

FOREIGNERS ESTABLISHING BUSINESSES IN FINLAND

Case: 5 Companies in Lahti Region

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Case: 5 Companies in Lahti Region

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ABSTRACT

This thesis shows available public business support services for foreign entrepreneurs in Finland, specifically in Lahti Region. The purpose of this study is to compose a comprehensive English guidance package with crucial aspects of setting up companies.

The theory part includes theories on how to establish companies in Finland, from business plans, business registration, taxation, insurances, financial helps, and public business support services.

The practical part is interviews of five existing foreign companies in Lahti Region to learn their experiences in starting up businesses, awareness and using of public business support services, and recommendations to improve better services to encourage foreign entrepreneurs.

The desk research and field research are applied to gather secondary data. Information and statistics for literature part were collected from various publications in Finnish and English as well as Internet sources. The leading model is used when interviewing case companies, to find out how grounded theories are applied in reality.

Based on interviews, the results points out the roles of different organisations with their different tasks to support new businesses, and similarities of companies' characteristics which use their services. Furthermore, the study finds out the missing parts in their operations and some recommendations on their services to encourage foreign entrepreneurs.

Keywords: SMEs, foreign entrepreneurs, public business support services, Lahti Region

TABLE OF CONTENTS

1	INTRODUCTION	1
1.1	Objectives and structure of thesis	3
1.2	Research methods	5
1.3	Limitation	5
2	FOREIGN ENTREPRENEURS IN FINLAND	6
2.1	Overview on SMEs	6
2.2	Foreign owned-enterprises	10
2.3	Immigrant entrepreneurs	11
2.4	Foreign students as potential entrepreneurs	13
3	HOW TO SET UP A COMPANY	14
3.1	Business plan	14
3.2	Legal stages	15
3.3	Forms of ownership	16
3.4	Taxation system	21
3.5	Insurance	26
4	PUBLIC BUSINESS SUPPORT SERVICES	27
4.1	Government organisations	27
4.1.1	TE-Centres	27
4.1.2	Tekes	27
4.1.3	Employment Offices	28
4.1.4	Finnvera & Banks	30
4.2	Business support services	33
4.2.1	Uusyrityskeskus	33
4.2.2	Business Incubators	34
4.3	Helpful internet websites	36

5	THEORIES IN REALITY	37
5.1	Lahti – a good choice for business location	37
5.2	Introduction of interview companies	39
5.2.1	Leibomo Limbbu Oy	40
5.2.2	JOT Projects Tmi	41
5.2.3	AD Priori Oy	42
5.2.4	Akupiste Oy	43
5.2.5	Challenge Trade Ay	43
5.3	Results	44
5.4	Recommendations	49
6	CONCLUSION	51
	REFERENCES	53
	APPENDICES	58

1 INTRODUCTION

The term “enterprise” is seen so regularly in every conversation and many different kinds of media such as newspapers, radio, TV that we occasionally pay little attention to its actual meaning. Enterprises can be very large firms, such as multinational enterprises, or individual endeavours. The entrepreneurs are ones who own and manage enterprises. A couple of them are known worldwide, Henry Ford or Bill Gates. Or they are not well-known ones, for example flower shop owners. Entrepreneurs can be any of us with better eye to opportunities, creating new things, dedicating their time and effort, bearing financial risks, and gaining more profits. (Jesselyn 2006, 5.)

Entrepreneurs can do their business in most economic sectors, agricultural manufacturing, and services, joining in different business sectors, private, and public. There are four main sizes of enterprises: micro, small, medium, and large. They are categorized differently by industries and countries. For example in terms of personnel, a small manufacturing company in the USA can employ more than 500 employees, and for a wholesale trading company it can be less than 100 employees. While in Finland, a small enterprise is defined as having less than 50 employees. (E-Journal USA 2006, 4.)

Enterprises contribute significantly to the country’s economic development, create jobs, exploit market niches, and resource to research, development and innovations. The largest firms always have the power and influence to change markets and are the drivers of global trade. Small and medium size enterprises (SMEs) play important roles as well; they are the drivers of economic growth in a smaller scale, regional and local. Furthermore, SMEs not only create new jobs, but they also bear the brunt of training workers, preparing employees more practical valuable skills, experiences than those in larger firms. (Zimmerer & Scarborough 2005, 21; Lowe & Marriott 2006, 24.)

One of the most challenging stages of businesses is the start-up, which is the transition from a business idea to a potential company; not only to set-up a business, but also survive and grow it in the future. In order to do that,

entrepreneurs need to have a clear understanding of crucial factors in making decision. For example, they have enough business objective evaluation by study and investigation; the real insight of products or services launching to the market, their life cycles, marketing plans; technical requirements; and financing, funds, loans, and expenses. (Kuratko & Hodgetts 2007, 212.)

Furthermore, environmental scanning is also necessary to entrepreneurs in start-up stage figure 1. For example, by examining the industrial environment such as local policies, suppliers, competitors, trade associations, business services, entrepreneurs analyse direct elements which influence their businesses' operation. While, the general environment consists of more general forces, economic, technology, social culture, which do not really reach the short-run activities of entrepreneurs but often, they impact the long-term decisions. (Kuratko & Hodgetts 2001, 190-191.)

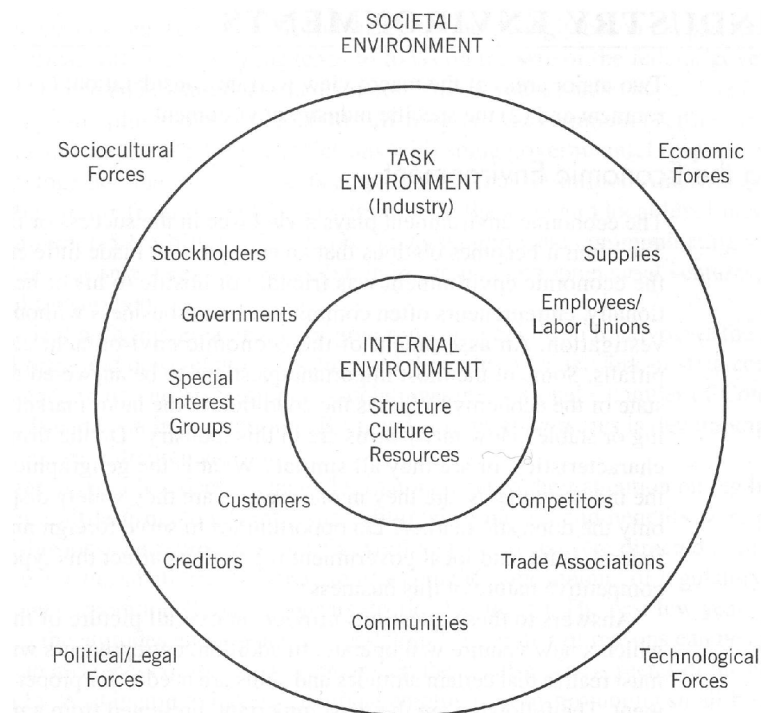


FIGURE 1. Environment Scanning Elements. (Kuratko & Hodgetts 2001.)

It is much depended on kinds of business, that entrepreneurs select preparation steps and analyse environmental elements which affect their businesses differently. Therefore, in this study some crucial elements of environment scanning are chosen to discuss. The purpose is to generate available facilities to help foreigners in the start-up stage such as Finnish legislation, taxation, official registration, local opportunities, and business support services in Lahti city.

Furthermore, those crucial elements also are mentioned in many studies, and articles concerning foreign entrepreneurs in Finland. Not only in start-up stage, but in already existing running businesses, foreigners find that it is not easy to get enough information about regulations, market situations, supporting services, etc. That can be understandable when foreign entrepreneurs are living here; the most competitive country in the world, operating a business is hard for other citizens as well. In addition, Finnish and Swedish are the official languages in communication and written forms. Practical business issues such as taxation, legislation are difficult to understand even in their own languages. (Tiitta 2008 & Reijo, 2008.)

1.1 Objectives and structure of thesis

There are many books writing about how to establish business in Finland, for example “Establishing and doing business in Finland”. Furthermore, hundreds of internet websites, forums mentioned about this topic from private to public dominators, such as EnterpriseFinland www.yrityssuomi.fi, Ministry of Finance www.vm.fi. However, most of them provide quite much and deep information about certain aspects, laws, taxation, and registration, and different contents in Finnish and English websites. That makes it harder for foreigners to follow instructions.

Therefore, the focus of this study is composing a comprehensive English guidance package, with crucial legal aspects for setting up companies, introducing public support services, and how foreign entrepreneurs get help from them. Figure 2 shows the thesis' structure.

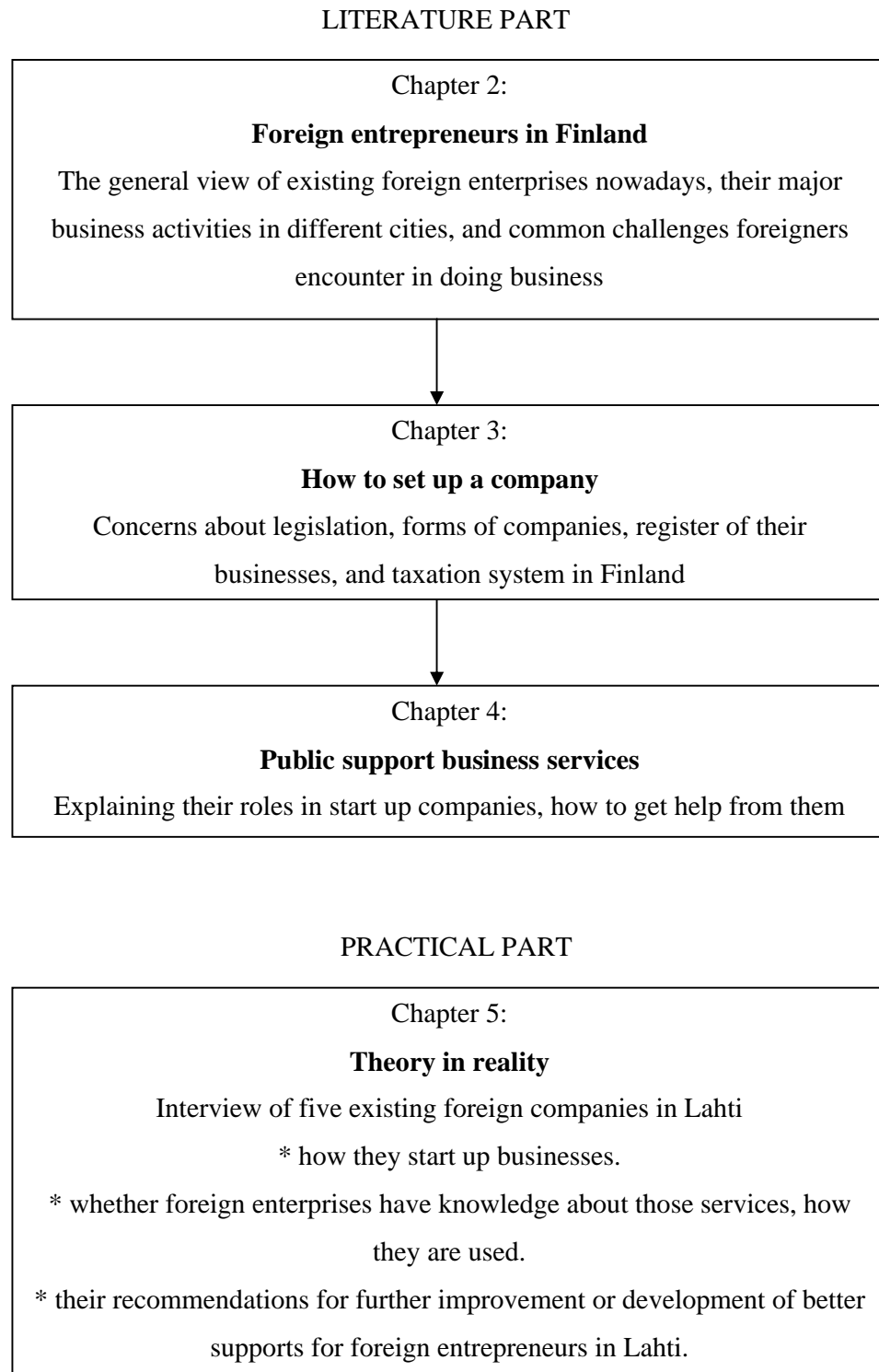


FIGURE 2. Structure of thesis.

