 6.9% | 48,000 | 5.6% | 48,000 | 4.8% |
| Repairs + Maintenance | 5,000 | 0.7% | 5,250 | 0.6% | 10,000 | 1.0% |
| Utilities + Telecommunications | 9,100 | 1.3% | 9,555 | 1.1% | 10,490 | 1.0% |
| Rent | 15,000 | 2.1% | 15,750 | 1.9% | 17,000 | 1.7% |
| Interest + Bank Charges | 10,500 | 1.5% | 10,000 | 1.2% | 11,805 | 1.2% |
| Professional + Business fees | 10,500 | 1.5% | 11,025 | 1.3% | 14,000 | 1.4% |
| Advertising + Promotion | 5,000 | 0.7% | 5,250 | 0.6% | 7,500 | 0.8% |
| Delivery, Shipping + Warehousing | 4,200 | 0.6% | 4,410 | 0.5% | 5,290 | 0.5% |
| Insurance | 4,200 | 0.6% | 4,410 | 0.5% | 5,000 | 0.5% |
| Other Expenses | 38,700 | 5.5% | 40,635 | 4.8% | 70,000 | 7.0% |
| Total Operating Expenses | 228,200 | 32.6% | 264,785 | 31.2% | 329,085 | 32.9% |
| Net Profit | 13,800 | 2.0% | 15,215 | 1.8% | 9,085 | -0.9% |
| Income Tax (at 20%) | 2,760 | | 3,043 | | 1,817 | |
| Net Profit after Income Tax | 11,040 | | 12,172 | | 7,268 | |

Figure 9 Example of Income Statement for Company X Ltd. with figures listed in CAD (Small Business BC, et al., 2013, p. 51)

4.1.4.1 Revenue

Revenue is obtained when a company sells a product and/or service. These sales are referred to as gross revenue or sales revenue. The figure can sometimes be too high because some customers return goods or do not pay invoices. The table above shows sales revenue for Company X in the 3rd year as 320,000 dollars. The firm also has amortization of 48,000 dollars in the same year. Returns are common in many retail companies that allow customers to return unwanted goods. Amortization is the payment off of a debt over a long period of time. (Investopedia US, A Division of ValueClick, Inc., 2013) The figure for Net sales is found by subtracting the sales returns and allow-

ances from sales revenue. The Net Profit must be high enough to ensure a profit after paid expenses. (Kuratko & Hornsby, 2009)

4.1.4.2 Cost of Goods Sold

The Cost of Goods sold shows the merchandise sold. This figure is equal to the total of the beginning inventory and any purchases the company makes, subtracted from the inventory on hand at the end of a given period. A gross margin is obtained from subtracting cost of goods sold from net sales. Gross margin is the amount needed to meet expenses and provide net income to the entrepreneur.” (Kuratko & Hornsby, 2009, p. 200)

4.1.4.3 Operating expenses

Operating expenses are all major expenses outside of exclusive costs of goods sold. Operating expenses represent the resources spent in generating revenue for a given financial period. The displaying, selling, delivering and installing of a product or performing a service results in selling expenses. Rent for storage spaces, depreciation on fixtures and furniture, property insurance, utility and tax expenses, sales expenses, salaries, commissions and advertising fall in the selling expenses category. Administrative expenses include all operating expenses not covered by selling or borrowing. These expenses include salaries of managers, expenses from uncollectable invoices and general expenses that are not related directly to buying or selling activities. Combined, selling and administrative expenses result is total operating expenses. Subtracting the total operating expenses from the gross margin gives the firm its operating income. (Kuratko & Hornsby, 2009, pp. 200-201)

4.1.4.4 Financial Expense

Interest expenses are costs on long-term loans known as financial expenses. As part of a company’s financial expense, some companies include their interest expense on short-term obligations. (Kuratko & Hornsby, 2009, p. 201)

4.1.4.5 Estimated Income Taxes

Companies pay estimated income taxes and then once an accounting period has closed actual taxes are determined and additional payments are made. A net profit is achieved when these taxes are subtracted from the income before income taxes, as shown by the table above.

4.2 Financial Analysis

A new entrepreneur has to keep track of financial statements. They should understand how the balance sheet and income statements affect the financial health of their company. When these statements are understood, entrepreneurs may learn to recognize early signs of financial trouble before a company goes out of business.

Kuratko and Hornsby (Kuratko & Hornsby, 2009, p. 205) write on the following list many of the first symptoms of financial trouble that entrepreneurs need to be aware of:

- “Declining profits despite increased sales
- Decreasing gross margin
- Dwindling cash flow
- Shrinking market share
- Receding sales volume
- Increasing interest expenses in relation to sales
- Swelling overhead expenses
- Irregular, inaccurate, or untimely internally prepared financial reports
- Repeated failure to meet overly optimistic sales forecasts
- Continual stretching of accounts receivable
- Increased pressure from creditors to pay”

5 FINNISH REGULATIONS

5.1 Company Name

In Finland, an entrepreneur has to register their company name at the Trade Register maintained by the National Board of Patents and Registration (“NBPR”) in Helsinki in order to gain exclusive rights to that name. (Enterprise Finland, 2013) The NBPR is written about in detail in section 5.4.

The entrepreneur has to carefully consider the name of their company. The name should evoke the essence or purpose of the company. An effective company name is one that is easy to remember and convenient to use, write and conjugate. After much thought and evaluation, the name should be registered. (Enterprise Finland, 2013)

The business name must identify the company clearly and cannot be the name of the specific product or service offered. Geographic locations, persons, an invented name, etc., can possibly be in a company name. The name must be distinguishable from other business names. It should not be confusing, a trademark or a secondary symbol of another company. (Enterprise Finland, 2013)

A domain name and internet presence should be registered at the Finnish Communications Regulatory Authority’s (Viestintävirasto/Ficora) domain name service. The entrepreneur should contact this office, located in Ruoholahti, Helsinki, to ascertain whether the domain name is available or not. To find out if a company name is already taken, the entrepreneur should go online and visit the Virre Information Service maintained by the NBPR to see if their proposed name is already in use or registered. (Enterprise Finland, 2013)

Exclusive rights to a business name are gained by registering it in the Trade Register. Once the name is registered, the entrepreneur has gained exclusive rights to use that unique business name throughout Finland. The entrepreneur should wait to print out advertising/marketing material on the name before the NBPR decision has been made. (Enterprise Finland, 2013)

5.2 Opening a Bank account

Once the name is registered and a unique Business Identity Code (Y-tunnus) is issued by the Trade Register at the NBPR, the entrepreneur should proceed to open up a business bank account. The bank account is needed for, amongst other things, payment of share capital, processing payment actions and for accounting purposes. Share capital of a new business is defined as the number of shares a company has issued to its shareholders. (Hanover Company Services, 2012) All Limited Liability Companies must have at least one shareholder on the establishment documents registered at the Trade Register. Shares are divided-up unites of a company. If a company is worth 1 million euros and there are 500 thousand shares on issue, then each share is worth 2 euros. (Guardian News and Media Limited or its affiliated companies, 2013) It is important to bring all necessary documents. All banks operating in Finland are listed on the Financial Supervisory Authority's website <http://www.finanssivalvonta.fi>. (Enterprise Finland, 2013)

