

Success in the export business:

Key steps for Lignell & Piispanen

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<p>Abstract</p> <p>The objective of the study was to find a suitable export model for the commissioner Lignell & Piispanen by analyzing the current operations of the company and reflect them to chosen internationalization theories. Another objective of the study was, based on the forthcoming findings, to create an export process chart for the company.</p> <p>The research was qualitative by nature. The data for the study was collected by interviews with the key persons in the company. In addition theory concerning internationalization was collected from various professional sources. As a result, two models were chosen as alternative solutions to create an export process chart for the company. The chosen two models were compared against company`s current operations in order to find a suitable model for the company.</p> <p>Based on the findings and comparison, the export model created by Darling & Seristö (2004) was chosen as a background theory for the process chart. Based on the chosen model, an export process chart was created for the company. If the company decides to utilize the created export process chart, it may gain cost-savings and be able to operate more systematically. However, effectiveness of the process chart was not investigated in this study. Further study could concentrate on analyzing the effectiveness and applicability of the created process chart.</p>			
Keywords Export process, Globalization, Internationalization, SME`s			

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1 INTRODUCTION

The aim of the thesis is to compare two different approaches to enhance effective internationalization. The first one is created by Darling & Seristö (2004) and it introduces ten key steps essential for success in the export markets. The second approach created by Czinkota, Ronkainen & Moffet (2011), explains formulation of global strategy. These two approaches are reflected, with support from other relevant sources, against case company`s operations. The most suitable one will be introduced to the company`s key people as an alternative solution to the effective internationalization management.

Another aim is to create, based on the findings, an internationalization process chart for Lignell & Piispanen. This process chart could guide the company, step-by-step, on a journey to new foreign markets. Neither the effectiveness of the process chart nor the results achieved by implementing the process chart are evaluated in this study.

Before being able to formulate objectives for the thesis, few preparations needed to be done. The first step in the process was to familiarize with different internationalization theories. The second step was to evaluate the internationalization process of Lignell & Piispanen. The processes Lignell & Piispanen uses were evaluated with the help of internationalization theories. This step was partly done during previous studies.

Based on the findings it came obvious that the company had expanded to new markets step-by- step, from one country to another, steadily and slowly. Exporting is used as an entry mode and there is now reason to currently consider other entry modes (Aki Railanmaa, Production manager 2015). Though the process had been incremental and evolving, the actions taken on an operational level were not systematically evaluated nor planned. To tackle this problem, it was decided, that different approaches to enhance international activities would be assessed.

The thesis begins with theoretical framework for the study. The essence of internationalization is explained. Also the reasons behind the decision to expand to international markets are discussed.

Third and fourth chapters demonstrate the two compared theories. Each theory is assessed and evaluated with the help of other professional sources. The purpose is to understand the essence of each theory.

The fifth chapter introduces the actual research work. The evolution of the entire process is described in sequential order, beginning with research questions and goals, moving through explaining the methods and analysing the data, followed by discussing the findings and deriving outcome. In addition, company`s current activities and product portfolio are assessed. Information is partly based on the previous interviews with export manager of the company. The last chapters are dedicated for discussion and conclusion.

2 INTERNATIONALIZATION

The word *internationalization* has several different meanings. One way to explain "*internationalization*" is to see it as a way to increase involvement in international operations (Welch & Luostarinen 1988, 36). This increasing involvement is often explained through modes; "*institutional arrangements that allow firms to use their product(s) or services in a country*" (Calof & Beamish 1995, 116). Most commonly used modes are indirect export, direct export, franchise/licence, sales subsidiary, joint ventures and production subsidiary. According to stage theory firms sequentially move from one mode to another as they develop international commitment and activities. (Calof & Beamish 1995, 116-117.)

According to Ruzzier, Hisrich and Antocic (2006): "*Internationalization is a synonym for the geographical expansion of economic activities over a national country's border*". Another approach is to see internationalization as a way to adapt firm's operations (strategies, structures, resources etc.) to international environments (Kuivalainen, Sundqvist, Saarenketo & McNaughton 2012, 449). These definitions describe the outward movement of firm's operations to foreign markets.

In addition to previously mentioned definitions, "*internationalization*" can be seen as a pathway (Kuivalainen et al. 2015, 450). According to the pathway theory (Kuivalainen et al. 2015, 450) company's internationalization follows a certain behavioural pattern. Good example of this is a life-cycle model, where the involvement in international markets depends on the phase company is in its life cycle.

Similar for these definitions is that they all relate the word "*internationalization*" to company's involvement in markets outside domestic boundaries. Due to nature of this study, the definition introduced in the article of Ruzzier et al. (2006) is used to describe the word *internationalization*. This is because the study focuses more on the actual steps needed for successful export process, rather than on explaining evolving international commitment of the company.