1.2 Research methods

The research methods applied in this thesis are desk research and field research. For gathering secondary data, the author uses various sources such as previous studies, books, brochures and Internet. The desk research required using Finnish and English languages to acquire enough information for this study. There were interviews with experts for conducting field research, related to bank, law, insurance matters. Two consultants in public business support services were interviewed.

The author applied the leading model when interviewing case companies, face to face conversations. Because the target of the practical part is to find out how the grounded theory works in reality were, qualitative methods were applied to interviews. In the beginning, the same 14 questions were sent to companies by post and email before the meetings. Interviews were semi-structured, the first half offered a pre-set range of answers for companies to choose, and the rest was open part for in-depth discussion. (Holstein & Gubrium 2001, 83 – 100.)

1.2 Limitation

There are many different ways to start businesses in Finland, creating new companies, buying a company, being shareholder of limited companies, being franchises. However, the focus groups of this thesis are foreigners who are planning or starting to set up their own company, or first time establishing businesses. It is centralised in creating new companies and in the early-stage. The main business sizes recommend here are small-scale, less than 50 employees per company, and annual turnover is not more than EUR 10 million.

Although all forms of businesses foreigners can select to register are discussed, three of them are emphasized: Private Enterprises, General Partnership, and Limited Liability Companies. Moreover, farming, forest, manufacturing, and construction industries are excluded, due to the fact enterprises dealing in those industries have different regulations, and services.

2. FOREIGN ENTREPRENEURS IN FINLAND

This chapter presents the big picture of enterprises in Finland through some facts about their business sizes, turnover, and leading industries. First of all, being an entrepreneur is not a desirable career in this country. One out of twenty persons in adult population has taken some actions to create a business, or running a real business less than 42 months, while the average value is one out of ten among all GEM (Global Entrepreneurship Monitor) countries. However, the chances of a business surviving through the first critical years of enterprises in Finland are rather high compared to other countries. That could be explained by the age of entrepreneurs in Finland being between 35 to 44 years old, and post-secondary degree holders, in addition to the provision from the government. (Pukkine; Stenholm; Heinonen; Kovalainen & Autio 2007.)

2.1 Overview on SMEs

According to Statistics Finland, the number of enterprises continuously increases. It was 308,917 enterprises operating in 2007, a rise by five percent from 2006. They employed 1,481,868 persons, 7.4 percent more than the previous year, and the share of small and medium size enterprises (SMEs) remained over 60 percent of total personnel from 2000. Major industries enterprises focus on manufacturing, wholesale and retail trade, construction, and transportation in three terms of number, personnel and turnover. Figure 3 shows more specific enterprises shares by industries. (Statistics Finland, 2008a.)

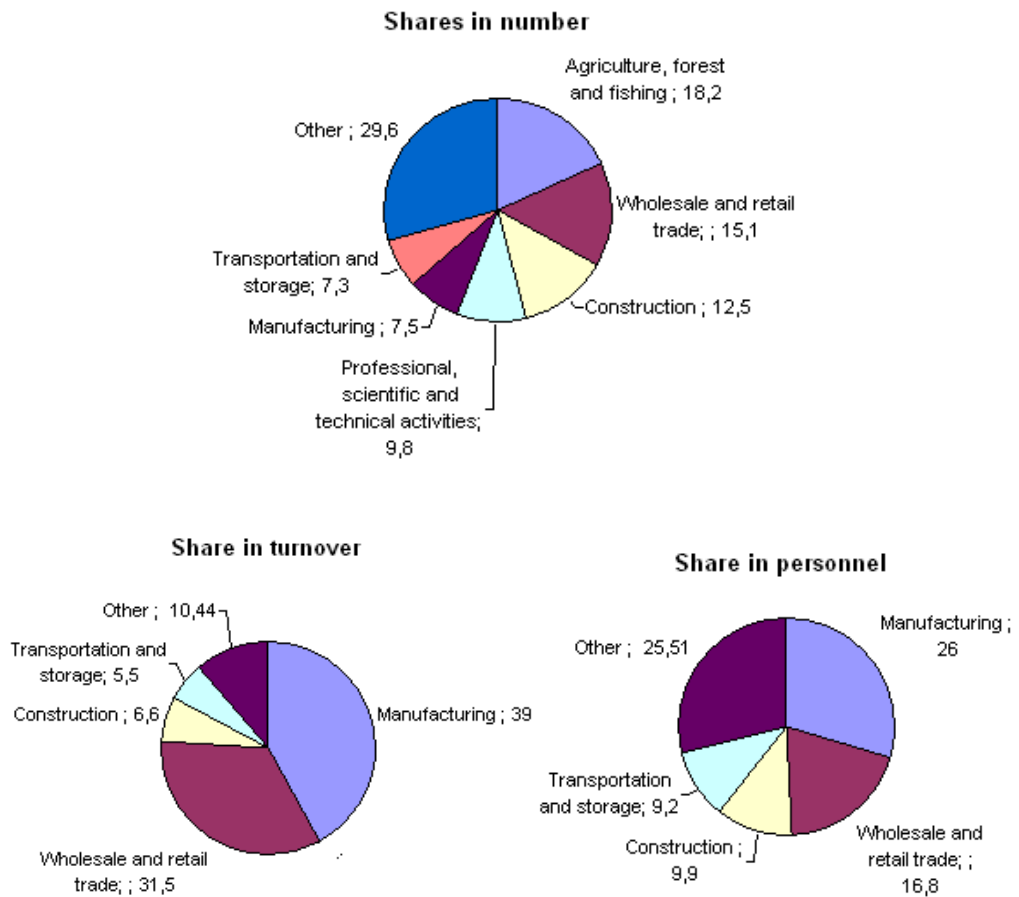


FIGURE 3. Shares of Enterprises by Industries 2007 (Statistics Finland, 2009a.)

Most enterprises are located in big cities, such as Helsinki, Tampere, Turku and Lahti (table 1). The total number of enterprises operating in Finland keeps increasing; however, the rate of enterprise opening and closure are quite high. The number of new establishments remains at the optimistic number of over 7000 enterprises per year from the third quarter of 2006 to the third quarter of 2008, while the closure enterprises increased rapidly, nearly 500 in the same period of time. These activities occurred mostly in Uusimaa region, specifically in Helsinki and Espoo. (Statistics Finland, 2009b.)

TABLE 1. Number of Enterprises by Cities (Business Register 2008, 22-23.)

	City	All industries	Manufacturing	Construction	Trade	Others
1	Helsinki	80 697	5 326	8 768	17 064	49 539
2	Tampere	18 460	2 115	2 299	3 975	10 071
3	Turku	18 004	1 885	2 520	3 769	9 830
4	Lahti	9 834	1 283	1 512	2 063	4 976
5	Oulu	9 373	842	1 220	2 065	5 246
6	Jyväskylä	8 394	909	1 171	1 687	4 627
7	Pori	8 040	1 038	1 217	1 807	3 978

Under Statistics Finland, enterprise sizes are defined by the numbers of employees, annual turnover or their balance sheets. (Enterprises 2007, 39-40.)

- Medium size enterprises have:
 - o less than 250 employees
 - o annual turnover is not more than EUR 50 million
 - o or balance sheet total is not more than EUR 43 million
- Small enterprises have:
 - o less than 50 employees
 - o annual turnover is not more than EUR 10 million
 - o or balance sheet total is not more than EUR 10 million
- Micro enterprises have:
 - o less than 10 employees
 - o annual turnover is not more than EUR 1 million
 - o or balance sheet total is not more than EUR 1 million

Overall, 93 percent of enterprises are micro size, and they employ approximately 25 percent of personnel. While SMEs count for around 6 percent of the total number of enterprises, their share in personnel and turnover remain over 30 percent of total. (Federation of Finnish Enterprises 2007.)

TABLE 2. Number of enterprises by sizes.

Size of enterprises	Enterprises	Establishments
Micro	256,562	280,828
Small	15,509	21,545
Medium	2,734	3,583
Large	642	464

TABLE 3. Number of enterprises by turnover.

Turnover in EUR	Enterprises
< 1 million	219,669
< 10 million	17,948
< 20 million	1640

Meanwhile, each enterprise has one or more than one establishment. It can be estimated that each small enterprise has 1.12, medium enterprise has 1.31 establishments. However, over 69 percent of total enterprises have turnover less than EUR 1 million. It can be understood that most enterprises in Finland are small-scale, because they are not qualified in definitions mentioned above. Table 2 and 3 show more details. (Business Register 2008, 21.)

2.2 FOREIGN-OWNED ENTERPRISES

2007 is the record –breaking year in Finland, as there were 303 new foreign companies established in Finland. Nevertheless, the total number was 2,800 foreign affiliates operating in Finland, and counted for 7 percent of all enterprises situated in Finland. The turnover was approximately EUR 79 million, and contributed some 20 percent of the turnover of all enterprises. They employed nearly 222,000 persons, counted for 14 percent of total employment. (Invest in Finland 2009a.)

The proportion of foreign-owned enterprises in Finland is increasing steadily in the share of turnover and personnel from 2000 to 2007, mentioned in figure 4. However, the number is quite low compared to Sweden. In 2006, there were over 11,100 foreign companies, including 672 new establishments. With employing 572,715 persons, they took 23 percent of total employment in the private sector. On the other hand, it is hard to compare when Finnish market is different from Sweden, such as smaller population, the demands of foreign investment. (Invest in Sweden Agency 2007.)

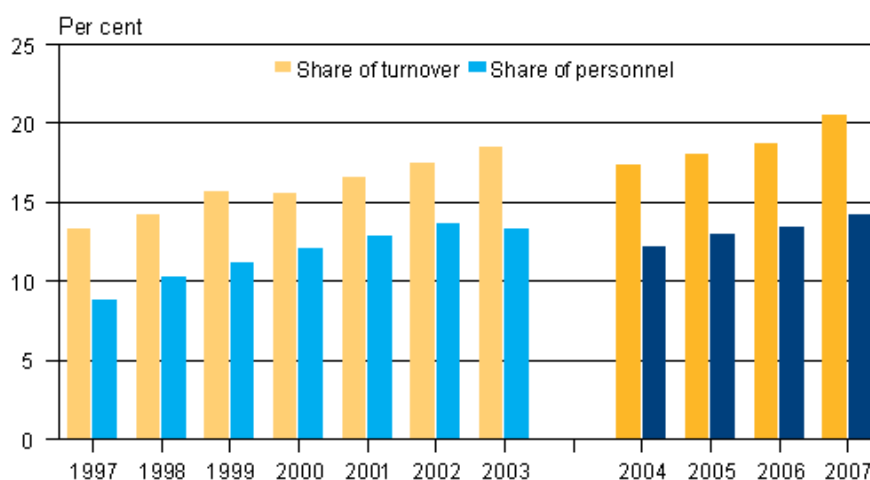


FIGURE 4. Proportion of foreign-owned companies in Finland 1997-2007 (Statistics Finland 2008b, 1.)

The most foreign-owned companies' owners are from Sweden, 698 enterprises, follow by United Kingdom 310, and Germany 273 in 2007. The biggest industries that foreign-companies choose to establish businesses in Finland are wholesale and retail trade, with 175 new entries in 2007. For example, Swedish retail chains such as Gina Tricot, H&M first entered in the Helsinki metropolitan areas and later expands to other cities. Moreover, information and communication technology, environment technology and services and healthcare are other leading industries that foreigners invest in Finland. (Statistics Finland 2008b.)