The necessary documents needed are a passport or other form of identification legally valid in Finland and the trade register extract from the NBPR, which cannot be older than 3 months and the copy of the minutes of the decision-making body of the company. The minutes must indicate that a decision has been made to open the bank account and those persons legally entitled to access the account. In most cases minutes are not necessary if all the members of a Limited Liability Company's Board of Directors listed on the trade register extract are present at the bank when opening the account. The bank may also require a company's Articles of Association. (Finanssialan Keskusliitto, 2012)

The bank will also need an explanation of the nature and extent of payment transfers, the extent of individual payments. This means that the bank would like to know how often and in what quantities will customers make payments to the account. The bank will also need a more concrete explanation of the company's business activities and their need for using banking services. An explanation of the company's owners and beneficiaries is needed as well. The bank may also request other documentation such as a license (i.e. Restaurant/Bar) from an entrepreneur to operate in the field where they plan to work. (Finanssialan Keskusliitto, 2012)

5.3 Establishment Documents

Establishment documents refer to the paperwork drawn up between partners agreeing on the rules, operations and administration of the business to be established. Obligations and commitments are also included in this documentation. Some of these documents are required for some institutions, such as when opening up a bank account. A private entrepreneur (yksityinen elinkeinoharjoittaja) who works as a sole trader (toiminimi) does not need to come up with any particular establishment documents. (Enterprise Finland, 2013)

General partnerships (Avoin yhtiö) agreements need to be drawn up for these types of partnerships and limited partnerships at the start-up-stage. The partnership agreement must state the business name of the partnership, the municipality from which the company will operate the line of business and the partners. (Enterprise Finland, 2013)

Limited Liability Companies (LLC) (Osakeyhtiö/Oy for short) establishment documents include preparing a written Memorandum of Association. The Memorandum of Association of a LLC must include the date of the contract, all shareholders names and the number of shares that have been subscribed to them, amount payable to the company for each share, the period in which the shares must be paid, Board members and auditors. Preparing the Articles of Association is included in the Memorandum of Association. The Articles of Association must include the business name, the Finnish municipality where the company operates and the line of business. The accounting period of the company has to be mentioned in either the Memorandum of Association the Articles of Association. In an LLC, shares have to be allocated through subscription. Shareholders sign shares through their signatures of the Memorandum of Association. After these preliminary preparations the total paid for the shares must be under the ownership of the company in a bank account or other means. These steps take place before the limited liability company can be entered in the trade register. Legal status of a limited liability company only takes place after registration. (Enterprise Finland, 2013)

5.4 National Board of Patents and Registration of Finland

The Finnish Trade Register (Kaupparekisteri) at the National Board of Patents and Registration (Patentti- ja rekisterihallitus) is a public register that contains information on traders, i.e. businesses. As a rule, all businesses have to be registered at the Trade Register. Businesses also have to notify the register of any changes in their registered details. Most businesses must also submit their financial statements to the register. The Trade Register has a joint notification procedure and a data service with the Tax Administration and the public details of the entrepreneur's business is available to all. (National Board of Patents and Registration, 2012)

A company must submit a start-up notification to the trade register and tax administration on the same form. The notification form depends on the form of business. When the start-up notification of the entrepreneur's business is registered in the Finnish Business Information System, the company will be granted a business ID (Y-tunnus), which will become publicly available on the website www.ytj.fi after 2 business days. The business ID identifies the entrepreneur's company and is needed for transactions with authorities, for making legal contracts and for invoicing customers. It is mandatory for the business ID to also be mentioned on all company letters and stationery. (Enterprise Finland, 2013)

Start-up notification forms and related instructions are available on the website of the Finnish Business Information System BIS located at (<http://www.ytj.fi/english/>). Forms are also available from the customer service point at the trade register in National Board of Patents and Registration building in downtown Helsinki, and most centers for Economic development, transport and the environment, local register offices and tax administration offices. (Enterprise Finland, 2013)

In most situations companies in Finland must be registered through a set-up notification to the trade register. All business names must be registered in the trade register for purposes of the tax administration. Business names are registered with a start-up notification only if the private entrepreneur practices a licensed trade, the entrepreneur has a permanent place of business, and if they employ other people besides immediate family. If the business that will open requires a special license (selling alcohol, real estate, etc.) the entrepreneur must include a copy of the granted trade license with the notification. (Enterprise Finland, 2013)

All start-up businesses must submit a start-up notification to the Tax Administration. These notifications contain basic information on the company, such as estimated net sales for the first accounting period and estimated taxable income. The company should be registered in the following Tax Administration registers:

- Register of VAT taxpayers- the entrepreneur should register if their company sells products or services in Finland and the net sale of one accounting period (usually one year) is over €8,500
- Prepayment register- the entrepreneur should register if the company acquires income not in the form of wages, i.e. through sales
- Register of employers- this register should be filled out if the entrepreneur has hired employees that the company pays wages for on a regular basis. (Enterprise Finland, 2013)

5.5 Accounting

Finding an accountant that can help with the bookkeeping of the company is another step that must be taken by the entrepreneur. All companies operating in Finland have an accounting obligation according to law. (Enterprise Finland, 2013)

Bookkeeping or Accounting is the recording of sums of money involved in business transactions which are derived from the operations of the company. Accounting collects all financial documentation in a company and records the information of business transactions for specific periods. Accounting makes up a company's revenue, expenses, property, assets and debts. Financial statements (profit and loss account, balance sheet, etc.) prepared on the basis of accounting reveal the operating result. The entrepreneur must procure the services of an accountant. The Association of Finnish Accounting Firms (<http://www.taloushallintoliitto.fi/>) has a list of certified accounts on their website. The association's website has a local list of accounting firms in the entrepreneur's work or home area. (Enterprise Finland, 2013)

If the entrepreneur has a background or degree in accounting they can manage the accounting of their firm by themselves. As the company grows, it's important to seek the services of an external accountant. When seeking the services of an accounting firm, the entrepreneur should contact several firms considering what services they would like to outsource. The outsourced services could be

invoicing, accounts payable and receivable, payment transactions, payroll calculations, business accounting, etc.) It's important for the entrepreneur to determine whether these services are available. (Enterprise Finland, 2013)

When selecting the accounting firm, the entrepreneur should ascertain whether the accountant has passed the KLT ("kirjanpidon ja laskennan tutkinto") accounting examination which is an expert qualification of professionals in the accounting sector. The entrepreneur should also check that the firm is a member of the Association of Finnish Accounting Firms, which certifies that all management staff in a member firm has passed the KLT accounting examination. (Enterprise Finland, 2013)

5.6 Immigration Regulations

The Finnish Immigration Service (Maahanmuuttovirasto/Migri for short) is Finland's agency which processes and decides on matters related to immigration, residence, refugee issues and Finnish nationality. Migri handles residence permit applications for all non-Nordic citizens including employed persons and self-employed persons residence permits. Migri is subordinate to the Ministry of the Interior. (the Finnish Immigration Service, 2013)

EU citizens and citizens of Liechtenstein and Switzerland may work in Finland freely, if their work contract lasts for up to 3 months. If the work lasts over 3 months, EU citizens must register their presence in Finland at their local police station. However, they do not require a special worker's residence permit. Citizens of the Nordic countries only have to register their domicile at a local Magistrate's office like Finnish nationals. All the previous national groups mentioned are part of the EEA, or European Economic Area. Essentially, EEA/Swiss nationals may work in Finland without needing to apply for any separate worker or self-employed residence permits. (the Finnish immigration Service, 2013)

All other national groups must apply for a worker's residence permit or self-employed residence permit if their primary purpose for being in Finland is work.

