Entrepreneurship in forestry – is it worth activating?

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**Abstract.** Small and medium-sized enterprises (SMEs) play a central role in both developing and developed countries since they are considered as the most promising platforms for job creation and economic growth. Entrepreneurship has a rather long history in mechanised forest work in many countries but entrepreneurship is now also gradually spreading to other forms of forestry work. The paper describes the current situation of entrepreneurship in manual forest work in the Tampere Region, Finland. It examines the case studies and discusses entrepreneurship on the basis of literature. Based on our findings, it is important to construct a special support network of forest enterprise start-ups since new enterprises can bring new innovations in this sector. Networking has in many investigations shown to improve the competitiveness of the companies. Therefore, more research should be directed at this field. Manual forest work enterprises have in many cases successfully managed to improve their work processes but more focus should be directed towards the reengineering of business processes.

**Key words:** entrepreneurship, forest work, start-ups

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**Introduction**

Forestry in Finland is facing big challenges in the near future. There have recently only been investments in new mills and production facilities in areas where production and raw material costs are low. In order to survive ever increasing competition, the Finnish forest industry is forced to search for new, alternative ways to reduce production costs.

Governmental forest organisations and the forest industry hire new employees very reluctantly. Wood procurement companies, big forest owners and forest owners’ associations increasingly buy the services of private entrepreneurs. The forest sector calls for new thinking and new ways of organising work.

Entrepreneurship has in fact a rather long history in Finland. Unlike in Sweden, forest machines in Finland were already owned by private forest machine entrepreneurs in the early phase of mechanisation. The most efficient entrepreneurs have been given bigger and bigger contracts that have enabled increases in machine utilisation that in turn have a crucial effect on the unit cost of work.

Entrepreneurship is now also gradually spreading to other forms of forestry work. In manual work, new ways of organising labour are now considered. Forests are offering numerous work possibilities: forest plantation, clearing of young stands, pre-harvest clearing, forest planning, drainage projects, bioenergy thinning, collection of harvesting residues, etc.
This paper describes the current situation of entrepreneurship in manual forest work in the Tampere Region. It examines the case studies and discusses entrepreneurship on the basis of literature. Based on these findings, the paper concludes what the most important research topics and methods to support forest entrepreneurship are. The work is based on the project aiming to activate forest entrepreneurship in the Tampere Region in Finland led by the Metla Parkano Research Unit.

**Literature review**

**Entrepreneurship as a common phenomenon**

Small and medium-sized enterprises (SMEs) play a central role in both developing and developed countries. In the EU, SMEs comprise approximately 99% of all firms and employ about 73 million people between them. According to the new European definition, companies with fewer than 50 employees are categorized as small and those with fewer than 250 as medium. In certain cases, companies with less than 10 people are categorized as micro companies.

SMEs, in contrast to large companies, have a reputation for innovation. SMEs usually, however, have difficulties in obtaining capital, especially in the start-up phase. Since SMEs are considered as the most promising platforms for job creation and economic growth, fostering SMEs is one of the top priorities in many countries.

It is important to understand that SMEs behave very differently to large companies. It is wrongly assumed that the primary goal of SMEs is profit. Although a certain degree of profit is a prerequisite for staying in business, the primary motivation is usually certain personal ambitions. In many cases entrepreneurship is the only alternative to unemployment.

The term ‘entrepreneurship’ is commonly used both in literature and in practice parallel to term SME. The word ‘entrepreneur’ comes from the French term entreprendre, which means “to undertake; to pursue opportunities; to fulfil needs and wants through innovation and starting business” (Burch, 1986). There is no commonly accepted definition for entrepreneurship but many researchers stress the significance of innovativeness, risk-taking and pro-activeness in the behaviour of entrepreneurs.

There has been a significant amount of recent research into entrepreneurship. Many researchers have shown that entrepreneurship can, to large degree, be learnt (e.g. Spinelli & Timmons, 2003). The general attitude towards entrepreneurship is also important. It is therefore a common trend in many societies to increase entrepreneurial education and support for new firm start-ups. Research and theory development in the field of entrepreneurship has moved from the study of personal characteristics toward integrated models of entrepreneurship. Entrepreneurship is very often just a case of learning by doing. There are several studies that indicate that persons who have started a new business at one time, have a larger probability of starting another new business at a later stage.

The entrepreneurship literature distinguishes between opportunity-based entrepreneurship and necessity-driven entrepreneurship. Opportunity-based entrepreneurship reflects the voluntary nature of the involvement; the entrepreneurs also have other choices available, while in necessity-driven entrepreneurship the decision to start a business is less voluntary.