In addition to promoting investments from abroad, Invest in Finland, is an organisation which is the national government main tool to attract more foreign investment. Their services are to provide information for potential investors, assist them find most suitable locations for their factories and take them on tours of likely areas to meet local developers. For further information and contact details, they can be found at <http://www.investinfinland.fi/>. For illustration, in 2006, the German bio-fuel pellet factory was brought to Lahti region. That was not only important to get more foreign investment in environment protection industry but also create new jobs for local, new business ideas to Finland. (Helsinki Business Hub 2008.)

2.3 Immigrant entrepreneurs

The term foreign-owned enterprises in Finland means enterprises where more than half of equity or voting shares are directly or indirectly held by one foreign party. Therefore, those data mentioned above can include variable types of foreigners owned companies in Finland. They can be branches of some international organisations, co-operate businesses, and so on. If taking a closer look to foreigners, who are related to this study's focus groups, immigrant entrepreneurs and foreign students. That is surprisingly different.

By the end of 2007, the number of foreign citizens in Finland was 132,708, an increase of 10,969 persons. That made up 2.5 percent of total population. The largest groups of foreigners came to Finland were from Estonia, Russia, Sweden,

and Somalia. The share of immigrants remained small portions in total population, labour force, and employment in Finland from 2002 to 2006. Furthermore, the interaction of immigrants into the labour market seems to be not better in the four year- period of time. That also happened to Austria, France, Luxembourg, Norway, Portugal, and Sweden. (OECD 2008a, 69-72 & 298.)

It can be implied that the number of immigrants and the employment rate of the current stock of immigrants are significant low, while Finland is facing the resultant skilled-labour shortages. That can be explained by the fact that Finland is a competitive country, where they draw skilled workers to its shores, which most of immigrants are drop out from this qualification, because of different education, and its level. (OECD 2008, 153.)

There are 6005 immigrant enterprises, approximately 2 percent of the total number of enterprises. Migrant companies employ some 17 000 people with a turnover of almost EUR 3 billion. They are concentrated in big cities, such as Uusimaa with 3,381 enterprises, share 56 percents of total number of migrant enterprises in Finland, and significantly contribute over 87 percent of total turnover, table 4. (Tiitta 2008, 4.)

TABLE 4. Number of Migrant Enterprises by Region in 2005
(Statistic Finland 2007a.)

City	Number of enterprises
Uusimaa	3 381
Varsinais-Suomi	403
Pirkanmaa	314
Kymenlaakso	189
South Karelia	181
Päijät-Häme	174

Although Päijät-Häme was the 6th region in number of enterprises located, the immigrant entrepreneurial environment here was not affected. There was 3.2 percent of total country's immigrant population living in Päijät-Häme, and some immigrants have set up business, and make up 2,9 percent of total immigrant enterprises, and their turnover was 0.7 percent of the total amount. Of the 174 enterprises in Päijät-Häme, around 121 enterprises are operating in Lahti. A half of those are private limited company, and in micro enterprises size, with turnover not much over EUR 200 000 per company. (Tiitta 2008, 6 – 20.)

2.4 Foreign students as potential entrepreneurs

Meanwhile, thinking about the foreign students who have been well trained in Finnish qualifications, and experienced Finnish society, can be very promising to the labour force. However, there are few of them opening companies in Finland. The current foreign students numbers come to Finland are very low, around 5 percents of all tertiary enrolment in 2005, shown in figure 5. The numbers of foreign students choose to stay and work in Finland is shrinking. (OECD 2008, 155.)

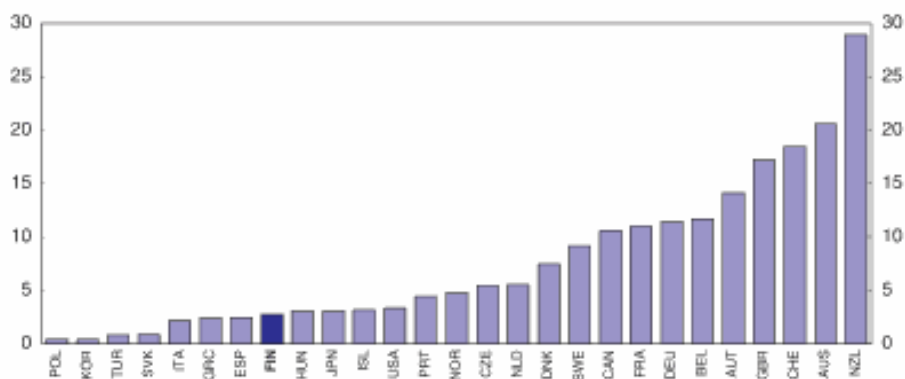


FIGURE 5. Share of foreign students enrolled in Universities and Polytechnics in 2005 (OECD 2008, 155.)

The biggest barriers for foreign students is the language, many students enrol in programs in English-language, while job recruitment requires fluent Finnish. On the other hand, Finnish government encourages foreign students to find jobs and stay in Finland, such as 6 to 10 months short-term resident permit after graduation. Moreover, the conditions to found an enterprise are quite open to foreigners nowadays, which will be mentioned in next chapter. (OECD 2008,155.) The common challenges to foreign entrepreneurs are language, and lacking of knowledge of Finnish systems. In the next chapter, crucial elements support for foreign setting up business are discussed, formation of companies, taxation, financial aids, and expert advisor services.

3 HOW TO SET UP A COMPANY

A business plan is the first and most important thing for setting a company. It is a formal statement of a set of business goals, the reasons how the business can be profitable, and the plan to achieving the goals. This book not only helps its writer developing, evaluating the business idea but it also needs to be valuable, and convincing to readers to get supports, such as banks or investors.

3.1 Business plan

A good business plan should be written in clear, brief, logical, realistic, and clear figures to express how that proposal business can bring profitable, and interest to its readers. There are six important factors to a business plan, types of business, the market of product or service, benefits of business, strategy, financial targets, and references.

In the beginning, the writer shows the type of business planning to be established, and his knowledge of the entering industry in question. The more detailed and concise the description, the more savvy he appears. Then, describing plans to boost his products or services to the market. Giving soberly reasonable of business activities can be profitable, for instant, dealing contacts, potential

customers, and on-going negotiable contracts. Next, strategies and methods are going to apply to operate company, and also planning to long term views, such as new product developments, new potential markets. (Blackwell 2004, 9-15.)

The financial part is the most important. It shows cash-flow of the business both for start-up and for operations, break-even analysis, income statement, and balance sheet. Then the writer know the amount of requested, plan how to accumulate money for that, whether it is possible to get any funds, loans from banks and repayment schedule. Finally, it could be a plus to business plan, and gain trusts from its reader if the writer can mention about skills, economic backgrounds, previous experiences, resources of persons involve in his business. (Blackwell 2004, 9-15.)

Two recommended websites, dominated by Uusyrityskeskus, are highly helpful to do business plans. “The business plan and calculations” at http://liiketoimintasuunnitelma.com/user_home.php which is in Finnish, English, and Swedish. It provides free of charges service and confidential customer data. Users can create their own business plans, with financing, profitability and sales calculations by themselves in available programmed formulations. Whereby, users can examine whether or not their goals are realistic and attainable.

Another is “Business Idea Bank” at <http://www.liikeideapankki.fi/>. From these websites, visitors who think of establishing companies with new services or products can check whether any same business ideas exist. It provides free articles, reports of those existing businesses. By that visitors can compare it others or develop their own idea.

3.2 Legal stages

Completed business plans can be submitted to the nearest TE-Centre, or Employment Office for approval, then companies can really start legal registration by stat-up notification to Trade Register, VAT Register, Tax Administration Register.

According to Finnish Law, foreign entrepreneurs who are residing outside the European Economic Area (EEA), require a trade permit from the National Board of Patents and Registration (NBPR), before they can start trade register. This can be done at their local police office, and costs EUR 200 per application. For further information, please see Finnish Immigration Service at www.migrant.fi.

After getting resident permits, the next legal steps which apply to foreigners are the same as to Finnish entrepreneurs in any municipalities. The figure 6 on page 18 shows more details of legal steps to set up companies in different forms.

(Uusyrytyskeskus 2004, 3.)

3.3 Forms of ownership

Entrepreneurs need to identify their forms of business whether private, partnership, or limited liability companies firstly. That is important because with a good match of owners' circumstances, size of enterprises, line of business, and form of ownership, entrepreneurs can avoid many problems later. For example, changing from one form to another could be difficult, consume more time, complicated, and expensive. It is possible to lose more on company's profits from taxation due to different form of ownership has different taxation. For instance, capital income is taxed 28 percent to private enterprises and 26 percents for limited liability companies.

TABLE 5. Forms of Ownership Name. (Surakka 2005.)

Abbreviation	In English	In Finnish
Tmi	Private Enterprise	Toiminimi
Ay	General Partnership	Avoin Yhtiö
Ky	Limited Partnership	Kommandiittiyhtiö
OY	Private Limited Company	Osakeyhtiö
OYJ	Public Limited Company	Julkinen Osakeyhtiö

There are six forms of ownership in Finland, private entrepreneurs, general partnership, limited partnership, limited liability Companies, co-operation, and branches of foreign organisations; however, co-operation and branches of foreign organisations are not discussed in this study.

- Private enterprises

This is the simplest and also the most popular form of business, which is owned and operated by one person, or with his/her spouse. The owner has a right to all of the profits and is liable for debts and obligations of the business. That means if the company is not able to pay back its creditors, the owner can be forced to sell his own assets to fulfil his financial obligations, such as his house, car, etc. Private enterprises count around 84 percents of total numbers in 2008. (Business Register 2008, 21.)

Foreign entrepreneurs who are not resident in Finland, besides register to local police office, they must have a representative whose place of permanent residence is in Finland. The representatives must be notified to Trade Register and they are responsible receiving notifications or summons on behalf of foreign entrepreneurs. (Holopainen 2007, 13.)

The start-up notification form for private enterprises is the Y3 Form, which can be downloaded from this website <http://www.ytj.fi/english/1736/634>. The start-up notification form is the joint form of NBPR and the Taxation Administration, which means it can be used for entry to both Trade and Taxation Register. The Y3 Form must be sent compiling with a certified copy of the trade permit, and other docs if needed to the nearest TE-Centre, or Tax Office, or Maistraati, local register office. Its fee is EUR 65.

