Driving Factors of Tourism Investment Decisions and Lapland's Attractiveness in Tourism Investments

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The research area of this thesis is tourism investments and investment decisions in the investment process. Its objective is to understand and increase knowledge of the investment decision making, mainly in the tourism context, more precisely in the tourism context of Lapland, Finland. The main research question is: How are the tourism investment decisions made? This broad question is divided into five sub questions as follows: In what kind of process do investors make decisions? How are quantitative analyses and methods used in the investment decision making process? How do the qualitative factors affect investment decisions? How do the factors of investment target attractiveness affect investment decisions? How should the case company be prepared to meet the investors' decision making process requirements?

This study has three main sections. They are; tourism industry context, theoretical framework and findings of the semi-structured interviews as an empirical section. This study also includes a development proposal for the case company. Finally, the study includes conclusions and discussion. The tourism industry context explains the development of tourism, especially in Lapland, Finland. It also summarizes the challenges, trends and strategies in Lapland's tourism and acknowledges sustainable development in tourism. The theoretical section reviews the literature and earlier research in investment decision making. It comprises the investment decision making process, investment process and qualitative and quantitative methods, analyses and the criteria of investment decision making. It also overviews how target attractiveness affects decision making. Findings section, based on the analyses of interviews, presents the "real-life" perspective. It was discovered that companies make their investment decisions as a process. Several qualitative and quantitative analyses and factors affect their decision making. It was notable that qualitative analyses were weighted as very important and ecological values and sustainable development tend to be important in tourism investment decisions.

Findings section also includes a development proposal for the case company. Its purpose is to give practical information to the case company on how they should be prepared to meet the investors' requirements in different phases of the decision making process. The presented development proposal is a summary and is aimed to act as a basis for discussion. As investment decision making is based on information retrieval and it includes various analyses, this study summarizes the principles, process and some useful methods of service design, from the theoretical perspective. This is meant for a comprehensive analysis and understanding of the service settings and business environment of the desired investment project and its potential success.

Keywords Investment decisions, Investment process, Tourism, Tourism destination, Tourism investments

Tiainen, Petri

Matkailuinvestointien päätöksentekoon vaikuttavat tekijät ja Lapin houkuttelevuus matkailuinvestoinneissa

Vuosi	2013		Sivumäärä	101

Tämän tutkimuksen aihealueina ovat matkailuinvestoinnit ja investointipäätöksenteko investointiprosessissa. Tutkimuksen tavoitteena on ymmärtää ja lisätä tietoa investointien päätöksenteosta matkailukontekstissa, pääosin Suomen Lapissa. Keskeinen tutkimuskysymys on: Miten matkailuinvestointipäätökset tehdään? Tämä laaja aihe on jaettu viiteen alakysymykseen. Nämä kysymykset ovat: Millaisessa prosessissa päätöksiä tehdään? Miten määrällisiä analyyseja ja metodeja käytetään investointien päätöksenteossa? Miten laadulliset kriteerit vaikuttavat päätöksentekoon? Miten investointikohteen houkuttelevuuteen vaikuttavat tekijät vaikuttavat päätöksentekoon? Miten case-yrityksen (tai vastaavan) tulisi valmistautua täyttääkseen investoijien päätöksentekoprosessin kriteerit?

Tässä tutkimuksessa on kolme pääosaa. Nämä osat ovat: matkailukonteksti, teoreettinen viitekehys ja empiirinen osa, joka sisältää havainnot puolistrukturoitujen haastattelujen analyyseista sekä kehitysehdotuksen case-yritykselle. Lopuksi tutkimus sisältää loppupäätelmät ja loppukeskustelun. Matkailukonteksti käsittelee matkailun kehittymistä, erityisesti Lapissa. Se myös tiivistää matkailun haasteet, trendit ja strategiat Lapin matkailun osalta ja käsittelee myös kestävän kehityksen roolia matkailussa. Teoreettinen viitekehys keskittyy investointipäätöksentekoon, päätöksentekoprosessiin, laadullisiin ja määrällisiin metodeihin, analyyseihin ja tekijöihin kirjallisuuden ja aiemmin tutkitun pohjalta. Se myös käsittelee investointikohteen houkuttelevuuden merkitystä investointipäätöksenteossa. Empiirinen osa esittää näiden aihealueiden pohjalta käytännön läheisen näkökulman, joka pohjautuu haastatteluista saatuun tietoon. Empiiriset havainnot osoittivat muun muassa, että yritykset tekevät päätöksiä prosessissa. Lukuisat määrälliset ja laadulliset analyysit ja tekijät vaikuttavat päätöksentekoon. Oli myös huomioitava, että luontoarvojen ja kestävän kehityksen merkitys on keskeinen matkailuinvestoinneissa.

Empiirisen osan yhteydessä on esitetty myös kehittämisehdotus case-yritykselle (varsinainen ehdotus liitteenä). Sen tarkoituksena on esittää käytännöllistä tietoa case-yritykselle (tai vastaavalle) siitä, miten heidän tulisi valmistautua investointiprosessiin. Toisin sanoen, miten heidän tulisi valmistautua eri prosessin vaiheisiin läpäistäkseen investoijien kriteerit ja analyysivaatimukset kussakin prosessivaiheessa. Investointien päätöksenteko käsittää valtavan määrän taustatietoa ja lukuisia erilaisia analyyseja. Tämän johdosta tässä tutkimuksessa on myös esitelty tiivistetysti palvelumuotoilun teoriaa ja erilaisia palvelumuotoilun metodeja. Tämän tarkoituksena on antaa hyödyllistä tietoa kokonaisvaltaisen palvelutarjonnan ja toimintaympäristön ymmärtämiseen. Tätä tietoa voidaan hyödyntää case-yrityksen analyyseissa investointiprojektin potentiaalista ja menestymismahdollisuuksista.

Avainsanat Investointipäätökset, investointiprosessi, matkailu, matkailukohde, matkailuinvestoinnit

Contents

1   Introduction

This chapter includes the purpose, objectives and research questions. It also defines the key concepts and gives background information of this study. The introduction also summarizes the research methodology.

1.1   Background of the study

Lapland can be seen as one of the most attractive places in the world. Lapland's nature has inspired artists, fascinated visitors and created magical moments for years and years. It is also one the most important areas in Finnish tourism creating memorable travel experiences for local and international visitors, because of the uniqueness of the nature and the activities.

Tourism is considered as one of the main industries in Finnish Lapland and it has been mainly growing the last decades. This development has enabled the Northern regions to develop their economy and service offerings. (Lapin matkailustrategia 2011-2014 2010.)

Growing tourism and economy in Lapland requires investments. Regional travel destinations must invest in infrastructure and services to attract visitors, especially international ones. Latest big investment projects were finished during 2008 in the Lapland destinations and generally tourism investments have been in moderate level during 2009-2010. (Harju-Autti 09/2011.)

Investment is a spending to capital and financial assets that are made by private or public organizations or governments in the expectation of getting future returns. Tourism investments are targeted to tourism industry, and such investments underlie and support tourism development. Investment decisions refer to capital budgeting decisions as decisions to acquire assets. Investment process describes how investment projects are being carried out in companies and organisations. (Dwyer et al. 2010.)

It is commonly believed that investments in Lapland have mainly been made by the government. This is not, however, true. According to the survey conducted by The Regional Council of Lapland, i.e. the Levi and Ylläs ski destinations have built buildings and infrastructure worth of 1000 million Euros during 2000-2009, in which sum the share of the government was only 3 %, including company, road and waste etc. subsidies. (Lapin matkailustrategia 2011-2014 2010.)

To conclude, growing tourism and economy in Lapland requires private tourism investments. Knowledge of the factors and motives that effect on decisions of the tourism investments in Lapland have become a focal point of interest to both researchers and to practitioners.

This thesis aims to understand how the investment decisions are made, and is Lapland an attractive investment target. Are those decisions made purely on the grounds of the "hard" quantitative calculations and earning expectations or does e.g. Lapland's unique nature and sustainable development have any effect on decision making?

1.2   Purpose and objectives of the study

The purpose of this thesis is to describe how the tourism investments are made, especially from decision making perspective, in a way that it increases the knowledge and understanding of the investment decision making and investment decision making criteria mainly in the tourism context, more precisely in the tourism context of Finland's Lapland.

Objective of the study

The objective of this study is to understand and increase knowledge of the investment decision making. The research setting is the tourism investments and investment decisions in the investment process.

Research problem to be answered is:

 How are the tourism investment decisions made?

Research sub problems are:

(1) *In what kind of process investors make decisions?*
(2) *How are quantitative analyses and methods used in the investment decision making process?*
(3) *How do the qualitative factors affect investment decisions?*
(4) *How do the factors of investment target attractiveness affect investment decisions?*
(5) *How should the case company be prepared to meet the investors' decision making process requirements?*

Based on the theoretical propositions from the literature, the tourism investment decisions are made in process, mainly on the grounds of the "hard" quantitative calculations and earning expectations. Many factors effect to investment decision making, but the unique

nature and sustainable development have a small affect to it. (Niskanen & Niskanen 2007; Sykianakis & Bellas 2005; Dwyer et al. 2010; Puttonen & Knüpfer 2009; Allen et al. 2008; Ferreira 2011; Drury 2012; Newell & Seabrook 2006.)

To answer those research questions and to solve the research problem, the thesis tries to get familiar of the Lapland's tourism industry and its attractiveness factors for investments, to study strategic investments and decision making process and investment criteria, and to find out by interviewing different kinds of companies' professionals how they make investment decisions and, which factors affect their decision making.

This thesis has been carried out in co-operation with the case company Noitatunturi Oy that has holiday destination development project in the Pyhä-Fell Area, and is one of the land owners there. On these grounds, this thesis tries to describe how the tourism investment decisions are made, as well as Lapland's attractiveness as an investment target. The quantitative investment calculations are not in the main role, but, however, the study tries to describe and understand the grounds the decisions are built on. Finally, this thesis gives information to case company, and other companies, how they should proceed in their inflow investment process.

This study was conducted in three main phases. It started with a need to find out information and to understand phenomena. The first phase was to get familiar with the tourism industry and Lapland's tourism based on the earlier literature and the industry reports by the government as well as the case company.

The second phase was based on earlier research and text books, to study and describe investment decision making and investment processes in theory and to develop the theoretical framework. The third phase, the empirical part of the study, consisted of research design, data collection, data analysis and findings. The knowledge and the perspective were increased and deepened with semi-structural theme interviews of the investment decision making, investment process and destinations' attractiveness. Taking this into consideration it was important to get familiar with the regional context extensively, study theory and find out the real-life experiences by interviewing five professionals in this field of industry. The semi-structural interview included interview theme selection, interview invitations, interviews, transcripts and analysing. Findings are presented anonymous so that the process information or details of the decision making cannot be identified to any of the above companies to secure business sensitive information.

The research method used in this study was a qualitative and a holistic single-case study and descriptive by nature (Yin 2009).

The basic research methodology decisions were at first made based on the guidance of text-books (e.g. Alasuutari 1999; Eskola & Suoranta 1998; Ghauri & Gronhaug 2005; Hirsjärvi & Hurme 2008; Hirsjärvi, Remes & Sajavaara 2009; Ojasalo, Moilanen & Ritalahti 2009).

The choice of the research method used in a study depends much on the research problems and on the types of research questions stated. The case method is generally preferred when "how" and "why" questions are being posed, when investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context. (Eisenhardt 1989; Ghauri & Grönhaug 2005, 172-173; Yin 2009, 18.) Qualitative case study was seen as the best possible research method for this study.

1.3   Definitions of the key concepts

Tourism

Tourism is a phenomenon that has social, cultural and economic aspects. It involves people's movement to other countries or places that they live or considered as their usual environment. Such movement is made for personal or business/professional purposes. Tourism has impact on economy, natural and built environment, local population, destination and the tourists themselves. Due to such vide range of impacts, there is a need for production and development of goods and services by vide spectrum of stakeholders for the use of tourists and it requires holistic approach to tourism development, management and monitoring. (UNWTO 2013.)

Tourism Destination

Tourism destination is a place that tourist or traveler wishes to visit for a stay at least for a night. Tourist chooses the tourism destination in order to experience some of the destination's features or characteristics as to satisfy tourist's perceived travel experiences. Tourism destination can be a country, region or area e.g. city, town or a village. Tourism destination must have some attraction, function or other sub factor that tourist or traveler can enjoy or experience. Transportation, infrastructure and services are essential to tourism destination. (Harrill 2009.)

Tourism investments

Investment is a spending to capital and financial assets that are made by private or public organizations or governments in the expectation of getting future returns. Tourism investments are targeted to tourism industry, and such investments underlie and support

tourism development. Tourism investments are important to tourism companies and to tourism destinations. By investing into tourism companies, their future productive vitality is stronger. Tourism investments into the tourism destinations, on the other hand, will support the overall capacity to satisfy tourism demand. Generally tourism investments provide needed funds to develop tourism projects. This way it affects to tourism facilities, destinations and services enticing more tourists and bringing growth. (Dwyer et al. 2010.)

Investment decisions

Pike and Neale (2009) refer investment decisions to capital budgeting decisions. They determine investment decisions as decisions to acquire assets. This thesis is concentrated in investment decisions into investment decision process, management, analyses and factors that affect investment decision making.

Investment process

Investment process describes how investment projects are being carried out in companies and organisations. Researchers have found similarities in different companies' investment planning and conducting although investment processes are always connected to companies' culture and planning practises. This thesis presents a six phase investment model that has the following phases; recognition phase, search phase, information retrieval phase, selection phase, funding phase and investment project implementation and monitoring phase. (Niskanen & Niskanen 2007.)

1.4   General outline and structure of the study

The first Chapter provided an introduction to the research field, the purpose and objectives and goals. Chapter 1 also explains the key concepts and briefly outlines the research methodology (more detailed in Chapter 4). Figure 1 illustrates the structure of this thesis. It is based on the content of the each Chapter.

Chapter 2 concentrates in tourism industry. It gives an outline of the present state of the tourism and its global and local development. Tourism development concentrates into tourism development in Finland's Lapland. It includes the overview of the main destinations and how amount of visitors and overnight stays have developed. Chapter 2 also explains Finland's Lapland market position and competition and gives information about Northern region tourism investments in Finland. Addition to this, Chapter 2 covers the tourism challenges, trends and lists the main points of Finland's tourism strategy for 2020 and Lapland's tourism strategy, vision, values and goals for 2014.

Chapter 3 reviews the literature and earlier research in this topic area. The theoretical framework comprises investment decision making process, investment process and qualitative and quantitative methods, analyses and criteria of investment decision making. Chapter 3 also overviews how target attractiveness effect on decision making.

Chapter 4, the research methodology, deals with methodological as well as validity and reliability issues. It presents the case company and describes how the data has been collected and analyzed.

Chapter 5 provides the main results of the present study as well as a development proposal for the case company. Finally, based on the empirical results, a summary, conclusions marks as well as implications and discussion are presented in the Chapter 6. References, lists of tables and figures and attachments can be found at the end.
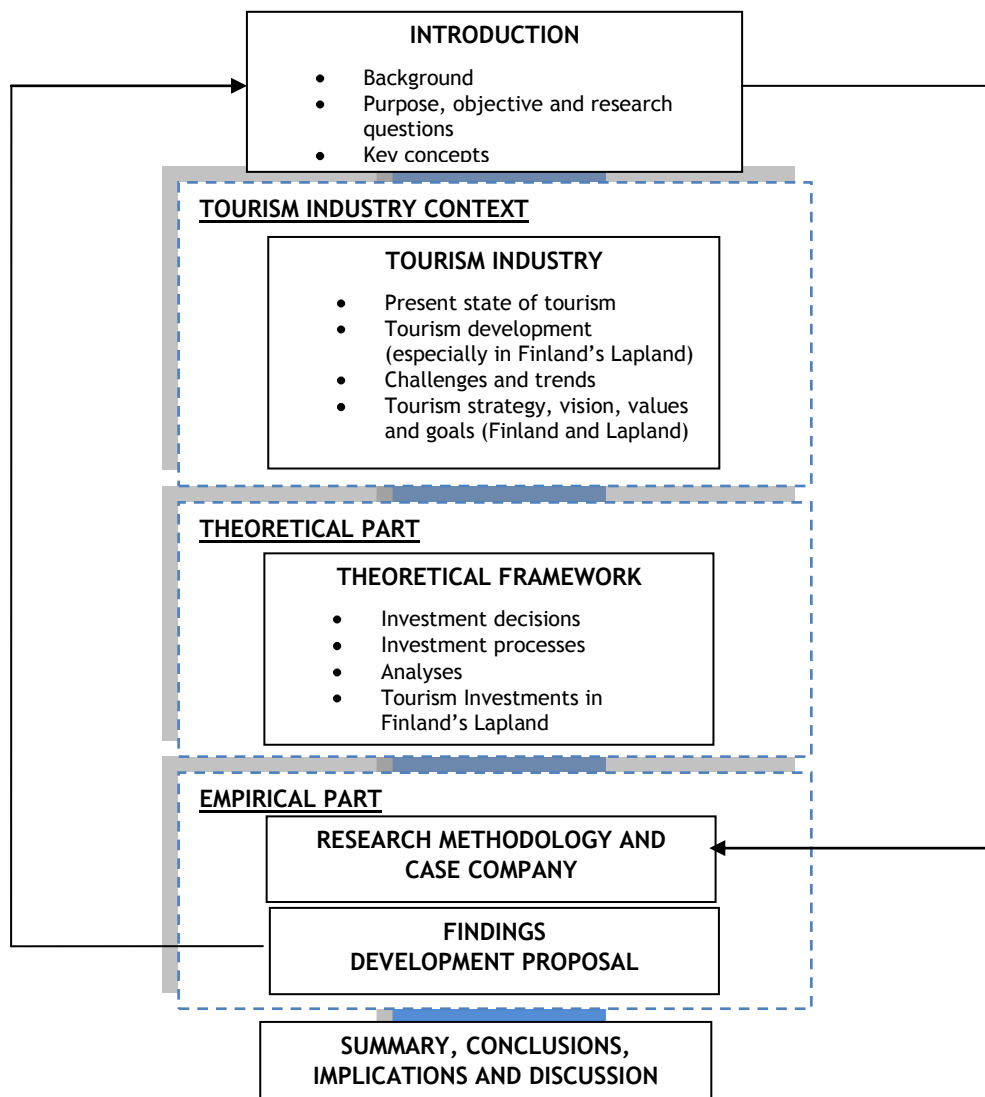

Figure 1: Structure of the study

2   Tourism industry context

This Chapter concentrates in tourism. It describes the development of tourism in terms of amount of arrivals globally and the development of Lapland's tourism by overnight stays. This Chapter also summarizes the challenges, trends and strategies in Lapland's tourism. Strategies are presented in country and Lapland Region perspective. This will give the holistic view of the total environment and gives fruitful foundation to discussion of the investment decisions later in this thesis. This Chapter also talks about sustainable development in tourism, especially in hotels and ski resorts. It is notable that tourism generally is a vide subject and taking into consideration that case company's project in tourism destination is relatively quite big, it was well argued that tourism was handled as its own Chapter in this study. This Chapter includes lot of percentage and other figures, so figures and tables are placed to help readers.

Year 2012 was a great year for tourism in many areas. Globally tourism exceeded a billion arrivals mark in 2012 and is expected to grow in 2013 (UNWTO 2013). Finland had also good numbers. Lapland had more visitors than ever in 2012 (Tourism Statistics 2013) and according to Rautajoki (2013) tourism investments in Lapland will continue in the same level till the end of decade and will continue after 2020 in over a billion range. It is also notable that Sweden has been investing heavily in the past years, but Finland will have the biggest tourism investments in the Northern Region of Europe (Rautajoki 2013). These subjects and tourism development will be presented more detailed in this Chapter.

According to UNWTO's World Tourism Barometer (2013), global tourism reached an annual billion mark first time in history in 2012. Total arrivals were globally 1035 million, which is 4 % more than in 2011. Highest growths were in Asia and in the Pacific areas with 7 % growth. Tourism demand did held well throughout the whole year 2012 even the last quarter was supposed to be low in tourism. World is still suffering the economical challenges but UNWTO is still expecting that tourism will continue its growth during 2013. The growth is expected to be in the same level with 3 %-4 % annual growth. This growth is in live with UNWTO's long-term forecast that predicts 3,8 % annual growth between 2010 and 2020. Biggest growth regionally is expected to happen in Asia and Pacific (5 %-6 %), Africa (4 %-6 %), the Americas (3 %-4 %), Europe (2 %-3 %) and the Middle East (0 %-5 %). Middle East's forecast however cannot be trusted because of the violence and unstable situation in the region. (UNWTO 2013.)

Tourism, according to overnight stays in accommodation facilities, has been growing again in Finland in past few years. Year 2008 was a very good year for tourism in Finland, but during the winter time 2008-2009 tourism started to decrease. During 2009 overnight stays

decreased totally by 4,6 % and non-resident stays decreased by 10 %, but international tourism demand in Finland started to grow again soon in 2010. Total overnight stays grew by 3,8 % from 2010 to 2011 and again by 1,6 % till 2012. Total amount of overnight stays exceeded first time 20 million in Finland. Non-resident stays grew by 5,4 % and resident stays only by 0,2 %.