The Global Entrepreneurship Monitor (GME) is an international research programme that assesses the national level of entrepreneurial activity. According to GEM, entrepreneurs are more likely to be men aged between 25 and 44 years and over 50% of those involved in entrepreneurial activities are pursuing a business opportunity,
while more than one third start their business because they do not have other options. Opportunity-motivated entrepreneurship is dominant in developed countries, while necessity-motivated entrepreneurs are more common in developing countries.

**Entrepreneurship in the forest sector**

There are relatively few studies on entrepreneurship in the forest sector but this subject is beginning to receive more attention (Högnäs, 2000; Hultåker, 2006). Rametsteiner and his co-authors have conducted a very broad investigation into innovation and entrepreneurship in Central Europe (Rametsteiner et al., 2005). There has also recently been a special issue on innovation and entrepreneurship in ‘the Forest Policy and Economics’.

According to Rametseiner et al. (2005) opportunity-driven entrepreneurship is rather rare in forestry. Most documented innovations and entrepreneurial activities are necessity-driven. So far, for products and services other than timber, markets are underdeveloped. Technological innovations are mainly driven by the “timber countries” in Northern and Central Europe. As the technology has achieved a rather mature phase, more emphasis has gradually been directed to process innovations in these countries.

With regard to process and organisational innovations in forestry, the first steps seem to be staff reductions and outsourcing. However, there is growing interest in implementing horizontal and vertical co-operation. A typical by-product in this rationalisation process is the development of forest entrepreneurs that sell forest services to forest companies.

The forest sector is not commonly regarded as innovative or entrepreneurial. There are several reasons for that. Firstly, forest holdings are often heavily linked to agricultural production. If the farmers’ main attention is on agricultural production, forest management is then seldom in focus. Secondly, forestry is in many countries subsidised by governments, and this may lead to a lack of competition and hinder innovation and entrepreneurial behaviour. Thirdly, forest properties serve different functions for forest owners such as extended private gardens, hunting areas, family traditions, investments, etc. Forest owners may be innovative and entrepreneurial in their main profession but not with regard to forest management. The whole social environment in forestry is rather conservative, also with regard to business opportunities.

Lunnan et al. (2005) investigated attitudes and start-ups in the Norwegian forest sector and found out that a high risk-taking attitude and the ability to recognise business opportunities increase the probability of start-ups. Their model predicting probability of start-ups is presented in figure 1.

![Figure 1. Relationship between entrepreneurial attitude and probability of starting up new businesses (Lunnan et al., 2006).](image-url)
The authors found the results very interesting since the backbone of almost all research in modern entrepreneurship is that entrepreneurship, to a large degree, can be learnt. They foresaw that entrepreneurial activity within society could be increased by directing more efforts towards entrepreneurial education.

Case study: project to activate forestry-based entrepreneurship

Historically the SME-sector in manual forest work has been quite weak in Finland. The market is shared between big forest companies, Forest Management Associations (FOA) and Forestry Centres. There haven’t been many private companies which sell forest work services, like manual logging, thinning and clearing. The situation is changing. The trend is that big organizations are reducing the number of their own forest workers and want to use services provided by the private sector. The big forest companies: Metsäliitto, UPM-Kymmene and StoraEnso have been the pioneers of this trend, but other organizations are following. Some of the forest management associations have changed their strategies as well and started to buy forest work services from the private sector. In August 2005 a project started which aims to activate forestry-based entrepreneurship in the Tampere Region. The project is led by the Finnish Forest Research Institute, Parkano unit.

At the moment there are only between 30 and 40 companies in the Tampere Region, which sell manual forest work services. The majority of them are one-man companies. There are less than five companies which employ two persons or more full-time. Nowadays there is growing demand for these kinds of companies. The main reason for this is outsourcing, which seems to be a strategy.

In our project we try to encourage new entrepreneurs to start their business and assist already existing companies in increasing their activities. Furthermore we work with unemployed people and try employing them in these new or growing businesses. The focus of the project is on forestry, so wood processing companies are not included in the project. The project will last until December 2007.

Entrepreneurship activation consists of:
1. developing new operation models of forestry-based entrepreneurship for new companies,
2. developing or enlarging the business of existing companies,
3. helping new companies to start their business,
4. activating research concerning forestry-based entrepreneurship.

The work is tailored according to the needs of the companies. The entrepreneurs can get a plan of action and profitability calculation for their business. They are also assisted in finding funding and co-operation partners. Training is arranged for entrepreneurs as well as the unemployed who wish to have a new job in forestry. The project is partly financed by the European Social Fund and the Finnish Ministry of Labour.