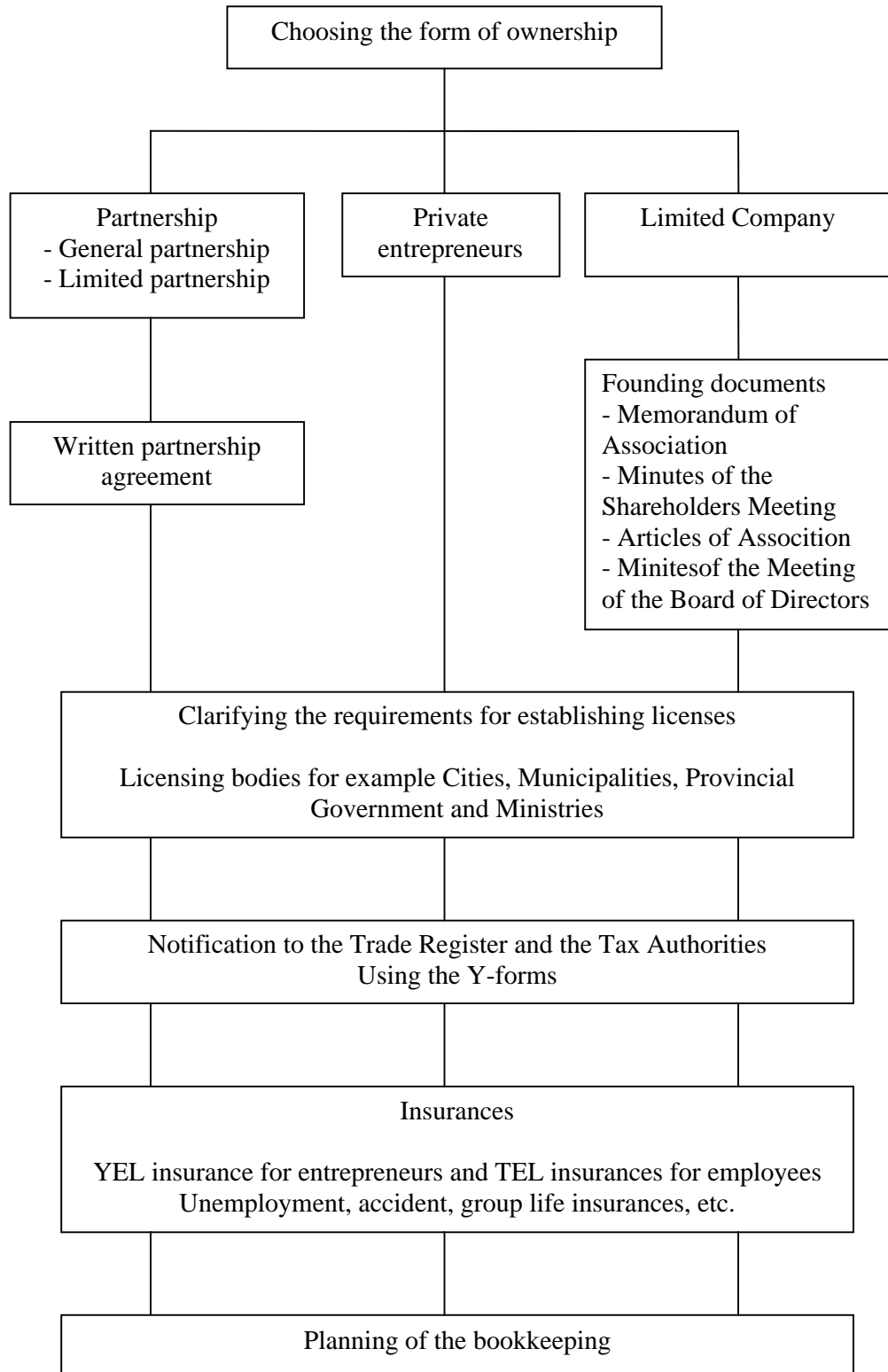


FIGURE 6. Legal steps of establishing companies. (Uusyrityskeskus 2004.)

- Partnership

It is an association of at least two people who co-own a business for profit. They share the business' assets, liabilities, and profits, which are based on their previously established partnership agreements. There are two types of partnership in Finland, general and limited. The same rules are applied with few exceptions. Simplify, differences between them are:

- In general partnership, partners are responsible for all debts and liabilities, and mainly operate the company.

- In limited partnership, there must be at least one general partner with unlimited liability, and at least one limited partner with limited liability, which means the silent partner can invest money and choose to be or not be involved in the company's operation. The limited liability depends on the amount of silent partner's capital investment which is stated in established partnership agreement.

If any partners live outside EEA area, they need the trade permit application for NBPR and their representatives. Their stat-up notification is the Y2 Form. It has to be sent with the original copy of partnership agreement, and a certificated copy of the original trade permit granted from NBPR. The handling fee is EUR 155, and paid in advance in the nearest Maistraati, TE-Centre or Tax Office.

- Limited company

There are two types of limited company: private and public. The main difference between is that the securities of a private limited company may not be admitted to public trade referred to the Securities Market Acts, while a public limited company can have their shares traded on the Stock Exchange. A private limited company can be established by more than one founder, and then it can have plans to increase more business partners or shareholders. (Surakka 2005, 9.)

There are no general partners but only the shareholders, there is no person responsible for all the liabilities and debts of the company. The only place where the shareholders can make decisions is at the meeting of shareholders. The more shares owners have, the higher power they can have in the meeting. In practise, an ownership of 51 percents of the total company shares decides on the activities of the company. The meeting of shareholders elects the board of board of directors who run the administration and operation of the company. Therefore, shareholders are not liable to company debts; they are liable to pay compensation to the company. If there are loans taken to the company, they are liable to particularly guarantors.

Consequently, establishing a private limited company is more risky compared to other forms of business mentioned above. However, its biggest advantage is the tax charges. It does not pay taxes on an entity, as on whole company profits, they are divided and paid personally by company members. If there are any shareholders are residences outside EEA area, the trade permit applications to NBPR are needed.

There are a couple of steps that limited companies have to prepare before they can send the stat-up notification, the Y1 Form to Trade Register:

- Draft the Memorandum of Association, it emphasizes the founding of the company. Shareholders sign in this draft to agree on the number of shares, the amount of per share, and period for share payment, in addition to state members of Board of Director.

- Draft the Articles of Association must be appended to the Memorandum of Association. It includes at least the trade name, the municipality in Finland where the registered office of the company shall be situated. (Holopainen 2007, 40-50.)

Within three months after shareholders signed the Memorandum of Association Draft, the companies can submit the Y1 Form. To affect the registration, shares of capital should be paid or at least the minimum amount of share capital. The minimum share capital of a private limited company is EUR 8,000 and EUR

80,000 for public limited company. The notification fee is EUR 330. (Holopainen 2007, 40-50.)

3.4 Taxation

Enterprises are liable to tax on all the income attributable to their permanent establishment. In other words, companies which the entire business or a part of business of a corporation is being run are located in Finland; have to pay tax based on their business return. Finland introduced the dual income tax (DIT) system at the beginning of the 1990s. By this DIT system, companies' business return is divided into two components, capital income and earned income.

Capital income which includes dividend income, interest receipts, capital gains, and rental income, is taxed at a flat rate of 28 percent since 2005. Earned income which includes wages, salaries, pensions, and social security benefits, is subject to income tax at progressive rates, shown in figure 7. Furthermore, earned income is taxed to municipal and church taxes at proportional rates, and to social security contributions. In 2008, the municipal tax rates range between 16 percent and 21 percent, with an average of 18.55 percent. The church tax rates range between 1.00 percent and 2.25 percent. (OECD 2008, 81.)

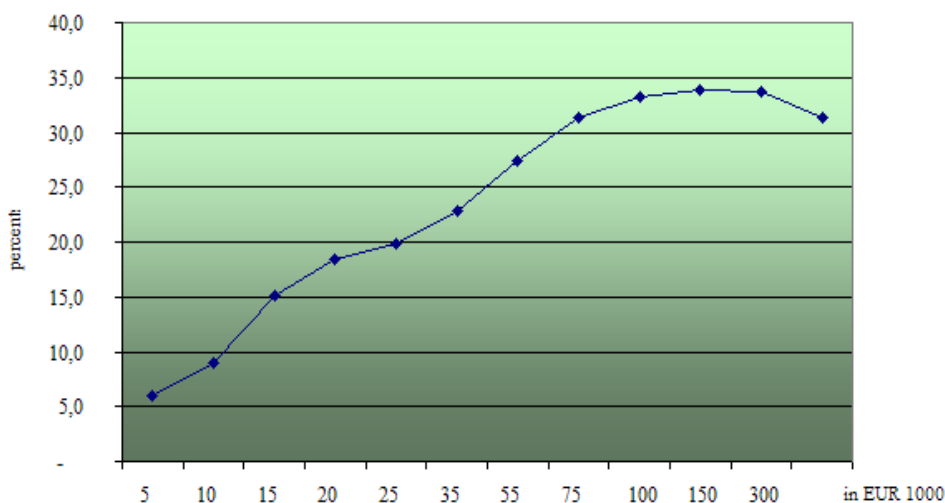


FIGURE 7. Earned income tax rate in 2008 (Vero Skatt 2007, 6.)

All in all, tax rate to capital income in Finland is quite average among OECD countries, 28 percent for normal forms, and 26 percent for corporation. However, the tax rates which are charged to earned income are significantly high. The marginal tax wedge on labour income is 59 percent; makes the differential of nearly 20 percentage points from the capital income tax. Therefore, in practice, many entrepreneurs have high potentials to transform earnings into capital income. It also happens in other Nordic countries, such as Denmark. Figure 8 shows clearer tax rate in capital income and different points between capital and marginal tax on earned income among OECD countries. (OECD 2008, 74-77.)

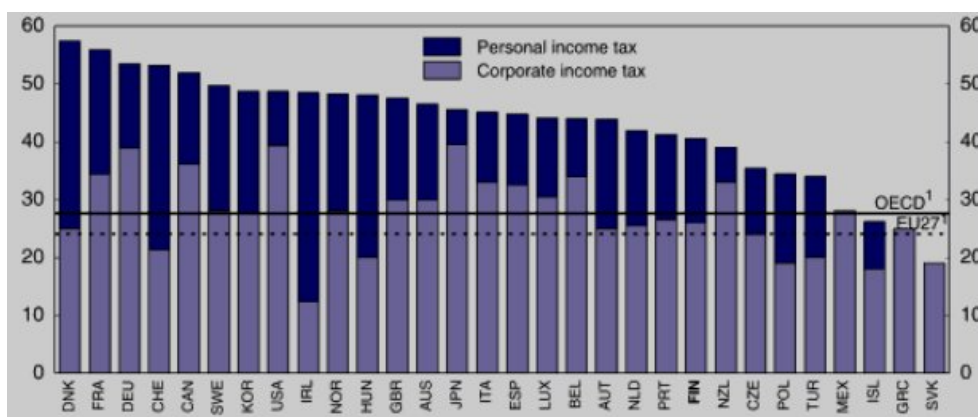


FIGURE 8. Tax rates on enterprises' business return in 2007. (OECD 2008.)

The direct taxable amount of enterprises capital income, and earned income are focused on in this chapter. The entrepreneur shall write the estimated turnover of business and estimate income on the Y Form. Generally, tax office calculates the prepayment tax based on the entrepreneur's own calculations; after that the advance tax demand note is sent to entrepreneur. Due to the tax amount is collected before the actual operating business year. Companies should calculate carefully and wisely to avoid over tax payment, or get penalties if the estimate amount exceeds. How they calculate in different forms of enterprises with some examples to help readers get better general idea of DIT system. (Uusyrityskeskus 2004, 17.)

- To private enterprises

Usually net assets and business return to private enterprise are not separate as their business activities rather small. The capital income is counted 20 percents of net assets; however, it can be decreased to 10 percents as the request of the entrepreneur. Net assets are calculated by subtracting total liabilities from total assets. The example hereunder table 9 shows how entrepreneurs can estimate tax amount they are going to pay in that year, and their net profit after paying tax. (Ministry of Finance 2009.)

TABLE 9. Sample direct taxes on a private entrepreneur. (Kunnarus, 2009.)

Business return =	50 000 €
Net assets =	100 000 €
Capital income = (20% of net assets)	20 000 €
Tax on capital income = (28% of earned income)	5 600 €
Earned income = (Business return - capital income)	30 000 €
Tax on earned income = (22% of earned income)	6 600 €
Total tax amount =	5 600 + 6 600 = 12 200 €
Net profit =	50 000 - 12 200 = 37 800 €

- To partnerships

The taxation to capital income and earned income to this type of ownership is according to the share of each owner of profit and net assets, based on their established partnership agreements. Table 10 shows more details taxes applied to general partnership. In this sample, two partners have share as agreed. In assets, partner A 40 percent and partner B 60 percent. In business return, partner A 40 percent and partnership B 60 percent.

TABLE 10. Sample of direct taxes to a general partnership. (Kunnarus, 2009.)