Russians were the biggest non-resident tourist group and their overnight stays exceeded 1,5 million for the first time. Tourism from Russia has been growing constantly and they visit Finland year-round, but first time in years their overnight stays in Finland decreased in January 2013 by 3 %. Also the total amount of overnight stays decreased from January 2012 to January 2013 by 3 %. Resident stays degreased by 4,2 % and non-resident by 1,5 %. (Finnish Tourist Board 2013; Tourism Statistics 2013.)

More detailed statistics of the tourists by regions will be presented in the Lapland tourism development part, as that is the main focus of this thesis.

2.1   Tourism development in Finland's Lapland

This section lists the main areas and tourism destinations in Finland's Lapland. It also gives information about overnight stay amounts in different destinations and overnight stays by different countries. This part also gives information of the investments in Northern region of Finland.

Regional Council of Lapland divides Lapland in six areas in their publication Lapland in figures 2012-2013. The areas are Northern Lapland, Fell Lapland, The Valley of Tornio, The Region of Rovaniemi, East Lapland and Kemi Tornio (Figure 2).
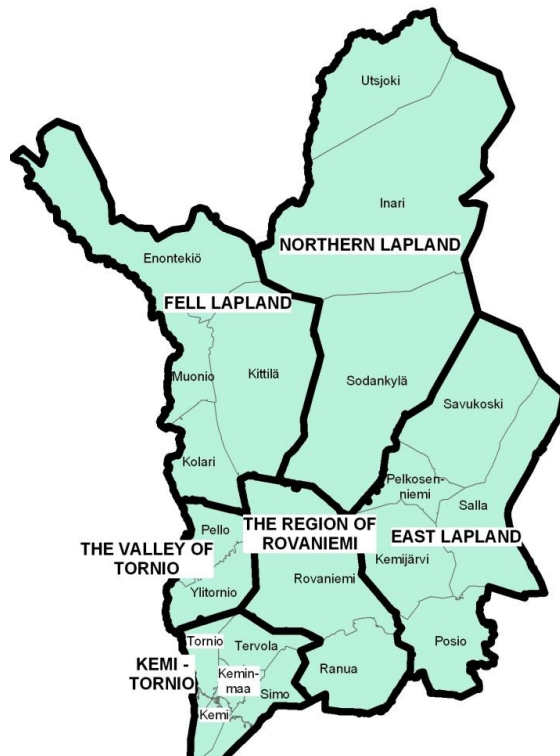
Figure 2: Lapland areas (The Regional Council of Lapland 2009)

These areas include most popular Lapland destinations such as Saariselkä, Pallas, Olos, Levi, Ylläs, Pyhä-Luosto, Rovaniemi, Sallatunturi and Suomu (Figure 3).
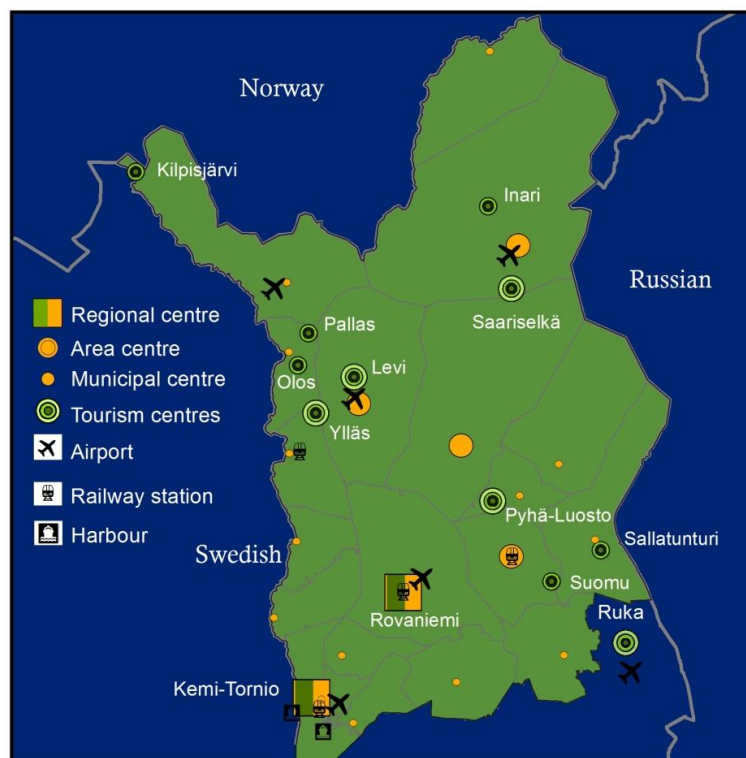
Figure 3: Lapland destinations (The Regional Council of Lapland)

Below Figure 4 shows the comparison of the different Lapland destinations' overnight stays in 2012. Red colour (top block) indicates non-resident visitors and blue colour (below block) local visitors.
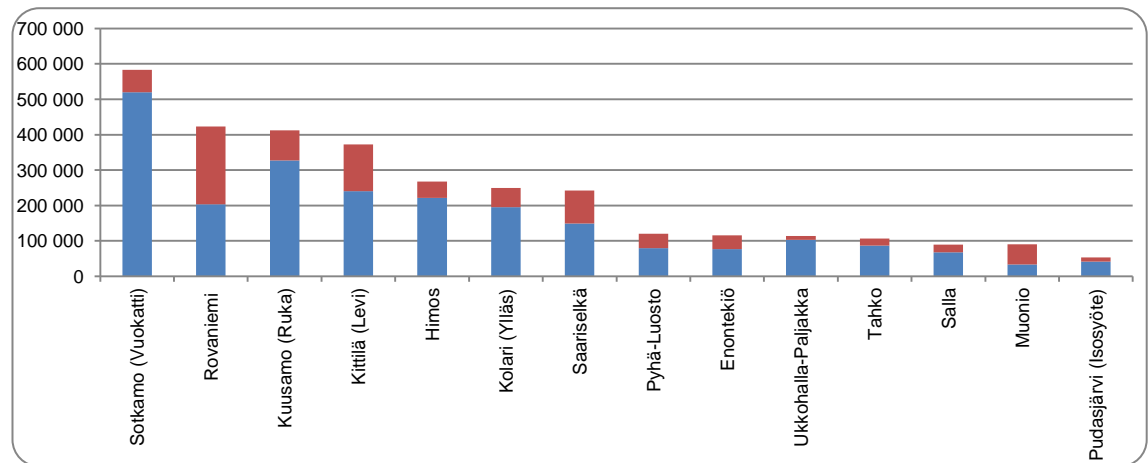
Figure 4: Non-resident and local nights spent in Lapland's destinations in 2012 (Tourism Statistics 2013)

2.1.1   Finland's Lapland market position and competition

Lapland is competing of the tourists with other attractive tourism areas in Finland such as Helsinki, the Turku Archipelago and Finnish Lakeland. Lapland's share of the total Finnish market in 2012 was 12 % (overnight stays). Share of the non-resident stays was 17 %. Although domestic market is very important, this thesis will concentrate on international competition.

Sweden had a biggest market share of the international tourists in Nordic in 2009. Sweden got 36,5 % of the international tourists in Nordic. Denmark's market share was 26,6 %, Norway's 21,1 % and Finland's 15,8 %. Finland's biggest competitors in tourism are Sweden, Norway and Austria. Sweden is Finland's biggest competitor and was the only Nordic country that was able to grow tourism in 2009, which was generally difficult year for tourism industry in Nordic. (Lapin Matkailustrategia 2011-2014 2010.) Surprisingly, Finnish tourist board published an article in June 2012 saying that Finland became the non-resident tourism market leader in Nordic. Tourism grew 14 % in the first quarter of 2012 and attracted 1,3 million non-resident overnight visitors, leaving Sweden to the second place with 1,1 million overnight visitors. (MEK 2013.)

In addition to domestic competition, Lapland's tourism industry competes mainly with North Sweden and North Norway. Tourism has been developing in those areas and they are

attracting both, resident and non-resident tourists. In winter tourism Lapland is competing also with European Alps. According to Finnish Tourist Board's survey, Finland's Lapland was second popular destination in cross country skiing (after Norway), but in the downhill skiing and snowboarding Finland's Lapland was only sixth. However, Finland's Lapland was successful in other winter tourism products i.e. snowmobile, dog sled, reindeer, ice fishing, winter driving school and ice breaker tours. (Lapin Matkailustrategia 2011-2014 2010.)

Finland cut the Finnish Tourism Board's budget between 2008 and 2010 by 34 %. Sweden and Norway did the opposite. They have been investing in their destinations and especially Sweden has been active with tourism development and marketing. Sweden increased their tourism marketing budget by 36 % between 2008 and 2010. It is well known that Sweden will be attracting lot of tourists in the coming years, because of the recent investments and will increase its market share. (Lapin Matkailustrategia 2011-2014 2010.) Tourism investment projects that are expected to start before 2020 have a slightly different balance. According to Lapland Chamber of Commerce's publication European High North Business Yearbook 2013 from Arctic Business Forum, Finland's Lapland will have investments of 1 430 million Euros to tourism when Sweden will have 850 million Euros (including Cold climate car testing and Spaceport in Kiruna), Norway will have 516 million Euros and Murmansk region 81 million Euros. In that sense Finland will be answering to the North Europe Region competition in tourism (Rautajoki 2013).

2.1.2   Overnight stays development in Finnish Lapland

Travelling in Lapland grew constantly from year 2000 to 2008. During that period overnight stays grew annually by 4,5 %. The growth stopped in 2009 due to big decrease of non-resident stays and overnight stays decreased by 4,5 % in 2009, which adjusted previous year's growth to zero. Decreasing continued in 2010 by 0,3 % from 2009. Amount of overnight stays have been increasing again in 2012. In March 2012 there were 4,3 % more overnight stays than in March 2011. This is mainly due of the 15,1 % increase of non-resident stays. This increase didn't however last long. Non-resident stays decreased again in January 2013 by 1,5 % from the previous year. (Tourism Statistics 2011; Tourism Statistics 2012; Tourism Statistics 2013.)

Below Figure 5 describes the development of the overnights in Lapland and its market share development in Finland from 2001 to 2012.
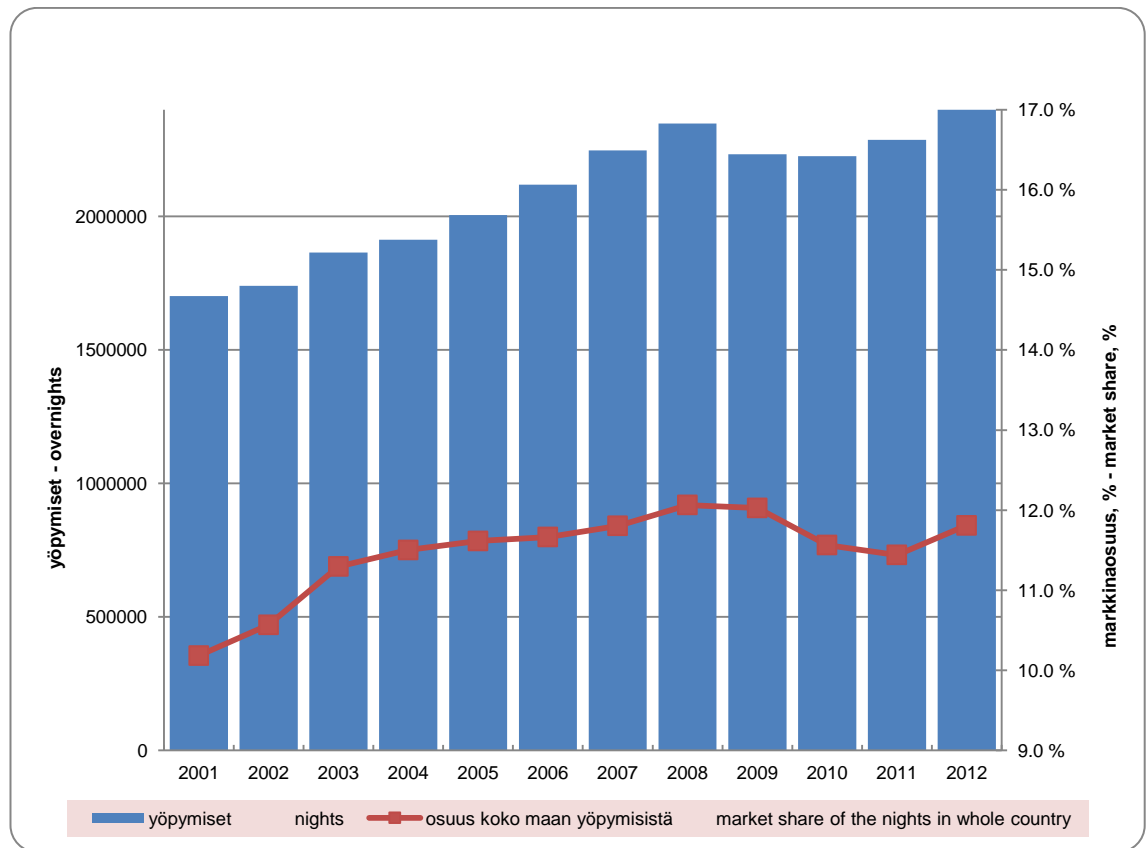
Figure 5: Overnights and Lapland's market share of the overnights in Finland (Tourism Statistics 2013)

Capacity of accommodation establishments in Finland was totally 63 208 in 2011. Lapland's share of this capacity was 8 706. Lapland's capacity has grown by approximately 20 % since 2001. These numbers don't however include the number of free-time residences that are commonly popular in Finland. In 2010 there were 489 232 free-time residences in Finland, and 29 876 of those were in Lapland. The total number of nights spent at accommodation establishments in Finland in 2010 was 19,2 millions and in Lapland 2,2 millions. Lapland had 15 262 hotel bed places (excluding cabins etc) in 2010 with occupancy rate of 30,4 %. (Tourism Statistics 2011; Tourism Statistics 2012.)

According to Tourism Statistics (2012), 26 % of the total overnight stays in Finland in 2010 were non-resident. Lapland's share of the non-resident overnight stays was 16 %. It is interesting to see that non-resident overnight stays' share of the total overnight stays in Lapland in 2010 was 36 %. Compared to total overnight stays (resident and non-resident), Lapland has more non-resident overnight stays than generally.

Comparing overnight stays in March 2011 and in March 2012 there have been increase of total stays by 1,6 % and stays in Lapland have increased by 4,3 %. Non-resident overnight stays have

increased in the same time period by 15,1 % in Lapland and by 5,5 % in Finland generally. It can be easily seen that Lapland has started to interest non-resident visitors again and amounts of overnight stays are again increasing after difficult past few years. (Tourism Statistics 2013.) Comparison of the previous years can be found below (Figure 6).

Nights spent in Lapland in previous years
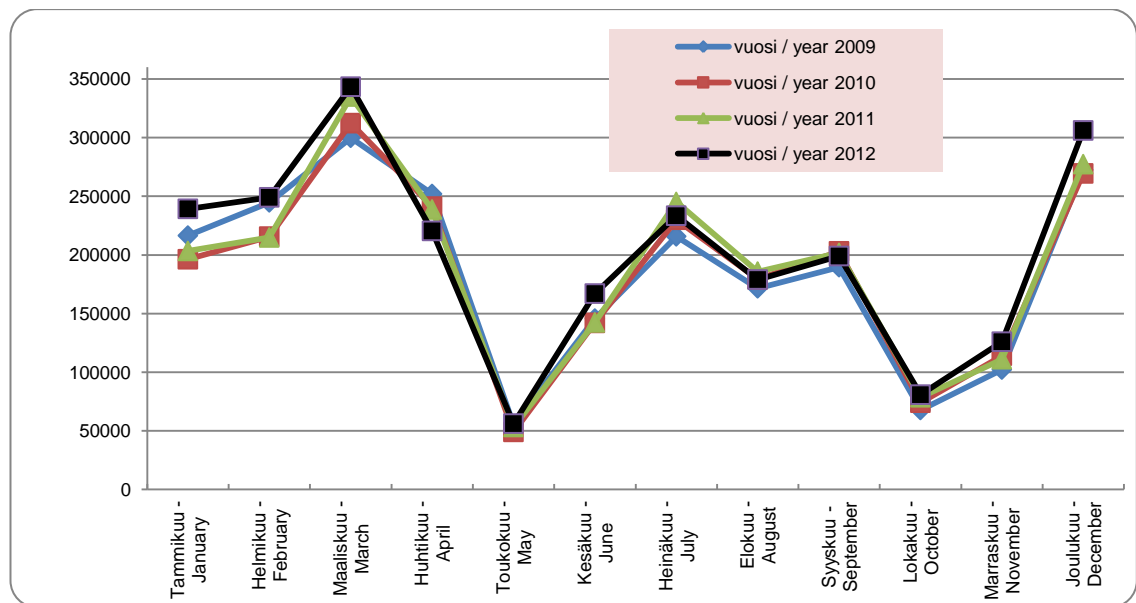
Figure 6: Overnight stays development in previous years in Lapland (Tourism Statistics 2013)

Figure 7 below shows how many nights non-resident visitors spent in Lapland in 2010. Overnights are presented by origin country. Figure 8 shows year 2012 figures for comparison.

Non-resident nights spent in Lapland by country in 2010
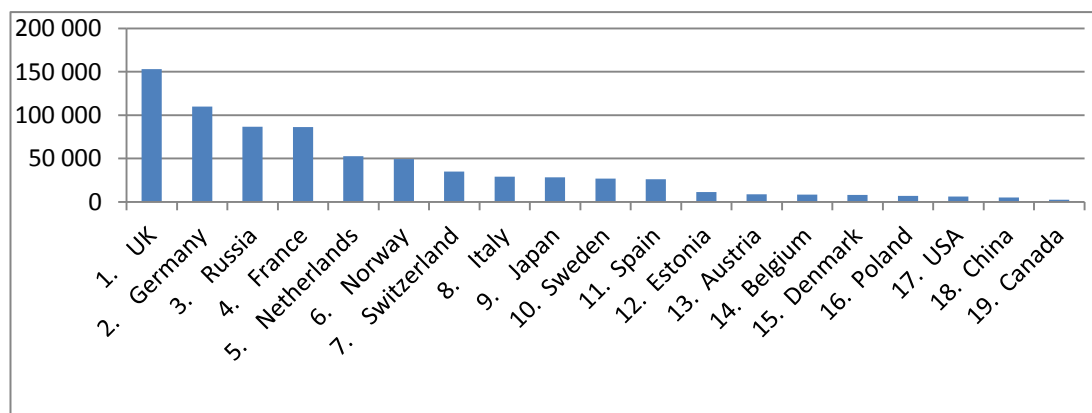
Figure 7: Non-resident nights spent in Lapland by country in 2010 (Tourism Statistics 2011)

The biggest decrease of the nights spent by residence was UK by 20,4 %. This is commonly explained by financial crises' affect to Brits Christmas travel cut backs. The biggest increase was China by 39 %. Nights spent by Chinese are generally low compared to other countries, but according to Lapland tourism strategies it is expected that amount of Chinese tourists will grow heavily in the future.

Non-resident nights spent in Lapland by country in 2012
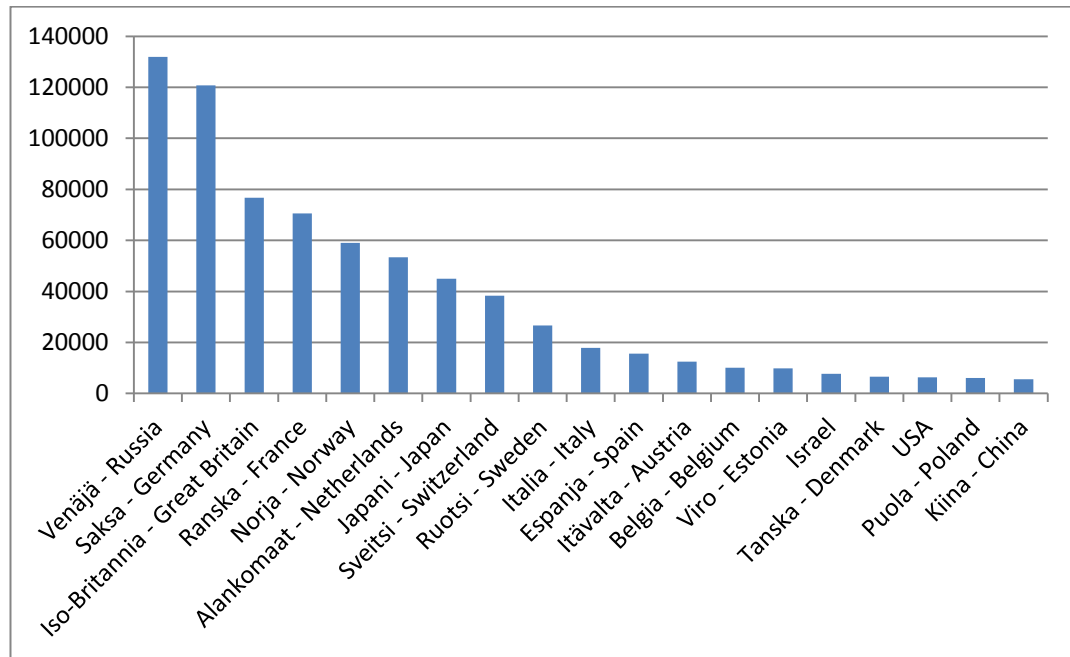
Figure 8: Non-resident nights spent in Lapland by country in 2012 (Tourism Statistics 2013)

2.1.3   Companies and investments in Finnish Lapland

Total investments into tourism were around 1 000 millions in Lapland over the last decade. Most of the investments focused in the Fell Lapland area, more precisely in Levi and Ylläs districts. Although economy has been suffering in recent years, it is believed that tourism investments in Lapland will continue worth of around 1 000 millions by the end of this decade. Increased competition between the northern regions, Sweden and Norway, is expected to increase the investments in the near future. (Rautajoki 2013.)