Non-EEA/Swiss citizens need a self-employed residence permit to practice their profession in Finland if their main purpose for residing in the country is entrepreneurship in their company. The Finnish Immigration Service considers a person to be self-employed if they practice a profession or are engaged in trade in their own name, or if they have a similar responsibility for a company. (the Finnish Immigration Service, 2013)

It is most common for self-employed people to have an individually-owned business (toiminimi), to be a partner in an unlimited partnership company (avoin yhtiö), or to be a general partner in a limited partnership company (kommandiittiyhtiö). (the Finnish Immigration Service, 2013)

The Finnish Immigration Service's (the Finnish Immigration Service, 2013) website details the decision making process in regards to non-EEA/Swiss citizens whom wish to receive a self-employed residence permit to live and work in Finland mainly as entrepreneurs. The material is intended to be read by the prospective non-EEA/Swiss citizen entrepreneur whom wishes to operate a company in Finland and have their business be their main purpose for residency in the country.

“The embassy or the police will forward your application to the Finnish Immigration Service for a decision.

The application is processed in two stages:

1. The Centre for Economic Development, Transport and the Environment makes a partial decision on the application. It evaluates the profitability of the business and the sufficiency of income to cover living expenses. The profitability of the business is evaluated on the basis of documents such as the company's business plan, binding preliminary agreements, and financing. The Centre for Economic Development, Transport and the Environment may ask further clarification from you if the documents accompanying your application are not sufficient.
2. When the partial decision has been made, the Finnish Immigration Service will process the application and make a decision on it. In some cases, you may be interviewed before the final decision, in writing or orally.

Applications are processed in the order of their arrival, from oldest to latest.

When you have been granted a continuous residence permit A-permit for a self-employed person, you are allowed to do some work for another employer during the initial stages of starting your business, while you are not yet making a sufficient living with your business. If you intend to primarily work for another employer, you may not do so with a residence permit for a self-employed person. You must apply for a residence permit for the job in question.

If the Finnish Immigration Service has granted you a residence permit, you will receive a resident permit card. If you are abroad, you may not come to Finland to wait for the decision while your application is being processed and receive a residence permit card here.

If you come to Finland while your application is being processed, you must cancel an application you have initiated outside Finland and re-apply for a residence permit in Finland. A new processing fee will be charged for an application submitted in Finland.”

When applying for the residence permit, it is crucial to ensure that all documentation is in order. This will simplify the work of the case workers handling the application at the police station, at The Centre for Economic Development, Transport and the Environment (Elinkeino-, liikenne- ja ympäristökeskus/ELY-keskus for short) and at the Immigration Service itself and may possibly speed up the decision making process. The application for a self-employed residence permit should be applied at the nearest Finnish embassy if the applicant is abroad or at a local police station if the applicant is in Finland. As of January 2013 the application fee to process an applicant's first Finnish residence permit application for a self-employed residence permit is 500 Euros. If the applicant already has a Finnish residence permit, the application fee for processing is 156 Euros. (the Finnish Immigration Service, 2013) When applying for the residence permit, the applicant must bring their passport, a passport photo, and must be fingerprinted for a biometric residence permit card at a Finnish embassy abroad or a local police station in Finland. (the Finnish Immigration Service, 2013)

5.7 Finnish Tax Administration (Vero)

5.7.1 Tax knowledge and VAT in Finland

As a tax collecting agent working on behalf of the Finnish government, the author underestimated the importance of taxation affairs within his own business and the necessity to have a clear, up-to-date and reliable financial accounting system. In the first year of business operations, the author would report his VAT to the Finnish Tax Administration by himself. As his business activity became more complex, he felt the need to out-source his accounting to a professional accounting firm.

The business pays income tax based on its taxable income. Income tax is paid in advance and, when necessary, in arrears and as supplementary payments. The form of the enterprises impacts on the taxation of income.

5.7.2 Value Added Taxation in Finland

Value-added tax (VAT) is a tax on consumption, which the consumer pays in the price of a product or service and which the entrepreneur pays to the State. All businesses (companies that sell goods or services, rents out goods, etc.) in Finland are liable to pay VAT. VAT is charged on top of every transaction for goods and services. (Finnish Tax Administration, 2013)

A company is not liable to register or pay for VAT if the turnover in one year stays below €8,500. Some business sectors do not have to charge VAT, such as selling or buying apartments or other property in housing companies, healthcare services and social services. (Finnish Tax Administration, 2013)

VAT is usually paid monthly on the basis of sales and purchases of the firm. A mistake that the author made with his firm was decided to make VAT payment once a year instead of once a month. This option was available to him because his turnover was estimated to be less than 25000 Euros in a given year. (Finnish Tax Administration, 2013)

5.7.3 Taxation in General

The income earned from the author's sole trader's (toiminimi) was taxed as the author's own income. Part of the business's income is capital income, and part is earned income. Capital income is derived from the sales of assets, rental income or returns on capital. Earned income is derived from wages, salaries, pensions, benefits and other payments. (Suomen Uusyrityskeskukset ry, 2011, p. 32)

In a sole trader company, the income earned is taxed directly as the entrepreneur's own income. Capital income and earned income taken together form a company's total business income. The net assets of the business are found by subtracting the liabilities from the assets. 20 percent of net assets from the previous fiscal year are capital income with the remainder being earned income. A tax of 28 percent is levied on a capital-income share. The entrepreneur pays taxes on the total of the earned-income share plus other earned income through an increasing tax scale. Since 2010

online tax accounts were introduced to assist the entrepreneur with paying taxes. Entrepreneurs must pay VAT, tax prepayments and employer's social security contributions. A periodic tax return is submitted and indirect taxes are normally paid once a month. (Suomen Uusyrityskeskukset ry, 2011, pp. 32-34)

A limited liability company is considered to be an independent tax payer. This company is taxed separately from individual shareholders. A limited company pays a basic rate of tax of 26 percent on its income. (Suomen Uusyrityskeskukset ry, 2011, p. 32)

5.8 Insurance

A foreign self-employed person living in Finland is required by law to take out Self-employed pension or (Yrittäjän eläkevakuutus/YEL for short) YEL insurance. YEL insurance must be taken out within six months of the start of business activities falling under YEL. Statutory pension insurance under the YEL scheme is not voluntary for the self-employed and cannot be replaced by any optional pension insurance. (Keskinäinen Eläkevakuutusyhtiö Ilmarinen, 2013)

Employment pension secures an entrepreneur's livelihood once gainful employment ends at the time when the worker reaches the age or retirement. Young entrepreneurs also have security in the case of disability, as do his/her close relatives in the case of death. Employment pension rehabilitation provides the possibility to continue working despite illness. (Keskinäinen Eläkevakuutusyhtiö Ilmarinen, 2013)

If an employee is hired, the entrepreneur has to arrange and pay for the pension insurance for the employee. The employee contributes to their pension costs directly from their earnings. The Employees' Pension Act (Työntekijän työeläkevakuutus/Tyel for short) covers the work carried out under the employment contract. This insurance is required by law if an employee earns at least 55.59 Euros per calendar month as of 2013. The employer has to pay pension contributions for all employees between the ages of 18 and 67. (Etera Mutual Pension Insurance Company, 2013)

5.9 Loans and Financing in Finland

Apart from personal loans from family and friends, personal savings and bank loans, an entrepreneur who opens a company in Finland may avail themselves of several governmental business funding agencies. They are Finnvera, the Academy of Finland, Tekes and Finnish Industry Investment Ltd.