Business return =	80 000 €	
Net assets =	100 000 €	
	Partner	
Share	A	B
40% of net assets	40 000 €	
60% of net assets		60 000 €
40% of business return	32 000 €	
60% of business return		48 000 €
Capital income (20% of net assets share)	8 000 €	12 000 €
Tax on capital income (20% of capital income)	2 240 €	3 360 €
Earned income (share of business return - share of capital income)	24 000 €	36 000 €
Tax on earned income (progressive tax on earned income)	4 800 € 20 %	9 000 € 25 %
Total tax amount	7 040 €	12 360 €
Net profit after tax	24 960 €	35 640 €

- To private limited company

DIT system applied to a limited company is slightly different from other types, the corporate tax on capital income is 26 percent, and typically there is taxation to dividends. Dividends are the agreed share of profits among shareholders and is decided in their meeting. The dividends distributed by a company are considered as free from tax. Capital income or earned incomes are depended on the company's net assets and the amount of dividends distributed. Table 11 explains general how dividends are calculated, for example, A, s/he can be shareholders, or business partner of the private limited company. The share of business return and net assets are 70 percents and 60 percents correspondently.

TABLE 11. Sample of taxation on a dividend of private limited company.
(Kunnarus 2009.)

Business return =	200 000 €
Corporate tax = (26% of business return)	52 000 €
Business return after tax =	148 000 €
Net assets =	500 000 €
	Shareholder A
70% of corporate tax	36 400 €
70% of business return after tax	103 600 €
60% of net assets	300 000 €
(9% tax exempt)	27 000 €
Exceed amount (business return - 9% of net assets)	76 600 €
Tax exempt (30% of exceed amount)	22 980 €
Earned income	53 620 €
Tax on earned income (progressive tax = 22% of earned income)	11 796.40€
Total tax amount (share of corporate tax + tax on earned income)	48 196.40€
Net dividend =	55 403.60€

3.5 Insurance

There are voluntary insurances and obligatory insurances. Some voluntary insurance options are accidents, unemployment, and group life insurances. The insurances that enterprises are obligated to buy are YEL and TyEL, pension insurances for companies' owners and for their employees. YEL premium, employers have to buy for themselves. TyEL premium calculated on the salaries of employees subject to prepayment tax, the employers deducts the premium from the employee's gross salary and paid to the regional tax office monthly. The size of the insurance premium varies annually. Table 12 gives example of TyEL and YEL premium in 2008 by ETERA Company. (ETERA 2009.)

TABLE 12. Obligatory insurance premiums to enterprises (ETERA 31.12.2008.)

TyEL premium, employees' pension premium Persons under 53 years old	4.3% of earned income
YEL premium, starting entrepreneur (25% reduction for 48 months)	
Persons under 53 years	15.6% of earned income
Persons over 53 years	16.425% of earned income

There are many different types of insurance that enterprises can buy. The more insurance can cover the risk of any damages or accidents can occur during operating business reduced. It is important to go through options carefully with insurance expert to choose the right, available and most suitable to your business activities.

4 PUBLIC BUSINESS SUPPORT SERVICES

SMEs are considered as important sources of innovation, creating jobs, and economic growth. The Finnish government has established several support mechanisms to provide assistance to SMEs in finance, business support services, at different stages of company development. There are most important organisation have suitable policies and services for foreign entrepreneurs will be focused, TE-Centres, Tekes, Finnvera, Business Incubator Centres, and Uusyrityskeskus.

4.1 Government organisations

4.1.1 TE-Centres

They are a network of 15 regional offices in Finland. They are established in 1997, owned by the Ministry of Trade and Industry, and based on the combined forces of the Ministry of Trade and Industry, and Ministry of Labour and the Ministry of Agriculture and Forestry. Their main tasks are promoting of business, employment and rural vitality within their regions. They provide services: (TE-Centres 2009.)

- Advice for various business needs: product development, technology, company establishment, internationalisation.
- Training courses for unemployed, companies, as well as foreigners to promote their integration into society and working life.
- Financing services.

4.1.2 Tekes

Tekes, the National Technology Agency, is the main financing organization for research and technological development (R&D) in Finland, founded in 1983. They provide funding and expert services for R&D projects at companies

registered in Finland and at Finnish research institutes and universities, especially promotes innovative, risk-intensive projects. Tekes have has the headquarter in Helsinki, and six overseas offices: Beijing, Brussels, Tokyo, Shanghai, Silicon Valley and Washington DC. The Innovations and International Business Operations Sections are located at 14 regional TE-centres. (Tekes 2009.)

Tekes assist companies in their search for ideas, the finalisation of business plans, and their quest to conduct meaningful and valuable research. Therefore companies are encouraged to contact Tekes in their initial planning stages to formulate their research proposals with the support of Tekes' expert. Technology law services such as legal issues of R&D cooperation and consultation on Intellectual Property Rights matters are also available from Tekes. (Tekes 2009.)

They also organise technology programs in selected strategic areas. They are forums for exchanging of information and networking between companies and research groups. Their focus areas are products and business models, the environment and energy, health and well-being, services, safety and security, and work and leisure.

4.1.3 Employment Offices

In addition, employment offices are often more familiar to foreigners, as they are guided and supervised by TE-Centres, and operate in their own regions. Enterprises can apply start-up notification form at the nearest Employment Offices to them; apply for start-up grants for the first business establishment, as well as training entrepreneur courses.

- Start-up grants

After the business idea is accepted by TE-Centre, the entrepreneur can start to apply for the start-up grants from Employment Office. The start-up grants aimed to support entrepreneurs' personal living expenses while starting up businesses. The grants can last for a maximum period of 18 months, divided into 3 periods.

The first 6 months is EUR 650 per entrepreneur, and 2nd period and 3rd period is EUR 550. Before the end of each period, company should reapply for start-up grants, in order to get the 3rd period support, companies have to employ some personals, at least one. (Ministry of Labour 2009.)

The Employment Offices ask the third-party experts to evaluate whether entrepreneurs have the right preconditions, and if the business concepts are profitable. Usually entrepreneurs are introduced to visit Uusyrityskeskus (UYK) in their regions for evaluate their business plans. The conditions to apply for start-up grants are entrepreneurs not simultaneously receiving any other state aids, nor unemployment benefit, labour market support, training support or adult education support. In other words, applicants are unemployed job-seekers or persons moving from paid employment, studies or domestic work to full-time enterprising. Right after submitting UYK's statements, applicants can get grants decision from Employment Office within 5 days. (Kunnarus 2009.)

- Entrepreneurship training courses

If the applicant has no experience or former background in economics or entrepreneurship, the training can also be provided while the start-up grant is being paid. The entrepreneurship training courses are organized by Employment Office and business consultant agents, such as Cimson Oy. The courses deal with the basic preconditions of enterprising, principles and demands of business activities and the properties of a successful entrepreneur, for example accounting, marketing, taxation and risks of being enterprising. They are taught mostly in Finnish, such as in Lahti, but there are English courses in Helsinki. (Ministry of Labour 2009.)

4.1.4 Finnvera

Finnvera Plc is a specialized financing company, owned by the State of Finland. They provide loans, guarantees, venture capital investments and export credit guarantees to enterprises in almost every sector; except farming, forestry and building developer's business are outside the range of financing. Their main goal is to promote the competitiveness of Finland enterprises, enable the optimum financial solutions for enterprises in every stage of business, start-up, growth, internationalisation and exports. (Finnvera 2009.)

In 2007, Finnvera financed EUR 896.9 Million for the domestic operations of enterprises. 42 percent of that amount was granted to micro-enterprises, and 53 percent to other SMEs. There were 3467 starting enterprises receiving their financing with total sum EUR 261.3 Million. Among those starting enterprises, mostly are micro enterprises, for example in 2006, it was 93 percent of total number of start-ups companies granted, figure 9. In overall, every ten enterprises founded in Finland have provided financing from Finnvera. (Vilppo 2007, 15.)

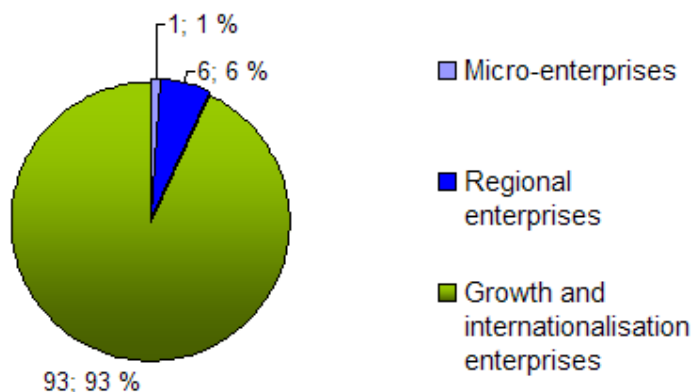


FIGURE 9. Share of Start-ups enterprises receiving grants from Finnvera in 2006. (Vilppo 2007, 15.)

Enterprises can apply to Finnvera for grants and guarantees to support any development stages of their business, such as grants for investment in machinery related to the enterprise's business operations, working capital needs, start-up, expansion projects, or for business development. Finnvera financing decisions are preceded by analysing applicants' possibilities to succeed in the market, and evaluate the total financing required for the enterprises' business operations and sufficiency of applicants own contribution. Therefore, to speed up the processing of financing application, entrepreneurs should have the written business plans with a good business idea, profitable operations and adequate cash flows from the business activities. Furthermore, Finnvera recommends entrepreneurs to visit and show written business plans to Uusyrityskeskus in advance for preparing financing need calculations and profit forecasts. (Finnvera 2009.)

In general terms of financing, on the investment amount, applicants should contribute from 20 to 40 percent themselves, and Finnvera finances the rest of the requested amount, 50 to 75 percents. The period of loan and guarantee time from one month to 15 years, and average period of time is 5 years for loans and 4 years for guarantees. It is depended on specific financial ability of each clients the interest rate and loans' security are applied. Typically the interest rate is 6-month Euribo (Euro Interbank Offered Rate), plus the margin adjusted to the risk. However, the fixed interest rate is also possible. The usual loans securities for entrepreneurs are the mortgage on company assets. (Vilppo 2007.)

There are many different types of loans and guarantees that Finnvera can offer to SMEs, some most relevant of them are mentioned in table 13. For further information and application forms, they are available in English at www.finnvera.fi. Finnvera has 16 regional offices. Entrepreneurs can send filled application form to Finnvera nearest office. In Lahti, it is located in Laiturikatu 2, 5th floor. (Finnvera 2009.)

TABLE 13. Selected Finnvera financing services for SMEs. (Finnvera 2009.)

Investment and Working Capital Financing	Development Financing
<ul style="list-style-type: none"> - newly established and existing enterprises - investment in building, machinery and equipments, and working capital 	<ul style="list-style-type: none"> - Development projects to improve SMEs' operating conditions - changes of ownership - Max financing amount: EUR 400,000
Women Entrepreneurs	Micro Financing
<ul style="list-style-type: none"> - Enterprises in which women are majority shareholders or managed by a woman, and employee less than 5 persons - investments in machinery and equipments, working capital, other business start-up, expansion projects - Max financing amount EUR 35,000 	<ul style="list-style-type: none"> - Support costs occurring during business activities of small enterprises - Max financing amount is EUR 35,000
Environment Financing	Entrepreneur Financing
<ul style="list-style-type: none"> - voluntary environmental investment on manufacturing process, energy consumptions, emission reduction, product properties, improvements in work environment - Max financing amount is EUR 1,000,000 	<ul style="list-style-type: none"> - setting up a new business taking over a business, buying a holding or partnership in an existing enterprises raising share capital of an existing business - Max amount is EUR 100,000

Moreover, enterprises can use Finnvera's guarantees as collateral for credits received from banks, insurance companies, or other lenders. Guarantee proportion can be maximum to 60 percent, and commission is 1.75 percent per year on the guarantee sum. Total amount of guarantee grant to one enterprise does not exceed EUR 85,000 in maximum 12 years. (Vilppo 2007.)

- Banks

The interest rates are variable in different periods of time, and in different banks. They are based on the Euribor rate at that moment plus the risk margin interests offered by contact banks. In order to get loans from banks, companies have to complete the legal registration, good business plans, and security for loans such as their business premises, or properties. Maximum time for a normal loan is three years. Usually foreign entrepreneurs do not have enough credits or securities, so they apply Finnvera as their loan guarantors. Finnvera guarantee agreements are covered in many banks such as Nordea Bank Finland Plc, Sampo Bank Plc, Aktia Bank Plc, Optia Saving Bank, Svenska Handelsbanken Plc, and Okobank Group Central Cooperative. (Nordea 2009.)