Tourism branch is growing again in Lapland. Year 2012 was the best year for Lapland tourism ever. This development supports investments after difficult times although some of the tourism investment projects are suffering in Lapland region. The biggest hotel project in Rovaniemi (Valioranta) has been cancelled due to change in plans by the expected investor. This has caused the delay in town planning process, but it is expected to be solved soon.

Another big hotel project in Kemi (Sarius) has also been suffering and it is expected to get back on track latest in 2020. Besides of the setbacks in these projects, Levi-Ylläs area investments are on their way and are expected to start in couple of years. Saariselkä has also big development plans with ski slopes and hotels. These projects are also expected to start before 2020. Overall tourism investments projects that are expected to start before 2020 are worth of 1 430 million Euros. Commonly known projects can be found in below table (Table 1). (Rautajoki 2013.)

Projects expected to start before 2020	million €
Laatumaa/Lapaland hotels(etc, Ylläs new tourism resort	600
Levi Summit -phase 2	200
Saariselkä enlargement project	450
YIT, Kemi Sarius	120
Hotel Santa Claus, Rovaniemi, phase 2	30
City-Hotel, Rovaniemi, phase 2	10
Lapland hotels Oy, Pallas, reconstructions/enlargement	20
TOTAL	1 430

Table 1: Tourism investment projects expected to start before 2020 (Rautajoki 2013)

Tourism investments in Lapland are 15 % of the total investments in the region. Total investments that are expected to start in Lapland are worth of 9 750 million Euros. Other investments include i.e. industry, mining, oil and gas, bio energy, transportation etc. More detailed branch based investments can be found in Table 3. Table 2 shows investments into transportation infrastructure. This is very important investment area for Lapland tourism. Transportation infrastructure investments are in direct link with tourism success. This is naturally because of the handling of the customer flows. Finland must be able to transport all tourist to Lapland internally and also from abroad. Transport infrastructure investments are shown in below (Table 2). (Rautajoki 2013.)

Projects expected to start before 2020	million €
VT 4 Rovaniemi, highway constructions	25
VT4 Pohjois- Ii - Kemi, highway constructions	91
Sokli mine - railway from Kemijärvi	425
Kemi-Kolari railway upgrade	255
Rovaniemi-Sodankylä, railway constructions	325
Mining roads (Sokli, Suhahko, etc.)	40
Kemi, deep water port	105
TOTAL	1 266

Table 2: Transport investment projects expected to start before 2020 (Rautajoki 2013)

Total investments that are expected to start before 2020 in North Finland area are worth of 14 985 million Euros. North Finland area includes Lapland, Oulu and Kainuu region. Lapland tourism investments' share of total investments in North Finland is 9,5%. Below table lists investments by branch in Lapland (Table 3).

All investments by branch	million €
Industry	1300
Mining industry	3379
Oil and gas	0
Hydro energy	135
Wind energy	1410
Bio energy	220
Nuclear energy	0
Energy transfer networks	610
Trade	0
Tourism	1430
Transport infrastructure	1266
Public investment	0
TOTAL	9 750

Table 3: All investments expected to start before 2020 by branch in Lapland (Rautajoki 2013)

2.2 Tourism challenges, trends and attractiveness

Tourism has grown into one of the largest and fastest growing economy in the world. Tourism has experienced continuous expansion and diversification in the past six decades. International tourist overnights amount has grown from 277 million in 1980 to over a billion in 2012. This growing trend is assumed to continue till 2030 as described in section 2.1.1. The inbound tourism (including transportation) exceeded 1,2 trillion USD in 2011 and contributed 30 % of the world's exports of commercial services and 6 % of the overall services and goods globally. Today emerging economies are challenging the traditional advanced economies in tourism and this trend is seen to continue. Emerging economy destinations are forecasted to increase their tourism in double pace between 2010 and 2030 (+4,4 % per year) compared to advanced economies. This means obviously that traditional destinations are being challenged by new destinations. I fact the emerging economies had already 47 % market share in 2011 and their market share of the international tourism is expected to be 57 % by 2030 with over one billion international overnights per year. (UNWTO 2012.)

When destinations need to compete of the tourists and attract visitors they must think holistically. The economical performance is surely one of the main areas of the destination competitiveness but overall competitiveness includes the performance of many other

dimensions as well. Ritchie and Crouch (2003) point out in their book The Competitive Destination - a sustainable tourism perspective that competitive destination should be able to increase tourism expenditure and to attract more visitors while providing them satisfying and memorable experiences. They also emphasize that such destination should do so in a profitable way and same time enhance the well-being of the destination residents. Competitive destination should also preserve the natural capital of the destination for future generations. Competitive destination has multidimensional strengths, which can be categorized to economical, social, cultural, political, technological and environmental strengths. (Ritchie & Crouch 2003.)

The Regional Council of Lapland has conducted a regional development plan to 2030 where they describe how the region of Lapland will be developed. It is a joint, desired, development direction for Lapland. This development plant gives also a foundation to Lapland tourism development. In their regional development plan they describe the environmental trends to 2030 that challenges also tourism. The trends for 2030 are listed in the Table 4.

- Globalization goes further and economical structures will change
- Importance of China, India and Russia will increase
- Demand of energy and raw-materials will increase
- Importance of food industry will increase
- Technology development continues and changes the world
- Security and life environmental quality will be emphasised
- Competition of employees and professionals will increase
- Main population will be older than today
- Importance of information networks will increase
- Global warming and ecological efficiency will be emphasised
- Multiculturalism will be emphasised
- Demand of innovations and know-how will increase
- Business models will change
- Experience based society and creative economy will grow

Table 4: Trends for 2030 (The Regional Council of Lapland 2009)

2.3   Finland's tourism strategy to 2020

Finland's Ministry of Employment and the Economy has outlined the policies for the public sector's contribution to promote tourism industry in Finland to 2020. This strategy is more likely a political comment on the actions to develop the tourism industry in Finland and it concentrates on developing industrial and commercial activity. The Finnish Tourist Board has made its own tourism strategy to 2020 that focuses on operative measures. This part of the thesis is based on the ministry's point of views and lists the main points of that strategy.

Finland's tourism strategy to 2020 lists four good reasons to promote tourist industry: Tourism is an industry with high multiplicative effects on the economy, tourism has intense employment effects, tourism brings wellbeing to regions and tourism has growth potential. (Ministry of Employment and the Economy 2010.)

Finland's tourism strategy to 2020 (2010) also lists Finland's strengths and weaknesses to the grounds of the strategy. These strengths and weaknesses are listed in below Table 5.

Strengths	*Weaknesses*
• **Accessibility from Russia**	• Awareness of Finland
• **Attractive tourist areas (i.e. Helsinki, the Turku Archipelago, Finnish Lakeland and Lapland including Kuusamo)**	• Accessibility
• **Diverse tourist centres**	• High price levels

Table 5: Finland's strengths and weaknesses in tourism (Ministry of Employment and the Economy 2010)

Finland's tourism strategy to 2020 by the Ministry of Employment and the Economy (2010) has three main objectives, which are the development of the tourism sector, reinforcing the image of Finland as tourist destination and general industrial policy starting points. Each of these objectives has goals and measures that are not listed detailed in this thesis. Main actions of each objective have been listed in the Table 6. These objectives have been set by the Ministry of Employment and Economy, which means that they have a governmental point of view.

1. **Development of the tourism sector**
   a. Strengthening of tourism clusters and networks
   b. Supporting the growth and development of the enterprises in the home markets and internationally
   c. Attention to sustainable development in tourism business processes and supply of services
   d. Development of education in the tourism industry and enhancement of competences
   e. Improving the infrastructure of tourism areas
   f. Better utilisation of research and market data
2. **Reinforcing the image of Finland as tourist destination**
   a. Strengthening tourism marketing
   b. Enhancing Finland's international visibility
3. **General industrial policy starting points**
   a. Development of taxation
      i. Lower restaurant VAT
      ii. Lowering energy tax rate to tourism companies to same level with industrial companies
      iii. Incentives for environmentally responsible energy use
      iv. Oppose flight and other travel taxes that are based on distance (discriminates Finland because of the distance location)
   b. Improving accessibility by promoting rail and air traffic
   c. Promoting year-round activity

Table 6: Finland's tourism strategy objectives (Ministry of Employment and the Economy 2010)

Quantitative goals in Finland's tourism strategy to 2020 are GDP´s increase to 5,1%, government tax revenue increase to 7,5 billion, employment increase to 171 000 and tourism receipts increase to 20,7 billion. International arrival overnight stay goal has been set to 5,1 million in the ministry's strategy. (Ministry of Employment and the Economy 2010.)

2.4   Finland's Lapland tourism strategy 2011-2014

The Regional Council of Lapland has conducted Lapland Tourism Strategy for years 2011 - 2014. Lapland tourism strategy has been made because tourism industry has grown so important to the Lapland Region. Tourism has helped small, long distance, areas' economy and helped them to employ, grow and develop infrastructure and services. Lapland tourism

strategy describes a vision, guides the development and determines the focus points where public subventions should be targeted. Additionally strategy describes values and goals. (Lapin matkailustrategia 2011-2014 2010.)

2.4.1 Finland's Lapland tourism vision, values and goals 2014

Values

Lapland Tourism Strategy is based on the five main values. These values are: Lapland's uniqueness (Laplander), Customer satisfaction and quality, innovativeness, security and respect of nature. Values describe Lapland's identity and personality. Tourism is based on the authenticity like pure nature and personal, unique, Laplander (Sami) culture. Tourism services concentrate to individuals and friendliness. Lapland is full of creativity and it enables creative activities in natural surroundings. Lapland is also very secure travel destination and non-polluted and pure. Lapland's tourism will be developed ecologically and will be based on sustainable development. This way the future generations can also enjoy of the true, pure and unique Lapland experience. (Lapin matkailustrategia 2011-2014 2010.)

Vision

Lapland's vision includes two parts: slogan and goal. The vision is: ""Lapland – PURE VITALITY near you". Lapland will be the leading destination for sustainable nature and experience tourism in Europe in 2020." (Lapin matkailustrategia 2011-2014 2010.)

Vision's slogan has keywords that have deeper meanings. "Lapland" stands for authentic, secure and exotic. "Pure" describes the nature, space, natural food and quality. "Vitality" in the vision means personal, memorable, activities and different kind of luxury. "Near you" on the other hand has wider meaning. It describes the accessibility in many levels e.g. transportation, internet, business and presence. (Lapin matkailustrategia 2011-2014 2010.)

Goals

Lapland tourism Strategy 2011-2014 (2010) has qualitative and quantitative goals. Qualitative goals are economical growth, affectivity and quality, accessibility, marketing and sales and environmental quality. (Lapin matkailustrategia 2011-2014 2010.)

Economical growth will be developed to support year-round tourism. Growing tourism will boost the economy and brings year-round employment and supports industries in the region, which relates to wellbeing and development in the Lapland region. Tourism growth will be

based on increasing volume and development of the services in a way that income per tourist will grow. Development is based on the tourism destinations and the co-operation with stakeholders and nearby villages to increase their vitality and avoid migration. Affectivity and quality goal will target to better profits of the tourism. This will be achieved by high quality year-round tourism services, good infrastructure, organizing, keeping up entrepreneurs' business knowledge, researching, innovating and constant development. Accessibility will be guaranteed with wide range of transportation possibilities with reasonable prices. Marketing will be based on the customers' needs. Lapland brand will be based on the key factors of Lapland as pure nature, quality services, Laplander culture and "slow life". Lapland image will be built persistently and well planned. Digital and social media will play a key role in marketing and sales actions. Environmental planning and constructing will be based on Lapland identity and will be highly professionally planned. It is will target on enjoy ability, landscaping and to protect nature from wearing of the tourism. (Lapin matkailustrategia 2011-2014 2010.)

Quantitative goals (Table 7) have been set based on the overnight stays, market share, amount of air arrivals, amount of train arrivals, ski lift sales, hotel accommodation use rate, average hotel prices, accommodation sales and tourism income and employment. (Lapin matkailustrategia 2011-2014 2010.)

Summarized quantitative *growth* goals are:

- **Overnight stays:** residents 3 %, non-residents 8 %. By the end of 2014 goal is to have totally 2,7 million overnight stays.
- **Market share:** residents 0,6 % and non residents 1,3 %
- **Amount of air arrivals:** residents 5 % and non-residents 10 %
- **Amount of train arrivals:** annually 4 %
- **Ski lift sales:** annually 6 %
- **Hotel accommodation use rate:** annually 4 %
- **Average hotel prices:** annually 3 %
- **Accommodation sales:** 35 million
- **Tourism income and employment:** long distance goal (2030) is to triple incomes and double employment. These goals are however highly optimistic and doesn't consider economical cycles.

Table 7: Quantitative goals of Lapland's tourism strategy (Lapin matkailustrategia 2011-2014 2010)

2.4.2 Sustainable tourism

Ritchie and Crouch (2003) categorise sustainable tourism into four categories. Their four basic areas of sustainable tourism are the ecological, economic, socio cultural and political environments.

Ecological sustainability is mostly linked to destination and its natural environment. For many destinations nature and ecological surroundings are the main attraction, like unique nature in Lapland. Because some destinations have more fragile and unique nature than others it is important that each destination build their own strategy for the sustainable development of their destination. Residents have a big role in sustaining the destination's natural environments, but also tourism industry and tourism companies must have strategy for minimizing harm to the ecology, and also providing incentives to protect and develop the ways for protecting ecological surroundings. According to Ritchie and Crouch (2003), economical sustainability is mostly based on benefits that tourism brings to local residents. This means that tourism benefits economically many in the area. It brings employment, gives security to employment and brings a possibility to have bigger salaries and benefits. Socio cultural sustainability concentrates to happiness of the local residents. It means that tourism should also bring other benefits to the people than economical. Such benefits could be i.e. better health, social and cultural systems. Politically sustainable tourism gives the ground and framework for other areas of sustainable tourism to build comprehensive strategy for destinations tourism. (Ritchie & Crouch 2003.)

For the background of ecologically sustainable tourism, hotel establishments worldwide are estimated to consume 450-700 million m3 of water and around 100 TWh of energy annually. Addition to this they generate millions of tons of waste. Mainly due to price increases of energy and water, hotel establishments have been focusing on the efficiency of the energy and water consumption in the past years. Besides to this fact, it has also examined that ecological lifestyle market is estimated to be over 80 billion US dollars. Over 60 million consumers are said to be willing to use and consume services and products of environmentally friendly companies. According to Bohdanowicz (2009), 80 % out of 45 million American travellers that are interest in environmental friendliness travelling stated that they are willing to pay extra to travel to eco-friendly destinations. Bohdanowicz (2009) describes that Green Hotel Association and International Tourism Partnership assist frequently hotel companies in their environment friendly business models. Many of the hotel companies have nowadays their policies, practises and programmes for more environmental friendly operations. Scandic is one good example of hotel chains that were able to save 20 million dollars in energy, water and waste efficiency at the same time when they established well known brand in Nordic countries. (Bohdanowicz 2009.)

According to Del Matto and Scott (2009), same kind of interest in eco-friendliness is seen also in ski resorts. The owners and managers of ski resorts value environmental friendliness because of the savings they are able to make with efficient energy policies, but also because they have seen that such environmental friendliness they will have the marketing advantages within some market segments. Although sustainable tourism started rapidly already thirty years ago, its development has been very slow. It requires the changes in our way of life and takes time in global scale to break through. However, the climate change is putting pressures for the faster development of sustainable transportation and tourism models. (Lane 2009.)

As the case company of this study is operating in ski resort are, it is well argued that Del Matto's and Scott's (2009) eight principles of the sustainable ski resort are listed and explained here. The principles can be found in the below Table 8.

Socio-ecological system integrity	• There are limitations to quantitative growth • Ski resorts go beyond reducing human induced stresses on biophysical systems. • Host community for well-being of ecosystems, residents, visitors and ski resort staff
Livelihood sufficiency and opportunity	• Create more sustainable consumption with skiing public through education and marketing • Enhance the capabilities of individuals and host communities through investments
Intra-generational equity	• Deliver valued employment, community security and opportunities to fulfill their potential
Inter-generational equity	• Moral obligatory to make sustainable decisions and think of future stakeholders
Resource maintenance and efficiency	• Reduce net consumptions of materials, energy and water • Close "the loop" of material flows and invest to efficiency gains
Socio-ecological civility and democratic governance	• Foster social and ecological awareness and shared responsibility with all stakeholders • More integrative decision making practices
Precaution and adaptation	• Respect uncertainty and avoid risks that harms the sustainability • Invest in research and monitoring for greater understanding, design for surprise • Adapt a long term planning horizon
Immediate and long-term integration	• Ski resort owners and operators must understand and act according to sustainable ski resort principles as a whole

Table 8: Sustainable Ski Resort Principles (Del Matto & Scott 2009)

2.5   Summary

Tourism is a growing industry. It has been growing steadily for years, except due the financial crises in 2009 and 2010. The growth has been steady but moderate in Europe, but Asia and Oceania are expected to grow heavily in the near future. The magical mark of a billion arrivals was achieved in 2012 and UNWTO is expected to have 3 %-4 % annual growth in tourism in coming years. Development in tourism in Finland's Lapland has been following same kind of a development. Steady growth stopped due to global financial difficulties, but the growth is back on track. Finland's Lapland had first time in history 20 million overnight stays in 2012. Non-resident overnight stays increased by 15,1 % from 2011 to 2012 when the total increase of non-resident visitors grew by 5,5 %. Lapland's market share of total overnights is 11 %-12 %. According to Rautajoki (2013), investment projects that are expected to start before 2020 are worth of 1 430 million Euros, which is more that other Nordic countries in Lapland region. Sweden however has been investing much more in the resent years and Sweden and Norway have increased their tourism marketing budgets. At the same time Finland has made cuts to the budget by 34 % from 2008 to 2010.

For getting a significant growth in tourism in Finland, we must be able to attract international visitors to visit Finland. Finland's tourism strategy lists Finland's strengths and weaknesses as follows. The strengths are: accessibility from Russia, Attractive tourist areas and diverse tourist centres. The weaknesses are: awareness of Finland, accessibility and high price levels. Finland's tourism strategy concentrates in developing the tourism sector, reinforcing the image of Finland as a tourist destination and general industrial policy starting points i.e. taxation development, improving accessibility and promoting year-round activity. Lapland's tourism strategy aims to better economical performance and results by affectivity and quality, promotion and better accessibility. To achieve goals, Lapland builds its strategy to Lapland's uniqueness, customer satisfaction, innovativeness and respect of nature. Lapland's vision is: "Lapland – PURE VITALITY near you".

3   Investment decision making

This Chapter reviews the literature and earlier research in this topic area. It comprises investment decision making process, investment process and qualitative and quantitative methods, analyses and criteria of investment decision making. It also overviews how target attractiveness affect on decision making.

3.1 Introduction to investments

Investment is a spending to capital and financial assets that are made by private or public organizations or governments in the expectation of getting future returns. Tourism investments are targeted to tourism industry, and such investments underlie and support tourism development. Investment decisions refer to capital budgeting decisions as decisions to acquire assets. Investment process describes how investment projects are being carried out in companies and organizations. (Dwyer et al. 2010.)

Management accounting is focusing on providing financial and non-financial information to decision-makers. Managers need to know the financial and economical details and factors before they can make the right decisions. This has become more complex due to dramatic changes in the manufacturing and service sectors during the past decades. Other words, more complex information is needed to secure managers possibilities to make the right decisions. (Drury 2012.)

Investment decision making requires financial and non-financial information. Financial information includes mainly calculations and estimates of the future incomes and cash flows, initial costs and costs of capital, and non-financial information includes mainly information of the environment and market analyses. All this huge amount of information is needed to make right investment decisions. Such decisions could be i.e. should the company invest in new technology system, property or other assets to make more profit and earn from the investment. Investments are made to get positive return and to develop company's or organization's performance. Investments and investment decisions are made in a process, which includes various analyses and information retrieval. (Niskanen & Niskanen 2007; Sykianakis & Bellas 2005; Dwyer et al. 2010; Puttonen & Knüpfer 2009; Allen et al. 2008; Ferreira 2011.)