5.9.1 Finnvera

Finnvera provides financing for the commencement, growth and globalization of Finland based enterprises. Finnvera offers loans, domestic guarantees, venture capital investments, export credit guarantees and other services associated with financing of exports. Risk involved with financing is shared between Finnvera and other providers of financing. The State of Finland owns Finnvera as a specialized financing company. Finnvera is also the official Export Credit Agency (ECA) of Finland. (Finnvera, 2012)

Finnvera's operations are steered by the industrial and ownership policy goals laid down by the State. Among these goals are: increasing the number of starting enterprises; enabling financing for changes encountered by Small and Medium Sized Enterprises (SMEs); and promotion of enterprise growth, internationalization and exports. (Finnvera, 2012)

5.9.2 Academy of Finland

The Academy of Finland is a source for funding of basic and applied research. The government runs a number of research institutes. Of these, the most important one is VTT, the technical research institute. The Finnish Foundation for Innovation's (FFI) objective is to help individuals and small and medium sized enterprises (SME) in protecting their intellectual property. The regional dimension is taken care of through 15 Centers for Economic Development, Transport and the Environment. These are regional governmental offices whose task is to provide business support services, consultation and advice, as well as financing to Small and Medium-sized enterprises. (The Academy of Finland, 2012)

The Academy annually funds research with 327 million Euros (year 2012). Each year the Academy receives funding applications worth 1.1 billion Euros. Funding is provided for research projects, research programs, Centers of Excellence in research, research posts, foreign visiting professors' work in Finland, researcher training, international networking and research collaboration between universities, research institutes and business companies. (The Academy of Finland, 2012)

5.9.3 TEKES

The Finnish Funding Agency for Technology and Innovation (Tekes) is the main organization of Finnish innovation policy. The purpose of Tekes funding is to encourage businesses to engage in more R&D. The results of Tekes funding expert level services are shown in innovation and new expertise in Finnish industry.

Tekes receives some 3000 applications per year, half of which are for business sector R&D projects, two-thirds of which are accepted. Tekes grants around 300 million Euros in subsidies and loans to companies. In 2007, Tekes funded 695 microenterprise projects with a total of 69 million Euros; 408 small enterprise projects with a total of 73 million Euros; 152 medium sized enterprise projects with a total of 19 million Euros, and 295 projects by large firms with 123 million Euros. Tekes takes unsolicited applications, but also runs special programs. The latter are usually designed in close cooperation with the industry. (Toivanen, 2008)

Tekes has three funding instruments: grants (subsidies), low interest loans and capital loans. Low interest loans not only have a low interest rate, but are also soft: if the firm can demonstrate that the R&D project failed, the payment may be waived in part or completely. Capital loans are a Finnish specialty: They are included in fixed assets in the balance sheet and can be paid off only when unrestricted shareholders' equity is positive and the debtor cannot give collateral. (Toivanen, 2008)

5.9.4 Finnish Industry Investment Ltd.

Finnish Industry Investment Ltd (FII) is a government-owned investment company. The company promotes Finnish business, employment and economic growth through venture capital and private equity investments.

FII invests in Finnish companies, both directly and through private equity funds.

FII provides capital and private equity financing to companies. The company works with private investors from Finland and abroad, to share risks while boosting the availability of funding, investment expertise and networks.

Since 1995, FII has made investments totaling EUR one billion. In recent years, the company's average yearly investment volumes have hit EUR 100 million, divided equally between fund investments and direct investments. The company's portfolio currently comprises close to 500 companies. Internal cash-flow financing from exits and governmental equity injections have secured FII's continuous and growing investment activity. Finnish Industry Investment's operations are governed by law and must be profitable in the long-term. (Finnish Industry Investment Ltd. , 2012)

5.9.5 Start-up grant – 'Starttiraha' – Ministry of Labor

Start-up grants (Starttiraha) are given to prospective entrepreneurs to help assist them maintain a minimum income threshold during the first 10 months of their company. The aim of the grant is the promotion of entrepreneurship for unemployed job seekers. Start-up grants may be granted an unemployed jobseeker, when the employment office has stated that entrepreneurship is an appropriate alternative for the jobseeker. (Ministry of Labor, 2005)

The Ministry of Labor (Ministry of Labor, 2005) states that the preconditions for granting start-up grant are that

- “The applicant has experience of self-employment or training necessary for entrepreneurship. Training can also be arranged during the period when the grant is paid,
- The applicant is estimated to have sufficient skill for the intended entrepreneurship,
- The enterprise to be started has the preconditions for profitable activities,
- The entrepreneurship will not start until decision has been made on the granting of the start-up grant. Minor measures related to the starting of the entrepreneurship do not prevent the granting of start-up grant,
- persons applying for start-up grant do not simultaneously receive other state subsidy for their wage costs, nor do they receive any daily unemployment allowance, labor market support, training allowance or adult training allowance,
- The entrepreneurship would obviously not start without start-up grant,

- The start-up grant does not distort the competition between other parties providing the same products or services.”

Applications for start- up grants are made at employment offices.

6 A REAL WORLD EXAMPLE

6.1 Company Information

The author first opened his cleaning company “SP” in November 2007 as a sole trader. What led to the establishment of his company was a desire to earn an income and find a way to handle immigration concerns in Finland. That is what led to the establishment of his small service company in late 2007.

SP was a cleaning company that sold the following services:

- Home, Restaurant and commercial office cleaning
- Window washing
- Carpet and floor cleaning
- Waxing of wood, stone and laminate floors
- Stairwell cleaning
- Graffiti removal
- Waxing of wood, stone and laminate floors
- Iron and laundry services
- Ready cooked meals

SP sold its services to private individuals and families, companies and not-for-profit organizations. The company also served embassies, boat owners and other clients of spaces and dwellings that needed cleaning services. SP served the entire Helsinki Metropolitan Area. At times the author had to travel to areas outside of the Metropolitan Area for special requests and services.

6.1.1 SWOT Analysis

Below is a SWOT analysis done for SP a few months after commencing business.

Strengths

Weaknesses

| | |
|--|---|
| <p>-SP is staffed by a young, energetic hard working person</p> <p>-As a company of a smaller size, we keep many of our costs down and extend this to our customers through lower prices</p> | <p>-Helsinki has hundreds of cleaning services so one has to offer the best services possible to satisfy customer needs</p> |
|--|---|

Opportunities

Threats

| | |
|---|---|
| <p>-SP has growth through contract cleanings. With contracts, it is possible to regularly clean apartments, businesses and other locations without having to look for new one-time customers</p> <p>-As the population of the Greater Helsinki area continues to grow, it will be possible to grow continuously by tapping into this population growth</p> <p>-Perhaps with the right growth and leadership, SP can become like the companies that completely dominate cleaning services in Finland</p> | <p>-Many cleaning companies exist in Helsinki. The idea is to offer a better service at a lower price.</p> <p>-Continued consolidation of cleaning service companies will be a challenge for growth</p> <p>-Difficult customers whom want cheaper services and challenge the company's reputation</p> |
|---|---|

Figure 10 SWOT Analysis of SP

6.2 First Steps

The author of this report went to the National Board of Patents and Registration Office in Helsinki in late November 2007 to establish his company. He received a unique business identity code number (Y-tunnus) which uniquely identified his company to all others in operation. With this number he was able to open a business bank account at his local bank and also obtained self-employed persons pension insurance.