4.2 Business support services

At regional level, there are two enterprises expert services, providing free and confidential advice to new start-up entrepreneurs. Uusyrityskeskus direct aid to pre-start up and start up companies, while Business Incubator is development platform for new promising and economically feasible business ideas. In Lahti, Uusyrityskeskus is on Aleksanterinkatu 17B, 5th floor, and Business Incubator is in Svinhufvudinkatu 23 A, 3rd floor.

4.2.1 Uusyrityskeskus

It is a network of experts providing assistants to start-up entrepreneurs. They have 80 offices in 30 regions in Finland. In 2008, there were 8 010 new companies founded by their helps, including 1 000 new founded ones in Lahti.

Their services cover every stage of business establishment enterprises need, for example, assistance in evaluating business plan, profit calculations, funding opportunities, licences and reporting issues, preparing statements to Finnvera and Employment Office, insurances, and so on. The idea of this service is like a

central support station to enterprises, where they get helps and consultants for every issue can happen during establishing businesses. The most interesting thing of UYK services is that they are sharing experience, knowledge, networks to support start-up entrepreneurs. Figure 10 shows its co-operation model.

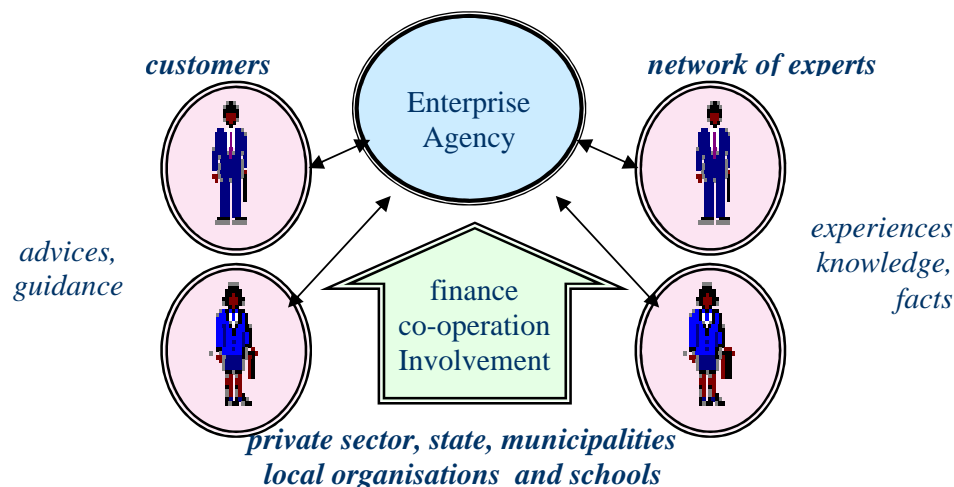


FIGURE 10. Uusyrityskeskus co-operation model (Haavisto 2007, 4.)

While UYK services are more open to all kinds of clients, Business Incubators services are for selected clients whose businesses are based on new technologies, significant research results, service innovations, and potential growths. In 2007, there were 55 clients in contracts with Lahti Business Incubator.

4.2.2 Business Incubators

Lahti Business Incubator is a branch service of Lahti Science and Business Park Ltd, and also the 2nd largest incubator in Finland. Its goal is to nurture young companies during the volatile start-up period and to help them survive until they are strong enough to go out to operate businesses on their own. Typically its services are pretty much the same as UYK, sharing knowledge, experiences, and network, plus providing office premises, office services such as telephone system,

computers and software, fax machines, and meeting facilities, sometimes, management consulting services and financing. (Nurminen 2008.)

If the business idea is evaluated as innovative and with growth potential, the Business Incubator signs a contract with the client. The incubator duration is from 1.5 to 3 years, it is depended when enterprises feel graduation and want to go to the business community by themselves, but not before two years. Not all of its services are free of charges; clients have to pay for consultants, office premises rents, office usages, contracts with incubators. However, their charges are much less than the market prices. The targets of Business Incubator do not only help new companies in pre-start-up stage but also in start up and development. Usually its clients get funds from Tekes and TE-Centres as their innovative business ideas. Figure 11 shows business incubator process.

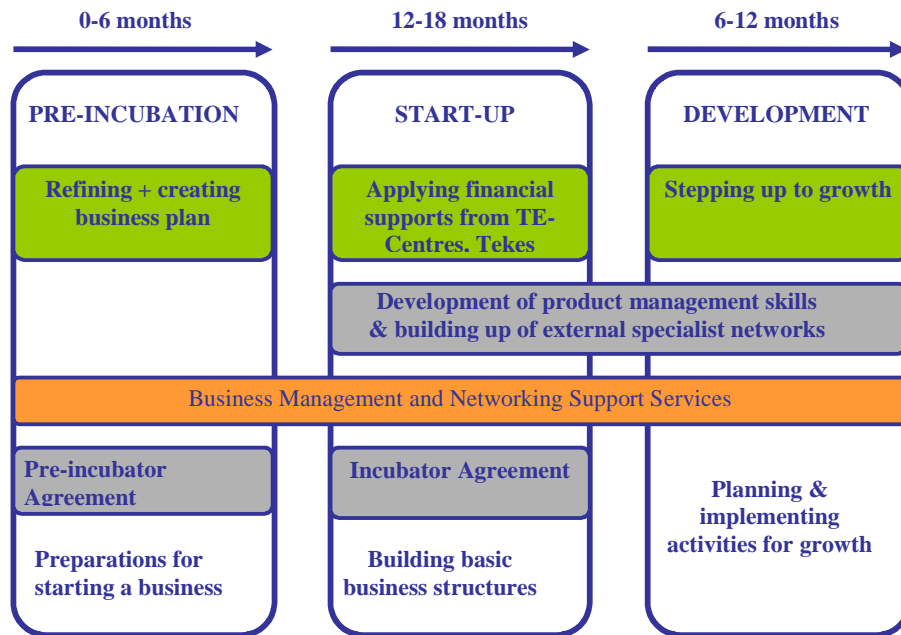


FIGURE 11. Business Incubator Process. (Nurminen 2009.)

Moreover, there is a list of useful internet websites in English for further reading to foreign entrepreneurs. The main contact offices in Lahti are also included in APPENDIX 2.

4.3 Helpful internet websites

- Enterprise Finland. The free public portal of business services for foreign companies. www.yrityssuomi.fi
- National Board of Patents and Registration of Finland. An organization specialized in industrial property rights and business ad corporation activities. www.prh.fi
- The Business Information System BIS organized by National Board of Patents of Registration and Tax Administration. BIS search offers information of enterprises registered dates, and their addresses. www.ytj.fi
- Finlex Data Bank, an information system available free-of-charge, database of translations of Finnish acts and decrees into in English mostly. www.finlex.fi
- Fonecta. Online services for looking up all of Finland's companies, services, people, contact information, maps and routes. www.020202.fi
- Bank of Finland www.bof.fi
- Finnish Food Safety Authority Evira. www.evira.fi
- Lahti Regional Development Company Ltd. Vacant business premises in the Lahti region, listing of buying or selling businesses, searching for co-operating partners. <http://www.liike.info/toimitilaporssi> (in Finnish)

- Invest in Finland. Information on the investment circumstances in Finland, as well as advices for foreign enterprises regarding establishment in Finland. www.investinfinland.fi
- Talouselama Business magazines weekly. www.talentum.com

5 THEORIES IN REALITY

Lahti is the largest city of Päijät-Häme region, with around 100,000 inhabitants. Its population is also ranked in 7th position, after Helsinki, Espoo, Tampere, Vantaa, Turku, and Oulu. Besides beautiful natural sights, Lahti is popular with its world-class standard of ski jumping hill; sport centres, wood architect park, and congress and concert centre Sibelius Hall. Here is also a promising city for your business location. (Lahti Travel 2009.)

5.1 Lahti – a good choice for business location

The most outstanding benefit of Lahti Region to enterprises is its ideal logistic location. It has good traffic connection to many other parts of Finland, by road or trains. That can save entrepreneurs a lot of time and travelling cost, for example, just one or two hours driving to big cities, Helsinki, Tampere, and Turku. In addition, within one to two hour travelling by VR, the state-owned railway company, a single ticket can cost from EUR 6 to EUR 20. Roughly, trains from Lahti to those big cities run every hour, since 6 am to midnight. Furthermore by sea transport, it is well connected to several harbours, such as Kotka, Hamina, Loviisa, Helsinki, and Hanko by rail or road transport. That helps Lahti easy to access all significant ports of destination. (Tuominen 2007)

TABLE 14. Lahti ideal logistic location. (Finland map)

From Lahti to	By road (km)
- Helsinki	104
- Vantaa-Airport	99
- Tampere	126
- Turku	213
- Jyväskylä	167
- Lappeenranta	148
- Kuovola	62
- Hämeenlinna	73
- Oulu	505
- Saint Petersburg	356

Lahti business and living costs are more affordable than others in Finland. For example, the business premises rents are 30 to 50 percent lower than in Helsinki, figure 15. Electricity, water and sewage usage fees are cheaper than whole country average, from EUR 0.80 per m³, to EUR 1.00 per kWh.

TABLE 15. Premises Rent in Helsinki and Lahti 2007 (Tuominen 2007.)

Rent EUR/m ²	Helsinki	Lahti
Business premises	69€-119€	30€-60€
Office premises	22€-26€	10€-12.50€
Warehouse/industry premises	7€-8.50€	5€-6€

There are also institutes of further education here. One of them is Lahti University of Applied Sciences, which has the most well-known branch Lahti Institute of Design. Lahti University Consortium is a network university of four Finnish universities, focus on environmental, technical and economic sciences, as well as

social and pedagogical sciences. And Salpaus Further Education, it organises vocational, training and upper-secondary school education.

Lahti is also the second most important centre for environmental industry in Finland, after the Capital region. Approximately ten percent of environment trade is located in Lahti region. It specialises in public water system maintenance, soil treatment, waste management, and recycling. In addition to focusing on environment, grains and mechatronics are also the biggest industrial clusters in this city. Some big companies situated here are Lassila & Tikanoja Plc, Hartwall Ltd, Fazer Bakeries, Sinuhe Ky, Vaahto Group Plc Oyj, Raute Oyj, Kemppi Oy, Sandvik Ab, Isku Group, Koskisen Group, Stora Enso Oyj, and UPM-Kymmene Group. (Lakes 2009.)

However, Lahti unemployment rate was over two times more than the average, 12.7 percent, and the share of all unemployment represented by long-term unemployment remains high. Moreover, it is a young multicultural city with a small number of foreigners' resident. Bureau language emphasises in Finnish.

5.2 Introduction of interview companies

There were 7 companies invited for the interviews. Two of them could not attend because of language barriers and moving business services to Helsinki. Five foreign-owned companies were chosen for the interviews, and the interview questions are attached in APPENDIX 2.

They are all located in Lahti, so that establishing process, availability of public organisations and business support services are the same for case companies. The purposes of interviews are to find out how different companies are aware of and use those services. They are in different forms of ownership, new established from one month to one year, and doing different lines of businesses. Therefore, the collecting information can cover all types of business, and update to current situation of start-up businesses in Lahti.