3.2 Concept definitions

Investment process

Although investments are made according to companies' or organization's behaviour and culture, there are similarities that are found in a way that investments are made. Niskanen and Niskanen (2007, 299) have noted these similarities and described that investments are made in a process. The process includes several stages/phases that investments are made in. These phases are presented later in this Chapter.

Investment decision making process

Drury (2012) explains investment decision making process in two stage model that includes control process and planning process. This process model defines how decisions of investments are made in process. Other words, decision making flows through different king of phases before the final decision and implementation. These process phases are presented later in this Chapter.

3.3   Investment decisions and investment process phases

Investment process is always related to investment company's identity and to its planning culture. Researchers have however found similarities in investment projects and have made findings in their investment processes. These processes have some phases that can be linked to various investment projects and companies. Niskanen and Niskanen (2007, 299) have summarized this investment process and found six similar phases in many investment processes. These phases are: recognition phase, search phase, information retrieval phase, selection phase, funding phase and investment project implementation and monitoring phase. More detailed descriptions of each phase can be found in the below Table 9.

INVESTMENT PROCESS PHASES	
Recognition phase	Determinations of investment projects, which are necessary to achieve company's goals.
Search phase	Search for the investment projects and targets that are in line with company's strategy and a development of those projects into concrete investment proposals.
Information retrieval phase	Qualitative and quantitative data retrieval of the investment projects. Information retrieval of the income and cost estimates and risks.
Selection phase	Ranking investment projects based on the investment calculations and qualitative factors (i.e. environmental factors). Selection of the projects that fulfil the investment criteria.
Funding phase	Decisions of the funding methods. (e.g. how much of the acquisition costs will be covered with incomes and how much with own or foreign capital)
Investment project implementation and monitoring phase	Implementation and monitoring of the incomes. Investment income monitoring and comparison to budgets.

Table 9: Investment process phases (Niskanen & Niskanen 2007)

These investment process phases are also cited in: "Minne menet matkailu? –näkökulmia matkailun ennakointiin, osa 1" ("where are you going tourism? –Perspectives in tourism anticipating, Vol. 1) 2012 by Markku Vieru, the professor of University of Lapland. He also emphasizes in the same publication, that companies must develop and renew their processes frequently. If companies neglect development in the dynamic and changing environment, their processes will fade and it will cause the end of the company. In this perspective it is crucial to companies that they develop their processes frequently, launch new products and services, penetrate to new markets and invest to the future operations. In this context it is essential that company's investment process is efficient and that it is capable of conducting correct investment project evaluations and correct investment decisions. (Vieru 2012, 48.)

Investment decision making process has its own recognized phases. Decision making process differentiates slightly from "basic" capital investment process, because capital investment theory has mostly concentrated in the analyses and acceptance stages of the decision making process. Many surveys have shown that investment processes are mainly linear. Investments decision making processes are, on the other hand, seen as iterative processes. (Sykianakis & Bellas 2005.)

Sykianakis and Bellas (2005) have concentrated in their study to decision making process in the foreign direct investments (FDI). FDIs have similarities and also differences with investments in home country. Case company of this thesis have a Lapland tourism destination project that involves large investments. In this perspective, it is well argued that investment decision making process is also explained from foreign direct investment perspective, as it is potential that investor(s) in that particular destination will be foreign. Before explaining those process phases let's list few other decision making processes.

Aharoni (1966) found out that investment decision making process has three main stages. These stages are: (1) initial idea generation, (2) investigation and development and (3) presentation and decision. Aharoni's (1966) approach was behavioural. His goal was to identify the reasons behind the foreign direct investments and he also wanted to find out how company manages the process and investments. Wei and Christodoulou (1997) found out four stages in the investment decision process. Their phases are (1) initiation and preliminary thinking, (2) investigation, (3) evaluation and (4) final decision making.

Drury (2012) has presented a six phase investment decision making process, called the decision making, planning and control process. First four phases represents the decision making and planning process, and final two phases represent the control process. Drury's (2012) process phases are (1) identify objectives, (2) Search for alternative courses of action,

(3) select appropriate courses of action, (4) implement the decisions, (5) compare actual and planned outcomes and (6) respond to divergences from plan (Drury 2012, 7).

Sykianakis and Bellas (2005) found five different phases in their study of investment decision making process. Their study was made as a case study in Greek company and their findings included recognition, diagnosis, screening, development and design and negotiations phases. These process phases are presented here more closely.

Recognition

The first phase of the decision process is normally considered as identification of the investment process. This also includes recognition and diagnosis routines. Investment projects normally include some kind of stimulus that starts the process. In FDIs it is usually an opportunity that rises in foreign country (investment target) more likely than problem that could be solved with investment. FDIs can also have pushing factors from home markets, such as saturation in the home markets that pushes to penetrate to foreign markets. (Sykianakis & Bellas 2005.)

Diagnosis

In case of FDI the first step in diagnosis is normally the selection of the country to invest in. The selection of the country doesn't necessarily be based on the comprehensive analyses and research of the target country or market, but is many times based on the received stimulus. The purpose of the diagnosis phase is to specify and clarify the stimulus in a way that company can either proceed or terminate the decision making process. At this stage some preliminary research is however needed. Because the first step is to choose the country (in FDIs) such research covers the basic information of the country's general indicators i.e. political, economical, demographical and market indicators. (Sykianakis & Bellas 2005.)

Screening

This phase is seen perhaps the most important phase in the decision making process. Findings from the diagnosis phase and more closer examination of the partner in the target country is important at this stage to see whether the investment project is in line with investors corporate strategy or not. This phase also includes the screening of the future demand of the projects products and service. Domestic capital investments are normally operational, but FDIs are strategic decisions and therefore screening phase also includes senior management in FDI projects. (Sykianakis & Bellas 2005.)

Development and Design

This stage is about researching the investment target; country, markets, products, services, competition, partners, infrastructure etc. Such comprehensive and holistic information gathering is ongoing project until the final decision making. This information gathering phase also includes many sub-decisions that need to be made to find out the information that suits corporate strategy. In some cases these kinds of investigations are eventually built in business plan that acts as initial investment plan that includes market analyses, products and services to be supplied, the suggested type of investment and basic financial analyses. Such initial investment plan acts as an information source for managers to make the decision of the investment. If managers decide to proceed with investment project, more detailed investment plan will be made and it will be used also as a base of the negotiations. It is seen that in some cases formal financial analyses are not the foundation of the decision itself. Especially in FDIs the main decision of investing abroad is already made at the earlier stage. This is however case sensitive. Formal financial analyses more likely serve co-ordination, control and implementation of the project, which determinates the final outcome of the investment project. (Sykianakis & Bellas 2005.)

Negotiations

In theory, if negotiations lead to agreement the next phase is implementation. Sykianakis and Bellas (2005) emphasise that investment decision making process is an iterative process. In their case study they realised that in practice negotiations are made during the design phase, just after diagnosis. The development and negotiations are seen more likely as information exchange between parties and third parties. (Sykianakis & Bellas 2005.)

Dwyer et al. (2010, 467) have presented the main four steps in the capital investment project selection process. These process phases are presented in this thesis in section 3.5. It also includes professor Ferreira's (2011) three step model of capital budgeting.

3.4   Investment decisions management

Capital investment project selection process includes several important steps that need to be considered. The main four steps in the process are: estimating all the cash inflows and outflows that are related to the project, measuring all the future cash inflows and outflows in today's monetary value, evaluating and choosing the project from the alternatives and reviewing the investment project after implementation. (Dwyer et al. 2010.)

Selection of investment risk analyses are presented in the section 3.5.3. Those calculations are part of the above process of determining the cash flows, internal rates and present values to make decisions on which investment projects can be accepted and which ones rejected.

Other step model of decision making in capital investment projects is presented by Daniel Ferreira in "Capital Budgeting Valuation" (2011). He mentions three main steps in capital budgeting. These steps are; estimating cash flows generated by the project, finding an adequate discount rate for each cash flow and estimating the initial cost of the investment (including opportunity costs) (Ferreira 2011, 20). He also points out an important issue that too often companies concentrate on finding an adequate discount rate. They don't spend that much time on estimating the cash flows, which is many times seen as an ad hoc and informal process. It is of course obvious that cash flow estimations should also get the higher attention in capital budgeting.

Dwyer et al. (2010, 473) had also reviewing step in their model in addition to Ferreira's (2011) model. Monitoring is naturally essential for companies when they make capital investments. It means that companies should include reviewing after implementation into their process of capital investment budgeting and selection of projects. This means that they should review the project after the investment has been done. Naturally all the analyses and decision have been already made, but by post-auditing the project company can learn from the process and can implement that in their coming investment projects. Post-audit review includes the follow up and comparison between the estimated and actual cash flows and the difference with estimated return and actual return. It is also important to monitor the explanation and reasons to differences in predicted and actual results. Post-audit reviewing improves the estimations. When decision makers follow up closely the differences between the predictions and actual figures they tend to improve in their decision making to more accurate ones. This is many times due to better forecasts that are being made because of the reviewing closely previous projects.

3.4.1 Economical analyses

Investment economical analyses involve naturally calculations. These calculations are made to clarify the potential income from the investment. As the tourism investments are relatively big, the common return on investment (ROI) and Payback time calculations are not included in this thesis. The reason for not including those is that both methods don't take into consideration the change in the money value and the fact that, for example, Payback time calculations don't take into consideration the critical approach to suitable payback times for investments. If the payback time is set for i.e. 10 years, it cannot be accurately calculated

that it is a suitable timeframe. On the other hand i.e. NPV method is accurate in a way that positive NPV investments can be made with lower risks. (Puttonen & Knüpfer 2009, 109.)

Investment calculation methods to analyse risks have been selected here based on the four step model of selecting capital investment projects by Dwyer et al (2010, 467). Calculation formulas are included, because those are considered as basic investment calculation and used widely (Puttonen & Knüpfer 2009; Allen et al. 2008; Dwyer et al 2010; Arnold & Nixon 2011).

Estimating Cash Flows

Capital investments and capital budgeting requires demand forecasts and cost forecasts. Estimating the net cash flows from the project is the most important and difficult aspect in capital budgeting. It is common that estimates involve a great deal of uncertainty. The difference in cash receipts and cash expenditures is a crucial point in capital budgeting and investments as they occur in the future. Revenues in the future are difficult to forecast as there are several factors that affect them. Such factors could be the demand, price changes in the market, competition, government policy, taxes, regulations and consumer and business expectations. Same uncertainty involves in estimating the future costs of the tourism investments. Such factors influencing the uncertainty could be unexpected increases in wages or materials, technical difficulties, specification changes and legal disputes. (Dwyer et al. 2010.)

Basic starting point for estimating cash flow is profit (revenue less expenses). This, however, is not accurate as some of the expenses are not that straightforward. Some of the expenses are, for example, operational (e.g. cost of goods sold, selling and administrative expenses) and some expenses are more likely investment like expenses that are long term (e.g. equipment purchases). These kinds of expenses, such as depreciations, are expenses but there are no physical money transfers included. Operating expenses on the other hand are included when calculating net income. Investment-like expenses are excluded from net income calculations and are just changes in the accounts in the balance sheet. These expenses will, however, create tax savings, but are not paid physically. EBIT (earnings before interest and taxes) is calculated as: revenues less operating expenses less depreciation. To produce appropriate cash flow for project, changes in net working capital and in fixed assets must be taken into consideration. This relates to the capital cash flow (CCF) or to cash flow from assets (CFA), and can be calculated like this:

CFA = (Revenues – Operating expenses) (1 – Tax Rate) + Depreciation (Tax Rate) + Interest expenses (Tax Rate) – Change in Working Capital – Change in Fixed Assets (Arnold & Nixon 2011, 62.)

Generally the initial investment means the cash outflow for both, a fixed assets purchase and in net working capital. The expectation naturally is that cash inflows will compensate the cash outflows and investment will be profitable in some stage of its life cycle. However, if the negative cash flows or losses are expected to happen it is well argued to analyse investment project more carefully and consider i.e. NPV and IRR analyses. These analyses are presented later in this thesis. (Arnold & Nixon 2011, 63.)

Discounting

It is a common practise that future cash inflows and outflows are measured in today's monetary value. Deferred revenue of 1€ has present value of less than 1€. Conversely today's 1€ investment can be more that 1€ in the future when interests or such will be added. It is typical for the tourism investments that large cash outflows occur upfront (in year 0) while the net operating costs start and continue over the coming years. This is due to destination building, aircraft or cruise ship construction for example. This reflects to the situation where operating outflows are bigger than revenue inflows in the early stage and break even will happen over the several years. Cash flows over the years are however affected by the time related value of money. In that scenario future revenues and costs have lower value of money than today. One of the biggest problems, when estimating investment projects, is to estimate the change of the money value over the years. Since future money value is seen lower than today, discounting is used to evaluate and compare different investment projects and proposals. To assess and compare the estimated cash flows of the investment projects, all cash flows should be discounted. This can be done either by weighted average cost of capital (WACC) or by the opportunity cost of capital. To set the correct discount rate, determining company's cost of capital is essential. (Dwyer et al. 2010, 486.)

Calculating present values from future values and vice versa is straightforward when the discounting rate has been set. The formula for present and future value is:

$$PV = \frac{FV}{(1+i)^N}$$

Where,
PV= present value today
FV= future value at time *t=N*
i = discount rate for time period N
N = number of periods between today and *t=N*
(Dwyer et al. 2010.)

Net Present Value (NPV)

Net Present Value (NPV) is the present value of the expected net cash inflows from the investment project, discounted at the company's cost of capital minus the initial cost of the investment project. In other words, NPV is the sum of the discounted project benefits less project discounted project costs (Dwyer et al. 2010, 470). If the investment profit is more than investors profit demand, NPV is positive. If the profit is less than investors demand, NPV is negative. Only positive or zero NPV projects should be approved. (Puttonen & Knüpfer 2009.)

NPV can be calculated with this formula:

$$NPV = -C_0 + \sum_{i=1}^{T} \frac{C_i}{(1+r)^i}$$

Where,
Co = initial cost of investment at time t=0
i = time of the cash flow
T = total time of the project
r = discount rate
Ci = net cash flow for period i
(Dwyer et al. 2010)

According to Allen et al. (2008), net present value is only depended on the investment project's cash flows and the cost of capital. Net present value rule has three important features that Allen et al. (2008) describes as follows. First, today's euro is more than a euro tomorrow, because today's euro can be invested now and it starts to earn interest immediately. This means that the net present value rule takes time value of money into consideration. Second, net present value rule is based purely on the estimates of the future cash flows, and also to estimates of the cost of capital. It is important to bear in mind that all decisions that are based on forecasts, assumptions or opinions are always inferior decisions. Third, using net present value rule, investment projects can be combined, because the present value is calculated with today's value. This means that projects X and Y can be combined together. Combined NPVs can be calculated as follows:

NPV(A+B) = NPV (A) + NPV(B)

(Allen et al. 2008)

Internal Rate of Return (IRR)

Internal Rate of Return (IRR) is the discount rate at which net present value of the project equals zero. In other words it means discounted benefits are equal to discounted costs. IRR is the value of discount rate that equals NPV to zero (see the above formula) (Dwyer et al. 2010, 471). IRR measures the internal interest rate that investment is barely profitable to make with zero NPV (Puttonen & Knüpfer 2009, 105).

Profitability Index (PI)

Profitability Index (PI) shows the project's relative profitability or the present value of benefits per Euro of cost. According to Profitability Index analyses the projects that get higher PI than 1 should be accepted and projects that get lower PI than 1 should be rejected. This means that projects that will return more than one Euro of discounted benefits per each of Euros of cost should be accepted. PI value can be calculated by dividing Net Present Cash Inflows (total) with Net Present Cash Outflows (including the initial investment). (Dwyer et al. 2010, 472.)

3.4.2   Strategic analyses

Strategic analyses of investments require holistic view and understanding of the industry. One of the key sources of the company's competitive advantage is company's position in its markets. Identifying positional advantages company must understand the industry it operates in. This is called as "industry analysis" in strategy literature. The purpose of the industry analyse is to design the strategies by identifying company's position in the industry. Company may find its competitive advantages with industry analyse. Company may find itself being in the unique position in the industry and that could form its strategy. (Ferreira 2011, 24.)

One of the most well known industry and competition frame works is Porter's (1980) five forces. According to his frame work, industry attractiveness can be analysed by five competitive forces that are; competitive rivalry within the industry, the bargaining power of suppliers, bargaining power of customers, the threat of entry of new companies and availability of the substitute products.

One form of industry analysis is to analyse industry in life cycle model. Industry life cycle can be seen in four stages; emergence, growth, maturity and decline. In emerge stage industry many companies enter to markets and especially small companies experiment with various products in the market. Sales and growth are generally low. In growth stage, on the other hand, amount of companies is declining and new industry entries are rare. This is due to

consolidation in the industry. Industry has its dominant products, services and business models. This relates to growth in sales with high rates. During this stage companies are concentrated in developing their processes and not that much of their offerings. In the maturity stage dominant companies have stable market shares and companies have high profits. This however relates to the situation where these companies have low growth in sales and therefore have few opportunities to investments. (Ferreira 2011, 24.)

Ferreira (2011) also lists the benefits of industry analyses that are valuable for investment decisions. Firstly he points out that when company understands the industry competition it is beneficial for forecasting the revenues and some of the costs (i.e. advertising and research and development). Secondly, industry analyses help in future estimations of revenue development when it is in correlation with industry development. Thirdly, the efficiency improvements can be reflected to industry standards of employment agreements e.g. unionized employments agreements, and fourthly, companies can apply industry life-cycle analyses to their estimates of the industry growth estimations.

Generally, understanding the industry and the environment where company operates and to understand company's competitive strengths are very important for investment decisions. Many of them have direct relation with company's strategy (e.g. acquisitions, R&D or capacity) (Ferreira 2011, 33).

3.4.3   Risk analyses and process

Suominen (2003) determinates risk analyses as risk source, possibility and consequence analysing method. Recognising the potential risks is the key for risk management. Companies should map frequently possible risks in their business operations and environment. For recognising risks Leino et al. (2005) models it into risk recognition and mapping, risk register and risk map and risk process. Risk recognition and mapping means that company maps potential risks and evaluates them to i.e. low, medium and high scale. Companies should also keep register of the potential risks and update them frequently in observing and monitoring process. Risk management takes also risk prioritising, reaction to risks, control and risk positioning into consideration. (Leino et al. 2005.)

The purpose of risk analyses is to find out risk sources, possibility, affect level and consequences. Risk analyses can be roughly categorised into following business risk analyses: technical risks, social risks, economical risks and political risks. Technical risks can be related to production, material or service structures. Social risks on the other hand are usually related to people and their behaviour. Economical risks are external risks that are related to

demand and market condition changes, where political risks are related to unexpected country or international level events that have affect to business. (Suominen 2003.)

Suominen (2003) has made a process chart that describes how risk analyses and management normally flow. The process has six stages that flow in the following order: decision of making the risk analyse, risk recognition and evaluation, reporting of possible risks, risk consequence measurements evaluation, recommendations of actions and implementation and monitoring. Such process is managed by company director(s) and key personnel.

3.4.4   Destination attractiveness and its effect into investment decision making

Kotler and Gertner (2010, 40) emphasize country branding in managing destination image and attracting tourists, factories and companies (investors). Country branding requires strategic management approach. Country needs to analyse its strengths, weaknesses, opportunities and threats (SWOT) to identify its competitive advantages and external factors. Country also needs to choose some basis of the strong branding and storytelling like industries, personalities, nature landmarks and historical events. After that country should develop an umbrella concept that would cover all of the branding activities. When the branding strategy is in place, country must allocate needed resources and founds to guarantee potential impact. Country has to create also a monitoring for keeping the promised level of performance. (Kotler & Gertner 2010, 52.)

 As mentioned earlier, companies tend to choose the country first in foreign direct investments on the grounds of the stimulus (Sykianakis & Bellas 2005). Kotler and Gertner (2010, 50) also points out that companies normally make their site selection of the investments by country level first. This is important for destination marketers to understand to attract those companies. When investors investigate their investment targets destination marketers must be able to provide accurate and reliable information. Destination marketers should understand their location characteristics that investors are seeking i.e. labour, tax climate, amenities, higher education, schools, regulations, energy, communication and business. These are the examples of the basic factors that affect investors' decisions.

3.4.5   Other factors influencing to investment decisions

Newell and Seabrook (2006) have made a research paper of the factors that affect hotel investment decision making. The research was conducted in Australia. Even though this thesis is concentrated in Lapland it is well argued that also investment decision making factor findings of Newell and Seabrook are shortly presented here as the case company of this theses

is looking for hotel investors into their project and they have emphasised that such investor will more likely be found from abroad.