6.3 Lack of entrepreneurial experience

The author had no training as to how to run a business prior to him establishing his company. He believed that he would learn as the company operations processed. Unlike today, there was very little information available in English for non-Finnish citizens whom were interested in opening up their business. There were areas of the business that he enjoyed working in and pursued with gusto. Through the course of time however and with hindsight he understood that there were many areas in his business which he needed to change, improve or abolish. The following are some lessons and experiences that the author underwent with his company.

6.3.1 Focus is important

The author at the beginning of his business operations felt the need to ‘take advantage’ of special offers for such items as ‘billing services’ for his company. Upon opening his company, he began to be solicited by many ‘B2B’ firms offering such services as accounting to billing. He was not able to channel funds where they were needed most and instead spent money on purchasing products for the company from these outside vendors that were not needed. The author was also distracted by competitor’s wishing to ‘do deals’ when in fact they were trying to find out confidential information of the internal processes of his company.

6.3.2 Professional aptitude

The author had worked as a professional in the service field in question both in Finnish and abroad.

The author was able to use his skills on the job and earn an income from his work. The author needed to feel some sort of fulfillment from his work. He enjoyed seeing the effects of his work when done in a client's location. A good attitude was important to achieve good results and to have his heart in his job. It was very important for the author to attain the necessary *professional aptitude* to do the job. He trained in various Finnish companies in the service field related to his company on how to professionally achieve the necessary results and was able to apply this knowledge in his venture. It is highly recommended for a potential entrepreneur to work in the industry in which their potential company operates in order to gain experience and knowledge of the market.

6.3.3 Marketing

SP marketed and sold its services through various means. Commercial signs assisted in marketing itself in public locations such as supermarkets, public libraries and on streets with high foot traffic. On its signs, SP listed some of its services and contact information. SP placed advertisements in various newspapers such as the Finnish language *Munkin Seutu* and the English language *6 Degrees*. Word of mouth marketing is the process by which recommendations are made either orally or verbally by satisfied customers to other prospective customers of a good service or product. (WebFinance, Inc, 2013) SP encouraged all of their customers to tell their friends, acquaintances and family members about the services it offered. A website was available at the time and company also marketed itself on Facebook, Twitter and Dig!.

When physically going on cold calls, such as the upscale Bulevardi in Helsinki's downtown, the author needed to learn how to address a potential customer or 'prospect' in a short and to-the-point manner explaining the services that he could provide in their business establishments. He had to state his business's purpose, its services and its goals.

6.3.4 Experience counts

The author was able to seek out business professionals with his entrepreneurial activities only at the very end of the lifespan of the company. He was also able to find business advisers in the Helsinki New Business office in Kaisaniemi. The author did not see the wisdom at the time in tapping

into those with more business acumen and know-how that could help him in his endeavors. With hindsight, he began to see how important it was to seek this advice.

6.3.5 The art of thrift

Company expenses began to add up for the author. Between purchases for his office travel expenses, supplies purchases, insurance payments and drawing out his own salary, he began to see company revenue lessen. He did not watch and account for every company euro and triple-check the company's expenses. Maintaining a low overhead and responsibly handling cash flow were important lessons that he had to learn.

6.3.6 Hard lessons learned

There were many cases where the author had to learn lessons "the hard way". One was with notification of VAT taxes to the Finnish Tax Administration. When a VAT report arrived too late, the tax authorities decided to charge an estimate of VAT of 1000 Euros. The author had to quickly correct the tax authorities to ensure that they received the proper information. In another case the author had to assume responsibility for a problem caused by an associate with a customer. If he had been more diligent in ensuring that the property was kept out of harm's way, then a particular problem would have been avoided.

6.3.7 Outside Funding

Any previous business owner will tell you that a constant income stream is the lifeblood of a business. Without funding a business simply cannot function. The importance of maintaining a shoestring budget for growth is what will ensure growth. If the author had maintained a low overhead budget over the long haul, perhaps he would have had funding in later stages to expand his business.

6.3.8 Well-being

Entrepreneurship is a lifestyle. The author's business became an extension of himself. It preoccupied his mind at all times. Finding time to rest and relax and not think of his business was hard. Avoiding exhaustion was important. One time the author worked a 13 hour day and was not aware of his exhaustion until he had gone home. He was so fatigued that he had to take a day off the following day, which made him less productive. The author realized that a healthy diet, physical fitness and enjoying quiet moments helped him become a better entrepreneur.

6.3.9 Ethics

The author learned how important it was to be honest and clear with customers about his services with them. Through the use of service contracts, signed between the author and his customer, it was clearly shown what, when and how the service in question would be rendered in a given location. Telling a customer that he would be at a location at a certain time meant just that.

6.3.10 Closing the business

After much thought, the author felt it was best to close his company in the first quarter of 2012. After reflecting on what went wrong and the mistakes that were made, he felt it was best to discontinue his company operations.

6.4 Service Industry qualifications

The author opened a service company in the facilities management field which operated in the Greater Helsinki market. Besides the mismanagement previously mentioned, other tasks that the author did not thoroughly and competently manage in a professional way will be mentioned here.

Computer literacy was very important, from answering emails, to scheduling appointments, to drawing up invoices with software; a broad and deep knowledge of Microsoft Office software was needed in the case of the entrepreneur's firm. A protocol needed to be established to handle incoming phone calls, handling customer requests online, maintaining excellent customer service skills

and having exact bookkeeping records for tax and other purposes. Marketing and sales promotions were also important tasks that the author needed a more solid foundation on before launching operations.

As a facilities management service firm, the author had to deal with disposing hazardous wastes legally, ensuring all necessary supplies were in inventory, either at the company's office or at the customer's location and making sure that he was able to physically be capable of carrying and lifting heavy objects to and from work sites.

One important factor that the author had to deal with was his hours of operation and proper scheduling. He had to determine the distance required to reach a specific location, the equipment and supplies needed, and the approximate time needed to arrive, work and depart a location. Depending on the site, some jobs typically had longer hours that spanned from early in the morning to early in the evening.

In the first year of business operations, the author worked by himself in the company. As the business began to take on more customers, he decided to hire an employee in 2009. He had also hired an accounting service to handle tax affairs and other financial concerns affecting his company. Some of the tasks which he had to work on were web-site maintenance, customer service, inventory supply, sending out invoices, and basic bookkeeping not handled by his accounting firm.

In 2007, the approximate startup costs for the author's business was around 1000 Euros. This money went towards business registration, insurance costs, purchasing of cleaning supplies, equipment, vehicle maintenance and gasoline.