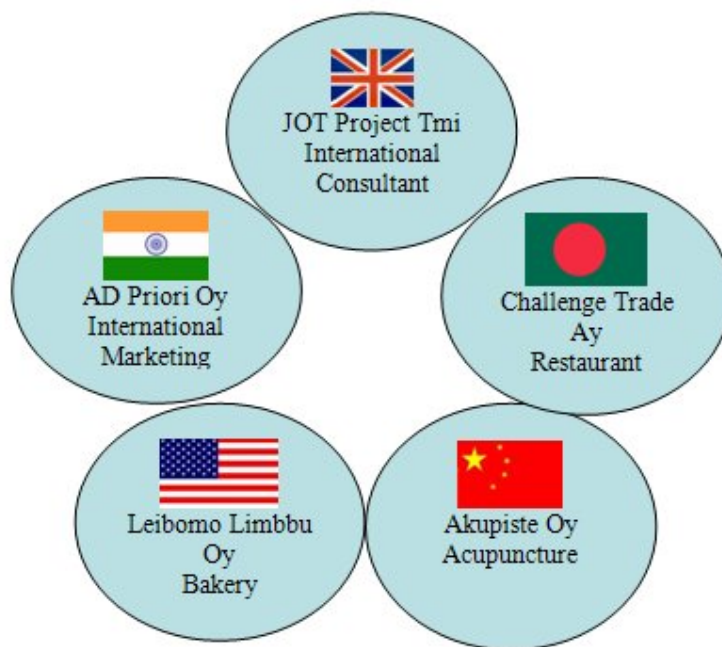


FIGURE 12. Case companies.

The research method applied in the interviews is a leading model, face to face conversations between the author and interviewees. The questions were sent by posts and emails to companies before meetings. The interview divided into three main parts, the first one for data collection about company background. The second part is the survey of how entrepreneur's start-up businesses, their understanding of business support services and supports, and usage of these services. The last is an opening part, it aims for in-dept discussions on certain issues occurred during the interviews, and also for their recommendations to improve foreign entrepreneurship.

5.2.1 Leibomo Limbbu Oy

This private limited company was opened on the first of April, 2009 and owned by Steven Bern, who comes from America, and his wife. The business premise is 275 m² and located in Sopenkorvenkatu 6, 15800 Lahti. In the beginning, it is run

by owners and one staff. They make breads, fresh pastry, cakes, and supply to local market, Helsinki and VieruMäki, which is in Heinola, an international ice hall sport centre. The interview was made on 24th March.

It is a first time setting up a bakery shop in Finland for Steven Bern. Although he has had over 30 years experience in food industry in America, he spent 3 evenings in entrepreneur training course, in order to understanding the taxation system, and legislations of employing staffs. With their good business plan, they got loan approval from Finnvera, EUR 35,000 within one month. They were in contact to Uusyrityskeskus as well. UYK helps them for checking financing calculations; statements to Finnvera for loans, and to Employment Office for start-up grants; introducing to professional consultants for hygiene matters, and auditors.

Since the first application for start-up Leibomo Limbbu in TE-Centres in the end of November 2008, it took them almost 3 months to get all paperwork ready and enough capital budgets to open the company. To Steven Bern, this start-up time can be shorter, because they were waiting for Euribor interest rate lower for starting loan period with Finnvera, and renovate their business premise. Furthermore, the establishing steps went smoothly with help from his wife who is Finnish, and doing bakery business with her family for many years. Therefore, he does not have any problems with Finnish language in preparing documents and communicate with authority offices.

5.2.2 JOT Projects Tmi

It is a private enterprise, owned by Steven Gale, an English expert in international project management with 22 years living experience in Finland. They provide a wide variety of independent services, from start to finish for international projects in Finland, including documents, sourcing, quality control, and project planning, expediting and providing additional resources as and when required. Company website is www.jotp.fi. Interview is made on 24th March.

All start-up steps, the owner went through by himself, and within 5 weeks after he applied, the company came into service in Jan 2009. Due to not having former experiences in economics, he took the full entrepreneur training course held by the Employment Office, for 3 weeks. He also got helps from UYK services in preparing business plan calculations, statement to Finnvera and Employment Office. He got the start-up grant for 6 first months, and Finnvera accepted the loan, but the owner decided not to take it.

According to Steven Gale, it was not very difficult for him to open the company. However, the only emphasis he made during the interview is the entrepreneur course, it is quite academic and hard for him to follow and understand, even in Finnish.

5.2.3 AD Priori Oy

It is a private limited company, owned by two shareholders, Nina Harjula, managing director from Finland, and Rakhshanda Khan, international marketing manager from India. The primary business service is to do market research whether Finnish technology and innovation products can imply in Indian market. In other words, they provide services to bring potential Finnish suppliers to the right Indian customers, and vice versa. They also do interpreting and web design. Company website is www.adpriori.com. Interview is made with Rakhshanda on 25th March.

Right after completing the business plan by themselves, the company was established within 1.5 months. The opening date was the first of March 2009. Their business idea was very good and innovative; therefore, they got TE-Centres funds for one year, 50 percents of all their business activities expenses, not over EUR 25,000. Moreover, they are in contract with Lahti Incubator Centre. The application to Finnvera loans got accepted after 1 week interviewed, maximum EUR 20,000 for 5 years, and without paying interest in the first year.

The Incubator Centre contributed significant aid to their start-up from the beginning, such as guiding them to TE-Centres fund and Finnvera loan, providing good office renting prices, EUR 350 per month, and other office facilities. In addition to this, Ad Priori is getting preferences and introduced to potential customers by Incubator's business network.

5.2.4 Akupiste Oy

This is a brand new massage service coming to Lahti from the second of April 2009. Accurately, three traditional Chinese acupuncture shops are operated in Finland recently. Akupiste is situated near the railway station, Vesijärvenkatu 5-7C, 15100 Lahti, or company website is www.akupiste.fi. It is run by the owner Ji Shunsheng with three staff members. The interview is done on the 26th of March.

The owner has studied in Finland for 6 years in Turku, and long experienced with massage industry and setting up procedures for Chinese companies in Kuovola.. It took over 1.5 months to open Akupiste, and the shop's decoration consumed most of the time. After 3 weeks application in TE-Centres, he got the start-up grants for the first 6 months. The Finnvera loan's application is waiting. He also visits UYK for consultant on business plan, and statements.

5.2.5 Challenge Trade Ay

This is a partnership company, shared by three foreign owners. The auxiliary trade name which is quite familiar to Lahti people is Bombe Curry House. It is established in 2005, and has two Indian restaurants at the moment located on Aleksanterinkatu 3, and Rautatienkatu 8C. The company website is www.bombecurryhouse.fi. One of the owners, Ziten Shafiquil Islam Khondoker is interviewed on the 27th March.

The interviewed owner did not know about UYK or Incubator when start-up of his business. He did not get the start-up grant either. That could be explained at

that moment he was under student condition, would not be a full-time entrepreneur. Finnvera was the guarantor for his loan in Nordea bank. To Ziten Khondoker, his start-up business time was slightly long, around 3 months, because the business plan was written in English, and it was hard for him to present it to offices in Finnish.

5.3 Results

The same 13 questions were asked to five interviewed companies, three limited companies, one private enterprise and one general partnership. All of them are small size businesses, and dealing in trade services. Their estimated turnovers are around EUR 100,000 to 300,000 in first year operating.

In the beginning of interviews, questions were asked on their motivations for setting up companies in Lahti, such as their backgrounds, interests link to lines of businesses, and why they chose a business location in Lahti. According to their answers, there are four main motivate factors mentioned mostly unemployment forces, former experiences, partnership supports, and business opportunities. Table 16 shows more details proportion of each factor impacted to case companies.

TABLE 16. Proportion motivate factors to setting up companies.

(Based on background questions)

Factors	Leibomo Limbbu	JOT Project	AD Priori	Akupiste	Challenge Trade	Average
Unemployment forces	10%	10%	30%	30%	80%	30%
Former experiences	30%	50%	10%	60%	10%	32%
Partnership support	50%	0%	50%	0%	0%	20%

Business Opportunities	10%	40%	10%	20%	10%	18%
Total	100%	100%	100%	100%	100%	100%

Business opportunities factor affects only case companies slightly. It was further discussed why they found less interested in this factor. That could be explained by reasons they chose businesses located in Lahti. It was good for delivery, offered competitive renting prices, an environment cluster focus city, beautiful natural views, and family ties, but not potential customer market for their businesses. From that, it can be understood that interviewed foreigners are both forced and opportunities entrepreneurs. They are under pressure of unemployment circumstances and also seeing promising chances in their businesses.

In part two of interviews, case companies were asked on both awareness and use of government organisations and business support business services. Concerning the government organisations, Tekes, TE-Centres, Employment Offices, and Finnvera, questions II.1, 2, and 3 were asked to companies by the organisation providing services, and by the purposes for organisations companies targeted to. Table 17 presents the proportion of companies used government organisation services during starting up time.

TABLE 17. Use of services by government organisations.
(Based on questions II.1,2, and 3.)

	Official registration	Funding & grants	Loans and guarantors	Training
Tekes	0	0	0	0
TE-Centre	100%	20%	0	0
Employment Office	0	80%	0	40%
Finnvera	0	0	100%	0

Teles services are not used, while Finnvera and Employment Office are the most widely used for applied loans and training courses, and start-up grants. The usage of TE-Centre services is highest in the innovative business, AD Priori Oy. The table 18 presents the usage rates of companies from public business support services.

TABLE 18. Use of public business support services.
(Based on questions II. 4-7.)

	Business plans	Statements	Consultants
UYK		100%	40%
Business Incubator	20%	20%	20%

Table 18 shows that among interviewed companies, the use of UYK services is the most, 100% of case companies. The overall picture that arises from these tables 17 and 18. There are some characteristics of companies that seem to have a similar effect on the services used from government organisations:

- The companies are in the common lines of businesses and small scale, as measured by the number of employed people and estimated turnovers, appear to increase the likelihood of companies having used services from public business support points such as UYK, with the exception of TE-centre's services.
- Innovative companies are more likely to have used government organisations services.

Finnvera, UYK and Incubator Centre are the best support services for the foreign entrepreneurs, based on elements such as the ease of application requirements, waiting times, customer services, and advisors. For example, less than 5 weeks companies received Finnvera's decision on financial supports. While Employment Offices has many requirements, interviews and papers to apply for start-up grants, for example business plans, entrepreneur courses, statements from UYK, and

other papers to prove full-time self-employment. Figure 13 is generated by responses from question II 10, 11 and 12, and in range 1-5 (1: totally agree, 2: agree, 3: ok, 4: disagree, 5: totally disagree).

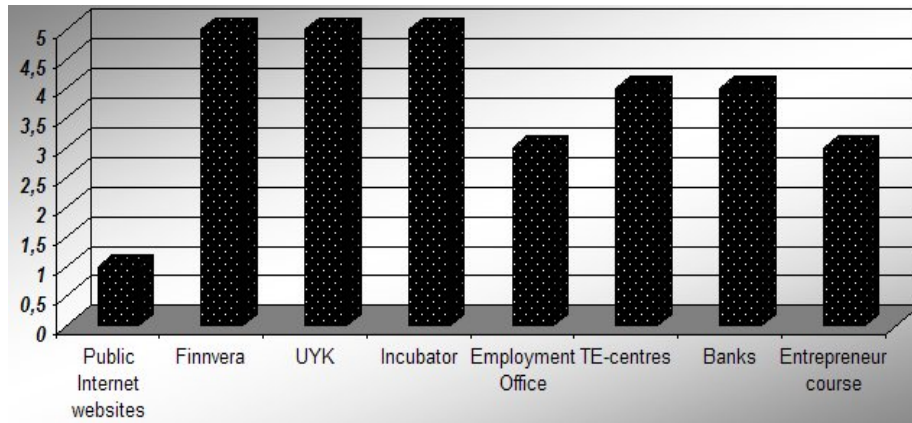


FIGURE 13. Entrepreneurs' satisfaction with business support services. (Based on questions II.10-12.)

Besides great supports from TE-Centre, UYK, Incubators and Employment Office, the entrepreneur training courses are realized as much important as others. There are three of the companies were not in entrepreneurship courses. They found that it is hard to understand regulations, taxation, and lack sourcing information, contact details which are crucial to their business, for example, related industries associations, or organisations. They hope that the training courses in English so that every entrepreneur can attend.

Four of the interviewed companies found materials, applications, information for their start-up business from direct contacts to authority offices, friends, but not from internet websites from public organisations. In their options, these public internet web pages do not fully cover necessary knowledge and needed information, and so different contents between English and Finnish versions. They are more for common web-visitors, but not for entrepreneurs. However, Taxation Administration Office webpage is ranked the best and most useful one.