Newell and Seabrook (2006) found out in their research that main factors that affect to hotel investment decision making were financial and location factors. Financial factors were weighted 37 % and location factors were weighted 29,9 %. These two factors influencing hotel investment decision making weighted together 66,9 %. The second level of effectiveness into hotel investment decision making weighted 26,5 %. Second level factors were economic and diversification factors. Third level factor was relationships, which weighted only 6,6 % of the factors that affected hotel investment decision making. Newell & Seabrook (2006) emphasized that most important factors, financial and location, have a strong link. Forecast of ROI and gross operating profit for example are highly affected by demand, hotel supply and site attributes.

According to Newell and Seabrook (2006), research it was also notable that there were differences in importance of different factors with hotel owners or operators and hotel investors. Hotel owners and operators weighted location as most important factor in hotel investment decision making (37,1 %). This relates to the fact that hotel owners and operators are familiar with the key drivers of the operational performance when they evaluate hotel investments. They are also more concentrated on the business (operational) aspects than hotel investors who weighted financial factors as most important in hotel investment decision making (40,2 %). This on the other hand relates to the fact that hotel investors are focused on investment performance analyses such as forecast of ROI, historic returns and gross operating profit. (Newell & Seabrook 2006, 287.)

Newell and Seabrook (2006) categorized hotel investment decision making factors into five main factors and twenty five sub-factors. Below Table 10 lists the main factors and their most important sub-factors. Factors are ranked from most important ones to least important ones.

FACTORS	FACTOR WEIGHT %	SUB-FACTOR	SUB-FACTOR WEIGHT %	SUB-FACTOR RANK
Financial	**37**	Forecast ROI (5 years)	12,5	1
		Gross operating profit	6,4	3
		Historical rates of return	6,2	6
		RevPAR as return measure	5,1	7
		Unsystematic risk	3,5	11
		Economies of scale advantages	3,2	13
Location	**29,9**	Site attributes	7,4	2
		Current hotel supply	6,4	4
		Volatility of demand	6,3	5
		Number of domestic visitors	4,5	9
		Number of foreign visitors	2,8	15
		Age of target hotel	2,6	17
Economic	**14,5**	Business spending patterns	3,5	12
		interest rates	2,7	16
		Extent market is emerging	2,3	18
		Tourist spending patterns	2,2	19
		Extent market is mature	2,1	21
		Employment growth (office)	1,8	24
Diversification	**12**	Segment diversification	4,8	8
		Geographic diversification	3,0	14
		Link to target property	2,2	20
		Brand diversification	2,0	23
Relationships	**6,6**	Alignment with stakeholders	3,5	10
		Independent asset management	2,1	22
		Regulatory affect	0,9	25

Table 10: Importance of factors that affect into hotel investment decision making (Newell &
Seabrook 2006)

As seen in the Table 10 the most important factor of hotel investment decision making was
financial factors that weighted together 37 % importance. Most important financial sub-
factors in this survey were forecast of ROI (5 years), Gross operating profit, historical rates of
return and RevPAR as return measure. These sub-factors weighted together approximately 30
% of importance in hotel investment decision making. It is also notable that forecast of ROI in
5 years time weighted alone 12,5 %, being the most important factor in this survey. (Newell &
Seabrook 2006.)

Newell's and Seabrook's (2006) survey stated that second important factor in hotel investment decision making process was hotel location. It weighted 29,9 % importance. Newell and Seabrook's (2006) also mentioned that location was the most important factor among the hotel operators and people who had worked with hotel operations. Results showed the interesting fact that second important factor had three very important sub-factors that were ranked as 2nd, 4th and 5th most important sub-factors in the whole survey. These sub-factors were site attributes, current hotel supply and volatility of demand. These three sub-factors weighted together approximately 20 % importance in hotel investment decision making. Interesting point is that number of domestic visitors was ranked as 9th most important sub-factor and a number of foreign visitors sub-factor was ranked only as 15th most important factor. It is notable that this survey was made in Australia. (Newell & Seabrook 2006.)

Three lowest main factors got 33,1 % weight of importance out of five main factors. This means that these main factors; Economics, diversification and relationships importance were together lower that financial factors alone. The most important economical sub-factor was business spending patterns. It was ranked as 12th most important sub-factor. Together economical factors weighted 14,5 % importance. Segment diversification was ranked relatively high in diversification factors. It was ranked as 8th most important sub-factor where diversification totally weighted 12 % importance. The lowest important factor in hotel investment decision making was relationships. It got 6,6 % weight in this survey. Only sub-factor that was ranked in top 10 was alignment with stakeholders. It got 3,5 % sub-factor weight. (Newell & Seabrook 2006.)

3.5   Summary of the investment decision making

Based on the literature review, investment decision making and investments itself are made in a process oriented nature. Process includes planning and decision making process stages i.e. Recognition, diagnosis, screening, development and design and negotiations. Investment process has also conduction and monitoring stages e.g. funding stage and investment project implementation and monitoring stage.

Investments and investment decisions are made in process, as presented earlier. Furthermore, based on the literature, investment decisions-making and management includes various analyses. Such analyses are e.g. strategic analyses, economical analyses (Cash Flow, NPV, IRR, PI etc.) and risk analyses. Many factors affect to decision making and financial factors have been weighted as the most important ones. Investment target attractiveness and other factors also affect investment decision making. According to Newell's and Seabrook's (2006) research, factors that affect to hotel investment decision making are (from most weighted): financial, location, economic, diversification and relationships.

To conclude, theoretical proposition correlates with the presented theoretical framework. Investments and investment decisions are made in process, as presented earlier. Many factors affect to decision making and financial factors have been weighted as most important ones.

Theoretical proposition, based on the literature, was that the tourism investment decisions are made in process, mainly on the grounds of the "hard" quantitative calculations and earning expectations. Many factors effect to investment decision making, but the unique nature and sustainable development have a small affect to it. (Niskanen & Niskanen. 2007; Sykianakis & Bellas 2005; Dwyer et al. 2010; Puttonen & Knüpfer 2009; Allen et al. 2008; Ferreira 2011; Drury 2012; Newell & Seabrook 2006.)

Figure 9 summarizes theoretical groundings.
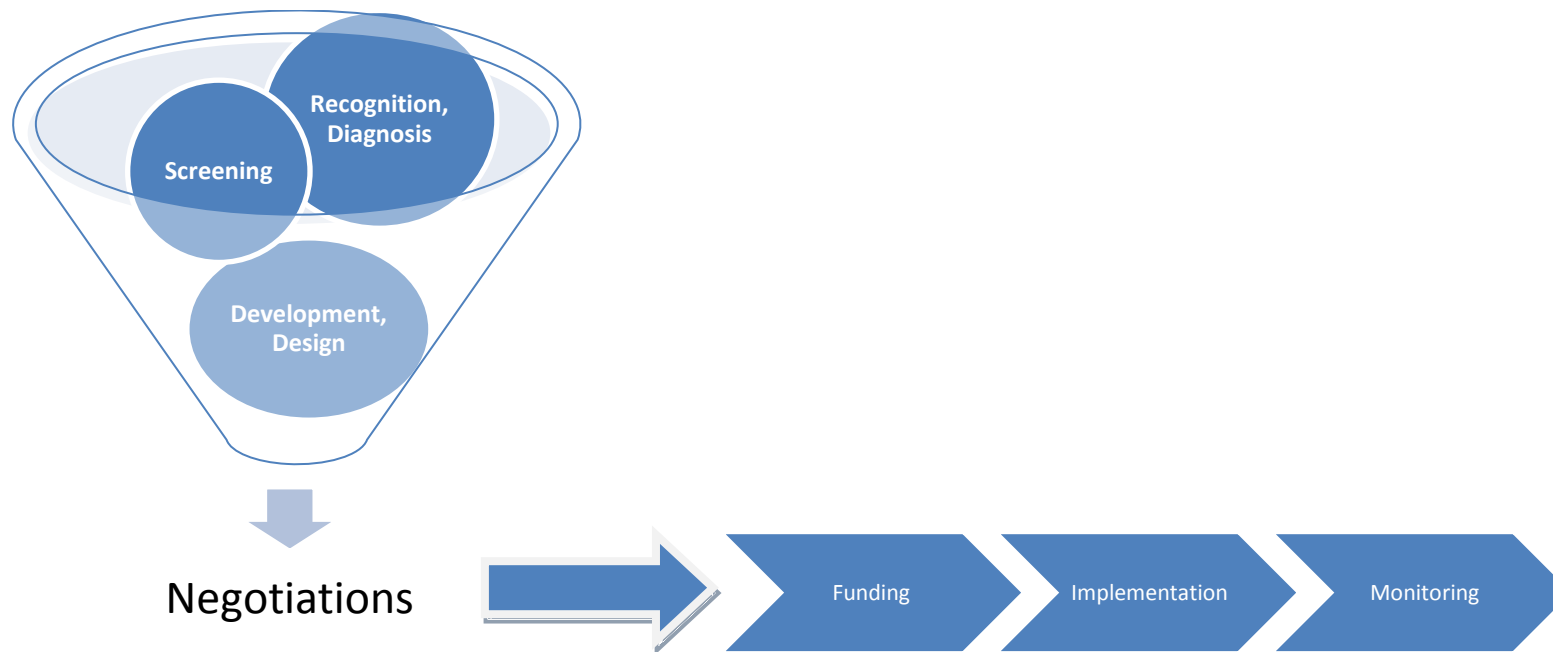
Figure 9: Investment process (incl. Decision making), analyses and factors that affect to decision making

4   Research methodology

In this Chapter, the methodology of the empirical study is reviewed. The methodology and research strategy, an overview of data collection and data analyses are presented. Finally, the validity of the research is discussed.

4.1   Research strategy: a qualitative case study

In this study, the qualitative holistic single-case case study (Eisenhardt 1989; Yin 2009, 46-64) was the choice for research method.

4.1.1   Qualitative case study

The main difference between qualitative and quantitative research is not "quality" but procedure. In qualitative research, findings are not arrived at by statistical methods or other procedures of quantification. The difference between quantitative and qualitative approach is not just a question of quantification, but also a reflection of different perspectives on knowledge and research objectives. Qualitative methods have emphasis on understanding from informant's point of view, on interpretation and practical approach. Method is process oriented and offers a perspective and subjective "insider view" and closeness to empirical data (Ghauri & Grönhaug 2005, 85-88; Yin 2009).

According to the definition of Eisenhardt (1989), a case study is "a research method, which focuses on understanding the dynamics present within single settings". Further, another definition (Yin 2009) states that the case study method is an empirical inquiry that investigates a contemporary phenomenon (here investments) within its real-life context when the boundaries between the phenomenon and the context are not clearly evident and in which multiple sources of evidence are used.

The choice of the research method used in a study depends much on the research problems and on the types of research questions stated. The case method is generally preferred when "how" and "why" questions are being posed, when investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context (Ghauri & Grönhaug 2005, 172-173; Yin 2009, 18).

The case method can be used for either descriptive or explanatory purposes. This study can be regarded as a descriptive one. For descriptive studies, we need a theoretical base and theoretical propositions. (Yin 2009.)

Consequently, case study research is most appropriate in the early stages of research on a topic or to provide freshness in perspective to an already researched topic. Qualitative methods, such as case studies, also permit the evaluator to study selected issues in depth and in detail. The topics appropriate for case studies include organizations, processes and programs (Yin 2009).

Case studies include both single and multiple-case studies, which can be further classified into four different types (Yin 2009, 47-60): Single case, holistic (unitary unit of analysis), Single-case, embedded (multiple units of analysis), Multiple-case, holistic and Multiple-case, embedded.

This study can be categorized as a single case, holistic. It studies a single case from the perspective of theoretical proposition of investments. Theoretical proposition is reflected to empirical findings.

4.2   Data collection: Semi-structured interviews as data collection methods

Data collection in a case study design is crucial, as the whole study depends on it. The researcher conducting a case study must be fully aware of and should comprehend the research problem and purpose of the study. They should not only be able to ask relevant and probing questions but also have the capabilities to listen to and interpret the answers given. One way to overcome the problem is to use multiple data sources. (Ghauri & Grönhaug 2005, 177.)

Miles and Huberman (1994) states that a feature of qualitative data is its richness and holism, with strong potential for revealing complexity. The strength of a qualitative study lies in providing a holistic view of the phenomenon including all the aspects and elements. Yin (2009) emphasises that it should be noted that while quantitative studies produce statistical generations based on data, a qualitative analysis provides theoretical generations.

According to Yin (2009), case studies typically combine data collection methods such as archives, interviews, questionnaires and observations. Furthermore, Yin (2009) presents three basic principles of data collection for case studies that are using multiple sources of evidence, creating a case study data base and maintaining a chain of evidence.

In this study the main data collection method was a semi-structured theme interview (Ghauri & Grönhaug 2005, 100-107).

Semi-structured interview here means that same basic questions were asked from all of the participants, but it didn't follow tight question pattern. All the questions were planned in a way that interview would cover and lead the topic areas to answer to research questions. Semi-structured interview themes and subthemes were planned in a way that they covered the needed coverage to get needed information from interviewees. Interviews were also flexible in time frame and were conducted in leading and conversational type. Interview questions were open. Interview themes are attached as appendix at the end. (Gillham 2005.)

Theme interviews were chosen as empirical data collection method, because that method was thought to give deep and comprehensive data for this qualitative research. Investment decision making is not self explanatory in a way that readymade questionnaires, for example, would have given enough real and analytical information. Humans make companies' decisions, which mean that decision making processes with different kinds of analyses and methods are flexible and versatile. Because of this assumption, theme interviews were seen as best possible data collection method. Theme interviews were supposed to have coverage and introduction to the topic, but were supposed to leave room for interviewees to give their own thoughts and aspects to the topic. They were also allowed to tell their investment decision making criteria, investment process and target attractiveness attributes and details with their own words. This gave them freedom to answer just like they see those topics and how they and their companies are working with these topics. Interviews didn't give the participants any ready suggested answers. This way the empirical data was been able to get in a "real life" format and in a way how different professional directors see it. The goal was to get true empirical data from real life experiences and theme interviews were seen as best method for that purpose.

Why theme interviews were chosen as data collection method? The reason was to get real life experiences into empirical findings. Considering the versatility of the topic and decision making and target attractiveness it was obvious that data collection needs to go deeper than listing the reasons. Theme interviews were seen the best possible way to collect data and insights of this topic in a way that it would explain the phenomena from real life perspective but still not give too much room for personal opinions, as interviews were semi-structured.

Nine companies from tourism industry and investment industry were invited to the theme interview via email which included interview themes. Four declined and five participated. Three companies agreed to interview right away. Two of the companies were contacted several times due to their busy schedules. All of the interviewees considered the topic interesting. Interviews were limited in Finnish companies. Although the case company's project would have required international perspective and interviews from all over the world (i.e. Asia and overseas) this wasn't possible, mainly due to economical and lack of funding

reasons. As this thesis is a student work, the expansion of interviews worldwide would have also postponed dramatically the graduation. Because of these reasons, interviews were only targeted to Finnish companies first. This study ground leaves good opportunity to continue the empirical study in the international scale later on.

Five theme interviews gave comprehensive insights to investment criteria, investment decision making and investment targets' attractiveness. Interviewees constituted a broad perspective of the studied field. Companies represented pure investment field, hotel industry and tourism focused investments, and interviewees represented CEO or Director level and tens of years of experience in the field.

Five professionals were interviewed to this study. All five theme interviews were held separately at interviewees' premises. Interviews' length varied from 27 minutes to 70 minutes. This was due to interviewee's answers as themes were same in every interview.

Interviewees were:

(1) Nordia Management Oy. Kalle Lumio, CEO. (on 27th of June 2013 at 13.00-14.20)

(2) Keskinäinen Eläkevakuutusyhtiö Ilmarinen. Esko Torsti, Head of Non-Listed Investments. (on 19th of August 2013 at 13:00-13:30)

(3) Holiday Club Resorts Oy. Iiro Rossi, Director, Business Development. (on 30th of August 2013 at 14:00-15:00)

(4) Restel Hotel Group. Jari Laine, Vice President, Hotel Operations. (on 19th of September at 10:00-11:10)

(5) CapMan Oyj. Markku Jääskeläinen, Asset Manager. (on 26th of September at 13:00-13:15)

The findings of this study are presented in anonymous way, and interviewee's names are not presented in the findings to secure business sensitive information.

Theme interviews' themes and sub-themes were:

(1) Strategic investments and investment decision making process.
- How the investment decisions are made, and in what kind of process?

- How quantitative and qualitative methods and analyses are used in investment decision- making process?

Above theme and sub-themes included the following supporting topics:

- Investment decision making process (i.e. Recognition, diagnosis, screening, development and design, negotiations)
- Investment decision making criteria
    - Quantitative: investment calculations and other methods
    - Qualitative: non numeric factors
- Company's strategy relation to investment decision making process (e.g. high return investments from other fields rejected if not in line with strategy)
- Factors that influence most to investment decision making (e.g. Stimulus, strategy driven, economical analyses, competition driven, operational factors etc.)
- Process iteration

(2) Investment process
- How the investment process is handled and developed with different analyses and monitoring systems?
- How the investment process flows and which phases it includes?

Above theme and sub-themes included the following supporting topics:

- Investment process phases and flow (i.e. recognition, search, information retrieval, selection, funding and investment project implementation and monitoring)
- Investment process development
- Investment analyses methods
- Analyses' results influence to decision making / project approval
- Risk analyses and risks' influence to decision making / project approval

(3) Investment target
- How investment targets are chosen and what attracts to start the investment process?
- How sustainable-development affect the investment decisions?
- How tourism is seen as investment target?

Above theme and sub-themes included the following supporting topics:

- Stimulus / attractiveness (Recognition)
- Strategy relation and company's investment goals
- Qualitative and quantitative information retrieval (income, cost and risk)
- Lapland's attractiveness (on what grounds investment in Lapland would be interesting)
- Company value based strategy
- Responsibility of society
- Image, R&D or economical factor in the decision making process
- Green and eco-values' influence in decision making (i.e. Lapland)

Besides interviews, the sources of evidence included in this case study were as follows:

- Golden Peaks' visions and Business Plan 2013
- Golden Peaks' Master Plan
- Discussions with case company's CEO
- Internal planning proposals (case company)
- Project plans and reports (case company)
- Annual reports of investors

Due to reasons of confidentiality, much of the information is reported in more general terms. Case company material (listed above) was handled and viewed at the case company's premises and it can be considered as background and base knowledge for more detailed data collection.

4.3   Data analysis method

The purpose of data analysis is to obtain meaning from the collected data. The search for meaning can take many forms. Preliminary steps such editing and coding are common to most studies. Editing involves inspection, and if necessary correction of questionnaire or observation form. Coding can be seen as some sort of classification so that the data can be broken down, conceptualized, put together and presented in an understandable manner. (Ghauri & Grönhaug 2005, 122-123; 179.)

Miles and Huberman (1994) present an interactive model, in which the components of data analysis are the data collection, data reduction, data display, drawing conclusions and verifying theoretical propositions based on research questions and theoretical review

Data reduction refers to the process of selecting, focusing, simplifying, abstracting and transforming the data that appear in written-up field notes or transcriptions. Data display is an organized, compressed assembly of information that permits conclusion drawing and verification the propositions presented. (Miles & Huberman 1994, 9-12.)

In this study displays for within-case descriptive analysis, conceptually ordered matrices were in use according to the guidance by Miles and Huberman (1994, 127-145). In the present study, data was collected via semi-structured interviews, text books and case company's material. After the data collection, it was reduced, displayed and conclusions were drew. Data from the interviews was transcript and analyzed. Main themes were categorized and answers to themes and research questions were grouped to Excel table. This table was used as a base for findings and conclusions of this study.

4.4   Validity in a case study

The quality of the study is manifested through the validity of the empirical study, which is usually understood as the components of the objectivity and as the basis for good research. Reliability is the extent to which a measurement procedure yields the same answer, however, and whenever it is carried out. Validity is the extent to which it gives the answer. They maintain that these concepts apply equally well to qualitative as to quantitative observations. High validity means that the data is unbiased and relevant to the characteristics being measured. The extent to which the results are excluded from experimental errors is called reliability. However, results can be reliable but not valid, but not vice versa; an unreliable scale cannot be a valid one. (Ghauri & Grönhaug 2005, 67-75; Yin 2009.)

According to Yin (2009), the main validity aspects in connection with case studies are as follows:

a.   Construct validity; establishing correct operational measure for the concepts.

The construct validity refers to the establishment of correct operational measures for the concepts being studied. This type of validity is achieved by using clearly specified concepts and their measurement criteria, using multiple sources of evidence, establishing a chain of evidence, verifying the facts and having the key informant's review and approves the draft of the case study report.

b. Internal validity; establishing causal relationships, whereby certain conditions lead to others.

The internal validity deals with relations of causal relationships, whereby certain conditions are shown to lead to other conditions. In this study the case presented is descriptive in nature. Therefore the question of internal validity is not as crucial as in causal or explanatory types of cases. (Eisenhardt 1989.)

c. External validity; establishing the domain to which the study's findings can be generalised

The external validity in case studies refers to generalisation of the findings. It has been as one of the major problems in single case studies, where there is a poor basis for generalisation. In the case study, we deal with analytical generalisation as opposed to statistical generalisation. The use of the theory becomes the main vehicle for generalising the results of the case study. (Yin 2009.) This study is a single, holistic, case study and its findings cannot be generalized. The findings serve better the case company's (or similar) purposes.