Findings based on our case enterprises

Based on our findings, we categorize manual forest work enterprises into three categories:
- one-man enterprises
- promising potential
- top players
One-man enterprises are founded by workers that have typically worked several years as a forest worker or forest foreman in normal salary work. They are not interested in increasing business or hiring another worker in their company. They usually work very locally and many of them want to work only part of the year. The number of these kinds of firms is increasing. The project has helped to start up seven new one-man enterprises within the last six months. Half of them are necessity-motivated entrepreneurs, who were left without work because of outsourcing. The start of these new companies has gone smoothly. Already now, after couple of months, the demand for their services is greater than they can meet. Their biggest clients are forest management associations and local forest owners.

Some young forest professionals have noticed that there are growing opportunities for new ideas and new ways to organise work. The business climate is starting to be mature enough to accept and encourage this kind of development. Also there is a lack of typical salary work opportunities so entrepreneurship is a more tempting choice than before. These young potential entrepreneurs are usually ready to take a risk and have the ability to recognise this new situation as a business opportunity.

It is certain that the starting of a new business requires good social skills. The entrepreneurs are foremen for forest workers so it is a prerequisite that they are also ready to work themselves or have at least a good background in forest work. These new entrepreneurs, who have a good educational background and ability to take risks, are promising potential in the forest sector. Some of them can build a flourishing business and employ several employees within the first five years.

There are rather few enterprises that have already managed to increase their business to a larger scale. These companies can be considered as top players in the market. The entrepreneur usually has a very strong background in the forest industry, forest training or FOAs. They have an excellent network amongst forest owners, the forest industry and other business partners. The biggest manual forest work enterprises in Finland, located in Central and Eastern Finland, employ some 50 forest workers.

Competition for good forest workers is increasing. Already now there is a lack of professional forest workers and the situation is getting worse because of retirements. Forest work is not very popular among young people when they are choosing their careers. The image of forest work should be improved so it would also be tempting for younger generations. Nowadays one of the biggest obstacles to growth is the difficulty in getting a good work force. The winners find ways to lure good employees. One way for example is to secure work throughout the year.

Forest work has traditionally been disturbed by seasonal variation. Forest workers in Finland have until recently been employed by the forest companies or by the FOAs. Since the beginning of the 1990s most harvest operations have been carried out by a harvester. This has caused serious problems in employing forest workers during the wintertime. This kind of situation is problematic for both employer and employee. The only driving force of a forest company is to gain profit and the only driving force of the FOA is to serve the forest owner.

Successful manual forest work enterprises have turned this situation upside down. The main intention of the Metsä-Pirkka company is to employ and keep their workers satisfied. Investment in workers has led to good results. Workers are motivated and loyal to their employer. As noticed in many investigations, the importance of salary as a factor in work satisfaction has decreased and the importance of other factors such as significance of the work, atmosphere between employer and employee, etc. has increased. The Metsä-Pirkka company has broken barriers and changed the situation in the market. The entrepreneur and a couple of foremen actively search for a new
working site for their workers. The work orders are coming from forest companies, forest machine entrepreneurs, FOAs, big forest owners, etc. The product mix of the work varies greatly. The only focus is to keep workers employed and to keep the cost of the work at a reasonable level.

Entrepreneurship seems to increase the process of innovation in many cases. The entrepreneur who has earlier worked as a normal employee, looks at the world with a different eye. Instead of waiting for working instructions, he can foresee business opportunities all around. Reputation spreads quite fast. Good enterprises very often work at full capacity.

**Conclusions**

It has been shown that entrepreneurship can be learnt. The general atmosphere against entrepreneurship is gradually changing in many European countries, also giving more opportunities to forest entrepreneurship. It is important that entrepreneurial education is given in schools and universities. The forest sector is unique. Basic support systems for new enterprises are important but forest entrepreneurship requires special support. It is important to construct a special support network of forest enterprise start-ups since new enterprises can bring new innovations in this sector.

In addition to start-ups, regional support consultation may help the most promising enterprises to grow into important players in the market.

Our work on this subject has raised several important research topics. Networking has in many investigations shown to improve the competitiveness of the companies. Networking and its effect on the competitiveness of forest enterprises would be a very interesting research topic. Many companies have successfully managed to improve their work processes. This is always a very important task. In addition to work processes, more focus should also be directed towards the reengineering of business processes. How do the companies manage their customers? How is the purchase or order process managed? How do companies control quality? These are questions that are certainly important for successful forest enterprises.
References


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