At the end of the interviews, there were some questions about challenges, and problems encountered when they established businesses in Lahti. Most of interviewed foreigners found that there was no prejudices and it was easy to open companies; complicated issues such as taxation and insurance were still difficult to understand.

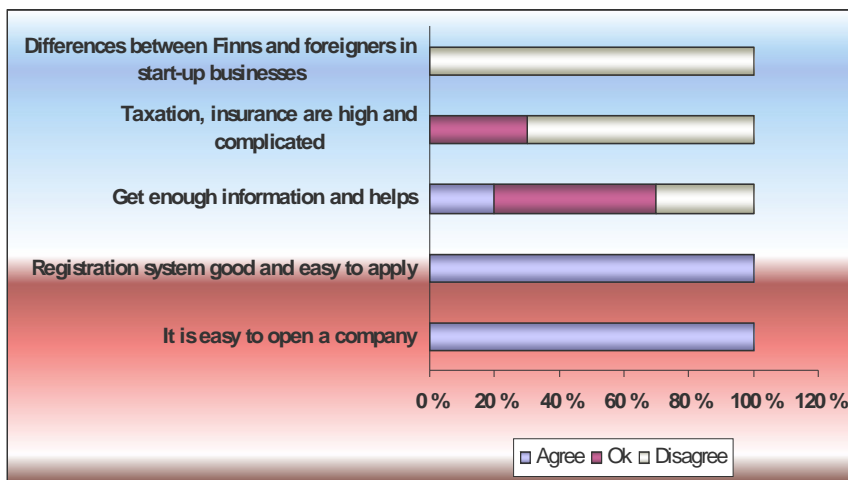


FIGURE 14. Challenges encountered when foreigners establishing business.
(Based on questions II.13.)

Some of their recommendations were a request for improving better services by government organisations, and business support points, in addition to encourage foreign entrepreneurship in Finland.

5.3 Recommendations

- “Entrepreneurs training courses should be guided in other languages than Finnish” – Stephan Gale, JOT Project Tmi.

The Employment Office reaches their targets in organising this course, it is helpful and highly agreed to among interviewed companies. Companies get to know how to do their business plan, with calculations, budget plans, and other important matters such as taxation, legislation. However, they suggested that entrepreneur courses should be guided in variable languages, recommended at least in English. Moreover, the current language is in Finnish, but it is too academic and hard to understand. The course materials provide too much information, too deep in special topics such as taxation, but not their basic concepts, and how they link together.

- “VAT tax amount is on hold so long before it is collected from customers” - Steven Bern. Leibomo Limbbu Oy.

VAT charges depend on what kinds of business, such as companies’ services relating to food industry, it counts on assets and services companies have. In most cases, VAT is 22 percent, 17 percent on public transport services, 8 percent on books and medicines. In Leibomo Limbbu Oy’s case, it can be understood that VAT is charged on company’s assets.

- “ Too much emphasis on Finnish language in paperwork. It should be translated into English” – Rakhshanda Khan. AD Priori.

Together with official documents, the business plan should be submitted in English for bank checking and other authority evaluations.

- “Updating the internet websites’ contents in English” – Ziten Khondoker. Challenge Trade Ay.

There are not many internet sources that can be trustworthy compared to government organisations. It would be nice to improve their information on their webpages, more give examples, explain about organisation functions, operations, and services.

- “I am looking forward to having business supports in the company’s development stages as well” – Ji Shunsheng. Akupiste Oy.

The start-up business support services in UYK and Business Incubator last from 1.5 to 2 years. All companies were satisfied with their help, and hope to get help in further developments of their companies. That could divert companies to use public organisations services.

6 CONCLUSIONS

It is obvious that when a foreigner establishes a business in Finland, it isn't more difficult nor different from when a local person establishes a business, except the trade permit for foreigners who are residing outside EEA area. The government plays an important support role, and very encourage entrepreneurs. They are making capital more accessible, facilitating business education, reducing regulatory burdens, and protecting intellectual property.

In Doing business 2009 statistics, Finland is in the 14th rank of ease to set-up business in the world in 2009. With Egypt, France, Georgia, Hungary, Japan, and Yemen, Finland have reduced minimum capital requirement in the past 5 years to allow entrepreneurs to be able to afford less fixed amount of capital before registration. In 2009, with a minimum capital of EUR 2,500, an entrepreneur can open his own private limited company. In addition, the regulation for foreigners to open their businesses reduced. For example, it is easier to apply for the resident permit of self-employment, 6 months extended visa for students after graduating, or students can open companies while studying.

Facilitating business education for entrepreneurs, besides entrepreneur training courses, there are public business support services for entrepreneurs start-up of companies such as TE-Centres, Tekes, Employment Office, Uusyrityskeskus, Incubators, and Finnvera. However, its biggest challenge to foreign entrepreneurs is the language. That makes the available services and information hard to realize and be used.

In short, Finland is spending a great amount for funding, changing policies, and providing public business support services to encourage small and medium size business growth. However, they are not ready to motivate foreigners to be entrepreneurs.

Foreign-owned companies do not only create more jobs for domestic labour, but also bring more services to the markets, variable products to customers, internationalisation, and exchanging cultures. In order to encourage foreigners to

do business in Finland, first of all, the business support organizations need to attract foreigners more by advertising their services in various languages, websites, making information more easily available.

The city should start promoting entrepreneurship in schools, universities to foreign students. For example, they are sponsors running some projects, campaigns such as “entrepreneur of the year” award. That could encourage students to innovate new business ideas, and desire to open companies of their own. Furthermore, UYK or Incubator Centre can advise on co-operation among new private enterprises, match their businesses to suitable partners. That is much better than supporting scattered small companies. Some experts from public business support services should visit schools, universities as guest speakers to introduce themselves and their services. Whereby, students can get clearer pictures of what they have been learning.

Indirectly promoting entrepreneurship, the cities and universities should improve the Finnish language skills of foreign students, by increasing the time and level of Finnish language courses. There is much difference in qualities of Finnish language materials for immigrants and foreign students. In other words, foreign students learn basic grammars, and vocabulary, while immigrants learn language with more related to society, practical matters. For example, the Finnish compulsory language courses for foreign students in Lahti University of Applied Sciences consists of 15 credits, which can be completed at the basic level 1 or 2 of proficiency scale of the Finnish National Certificates of Language Proficiency system. In order to understand official texts and communicate in most general topics, foreigners use Finnish language fluently, at least level 4 of national language proficiency scale.

One commonly heard view about setting up a company in Finland is difficult. What the results of this study show is that it is not hard, and there are many available facilities to support new companies, but Finnish language is crucial. The more innovative the business idea is, or the more technologically-oriented the company is, the more usable support services entrepreneurs can have.

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Contact offices in Lahti Region:

- Employment and Economic Development Centre (TE-Centre)
Rauhankatu 10, 15110 Lahti
Tel: 010 60 25000
Website: www.te-keskus.fi/hame
- Finnish Funding Agency for Technology and Innovation (Tekes)
Rauhankatu 10, 15110 Lahti
Tel: 010 60 25207
- Local Register Office (Maistraati)
Salininkatu 3, 15100 Lahti
Tel: 071 873 0171
- Finnvera
Laiturinkatu 2, 5th floor, 15140 Lahti
Tel: 03 020 46011
- Uusyrittäjäkeskus
Aleksanterinkatu 17B, 5th floor, 15110 Lahti
Tel: 03 851 5600
- Business Incubator
Svinhufvudinkatu 23A, 15110 Lahti
Tel: 03 8833 000
- Tax Office
Kirkkokatu 12B, 15141 Lahti
Tel: 03 589 3600

Interview Questions

Bui Hac Huong Thu

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I. Background

- Date :
- Interviewee Name :
- Position :
- Company Name :
- Website :
- Business services / products:.....
- Year of established :
- Form of company private enterprise partnership limited company
- Number of personnel:
- Size of business Micro (<100,000€)
 Small (100,000€– 300,000€)
 Medium (< 300,000€)
- Customers are :
- Business area (your business is in Lahti region only, or also in other regions)
.....
- Where are you from?
.....
- How long have you been in Finland?
.....

- Why you choose this kind of business?
.....
.....
.....
- Why is your company located in Lahti?
.....
- How do your background knowledge and interests effect to your business?
.....
.....

II. Questions

1. How do you get information, materials to establish your business?

Friends

Internet websites for example:

Enterprise Finland: www.yrityssuomi.fi

Foundation Information www.ytj.fi

Perustamisopas Alkavalle Yrittäjälle www.perustamisopas.fi

Please mention those website if you visited:
.....
.....

books, or libraries

direct contact to offices such as

TE – Centres

Employment Offices

Uusyrittyskeskus

Others

Others sources

Among those sources, which ones are useful to you mostly?
.....

2. Your comments about information in these official websites, do you think you get enough needed information? for example

- taxation from Taxation Administration Office www.vero.fi

.....

- National Board of Patents, and Registration www.prh.fi

.....

- Maistraati www.maistraatti.fi/

.....

- TE-Centres: www.te-keskus.fi

.....

- Employment Office: www.mol.fi

.....

- Enterprise Finland: www.yrityssuomi.fi

.....

- others

.....

3. At start-up step, which kinds of helps you needed. And could you explain further how you get helps for that?

- business plan

.....

.....

- paper works to register your business

.....

.....

.....

- financing, start-up grants, credit to get loans from banks

.....

.....

.....

- find location of your business

.....
.....
.....

- advices for accounting, marketing, or any other matters

.....
.....
.....

- anything else

.....
.....

4. Did you visit Uusyrityskeskus for helps ? What kinds of helps you get from them?

.....
.....
.....

5. How important Uusyrityskeskus to your company establishment? And do you satisfy with their services?

.....
.....
.....

6. Without going through Uusyrityskeskus, do you think you can establish the business by your self?

.....
.....

7. Are you aware of the funding options and other business support services offered by? And did you use that?

- Finnvera
- Loans
- Guarantees
- others
- Tekes
- TE-Centers
- Employment Office
- start-up grants starttirahaa
- others
- Incubators
- others

8. How long have you been waiting for the applications accepted, such as:

- start-up grants
- loans from Finnvera
.....
- loans from banks
.....
- business authority register
.....
- others

9. If your application was not accepted, because of

- No need
- Don't know about that
- application process was too complex
- no suitable option was available
- other reason

10. Range from 1 – 5, how did you satisfy with those services? 1: very satisfy, 2 satisfy, 3 Ok, 4 not really good, 5 Totally bad

- Finnvera
- Tekes
- TE-Centres
- Employment Office
- Uusyrityskeskus
- Incubators
- banks (which banks you contacted?)
- others

11. If you do not satisfy, what do you want them to improve?

- Finnvera
- Tekes
- TE-Centres
- Employment Office
- Uusyrityskeskus
- Incubators
- banks.....
- others
-

12. Have you met difficulties during opening your business because of

- language
.....
.....
- local regulations
.....
.....

- getting credits from bank
.....
.....
- prejudices
.....
.....
- many competitors
.....
.....
- taxation
.....
.....
- others
.....
.....

13. How do you think these proposals? Range 1 – 5 for each of them.

(1: totally agree, 2: agree, 3: ok, 4: disagree, 5: totally disagree)

- it is easy to open a company here
- the register system is good and easy to apply
- I get enough information and helps when starting up this company
- It does not take long time from your business idea accepted from Employment Office to real opening day
- Taxation is so high.
- Lahti is a good location for my business
- I am planning to develop my business in couple years.....
- I also get help from local business services after starting up my business.....
- There is no difference between a foreign and a local citizen in establishing business here

Open part:

- From your experience, what you want to share with new entrepreneurs?

.....
.....
.....

- In order to improve the services to support foreigners to set up business in Lahti, what could you say?

.....
.....
.....
.....

Thank you very much !