As to validity of this study, the theme interview data was collected from the five professionals. As mentioned above all the participants were experienced and presented director level of experience and responsibility, except CapMan. CapMan's professional, however, had years of experience and handled assets of hundreds of millions of Euros. In the perspective of knowhow and professional expertise, theme interview data can be considered highly valid.

Participant organisations also represent a wide range of investments and operations in the tourism industry. The case company of this thesis is about to start negotiations with hotel operators and investors. It was well argued that interviews of this study were made with tourism investment, real estate investment and hotel operator companies. This was one goal for interviews and it was succeeded. The companies that were interviewed represent a wide range of that field. Nordia Management targets only to tourism industry and represent a smaller range of investments. Ilmarinen on the other hand invests to new investment targets around 1000 million Euros annually (not purely tourism industry, but includes real estate). CapMan handles 800 million hotel fund portfolio. This can be seen as big research sample in Finnish scale.

Hotel operator companies Restel and Holiday Club represented together hotel, restaurant, spa and holiday residence experience. Restel Oy had 49 hotels with 68 restaurants by the end

of 2012 (Restel 2012). Holiday Club operates in 32 destinations and has 7 spa hotels and 1500 holiday residences. Holiday Club operates internationally. (Holiday Club 2013.)

With such presence in the markets and input from the director level of professionals, it can be said that the data from theme interviews is valid.

According to Yin (2009, 41) different kinds of validity tests can be made in a sense of data collection and research design. For such tests this study fulfils several aspects of Yin's (2009) test model. For example, data collection included multiple sources of evidence and research design included theory use, as this is a single case study.

4.5   The Case Company – Eco-Destination Golden Peaks

Noitatunturi Oy's Golden Peaks project was selected for the case study because it offered an opportunity to make a good description of the investment process from the point of view of both the case company and different types of investors. Most of the theoretical concepts used in the study can be found in the case.

Thus, the focus of the study lies on the Golden Peaks project, in their Golden Peaks town plan in Pyhä-Fell in East-Lapland. So, further, the case company is referred as Golden Peaks.

Golden Peaks project started during 2001-2004 when the company bought 15 land areas covering 332 hectares. When the town plan re-modification started in 2003 more landowners joint the town plan project and nowadays the total town plan covers 687 hectares with 41 different land owners. Golden Peaks "Master Plan" covers this total area.

Golden Peaks Master Plan is very big in Nordic and even in European level. It includes i.e. several hotels, spa & wellness, golf course, sports hall, congress and event hall, shopping centre, theme park, vide range of outdoor activity areas and variety of many restaurants and services. Golden Peaks will be a third travel destination in Pyhä-Luosto Fell area with its own profiled values, rules, customers and marketing strategies.

Golden Peaks' goal is to draw the interest of local and international investors, public sector, hotel operators, service providers and other companies to carry out the Master Plan constructions. The Master Plan constructions will be carried out in parts and Golden Peaks is starting negotiations with investors, hotel operators and hotel chains.

Pyhä-Fell is the first "eco-fell" in Nordic countries. It is a carbon neutral fell with zero carbon footprint. This foundation is ideal for eco-destination development. Golden Peaks believe

that eco-based year-round destination that has been built with coverable instant investments and persistent marketing for local and international visitors build a foundation to successful destination that supports the whole region's economy and service offerings.

It has been commonly seen that the travel industry has a driving trend of ecology and sustainable development. This same trend will surely be the core in futures travel destinations in unique nature fulfilled Lapland. These important issues will be taken into consideration in Golden Peaks and its surroundings with constructions and infrastructure.

Planning and building such destination requires holistic view of sustainable development with social, economy and environmental aspects. Ecology is vital in Lapland surroundings. Energy efficiency for heating, lighting, electricity and water consumption as well as waste handling and recycling are the examples of the key factors that needs to be considered.

Golden Peaks values ecology and sustainable development and profiles the destination accordingly. Golden Peaks sees this not only as a trend or value, but important competing advantage to other destinations. These values are important in investment negotiations and in service design of all service providers in the destination. (Golden Peaks 2013.)

Figure 10: Golden Peaks of Lapland, Master Plan (Noitatunturi Oy 2010)

4.6   Summary

The research method of this study is a qualitative holistic single-case case study. Data collection was carried out by semi-structured interviews and with other material such as case company's materials. The data was analyzed in interactive model where data was collected, reduced, displayed and conclusions were drawn. Data can be considered valid, because the data represented vide range of real-life and professional expertise, and the data was gathered from various sources, it was compared and documented.

5   Findings of the analyses of semi-structured interviews

This part presents the findings of the interviews to research problem and objective. It also gives attention to sustainable development's affect in tourism investments and tries to answer to research sub problems. This part also includes development proposal for the case company, with service design principles, process and suitable methods. The development proposal itself can be found as an attachment.

5.1   Findings of investment decision making process and investment process

Investment decision making and investment processes have a lot of similarities. The theoretical part presented these process stages. Investment decision making process had stages recognition, diagnosis, screening, development and design and negotiations. Investment process had stages recognition, search, information retrieval, selection, funding and investment project implementation and monitoring. As it can be seen, these processes include lot of analyzing and processes basically vary in a sense of conducting the investment and monitoring the implementation.

This was also seen in the interviewee companies. The decision making process was part of the investment process and included a lot of screening and analyzing. Processes were mainly covered with decision making theme and investment process itself covered additionally monitoring.

These processes had similarities and variations with different interviewee companies. All of the companies are screening and following the industry and investment targets frequently, which is of course natural. The critical point of the process is which investment targets are being screened and analyzed more carefully. This is an important part of the process as only few of the interesting projects and targets are being implemented eventually.

First stages of the investment decision making process vary slightly in interviewee companies. One company doesn't find actively new targets and more likely waits companies that need funding to contact them. Most of the companies follow their growth strategy and screens destinations and investment targets actively and build their investment to pre planned ground. One company additionally informed that they take part to auctions. The most important finding was that it is crucial for all of these companies that the investment destination or target is in line with their investment strategy and it follows their guidelines with size and type.

Investment decision making processes in the interviewee companies were:

a. Case by case contact to investment company (by target) -> overall examination -> entrepreneur's and business plan analyze -> case presentation to board -> if approved, careful analyzes of business development, future and realism of the goals -> decision

b. Recognition and selection -> preliminary analyses -> presentation to investment committee -> if approved, detailed analyses and indicative offer -> presentation to board -> decision

c. Deal sourcing -> analyzing of interesting targets -> more closely analyses (of business plan, markets, market positioning, profit and how realistic the future development is) -> profile and strategy analyses -> decision in investment limits

d. Screening of the markets and destinations -> more closely qualitative and quantitative business analyses -> decision.

e. Destination screening and analyzing -> detailed investment analyses -> presentation to board -> decision.

All of the companies had modelled a process for decision making. There were seen different stages of decision making with all of the companies. It was also notable that bigger the company was, stricter and straighter forward the process was. Some companies emphasized that the process is more likely the way they have been doing their business and that is just the way they do it. Other words, they don't necessarily have documented process scheme or charts but they tend to do decision making in such order and way.

Decision making processes with all of the companies were about analyzing and information retrieval. There were also seen that when these companies have long experience in their line of business they can easily exclude projects in early stages with preliminary analyses. If the project or investment target were not in line with their strategy or didn't fit to the size scale, those were immediately excluded from the process. This way they can leave resources to potential targets and keep the decision making process effective. Decision making process was exclusive type with all of the companies. They all mentioned that even the cases that go to deeper analyses in the process will be seldom implemented. Decision making process was in a way seen as investigation process where investment targets were excluded from the process when unsuitable issues arose. All of the companies mentioned that very few projects pass the whole process.

It was also common with interviewee companies that decision making process has different responsibility levels. All of the implemented investments with most of the interviewee companies were said to be approved by the board. Only one company had minor level decision making power with representatives with investment limits. Analyses were also made in different levels. Preliminary analyses were seen as basic screening but deeper analyses were supervised or somehow controlled by supervisors. One company had a special committee that approved cases before presented those to the board.

Investment decision making is a complex process that requires a huge amount of information. There are seen different stages that investment targets must pass before they will get the inflow investments and will be implemented. Investment decision making process is an information retrieval process where qualitative and quantitative information and details are analyzed and documented for the people who make the final decision. In many cases investment processes are already so well prepared that the final decision making is more likely a formal and legal stage of the long lasting (from months to years) and complex process. For strategic investments, decision making process becomes much longer, complex and requires comparable projects that compete internally. One of the interviewees explained that they had spent few years of analyzing and comparing destinations. The final decision was made basically by choosing the best alternative.

One of this thesis's sub questions was: In what kind of process investors make decisions? Below Table 12 summarizes the processes that were presented earlier. Table 12 shows the process phases that are being used in more concrete, visual way. It lists the basic process phases from the theoretical point of view and marks those process phases that are being used by the interviewee companies.

Process Phases	Investment company			Hotel operator	
	Company a	Company b	Company c	Company d	Company e
Recognition		x	x		
Diagnosis	x	x	x		
Screening	x	x	x	x	x
Development and design	x	x		x	x
Negotiations	x	x	x	x	x

Table 12: Investment decision making phases used by interviewee companies

Next part will concentrate into the most important factors of the decision making process, analyzes and information that needs to be collected on the way to final decision.

5.2   Findings of investment decision making analyzes and criteria

It was interesting to see that qualitative analyses were seen as more important than quantitative analyses. Both were considered important but quantitative analyses more likely were seen to set the limits and finalizing the decision and those are many times based on the qualitative values, especially hard calculations. Other words, *if qualitative criteria don't meet the requirements, there's no need to do any calculations*.

5.2.1   Findings of qualitative analyses and criteria

Qualitative analyses and criteria were seen as very important in investment decision making process. Qualitative analyses are being used frequently to analyze markets and business conditions. Qualitative analyses were also seen as "ground" analyses that calculations can be built on. Qualitative analyses are being used when investors analyze investment target company's market, market position, business plan, future opportunities, management competence and destination related attractiveness factors. Table 12 lists the qualitative analyses that are used in each interviewee company. Companies are categorized by their line of business in investment company or hotel operator. Investment company here represents the type of companies that make investments into real estate or tourism industry. They don't operate in tourism industry services and don't provide their services to consumers. Hotel operators normally operate in tourism consumer business and don't invest directly to real estate or buildings, for example. In many cases investment company and hotel operator do co-operation. E.g. hotel operator operates in real estate that is owned by the investment company. Analyzing methods here don't have any importance or weight ratings, because the purpose was to find out what kind of different analyses are being used instead of which one is more important than another.

Qualitative analyses and criteria	
Investment Company	**Hotel Operator**
• Business Plan analysis • Competitor analyses • Development possibilities • Entrepreneur's competence • Industry attractiveness • Location • Management competence • Market analysis • Market position and opportunity • Realism of the plan • Risk analysis • Size of investment • Strategy compatibility • Timing of investment • Town planning criteria • Value creation opportunity	• Accessibility • Competitor analysis • Co-operation with local city, town or municipality • Destination attractiveness • Destination ownership structure • Destination's tourism strategy • Leisure activity possibilities and infrastructure • Public sector's investments • Russian tourists' affect • Service infrastructure • Snow conditions • Strategy compatibility • Supply - demand rate • Tourism's position in destination's strategy • Transportation infrastructure • Year round activity • Year round destination attractiveness

Table 12: Qualitative analyses and criteria

As seen in Table 12, qualitative analyses try to understand the market conditions and development. They also concentrate to future opportunities and draw a comprehensive picture of the stakeholders and the structure of the destination and environment. Qualitative analyses are meant to analyze the ground where the investment project or plan is operating and what kind of internal and external opportunities it has to succeed and grow in the future.

Analyses take into consideration internal issues like business plan, management's competence and entrepreneur's competence (in entrepreneurial companies). There seem to be less internal criteria and analyses than external, but internal criteria and analyses were emphasized in investment company interviews. Investment target company's internal competence and business plan were seen as a core of the future success; if the core is not in shape, external factors won't lead it to success.

External analyses and criteria draw a comprehensive picture of the environment. Such analyses and criteria take into consideration analyses of market conditions, competition, industry and destination attractiveness, destination accessibility, destination transportation, destination service cluster, supply – demand rate, public sector investments and co-operation with authorities, leisure activities and year round activities. These analyses and criteria

represent the overview of the destination and environment where investment target is supposed to compete and success.

Investment project or plan is analyzed in vide range of qualitative internal and external analyses and have several criteria that needs to be fulfilled before it can be taken further in investment decision making process. Additionally to these analyses, everything must be in line with investment company's or hotel operator's strategy. Strategy tends to be very important for investment companies. All of the interviewee companies were asked would they reject the investment opportunity that has very good potential and earning opportunity but it is not in line with their strategy. All of the companies stated that such investment project would be rejected and not even being analyzed more deeply. It was also notable that investment size is a very big criterion. Investment companies will not start their investment decision making process if the size of the investment doesn't fit in their scale. Often investment companies are being offered too small projects that are seen as waste of time and resources. Investment size should be in line with the strategy. Timing is also an important criterion. If the timing in the markets is not suitable for successful investment, although other criteria would seem to be fulfilled, investment companies often refuse to invest.

These internal and external analyses must meet investor's goals in their growth strategy and/or earnings potential goals. One of the research sub-questions was: How do the qualitative factors affect investment decisions? The importance of the qualitative analyses has been explained earlier, and Table 13 summarises the qualitative analyses and criteria that are used in different interviewee companies.

Qualitative analysis / criteria	Investment company			Hotel operator	
	Company a	Company b	Company c	Company d	Company e
Accessibility				x	x
Business Plan analysis			x		
Competitor analyses			x		x
Co-operation with local city, town or municipality				x	
Destination attractiveness			x	x	x
Destination ownership structure					x
Destination's tourism strategy					x
Development possibilities	x		x		
Entrepreneur's competence	x		x		
Industry attractiveness			x		
Leisure activity possibilities and infrastructure				x	x
Location		x	x	x	x
Management competence			x		
Market analysis	x		x		
Market position and opportunity			x		
Public sector's investments & affect				x	
Realism of the plan	x		x		
Risk analysis	x	x	x		
Russian tourists' affect				x	
Service infrastructure					x
Size of investment	x	x	x		
Snow conditions				x	
Strategy compatibility	x	x	x	x	
Supply - demand rate					x
Technical Due diligence		x			
Timing of investment			x		
Tourism's position in destination's strategy					x
Town planning criteria	x				
Transportation infrastructure					x
Value creation opportunity		x			
Year round activity				x	x
Year round destination attractiveness				x	x

Table 13: Qualitative analyses and criteria by interviewee companies

5.2.2   Findings of quantitative analyses and criteria

Investment decisions naturally include several quantitative analyses and criteria. Interviews
showed that quantitative analyses many times follow qualitative analyses. Quantitative

analyses deepen the overviews and qualitative analyses of the investment project. Quantitative analyses and calculations give facts of the investment project that together with qualitative analyses build a comprehensive and as accurate as possible view of the possibilities and profits of the investment. All of the interviewees emphasized that quantitative analyses and calculations are very important but are not enough to make investment decisions alone. There are several quantitative analyses and criteria that interviewees' companies use. Table 14 lists all these analyses and calculations. Analyses are again categorized to investment companies and hotel operators to give broader perspective of what kind of quantitative analyses are used by these different types of companies.

Quantitative analyses and criteria	
Investment Company (3)	**Hotel Operator (2)**
• Balance sheet analysis • Balance sheet capital structure • Cash Flow • Construction cost calculations • Enterprise Value • Investment project pricing • IRR = Internal Rate of Return • Payback time • Profit estimation and development analysis • Technical DD analyses	• Accommodation occupancy rate • Best case vs Worst case calculations • Cash Flow • Construction cost calculations • Customer flow amounts • Destination price level analysis • Funding calculations • Profit and Loss calculation • Turnover estimation

Table 14: Quantitative analyses and criteria by interviewee companies

As seen in Table 14, companies make cash flow calculations. In fact, cash flow calculations seemed to be a corner stone of the quantitative investment analyses. This was emphasized by all of the interviewees. Cash flow budget and estimates build an understanding of the business development and possibilities to succeed. Cash flow is also included in other investment calculations like IRR (Internal Rate of Return) and NPV (Net Present Value), which are commonly used by investment companies. One of the interviewees mentioned that cash flow budget is the most important quantitative measurement they use in investment decision making process, because it shows the "true life" perspective of the possibilities. It is notable that cash flow budget is after all an estimate. It tries to reflect the true development of the company's money flows. This is the most difficult part in investment decision making analyses; how to make cash flow budget as accurate as possible. One of the interviewees told that investment projects are being rejected in the decision making process mostly because of the disagreements of the cash flow budget development. Investor and the investment target company must agree how the cash flow would develop. If there is no consensus of the

development, investment decision is most likely negative. Investors must get positive return for the investment and both parties must have the consensus of the realistic business development to meet the profit goals.

Investment companies analyze also balance sheets. It is important for them to see what kind of capital structure the investment target company has, which is obvious because many times investor will be the co-owner of the company they invest in. One of the interviewees also told that they use Enterprise Value calculations, which means company's non debt value compared to operating profit. Investment companies include in to their analyses naturally pricing. This is in relation with timing and investment size. These combine one of the important analyze and criteria for investors. Risk and price correlation must be in line with the size of the company and investment must be done at the right time. Especially real estate values are time sensitive. Investors analyze this or the market positions when they analyze price compatibility for the investment. In case of constructions or buildings investments, investors also conduct technical due diligence analyzes to measure reconstruction cost for upcoming months or years. This has also naturally effect to the investment amount and pricing.

Estimating investment project's profitability and return of investment is crucial. One of the methods to analyze profitability is profit and loss budgeting. Especially hotel operators make profit and loss budget analyses as they have normally good insight and knowledge of the potential incomes and expenses. Interviews showed that when hotels analyze commercial performance possibilities they often start from "bottom to up". Let's say that a hotel is considering establishing new branch in the new destination. They already have an experience and knowledge of the expenses and margins. They calculate the expenses first and see how much this new hotel should have sales and turnover to meet these expenses with considered margins. That turnover requirement and goal is compared to their qualitative analyses like customer flow estimates, overnight amounts in destination, competition, occupancy rate and average price level in the destination. With such comparison they can set the price for hotel rooms and calculate the turnover with expected occupancy rate. After this, they estimate the sales from the restaurant, which they again compare with their other hotel locations and local destination's qualitative analyses. Then they deduct the estimated expenses and capital costs and see is the profit enough to make the investment and set up a new branch. One of the hotel interviewees told that they had made quite accurate estimates to their latest new branch with incomes, but expenses tend to go over the estimates. Overall income and expenses estimates were seen relatively accurate, because of the previous knowledge and comparison to other branches. Other words, experience brings insights.

One of the research sub-questions was: How are quantitative analyses and methods used in the investment decision making process? Table 15 summarizes again the different quantitative analyzing methods that interviewee companies use.

Quantitative analysis / criteria	Investment company			Hotel operator	
	Company a	Company b	Company c	Company d	Company e
Accommodation occupancy rate				x	x
Balance sheet analysis	x		x		
Balance sheet capital structure			x		
Best case vs. Worst case calculations					
Cash Flow	x	x	x	x	x
Construction cost calculations		x		x	
Customer flow amounts				x	x
Destination price level analysis					
Enterprise Value			x		
Funding calculations				x	
Investment project pricing	x		x		
IRR = Internal Rate of Return	x	x			
NPV = Net Present Value	x	x		x	
Payback time	x				
Profit and Loss calculation				x	x
Profit estimation and development analysis	x		x		
PI = Profitability Index	x				
Technical DD analyses		x			
Turnover estimation					x

Table 15: Quantitative analyses used by interviewee companies

5.3 Findings of investment process and its development

As mentioned earlier, investment decision making process and investment process have similar stages. This part concentrates mainly to process development.

Investment process is in line with decision making process except the stages of implementation and monitoring. When the decision has been made, the funding / investment will be physically made. One of the interviewee companies explained the conducting part in more detailed way. When the investment decision is made, they make an agreement and set the signing date with the investment target company. When the agreement is signed, they set another date for deal closing. This means the physical money transfers and share transfer or any other physical transfers that comes to account. When the investment process is finalized

and investment implemented it needs to be monitored. Some of the companies told that they are very hands on in the project after the investment implementation. One of the interviewee companies even requires a membership in the board. This way they can be closely part of the development and monitoring.

Investment processes were developed in interviewee companies mainly by documentation and by learning from mistakes. One of the companies mentioned that they have intranet system where all of the communication and information will be saved and it can be used for development purposes or in case of change of personnel. Interviewees also mentioned that they follow the industry events and try to develop their networks for getting good investment targets and to get better in timing. It was also seen important to develop the analyzing tools and to be better in analyzing investments case by case in a way that best possible analyses will be made to meet specific investment project in order to make correct decisions.