6.5 Company Vision

Striving for good results is an awareness that is constantly on the mind of intelligent, business managers. Small business owners and employees face these challenges while working towards bringing production forward. The author decided it was best to forgo a grand vision for his company so that he could achieve the short-term goal of increased customer satisfaction and higher profits. As a result of this management technique, his company remained stagnant, with limited unsustainable growth.

Important questions that the author had to ask himself were how he would envision his ideal business? Who was his target audience? How much revenue was he focused on receiving? In what markets would he be carrying out business operations in? How could he turn his vision into reality?

The author's lack of business vision was another factor which led to the company's eventual demise. A key motivation for the establishment of a business is the very vision the entrepreneur needs to focus on for ensuring a bright future even when times get tough.

The author did not have a vision during his management tenure. He primarily saw his company as a means towards an end, earning an income. Due to this lack of vision, external factors began to influence the company which led to the ultimate demise of his firm. Had he created a corporate vision, he would have strived on a daily operational basis to achieve that vision, and not let external factors affect the company. With a corporate vision comes the business owner's acceptance of their responsibility for the decisions they make. In this case there was no vision.

Had the company had a vision or corporate mission statement, the author could reveal it to his employees, his customers and the wider public at large. A vision brings about a belief in oneself and the awareness that one has the conviction and ability to act on one's beliefs.

When a business owner overlooks the importance of having a vision, he or she basically allows external factors to influence the organization's success. By creating a vision, an entrepreneur could take control of his/her business and accept responsibility for the decisions that are made. A business vision is basically a proactive approach towards business, which basically means that the entrepreneur will not allow outside factors to hamper the company's success. By formulating a vision for a successful business and revealing it their employees and the public, the entrepreneur gives their customers and themselves the conviction and ability to act on their beliefs. Sooner or later, the business will turn into the kind of company every customer is looking for.

When an entrepreneur creates an initial vision, they need to take the time to evaluate other sections of their company and establish a vision for their services and products, community contributions, employee and customer relations. The entrepreneur should then concentrate on each aspect individually. The more they concentrate on how every aspect of the business should be, the clearer their direction will become.

6.6 Marketing in the Helsinki region

Helsinki is the largest city in Finland population wise. With the neighboring cities of Espoo, Kauniainen and Vantaa the total population rises to roughly 1.1 million people. (Wikipedia, 2013) These 4 cities form the Helsinki Metropolitan Area or *pääkaupunkiseutu (pks)* in Finnish. Virtually all business done in the author's company took place within the PKS. Helsinki is a dynamic hub for international business. It is the commercial, political and cultural capital of Finland. The city is at the center of the Baltic Sea Region, which is a rapidly developing market of more than a hundred million people. Helsinki is also at the geographical and cultural crossroads between East and West. (Greater Helsinki Promotion Ltd Oy, 2011)

Over a third of Helsinki's inhabitants have higher-level education and Finnish students are consistently ranked amongst the smartest on the planet. Helsinki has the work ethics needed to succeed in knowledge-intensive businesses in a global economy. Helsinki also supports a modern infrastructure which leads to Finland consistently being ranked as one of the world's most productive workforces. (Greater Helsinki Promotion Ltd Oy, 2011)

Studying the market that an entrepreneur will be having business operations in is very important. The author's company was mainly focused in the capital region of Finland. When operating a business, accomplishments in the marketplace requires that an entrepreneur has a solid understanding of the operational environment and the competitors, and it also requires that the business is able to stand apart from its competitors.

The author attempted to utilize his marketing skills so that prospective customers could see his company as the best possible option. He attempted to advertise with different, colorful, cost-effective marketing tools to draw attention to his service. He developed a logo unique to his company which other competitors could not emulate. Maintaining customer loyalty was important for him. Once a customer had a cleaning done, a contract opportunity arose with that customer which kept them close. Finding new customers proved to be difficult in the competitive and cut-throat professional cleaning business market of the Helsinki region. The author found that the longer he worked with a contract customer, and the more that customer-client relationship deepened, he was able to find new customers through these key customers.

The author utilized the 4 P marketing method in his company. The four P's stand for Product,

Price, Place and Promotion. From the 4 marketing methods, the author was able to choose which ones would be most effective in marketing to different groups of customers. With Product, the author emphasized the goods and services of his company's services and its features, the company service product guarantees, warranties and how the product stood out from other competitors. In this area the author would advertise how he used eco-friendly cleaning agents and supplies which appealed to a large part of the market. (Suomen Uusyrittyskeskukset ry, 2011)

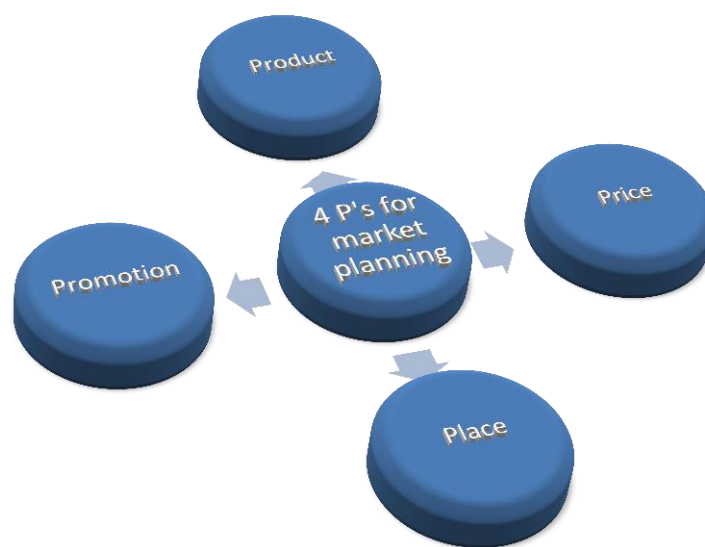


Figure 11 the 4 P's of Market planning (Suomen Uusyrittyskeskukset ry, 2011, p. 16)

Price was important. At the time the company was charging a base rate of 28 Euros an hour + 23% VAT. This was in line with what most facilities management companies were charging in the Helsinki area. The author tried not to charge too much to be priced out of the market or too little so that he would start a price war with other, competing cleaning firms.

The author advertised that he was willing to work anywhere in the Helsinki Metropolitan area. He also would work anywhere in Finland provided that the customer paid for additional transportation costs and lodging for overnight stays.

The author promoted his company by offering special discounts, gift cards and special services for long term customers. He offered contract customers a free cleaning for every customer that they referred to him.

6.7 Management

Management can be understood as an organization process that includes setting, objectives, resources, strategic planning, deploying the human and financial assets needed to achieve objectives, and measuring results. As well as the aforementioned, management also includes recording and storing facts and information for later use of for others within the organization. Management functions are not limited to managers and supervisors.

Successful management is concerned principally with 2 concepts, effectiveness and efficiency. Effectiveness is the connection between the goals a manager sets and the process of achieving them. Efficiency is the connection between the achievements of goals with the use of many resources. If a business utilizes effective management, the inevitable outcome is business success. Ineffective management often results, as in the case of the author's company, business failure and closure.

The author learned through experience that effective management is important because in the long run, if his business had been a success, his small firm would have been a revenue generating machine for the tax authorities and for the economy at large. Better management skills on his part would have led to the expansion of his business to create jobs which would have added workers.