Overall the common way of developing such processes was to document all the previous cases and monitor those and learn from the mistakes for upcoming investment projects and plans.

5.4   Findings of investment target (destination)

This section concentrates on investment target's (destination's) attractiveness, sustainable development and Finland's Lapland as a tourism investment target. Interviewees were asked how they choose the investment target and what makes them to start investment process. They were also asked how sustainable development affects into investment decision making and how they see tourism as investment target. This part was targeted and discussed mainly from Lapland's perspective.

5.4.1   Findings of attractiveness

Theory discusses how investments have a "stimulus". It is something that attracts the attention and "pulls" the focus towards itself and raises the interest. Does Lapland have that? Well, let's not go there yet.

Destination or investment target attractiveness consists of many factors. Often investment opportunities are being offered to investors which means that they take those through investment decision making process as any other investment projects, but in some cases companies are expanding and they are seeking for new investments. One of the hotel interviewees explained how they had searched new location for their new hotel branch for years. The process included huge amount of different qualitative and quantitative analyses as mentioned earlier. They made investigations of destinations infrastructure from

transportation to service cluster. They analyzed how much the destination gets averagely snow during the winter time and what kind of nature and activity possibilities destination can offer during the summer time. Do they have lakes nearby and does the location attract international visitors. All these analyses (and the ones mentioned earlier) are the ground for drawing the bigger picture of the attractiveness of the destination and it is worth of deepening the analyses with hard calculations. As boring as it might sound, all of the interviewees didn't find or know any place in Finland that would have been attractive just like that to start investment process. All comes down to commercialization. One important point rose in several interviews that the destination builds up its attractiveness together with nature and with all of the stakeholders that are operating there. Hotel itself does not create demand. It has to come from somewhere else. It usually comes from the combination of nature, transportation and service infrastructure, accommodation capacity and possibility to leisure activities. It was also mentioned in the interviews that Finland cannot compete with money in global tourism industry. When Finnish tourism companies or public sector attract international tourists in global markets, they basically only have Finnish nature and surroundings to promote. It was mentioned in the interview that Finland has few fells, long distances and many swamps. It requires a huge amount of innovations and marketing skills to make that attractive in international tourism markets, where Finland competes with all other countries in the world.

Table 16 shows which attractiveness factors Finland and Lapland have in tourism according to interviewee companies.

Tourism attractiveness factors in Finland and Lapland
- Nature   - Peacefulness   - Fresh air   - Pure water   - Uniqueness of nature   - Possibility for different kinds of experiences   - Polar night   - Summer light   - Coldness   - Snow

Table 16: Tourism attractiveness factors in Finland and Lapland

5.4.2   Findings of sustainable development's and eco-values' affect to investment target's attractiveness

Most of the interviewees considered sustainable development and ecological values very important when making investment decisions. Two of the interviewees stated that sustainable development is something that everyone should consider and it does not have any special attention in decision making. They considered it important, but did not see it would have any special attention in investment decision making process. They said that naturally these things are taken into consideration and when one acts according to law, sustainable development perspective is considered.

Three of the interviewees said that following sustainable development's principles and eco friendliness is in their company strategy. Two of them very clearly pointed out that sustainable development's principles are so important for them that they will reject immediately investment projects that are not in line with such principles. One interviewee explained how they just had stopped one investment project because it did not follow the ecological criteria and was seen potentially harmful to the nature.

Generally nature and ecological values were seen as a corner stone of the tourism. Many of the interviewees pointed out that nature in Finland is the most important attractiveness factor for tourism and if that would be harmed, it would harm their own industry, because it would ruin the attractiveness factor.

Despite of the importance of the sustainable development and ecological values, these were not seen important enough to take bigger risks in investments. Interviewees were asked whether they would be willing to take a bigger risk in investing in highly ecological project or destination. All of them said no. They were also whether asked they would be willing to invest and take risk if the destination or project would be a "forerunner" of sustainable development principles and visionary in ecological tourism. This was not seen as driving factor alone to start the investment process. End of the day, everything comes down to how it could be commercialized and turned into a profitable business. One of the interviewee companies is already concentrating on highly ecological ways in construction and that is one of their basic values.

5.4.3   Findings of Finland's Lapland as investment target in tourism industry

Finland's Lapland is not an interesting or attractive investment target at the moment, according to findings from semi structured interviews. This is mainly because of the overcapacity in the area. Lapland's nature and landscape were seen as very positive

attractiveness factors, but Lapland was seen as impossible area of making profitable business in tourism. Table 17 lists the challenges in Lapland's tourism investments.

Challenges in tourism investments in Lapland
- Over capacity   - Accessibility   - Destinations are too much apart   - Investment activity is focused to only few companies   - Lack of professional investment planning and activity   - Year round demand   - Low occupancy rates (accommodation)   - High upkeep expenses (i.e. heating)   - Strong competition

Table 17: Challenges in tourism investments in Lapland

The biggest challenge in Lapland's tourism industry is that it is very seasonal. Despite of many efforts, Lapland has not been able to attract tourist during the summer period. This relates to the situation that there are not year round in-cash flows and accommodation occupancy rates are low. Hotels, for example, must still pay their rents (if renting) from the off seasons and that brings the whole year into less profitable.

Lapland was also seen as difficulty accessible destination area and transportation far too expensive. Local investments have been made by few operators and area lacks of professional investment planning and activity. This was seen as negative and challenging factor as it might build "cliques", which might hold up creating comprehensive stakeholder networks to provide sophisticated service cluster to meet today's needs and demand. Lapland was also seen as highly competed area in tourism. This is also due to high winter season and lack of year-round tourism in the region.

5.5   Development proposal for the case company, and service design principles, process and compatible methods for the use of destination analyses

Findings of this study showed that qualitative analyses are important in the investment decision making. Such analyses build the view and forecast of the future development and try to find justification and proof of the plans. What makes the destination attractive and where the cash flow would be generated? Interviewees' emphasised that business plan, market analyses, destination's service cluster, activities and customer flows are very important when

they draw a picture of the future opportunities of the investment project. Other words, why customers would travel there and what would they do there. As tourism is a service oriented industry, it is important that service aspects are carefully considered when investment project's future success forecasts are made. On these grounds, the company that is negotiating with investors must be able to show these analyses that show where the business is based on and how they can argue the future development and cash flows. For conducting such forecasts, the business case and especially services must be able to be analysed comprehensively. Simple productization of the services and service descriptions are not necessarily enough for that purpose. Considering that, this study presents summarized development plan for the case company that includes service design. Service design refers to design of the systems and processes of the idea of providing a service to the user (Bedford & Lee 2009, 198). With service design principles, process and methods the case company have a better approach of conducting the analyses of destination and the project that justifies their project's success, because this way services and cash flows are deeply investigated, which gives better opportunities for passing the investor's decision making process.

The development proposal for the case company can be found as an attachment of this study. Development proposal is made in a step model and is reflected to the theory and findings of this study. It is notable that the proposal presented here is not a completed guide that would walk one through the process just like that. Because of the business sensitive information, the proposal has been written in a type of "to-do-list". Projects are also different from each other, so comprehensive and fully proofed practical proposal guide cannot be written. It is also notable that this proposal here is only a part of this study, and is aimed to act as a basis of discussion between the writer and case company.

According to Ojasalo et al (2009), there are three types of development work types: (1) scientific research, (2) research based development (3) and development from "real-life" perspective. In the research based development the aim is to solve practical problems and to bring new knowledge for practices. It is based on the critically gathered information from theory and real-life perspective. As this particular development proposal for the case company is part of this study it can be considered as research based development as it reflects the theory and real-life findings to give solutions and practical information to the case company.

Ojasalo et al (2009) emphasize that the basic foundation for research based development work is recognizing the objective. In this case it is the case company's investment project and their process development to get inflow investments. Ojasalo et al. (2009) presents a process model for research based development work where the phases after recognition are as follows: (1) objective's theoretical and practical information retrieval, (2) defining, (3)

theoretical background retrieval and method planning, (4) implementation and (5) monitoring. In this case, this study serves as information retrieval of theory and practical information (findings). This development work is targeted and limited to use of the case company (or similar) and its goal is to give practical information on how they should be prepared for negotiations with investors.

5.5.1   Service Design Principles

Service Design has five principles; User-Centred, Co-Creative, Sequencing, Evidencing and Holistic. These principles are very much involved with the following factors; Customer, Service Provider, Stakeholder, Service Designer, Visualization and Service Process. (Stickdorn & Schneider 2010.)

User-Centered
Service design is based on the user. Services are intangible and cannot be stored away. Services are created in the interaction between the service provider and the user (customer). Because the user (customer) is the key and we all are different as human beings, service design must really understand the customer needs and go beyond the basics. Understanding the customers' needs is the key in service designing and user must be always put in the centre of the service design process; it is user-centred. By understanding the user, service design process / thinking can really start. Service designers need to be able to look into users' lives and see their needs, motives and perspectives. There are several tools to do that and some of these practical tools are presented in this report. (Stickdorn & Schneider 2010.)

Co-Creative
Creating new services or developing the existing ones require creativeness. Services are seldom consumed only by one type of customer, so service users have different expectations and needs. Service users are also in interaction of different parts and interfaces of the service. They can meet people face-to-face, they can visit the website or use the service provider's facilities. All these aspects generate vide set of different stakeholders. To be creative and build or develop services these stakeholders should be involved in the service design process. The service design process should be facilitated in the way that these stakeholders can co-create and contribute together. The ideal situation is the one where user (customer) is also involved in the process and co-creates together with the representatives of the stakeholders. (Stickdorn & Schneider 2010.)

Prahalad and Ramaswamy (2004) concentrate a lot to co-creations in their book: "The Future competition". They think that the future competition is based on the meaning of the value, the roles of customer and the company, and mostly the nature of their interaction (co-

creation). Customers are individuals and value is what customer experience. The market is a forum for these experiences of the co-creation. The experiences that are created together: company-customer, many companies-customer, company-customer communities or communities of many companies-different customer segments.

Sequencing

The previous principles described already how services are user-centric and service experiences are created from the interaction of user and service provider. It is also important to understand that services are time lined processes. Services normally include three basic steps; pre-service, actual service and post service. All these steps or periods are crucial to bring good and memorable service experiences. Customer goes through these steps and interacts with the touchpoints or moments. These service moments generate the experiences that user value. Touchpoint interactions can be human or non-human based, for example, setting the appointment via Internet or giving feedback, or it can be the basic human to human interaction between the user and service provider. Humans tend to like when such processes run smoothly. People don't want to wait or rush. Because of this human behavioural fact, it is important that service processes/experiences are designed sequent. Service design should take such sequent customer expectations into consideration and design, prototype and test services in iteratively manner to guarantee as smooth service experience as possible. (Stickdorn & Schneider 2010.)

Evidencing

How can service user know that the service has taken place? Normally when there is nothing to complain it has (i.e. hotel room has cleaned). It has, however, seen that the service experience is better if service user can see or have some tangible evidence of the service. Customers tend to want to keep some physical artefacts as memory or "proof" that they have consumed the service or they want to extend the service experience by buying also a physical product that is related to the service. This combination betters the service experience and tightens the customer loyalty. It also reminds the customer of the service afterwards. It evidences the service process and experience. (Stickdorn & Schneider 2010.)

Holistic

High-end service design takes all of the previous principles; user, co-creation, the service flow and evidences into consideration when designing services. Good service design thinking also takes the organisation into consideration. If the company or organisation is not committed to service design and doesn't have the right mindset it cannot be able to provide comprehensive service experiences. If they are not able see service environments holistically they cannot provide superior services that bring and generate best possible value to its users and providers. The perfect world and service can be an illusion but service designers should

see the wider perspective of the service and see these principles holistically and take all the possible aspects into consideration when designing the service processes and experiences. Customers perceive the service environment in all their senses and compare those to their expectations. Service design provides lot of practical tools that can be used in service development. These tools help to make sure that the service experience meets the perceptions that users have. (Stickdorn & Schneider 2010.)

5.5.2   Service Design process and methods

Service Design process is an iterative process. As processes generally it normally consists of different stages and moves forward. Especially in design process, it is very often necessary to step back in these stages or even start all over. It is common in design processes that new aspects and insights are brought up during the process and designers need to rethink the grounds of the whole service. This is called the iteration and it is fundamental that service designers understand it when they are involved in service design processes. Moritz (2005) points out that service design process is not a linear process. Some linearity can be sure seen, but not in a way that it is in product design process, for example. In service design process many different smaller tasks can happen in different order. Sometimes even at the same time. It is also important to realise that service design process is ongoing. It is not just a project that starts to launch new service. It is more likely a ongoing process where services are created, evaluated and redesigned.

Stickdorn and Schneider (2010) concentrates in this iterative service design process in four basic stages; Exploration, Creation, Reflection and Implementation. They also present the British Design Council's model that includes stages of discovering, defining, developing and delivering, and they also present the workshop process called AT-ONE. Meroni and Sangiorgi (2011) describe these service design process stages as analyzing, generating, developing and prototyping.

The common structure for these service design process approaches is that they first study the grounds, then innovate and develop and then implement or prototype. First stage is not necessarily involved only with the customer. It also concentrates on the service provider itself. Service design processes cannot be implemented if the provider company hasn't set the goals and doesn't have the service minded culture. This is the first step where service provider should concentrate on. Is it ready for such process, and do designers have real authority to conduct such designing. When the service provider has set the internal goals and frames for the process they need to find the problem itself that they are starting to solve and develop.

Stickdorn and Schneider's (2010) stages cover the basics of the design process. Exploration stands for exploring and understanding the situation. Firstly to understand internally the capabilities and commitment to service design process and secondly to understand truly customers' needs, problems and motives. The second stage, creation, is about testing and learning. This stage explores the customer journey, stakeholder mapping, the service process and everything between. The point is to create the grounds of the service as holistic as possible. It is very important to get as much inputs as possible. The point is not to be right. It is about learning by mistakes. This could be compared to brainstorming session. When the basics are in place, service should be "tested". This stage is called reflection and it is about prototyping. As services are intangible, prototyping might be challenging but necessary. Service designers should prototype the service as authentic as possible. Building a real-life atmosphere and using outsiders usually helps to get real insights of the service flow and its touchpoints and problems. Role plays and staging is seen as a good method for service prototyping. It of course depends on the nature of the service.

As service design is an iterative process, prototypes must be reflected back and designers should learn from the test and feedback. When this learning has been made the service can be implemented with employees. Implementation stage shows the importance of involving as much stakeholders as possible into design process. When service will launched the employees must be on the top of the critical issues of the service. Therefore it is recommended that they are involved in the design process. Then they are aware of the touchpoints, customer expectations and critical points. Documentation of the design tools, guidelines and training is of course important, but they can never reach the same results than involvement in the design process. (Stickdorn & Schneider 2010.)

Moritz (2005) sets the service design process into six categories; SD Understanding, SD Thinking, SD Generating, SD Filtering, SD Explaining and SD realising. This thinking is also based on the iteration of the process. It also highlights the importance of the internal understanding of the service design. This model, however, highlights the iteration in a way that it is good to explain more deeply. The process naturally starts by forming the team and setting the schedule, objectives and scope. Then the team tries to understand the market and user needs, tries to understand the relationships and the whole context. When the basic grounds are understood, it is possible to start thinking the service strategy, objectives, criteria, selection and direction. When the team has a clear vision and understanding of these elements they are able to generate service ideas, solution and concepts. Generating requires a high involvement and inspiration. Results of the SD Generation must, however, be filtered in critical manner. All legal aspects must be considered and strategy must be questioned. When the final service concept is filtered and rethought, it needs to be explained. Useful tools for explaining Moritz (2005) lists service prototypes, service scenarios, mock-ups, maps

and role plays. By these tools the service concept can be explained and rethought. This is the main iteration in the process where the service strategy is re-evaluated. When the service concept is clear the team tries to realise it by drawing up a service business plan, specifications, guidelines, training and service blueprinting. When these are in place, the design team should rethink the concept again and go back in the process to understand the concept and the users' needs better.

Additionally to mentioned service design methods, there is a various range of different kinds of methods that can be used. As service design is not in the main role of this study, these methods are just mentioned here. For example Curedale (2013), Miettinen (2009) and Stickdorn and Schneider (2010) present useful guidebooks and manuals for the service design methods. To mention few, compatible service design methods for the case company's use could be i.e. Stakeholder maps, personas, probes, customer journey maps, story boards, service blueprints, the five whys and customer life cycle maps (Miettinen 2009; Stickdorn & Schneider 2010).

6 Summary, conclusions and discussion

Finally, in Chapter 6, based on the empirical results, a summary, conclusions marks as well as implications and discussion are presented.

6.1 Summary of findings

Findings are summarized in Figure 11. Table 18 includes interviewee companies' mostly used process stages and it also illustrates which analyses and criteria are mostly used in different process stages. These process stages and analyses are: (1) *Recognition and market screening* (Investment target attractiveness, market and competitor analyses, business Plan review, location, strategy compatibility, public sector's investments), (2) *Analysing, development and design* (Business Plan analyses: development possibilities, positioning in the markets and management's competence), (Destination analyses: accessibility, year round activity, transportation and service infrastructure and town planning), (Customer flow analyses: overnight stays, accommodation occupancy rate and international tourists' influence), (Economical analyses: Cash flow budgeting, IRR, NPV, Profit and loss and Balance sheet analyses), (3) Negotiations (pricing, timing, capital structure and ownership) and (4) Implementation and monitoring (Signing, Deal closing, Documentation and reporting, "Learning by mistakes" and Developing analysing tools).
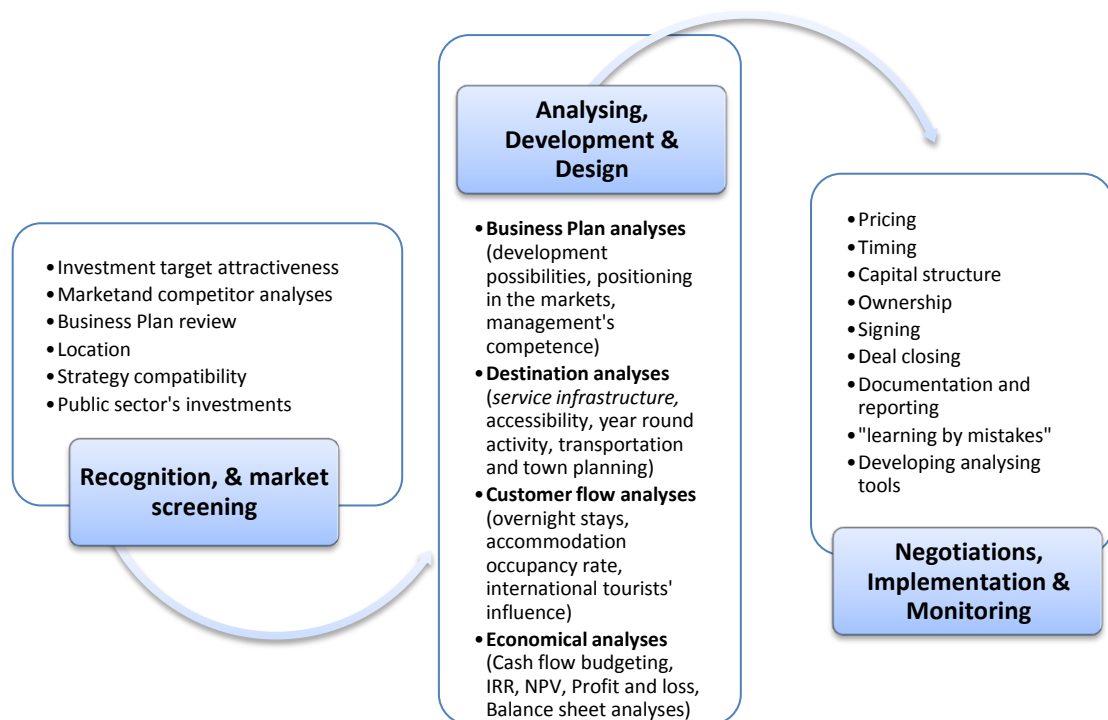
Figure 11: Investment process (incl. Decision making), analyses and criteria that are used by interviewee companies

6.2   Conclusions

The purpose of this thesis was to analyze and describe the reasons behind the private tourism investments in Lapland, especially from the investment decision making perspective.

The theoretical contribution of this study includes the clarification of the concepts related to the private tourism investment in Lapland and the analysis of the process and the criteria behind the decisions. Many of the findings of this study were confirmed by the literature. Furthermore, based on the findings, many companies will have practical information and tools for their investment processes.

The study aimed to increase the knowledge and understanding of the investment decision making and investment decision making criteria mainly in the tourism context, more precisely in the tourism context of Finland's Lapland. On these grounds, driving factors of investment decisions and Lapland's attractiveness in tourism investments were studied with industry context, theoretical framework and with empirical study.

The research questions were answered and goal achieved. The empirical part of the study interpreted the theoretical proposition based on the literature review and earlier research related to the topic.

Tourism is a growing industry. It has been growing steadily for years, except due the financial crises in 2009 and 2010. The growth has been steady but moderate in Europe, but Asia and Oceania are expected to grow heavily in the near future. The magical mark of a billion arrivals was achieved in 2012 and UNWTO is expected to have 3 %-4 % annual growth in tourism in coming years. Development in tourism in Finland's Lapland has been following same kind of a development. Steady growth stopped due to global financial difficulties, but the growth is back on track. Finland's Lapland had first time in history 20 million overnight stays in 2012. Non-resident overnight stays increased by 15,1 % from 2011 to 2012 when the total increase of non-resident visitors grew by 5,5 %. Lapland's market share of total overnights is 11 %-12 %. According to Lapland Chamber of Commerce investment projects that are expected to start before 2020 are worth of 1 430 million Euros, which is more that other Nordic countries in Lapland region. Sweden, however, has been investing much more in the resent years and Sweden and Norway have increased their tourism marketing budgets. At the same time Finland has made cuts to the budget by 34 % from 2008 to 2010.

For getting a significant growth in tourism in Finland, we must be able to attract international visitors to visit Finland. Finland's tourism strategy lists Finland's strengths and weaknesses as

follows. The strengths are: accessibility from Russia, Attractive tourist areas and diverse tourist centers. The weaknesses are: awareness of Finland, accessibility and high price levels. Finland's tourism strategy concentrates in developing the tourism sector, reinforcing the image of Finland as a tourist destination and general industrial policy starting points i.e. taxation development, improving accessibility and promoting year-round activity. Lapland's tourism strategy aims to better economical performance and results by affectivity and quality, promotion and better accessibility. To achieve goals, Lapland builds its strategy to Lapland's uniqueness, customer satisfaction, innovativeness and respect of nature. Lapland's vision is: "Lapland – PURE VITALITY near you".

Developing tourism in Finland and Lapland requires investments. Investment decision making is a complex process. It includes various stages before the final decision and actual implementation. Process also includes vide range of analyses to measure whether the project meets with investor's criteria or not. Investment decision making process has different stages and has many variations, but generally it includes the following stages: Recognition, diagnosis, screening, development and design and negotiations. Investment process includes the decision making part and additionally the conducting and monitoring parts. This process has also many variations, but there are also similarities with different kinds of investment processes. Investment process has generally the following stages: recognition stage, search stage, information retrieval stage, selection stage, funding stage and investment project implementation and monitoring stage.

There are seen a few main criteria and methods to evaluate investments. Investment decision making process includes qualitative and quantitative analyses. Capital budgeting has three main areas that are common for many investment analyses. These are, estimating future cash flows, finding an adequate discount rate and estimating the initial cost for investment. Investment decisions management includes strategic analyses that analyses the markets and industry, risk analyses that takes internal and external risks into consideration and economical analyses that measures and estimates the monetary performance and estimated returns for investment.

Investment target's attractiveness has also a big role in investment decision making. Without a stimulus or attraction the investment decision making process won't start. Factors that affect hotel investments in tourism industry according to Newell's and Seabrook's (2006) study are; financial, location, economic, diversification and relationship factors. Financial factors were weighted as most important ones.

The research problem was: *How are the tourism investment decisions made?*

This empirical study indicated that tourism decisions are made in process. Process varies between companies, but generally is has similar stages of analyzing and retrieving information. Decisions are made in iterative process where several qualitative and quantitative analyses are being used. Empirical study showed that the same kind of basic process phases are being used in a real life that were presented earlier on the grounds of the theory.

Qualitative analyses seem to have a very important role in the investment decision making. The empirical study showed that investment projects are first being measured and analyzed with qualitative measurements i.e. business plan, market, destination and environmental analyses. Quantitative analyses are being used if the qualitative criteria and factors indicate positive development of the investment project. Quantitative analyses supplement the comprehensive view of the project. Quantitative analyses mostly are; cash flow budgeting, profit & loss estimates, balance sheet analyses, IRR and destination related values like overnight stays, occupancy rate and customer flows.

The most important factor of the investments is that the project is in line with investor's strategy. Sustainable development and economical values are important in tourism industry investments. Nature is seen as the most important attractiveness factor, so investments must follow ecological guidelines. These values do not however encourage taking bigger risks. Other words, being a pioneer in sustainable development in tourism investments is not a main criterion in making investments decisions, if that doesn't mean better commercial performance.

The empirical study clearly brought up the fact that Finland's Lapland is not an attractive investment target in Finnish tourism industry. This is due to vide range of challenges. The biggest challenges were overcapacity and lack of year-round demand and activity, which are related to one and another. Other challenges mentioned were: accessibility, strong competition and lack of professional investment planning. Attractiveness factors in Finnish (mainly Lapland) tourism were based on Finnish pure nature and uniqueness.

6.3   Discussion

Literature review explained how investments and investment-decisions are made in a process (Niskanen & Niskanen 2007; Sykianakis & Bellas 2005; Drury 2012), and decision making includes various calculations and analyses (Dwyer et al. 2010; Puttonen & Knüpfer 2009; Allen et al. 2008; Ferreira 2011).

Findings of this study indicated that investments are made in a process and decision making includes various analyses, where qualitative analyses are many times seen more important than quantitative ones. Empirical findings showed that the decisions are not made purely on the grounds of hard calculations and sustainable development and ecological values play a big role in investment decision making in tourism industry. Newell and Seabrook (2006) on the other hand stated that according to their findings, financial factors are the most important in hotel investment decision making.

According to findings of this study, the biggest challenge in Finland's Lapland's tourism is that it does not attract tourists year-round. Lapland has a strong winter season, but low summer period. This decreases substantially income for tourism companies. High winter season, however, has attracted several tourism companies to invest in Lapland, which has related to over capacity. It was also said that investments are mainly done only by few local companies and Lapland tourism investments lack of professional investment planning. This also means that some of the investments had not been made by professional investors, but had been made by local companies, because they have a special relationship to Lapland. It was also said that Lapland's tourist destinations are too much apart from each other.

It can be said that Lapland is suffering in tourism sector, even though the overnight visits have increased. With connection to the earlier, Lapland's tourism companies and all stakeholders should be working in co-operation to increase the amount of tourists in a region year-round. *Pure nature and fresh air do not attract visitors just like that*. Tourism in Lapland must be comprehensively organized considering the accessibility, accommodation capacity, year-round activity, service offerings and innovations. That will not happen by competing fiercely. It requires *united forces from investors, service providers, transportation and public sector*. It is easily noted from the statistics that Lapland tourism will not grow substantially by local tourists. If Lapland wants to increase substantially its tourism industry, that happens only by the international visitors, which means competition in global tourism markets.

 Finland's tourism strategy lists the importance of improving the awareness of Finland as a tourist destination, and how tourism infrastructure and accessibility should be improved. Empirical study indicated how important public sector's actions and investments are to tourism investment companies. Many of the investments were implemented because of the smooth co-operation between private and public sectors. As mentioned earlier, Lapland has overcapacity due to low summer season. Government should now attack to this challenge. By promoting year-round activities and Finnish nature, local tourism companies would have better opportunities to attract international visitors year-round. This would also motivate the local and international investors.

On the grounds of empirical findings, investors see same kind of challenges in tourism that Finland has stated in the tourism strategy. On the other hand, these investors also see same kind of attractiveness factors that the Regional Council of Lapland has stated in their strategy. Finland has a unique nature and "pure vitality – near you", but Finland is not well known in international scale and accessibility and year-round activities are poor. But who is in responsible of promoting Finland globally? Is it a government or tourism cluster? According to this study, the best possible outcome would be that it is made in a co-operation with government and tourism companies. Funding for global research of travel plans decisions is needed. It was obvious that tourism companies don't really know the grounds tourists build their decisions on when they choose the destination of their holiday. If tourism companies would know better the potential, they could better plan and invest so that tourists' expectations would be better fulfilled. Such global research is heavy to conduct and requires governmental coverage with local embassies. It would be very important that these factors that affect to tourists decisions on their choice of the holiday destinations are being examined. Finnish tourism industry could then plan and prepare their marketing and design their service offerings to meet these expectations.

According to Ritchie and Crouch (2003) competitive and sustainable destination is built on five main pillars that also have sub-pillars to build comprehensive competitiveness. These pillars and sub-pillars are (from bottom to the top): supporting factors and resources (infrastructure, accessibility, facilitating resources, hospitality, enterprise, political will); core resources and attractors (physiography and climate, culture and history, activities, events, entertainment, superstructure and market ties); destination management (organization, marketing, quality of services and experience, information and research, human resources, finance and capital, visitor management, resource stewardship and crisis management); destination policy, planning and development (system definition, values, vision, branding and positioning, development, competitive analyses, monitoring and evaluation and audit); qualifying and amplifying determinants (location, safety, cost and value, interdependencies, awareness and image and carrying capacity). (Ritchie & Crouch 2003.)

To become an attractive investment target, Lapland must be a year-round destination. Competing in international tourism markets requires a huge amount of promotion and innovative service offerings and activities to tourists. That is a task that requires co-operation of all stakeholders, long lasting plans and attractive investments in tourism industry in Finland. Before this happens, Finland, in governmental level, has to acknowledge tourism as an important line of industry and put forces to support it. Tourism brings wellness, strengthens economy and regenerates culture. Tourism has been and will be one of the major

drivers of vital economy globally (Bailey & Richardson 2010). That, however, requires lot of investments.

6.4   Managerial implication of the study

This study includes researched based development proposal for the case company, which aims to give practical guidelines how the case company should proceed with their process with investors. It can be found as an attachment. Background and summary can be found below in this part of the study.

The findings of the present study show that investment decisions are made in process but such processes don't follow the general theoretical background. Meaning, that companies don't follow actively new process models and theories, but they tend to do decisions in iterative process. Processes are monitored and developed in a "real-life" approach, where process is somehow documented and companies tries to learn from their mistakes. Process phases are recognized and there are similarities with the process that are presented in theory text books.

According to findings, companies use common economical analyses such as cash flow estimates, IRR, NPV and profit & loss budgeting accounting. Same kind of economical analyses are presented in theory. Addition to this, companies use various qualitative analyses that suits to industry's nature.

Due to huge amount of information that is being retrieved during the investment decision making process, companies that are searching for inflow investment should be well prepared. Tourism companies that look for investors to invest in their projects must do their homework first. As presented in this study, such companies should analyze thoroughly qualitative factors, such as customer flows, market situations, their market position, destination development, public sector's investment plans in the destination, and of course they must have their own business plan, strategies and visions well stated and argued. When the environmental aspects are analyzed and presented, they should concentrate on future cash flow estimates. This is the corner stone. If investor will not agree with the cash flow estimates their decision will more likely to be negative to the project. Cash flow estimates should be able to argued and justified as accurately as possible. This is complex, because it is an assumption. Consumer surveys and market analyses help, but forecasting the future is always difficult. Cash flow estimates are also in direct link to other investment calculations such as Net Present Value, which is very commonly used. To get investments into tourism projects require lot of information of future customer flows, which has direct affect to cash flows as well as lot of qualitative analyses and information.

6.5   Suggestions of future studies

Cash flow estimates are very important when making investment decisions. Tourism companies estimate future incomes when they make investments. This is also one of the most challenging analyzing methods. Tourism in Finland has grown steadily over the years. Growth is, however, quite moderate. Tourism companies also feel that Lapland has overcapacity and it suffers from high seasonality and lack year-round demand. International visitors can be seen as one of the biggest potential to boost Finnish tourism. Suggestion for future research is to study potential of international visitor. How do they make their holiday and travel decisions and which factors weight most in their decisions of the travel destination? With such knowledge Finnish tourism could target their marketing and design service offerings to meet these factors. Knowing opportunities and nature of the travelling decision making could benefit tourism companies to estimate their potential incomes when service offerings and marketing is correctly targeted and designed.

Other suggestions are to widen this study's settings to international reach and interview international tourism investment companies' decision making, and make a quantitative research of the same kind of topic to strengthen the findings. It would be also interesting to study, how "soft values" as sustainable development, nature values and ecology could be measured and weighted in research context.

6.6   Epilogue

This has been a very interesting and time consuming learning process. I started to work on my thesis topic in the autumn 2012. When the topic was finally decided I started the actual thesis work in January 2013. Eleven months later, I must say that this was a bigger task than I expected. Such work requires so many tasks that are not shown here in writing. Getting familiar with study context and theory takes it own time, and even finding all the references is time consuming, not to mention the transcript and analysing the data. Taking all the time spent and effort into consideration, I must say that this has been after all a rewarding and educating project. I hope that this thesis gives valuable information to case-company and I wish all the best for their Golden Peaks project in Pyhä Tunturi. I thank my supervisors at Laurea, Lic. Sc., Senior Lecturer Leena Alakoski who did a great work by supporting, encouraging and giving constructive feedback throughout the project. Dr. Sc. (Econ), Principal Lecturer Irma Tikkanen from Laurea did remarkable detailed work when advising and correcting the technical details. Special thanks to my former lecturer PhD Irma Vahvaselkä, who helped and advised me with the structure. It shows a true helpfulness. Thank You.

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INTERVIEWEES

CapMan Oyj. Mr. Markku Jääskeläinen, Asset Manager. At CapMan's premises on 26th of September at 13:00-13:15.

Holiday Club Resorts Oy. Mr. Iiro Rossi, Director, Business Development. At Holiday Club's premises on 30th of August 2013 at 14:00-15:00.

Keskinäinen Eläkevakuutusyhtiö Ilmarinen. Mr. Esko Torsti, Head of Non-Listed Investments. At Ilmarinen's premises on 19th of August 2013 at 13:00-13:30.

Nordia Management Oy. Mr. Kalle Lumio, CEO. At Nordia Management's premises on 27th of June 2013 at 13.00-14.20.

Restel Hotel Group. Mr. Jari Laine, Vice President, Hotel Operations. At Restel's premises on 19th of September at 10:00-11:10.

Figures and Tables

Figures

Tables

Attachments

Attachment 1 Semi-structured Interview Themes

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Degree Programme in Service

Innovation and Design

Master's Thesis, 2013

SEMI STRUCTURED INTERVIEW THEMES AND SUB-THEMES

Topic: *"Lapland's attractiveness in tourism investments and driving factors of investment decisions."*

Main themes are written in **bold**, followed with indented subthemes in bullet points:

1) Strategic investments and investment decision making process.

How the investment decisions are made, and in what kind of process?

How quantitative and qualitative methods and analyses are used in investment decision making process?

- Investment decision making process (i.e. Recognition, diagnosis, screening, development and design, negotiations)
- Investment decision making criteria
  - Quantitative: investment calculations and other methods
  - Qualitative: non numeric factors
- Company's strategy relation to investment decision making process (e.g. high return investments from other fields rejected if not in line with strategy)
- Factors that influence most to investment decision making (e.g. Stimulus, strategy driven, economical analyses, competition driven, operational factors etc.)
- Process iteration

2) Investment Process

How the investment process is handled and developed with different analyses and monitoring systems?

How the investment process flows and which phases it includes?

- Investment process phases and flow (i.e. recognition, search, information retrieval, selection, funding and investment project implementation and monitoring)
- Investment process development
- Investment analyses methods
- Analyses' results influence to decision making / project approval
- Risk analyses and risks' influence to decision making / project approval

3) Investment Target

How investment targets are chosen and what attracts to start the investment process?

How sustainable development affect the investment decisions?

How tourism is seen as investment target?

- Stimulus / attractiveness (Recognition)
- Strategy relation and company's investment goals
- Qualitative and quantitative information retrieval (income, cost and risk)
- Lapland's attractiveness (on what grounds investment in Lapland would be interesting)
- Company value based strategy
- Responsibility of society
- Image, R&D or economical factor in the decision making process
- Green and eco-values' influence in decision making (i.e. Lapland)

Attachment 2 Development Proposal for the Case-Company

HOW TO BUILD A PYHÄ-CASE FROM THE INVESTMENT DECISION MAKING PROCESS PERSPECTIVE

Background and limitations

Noitatunturi Oy's Golden Peaks project is presented in the part 4.5 of this study. As the project is so big (master plan), this development proposal is limited to their eco-hotel & spa project. However, this proposal includes models that can be applied also to other sub-projects of the master plan.

Literature review of this study explained how investments and investment-decisions are made in a process (Niskanen & Niskanen. 2007; Sykianakis & Bellas 2005; Drury 2012), and decision making includes various calculations and analyses (Dwyer et al. 2010; Puttonen & Knüpfer 2009; Allen. et al. 2008; Ferreira 2011). It is very important for the case company to understand and recognized the way how investors make their decisions. This proposal model is based on the theory and findings on how investors make their decisions. This development model is base on the investors' decision making process model and it gives practical information on how the case company should be prepared to each process phase. Service design can be used as a base for making estimates and analyses. Theory of service design principles, process and some methods can be found in the study part 5.5.

1. Recognition

In recognition phase investors identify the objectives. They look for investments or they are contacted by company that is looking for inflow investment. The interest arises by stimulus. That is the factor(s) of the project that draws attention. The case company should be prepared in a way that they have well conducted the basic information and marketing message of the project. They should include the basics of the external and internal factors. External factors can be i.e. political, economical, demographical and market indicators in the destination. Internal factors can be i.e. hotel contraction and architectural plans, project goals and profile. The case company should concentrate on: How this project is different and appealing compared to others and in what kind of environment and surroundings it operates in. These analyses and messages should be marketing oriented qualitative factors.

2. Diagnosis

Diagnosis phase many times ends the investment decision making process if the stimulus of the project is not appealing. At this stage of decision making investors make a bit deeper investigations and research of the project and surroundings and those findings are compared to other projects. Other words, this is the phase where the case company must win the investors into their side. The case company must be able to emphasize their case to win investors attention from the competitors and other investment projects. At this stage the case company must deepen their business case and clearly communicate to investors why their project fits perfectly into investor's portfolio. Those arguments can be i.e. being a forerunner of construction and ecology, deeper information of the demographical and market indicators, public sectors involvement and economical surroundings.

Service design methods: personas, probes, story board, stakeholder map.

3. Screening

This can be seen as the most important phase in the decision making process. At this phase investors examine closely the factors from recognition and diagnosis phases and investors evaluate whether such project is in line with their strategy or not. This phase also includes future demand evaluation of the projects services and products. At this point the case company should be able to show with the various analyses why customers would come there to spend their money. The case company should concentrate at this stage to deepen the qualitative analyses and their business case. The case company must be able to protect their visions and views of the project against the real analyses of the future and market conditions. If investors don't see overall potential of the project at this stage and/or they feel that it doesn't follow their strategy, investment process stops there. Analyses and arguments that the case company should use and take into consideration at this stage are (a - z):

- Accessibility
- Business Plan analysis
- Competitor analyses
- Co-operation with local city, town or municipality
- Destination attractiveness
- Destination ownership structure
- Destination's tourism strategy
- Development possibilities
- Entrepreneur's competence

- Realism of the plan
- Risk analysis
- Russian tourists' influence
- Service infrastructure
- Size of investment
- Snow conditions
- Strategy compatibility
- Supply - demand rate
- Technical Due diligence

- Industry attractiveness
- Leisure activity possibilities and infrastructure
- Location
- Management competence
- Market analysis
- Market position and opportunity
- Public sector's investments & influence

- Timing of investment
- Tourism's position in destination's strategy
- Town planning criteria
- Transportation infrastructure
- Value creation opportunity
- Year round activity
- Year round destination attractiveness

Service design methods: Customer journey map, service blueprint, shadowing (destination's services), customer lifecycle map, the five whys.

4. Development and Design

When the surroundings and overall analyses are made, this stage concentrates to investment project itself more closely. At this stage the project, markets, products, services, competition, infrastructure and stakeholders are being investigated very closely and also quantitative measures are being used. The case company should, at this stage, be able to present accurate cash flow calculations, accurate initial investment amounts (with construction details), customer flow amounts, occupancy rate estimations etc. For describing the markets and business environment, the case company should make a comprehensive stakeholder map that describes the environment where their business case (the project) is supposed to operate. It is also important that services and opportunities are well described. The case company must have comprehensive view and knowledge of the market conditions and services to estimate the future cash flows and opportunities of the customers and services.

More detailed list of quantitative analyses and criterion that the case company must be prepared for are (a - z):

- Accommodation occupancy rate
- Balance sheet analysis
- Best case vs Worst case calculations
- Cash Flow
- Construction cost calculations

- Customer flow amounts
- Destination price level analysis
- Enterprise Value

- Funding calculations
- Investment project pricing
- IRR = Internal Rate of Return
- Payback time
- Profit and Loss calculation
- Profit estimation and development analysis
- Technical DD analyses
- Turnover estimation

Service design methods: All previous methods in iterative way, and additionally prototypes.

5. Negotiations

This phase is more likely an information exchange phase between the negotiation parties. According to Sykianakis & Bellas (2005) negotiations are started after diagnosis phase but goes on till the final investment decision due to iteration of the decision making process. Due to this, the case company must have their investment case ready and well prepared with pricing and timing factors already at the very start of the process.