According to Business Wiki (Bwiki, 2013), Effective management is also important because managers:

- “Provide vision
- Are the decision makers
- Coordinate the activities within the business
- Are legally responsible for what the business does
- Are accountable to stakeholders
- Largely determine whether the business will be successful”

The author's company could not survive with poor management because competent and effective management is the means of support for a sustainable company. An important primary concern of effective management is to obtain increasing prosperity through minimal effort. A management system is necessary whenever a group or personnel effort is needed to direct group accomplishments towards company goals.

In today's business climate, the importance of management cannot be overly emphasized. A business creed is that any venture effort without effective management amounts to zero. Management is the art of producing results through the above administration of others.

The author of this report underestimated the importance of management in business and did not see how his actions lead to the closure of the company. He was not able to begin production of his business by effectively combining the input of his customers, workers, capital and supplies into one productive system. Do to the fact that he was not able to ever to 'get things in gear'; disparate parts of the company remained separate from one another and could not combine to form an effective engine for sustained and future growth.

A business in its basic form is a group activity where management plays an important role in making it more effective. The cadre of personnel cannot realize its objectives unless and until there is mutual cooperation and guided coordination among the members within the organization.

Management brings about a cohesive spirit within a team creating productive teamwork through the development of a sound organizational structure. Material and human resources are brought together to motivate the team towards achieving the organization's goals.

7 AUTHOR'S OBSERVATIONS

In this section the author will write his own thoughts on his experiences of opening and operating a business in Finland as a non-EEA/Swiss national whose residency in the country was based on a self-employed residence permit.

7.1 Cultural Acclimation

The author has observed that the general language in the service business sector is Finnish. In the capital area the most spoken language is Finnish and therefore it is a must for an immigrant origin entrepreneur to speak the language of the market to at least a basic level. An immigrant that moves to Finland will generally have to learn Finnish if they wish to work in the business field and reach the wider Finnish market. For this reason the author believes that it was very important to learn the language. One of the greatest challenges that the author dealt with was the disability that he had when trying to speak in and market to native Finnish speaking customers in their home market. After a rapport was established with customers, communication was generally done in English.

The author of this report also established his firm as a means towards being able to live in Finland and earn an income. Immigration considerations played a role in his decision to open a business.

Jaana Okulov (Okulov, 2007, p. 53) writes in her essay “Venäjältä muuttaneet yrittäjänä Itä-Suomessa”, or Russian entrepreneurs whom have moved to Eastern Finland that,

“an increase in the number of immigrant workers who become entrepreneurs seeking to open up businesses relate to the fact that immigrant unemployment rates among the immigrant population are often higher than in the general population. A lack of language ability, difficulties in transferring earlier studies and work experience to meet the demands of the present workforce, and workplace discrimination on the labor market often limit to a great extent the immigrant worker's possibilities especially in certain poorly paid labor markets.”

Helena Pesonen from the Diakonia University of Applied Sciences (Pesonen, 2010) writes that most entrepreneurs of an immigrant background in Finland who open up businesses have the following in common.

- “the immigrant is highly educated in their own country, in Finland they often have a University of Applied Sciences or university level degree
- many immigrant origin entrepreneurs have professional wide-breadth experience from their country of origin
- they have the ability to learn the Finnish language rapidly
- most immigrant origin entrepreneurs from their point of arrival attempt to integrate into Finnish society rapidly
- the immigrant origin entrepreneur usually is in either school or working life and not a long term unemployed person
- their residency ranges from 2 – 15 years
- they are from diverse nations of origin
- they usually have a spouse with either an ethnic Finnish person or someone from their own country of origin living in Finland”

With the exception of 3 criteria, the author did not meet the general criteria for immigrant origin entrepreneurs in Finland. When evaluating the opening of a business in Finland it may be helpful for a potential immigrant-origin entrepreneur to read the list above to see if they have much in common with other immigrant-origin entrepreneurs.

7.2 Bureaucratic challenges

As the entrepreneur of a business that lasted for over 4 years, and as someone of immigrant origin, the author has several suggestions that will help improve the immigrant origin entrepreneur’s interactions with Finnish bureaucracy.

7.2.1 Change in Societal Attitudes

As mentioned at the beginning of thesis, Finland’s immigrant origin population increased by 732 % in a 21 year time span from 1990-2011. It is estimated that in the next few years the immigrant origin population will surpass the population of Swedish-speaking Finns. In April 2012 YLE News published that the Swedish-speaking population numbered some 5.4 percent of the popu-

lation while those that spoke a native language other than Finnish, Swedish or Sami numbered 4.5%. (YLE Uutiset, 2012)

Government authorities should be advocating for new policies aimed at these new Finnish inhabitants. Some of these policies could possibly include:

- Taxpayer funded, universal Finnish as a second language courses offered throughout the country open to all immigrant origin residents whom have a social security number to smooth their integration into wider Finnish society. This could be modeled on the Swedish for immigrants program (Svenskundervisning för invandrare) in Sweden which nationally offers free Swedish language courses to most categories of immigrants. (Wikipedia, 2013)
- Registration for residence permits and citizenship applications should be handled by Local Register Offices (Maistraatti) instead of police stations freeing the police to focus on criminal and other policing matters
- Hiring policies that embrace affirmative action programs in government, school offices and other public bodies so that non-ethnic Finnish immigrant origin personnel can create and foster a diverse atmosphere more representative of the communities served.

As these Finnish residents of immigrant origin contribute in the Finnish language with the host population, Finnish culture will inevitably begin to change and metamorphose, as has happened in Sweden, Holland or the UK, countries with long histories of immigration and a more profoundly integrated immigrant-origin population vis-à-vis Finland.

7.2.2 Decision making process for a Self-Employed Residence Permit

As a non-EEA/Swiss citizen, the author had to undergo a very complicated process to obtain a non-EEA/Swiss self-employed residence permit to reside in Finland. Essentially the process had to go through several offices and agencies and the decision processing times would at times surpass 6 months.

The process is not as straightforward as stated in the previous section dealing with immigration affairs. The author had to submit the application at his local police station. The police would then forward the application to the Centre for Economic Development, Transport and the Environment

(ELY-keskus). The total processing time for the author would sometimes take between 6 months or longer. During the decision making process the official at ELY-keskus determining whether to give approval to the self-employed residence permit application would ask -more than once- for copies of the profit and loss accounts and balance sheets of the author's company. This would entail a complicated and costly process of obtaining that information from the author's bank and accountant and many times the deadlines were attached to these letters from ELY-keskus. This greatly inconvenienced the author. Another difficulty was that the author had to apply 4 separate times for self-employed residence permit which affected his bottom line. Due to the length of time that this process took place; it was very difficult for the author to make mid-term to long-term plans for his company. Most non-EEA/Swiss business owners do not wish to greatly expand their business operations as their activities are effectively on hold until such approval is forthcoming.

In the future, it would be much easier if an applicant could submit his/her application at a ELY-keskus office and have the decision made there. The officer working for the ELY-keskus should have the legal authority to approve the application from the Finnish Immigration Service.

7.2.3 Interaction between tax authorities and immigrant origin entrepreneurs

It is crucial for an entrepreneur of immigrant origin whom lives in Finland to be able to master the Finnish and/or Swedish languages as soon as possible in order to have a full understanding of the competitive market in which they operate in. In the meantime, the Finnish Tax Administration should also make an effort to assist Finnish residents of immigrant origin who would like to become entrepreneurs through offering more material and services in the English language. Besides being the established language of international business (EF Education First Ltd. , 2012), Eighty two percent of the Finnish population between the ages of 16-84 competently understand the English language (Statistics Finland, 2008) and yet the tax administration offers very little information in that language in comparison to English or Swedish. The tax administration does not offer a phone service, physical office or other ways where customer service is offered exclusively in the English language for Finnish nationals, Permanent residents and international management workers in large multinational firms that operate in Finland. When calling the tax administration offices the entrepreneur found it very difficult to find competent English speaking staff that offered assistance to him with basic questions dealing with tax matters. A proposal would be that the Finnish Tax Administration provides all materials in English which they already do for Finnish and Swe-

dish, the official languages of the country. (Infopankki, 2005)

7.3 Illegal activities in Service Sector

Another factor which led to the closure of SP was the illegal cut-throat competition by other small cleaning companies which exist in Greater Helsinki. The Ministry of the Interior (Government of Finland, 2013) writes in their website: “Grey Economy Black Future” that

“In Finland some 7,000 firms operate in the real estate services sector. Opening a business is often relatively easy and does not require large investments. Unfortunately this is not conducive to having a healthy competitive economic environment, as a significant part of businesses seek a competitive advantage by leaving taxes and employer contributions unpaid. Under these circumstances, companies that legitimately follow the law suffer, which lead to a loss of customers and staff reductions, because work is no longer available to all employees.” (Government of Finland, 2013)

In this area small cleaning companies, such as SP, which follow all legal guidelines, suffer, dismissing workers, as customer’s leave for businesses that charge less but do not pay taxes.

In the same aforementioned source (Government of Finland, 2013) it also states that

“Cleaning firms that operate in the grey economy are linked in Finland to the receipt and trafficking in human beings, amongst other harmful things. Immigrants arriving to Finland should avoid working in firms that offer little to no pay, under the pretext that the employer will promise the immigrant help in obtaining work residence permits and apartments. These employers are committing crimes. It is important for the consumer to be concerned and careful as to where they obtain their services. Workers of law abiding firms are guaranteed basic rights where abuses do not take place.”

The author of the report has heard through word-of-mouth about individuals whom offer cleaning services without having their companies registered, not paying VAT, income or prepayment register taxes, and not paying obligatory pension insurance. Such people undermine the market by offering very low prices through illegal means and thus making it more difficult for cleaning companies that offer legitimate prices to compete.

Recently in YLE News (YLE News, 2012) there was a case of 2 Sri Lankan nationals whom exploited cleaners in Vantaa. The article stated that:

“The cleaning firm is believed to have paid Sri Lankan workers less than the minimum wage, among other offences. The employees worked at bus depots, often in the evening or overnight without extra pay required for such hours. Some employees were forced to pay thousands of euros to obtain a position with the company.

The firm’s CEO was already handed a suspended sentence in early July for using an undocumented foreign worker and for worker discrimination. Prosecutors estimate that the illegal practices brought the company a financial benefit of more than 70,000 Euros.”

This type of unscrupulous illegal activity makes it very difficult for a small, start-up cleaning company to offer services competitively and legally.

8 CONCLUSION

The author hopes that this guide will help all visitors to Arcada Oasis is shedding light on the possibilities of entrepreneurship. Whether the potential entrepreneur is of immigrant origin or from Finland, entrepreneurship is an exciting avenue to pursue one’s personal and professional goals in life.

Immigration is a continuous phenomenon that Finland has to be prepared for as it adopts to a borderless, wireless, interconnected, 24/7, multi-lingual/cultural/ethnic/racial world. As more immigrants enter Finland and inevitably alter the demographics of the land, hopefully bridges of common understanding and good-will will be forged between the host and immigrant origin population.

While certainly not for everyone, entrepreneurship offers the freedom of being your own boss. Being “your own boss” is one of the most liberating and scary aspects for a potential entrepreneur when running their own company. The entrepreneur can schedule your own holidays but they are also responsible for other people’s time, property and money. The author believes that anyone can be an entrepreneur and does not believe that it takes some special talent or inner desire. The points made on page 16 that an entrepreneur has to be hard-working, creative, determined and prepare to take risks apply to any job platform for any young ambitious person. The questions asked by SCORE on the same page are very important and potential immigrant origin entrepreneurs must ask themselves if they are truly ideal candidates for entrepreneurship.

A business plan is a map for a business. Without one the business has no foundation or direction. Writing a clear and concise Executive Summary, Description of the business strategy, Marketing Strategy, Operations Plan, SWOT Analysis, Human Resources Plan, Social Responsibility Strategy,

E-business strategy, financial forecasting and Additional Resources will be a solid road map towards sustainable success. The entrepreneur can also go back and review their business plan as the years go by.

SMART methods, competitive advantages, Organizational strategies, Risk management strategies, Human Resources Strategies and Marketing Strategies properly put in place are the building blocks of an infant enterprise to achieve long-lasting success. Like other areas of the business, an entrepreneur should pay careful attention to these areas. In order to ensure that the company grow a solid moral reputation ethical policies should be put in place from Day 1 to ensure that the company never waiver on its mission, aims or morals.

Finance is the lifeblood of a firm. Having a clear idea of the amount of capital available, where and how it is being spent, and what is being lost will help the entrepreneur focus on areas that need to be focused on to increase profits while closing or selling off areas that are choking or restricting growth. As the company grows and begins to add dozens of customers, hiring a team of accountants will be in order, but it behooves the entrepreneur to clearly understand where the numbers are headed.

Arcada Oasis supports entrepreneurship in Finland amongst young entrepreneurs. Following Finnish regulations and business practice as outlined in Chapter 5 is very important to ensure that the company is in compliance with all Finnish laws and regulations. The decision making process for a self-employed residence permit is mainly concerned with whether a firm owned by a non-EEA/Swiss national can viably and competitively operate in the Finnish market. The Internet has a wealth of information for the process of establishing a company in other countries.

The entrepreneur should feel a sense of duty with taxation as it ensures that the public sector continue to operate at such a high standard as it does today making Finland one of the most competitive countries in the world.

This guide compiled information that an entrepreneur could use in a methodological approach to establish their own business. Finland has many small and medium sized enterprises where an immigrant origin entrepreneur can viably compete. The author had a service business but there are also countless restaurants, cafés, IT firms, translation services, etc. operating in Finland today which have been established by immigrant-origin entrepreneurs and have staff whom are ethnically Finnish. This guide along with the sources listed in it, are areas of information where potential immigrant origin entrepreneurs may go to seek out information in opening their own companies.

The author's life, worldview, mentality and maturity drastically changed in the 4 year period that he owned and operated his company. To say he went "in as a boy and came out as a man" is not so far from the truth. The vast array of people whom he came across, the locations he visited in Finland and the opportunities that arose would not have come along if he did pursue entrepreneurship. He was able to learn so much about Finland and Finnish business practice that he simply could not understand or learn before had it not been for being in business. Entrepreneurship was an adventure with new challenges and opportunities every day. Nothing was ever truly fixed or permanent with his company. The author hopes that the potential entrepreneur who is reading this will take all into consideration before embarking on their own entrepreneurial journey.

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