It is advisable to distinguish the term "*internationalization*" from the term "globalization". "*Internationalization*" refers to outward movement of international operations where as "*globalization*" refers to interdependence of national economies and international connectivity of countries and markets (Ruzzier et al. 2006, 477). In addition,

globalization is referred to stage where company's activities are led on a global scale instead of by concentrating on selected markets (Ruzzier et al. 2006, 478).

2.1 Internationalization as a process

Many researchers have found similarities in the internationalization of companies. Internationalization of a company is usually seen as an incremental and linear process. During this process companies move from one step to another while getting more deeply involved in international operations. However present research indicates that another way of internationalization has emerged. In this born-global phenomenon companies rapidly expand to several different international markets soon after emerging. (Kuivalainen et al. 2012, 449.) Companies utilizing traditional model expand to new markets slowly and through different stages where as born-globals internationalize aggressively and simultaneously to several markets (Grabtchak 2013, 17). In this study the internationalization process is seen as an incremental process due to the characteristics and past operations of the case company.

Traditional models to internationalization are usually seen as incremental process, where company moves from one stage to another (Kuivalainen et al. 2012, 448). Mode model (Calof & Beamish 1995) explained earlier in this study is a good example of traditional model to increase international involvement. Internationalization is seen as a sequential process and thought as an evolutionary activity (Calof & Beamish 1995, 115). Most famous stage model is the Uppsala Internationalization Model created by Johanson & Vahlne (1997). According to this model (1997) Internationalization is a dynamic process where company's international involvement increases as a result of learning.

"Born-global" is a company, which rapidly expands simultaneously to several different foreign markets. After three years of company's existence, already 50% of the annual turnover comes from export sales (Grabtchak 2013, 18). Gabrielsson (2015) describes "born-global" as a company that *"starts to globalize own operations from the very inception without any preceding long term domestic or international periods"*. According to this definition "born-global" is often considered to be a newly born company. As a distinction a term "born-again-global" has emerged to explain rapid globalization of already existing companies (Gabrelsson 2015).

In addition to previously mentioned models, few rarely discussed models exist. Networking model explains internationalization as a process, which evolves through

networks and relationships. Another way to explain internationalization is to describe it as a learning process, where international involvement increases together with experience and knowledge-base development. (Grabtchak 2013, 17.)

2.2 Reasons to expand abroad

Several different factors affect company's decision to expand abroad and usually the decision is based on a mixture of different reasons (Czinkota & Ronkainen 2013, 281). The most important one is the commitment of the management because internationalization requires substantial amounts of research, market development activity and innovation (Czinkota & Ronkainen 2013, 428). Another driving force is the increasing amount of international market information provided through different channels (Koch 2001, 354). The major motivations to internationalization are divided in to two categories: proactive stimuli and reactive stimuli. Czinkota & Ronkainen (2013, 281) state: "*Proactive motivations represent stimuli to attempt strategic change. Reactive motivations influence firms that respond to environmental shifts by changing their activities*". Proactive stimuli and reactive stimuli are listed in following figure (Figure 1.).

Proactive Stimuli	Reactive Stimuli
Profit Advantage	Competitive Pressures
Market Size	Excess Capacity
Economies of Scale	Overproduction
Unique Products	Declining Domestic Sales
Technological Advantage	Proximity to Customers and Ports
Exclusive Information	Saturated Domestic Markets

FIGURE 1. Proactive and Reactive Stimuli (Czinkota & Ronkainen 2013)

Profit advantage is said to be the most influential incentive to become international. Companies wish to gain higher profit margins or additional profits through expansion to foreign markets. The size of international markets may help companies increase output, which on the other hand may help company to reach economies of scale. Uniqueness of the product or technological advance of the product offered may constitute a major competitive advantage for the company. In addition, exclusive market information can be proactive stimulus for the company to expand to foreign markets. Company may possess information about foreign markets and customers that is not easily available for competing companies. (Czinkota & Ronkainen 2013, 281-282.).

Companies may also have many reactive motivations to go international. Companies may be losing domestic market shares, which triggers a need to expand abroad. Excessive capacity is another reactive motivation. Inefficiencies for example in production lead to smaller Return on Investment (ROI). Expansion to new markets helps company to distribute fixed costs more broadly. On a contrary overproduction can also cause problems for the company, leading to increase in storage costs. Life cycle of the product may be in the declining stage in domestic markets, leading to decline in sale volumes and market share. Decline in sales may act as an incentive for companies to start searching for markets, where the same product is on the different stage of the life cycle. Companies may also be encouraged to enter countries close to them. In this context it is important to understand, that geographical closeness does not guarantee export success if psychological distance is too wide. Psychological distance is referred to differences in culture, societal norms and legal concepts. Final reactive stimulus is saturated domestic markets. Features of this stimulus are similar to decline in domestic sales. (Czinkota & Ronkainen 2013, 283.)

2.3 Success in the export markets

Success in the export markets can be measured in different ways. Increase in revenues and ability to grow business are examples of positive change. Another way to measure success is to evaluate organizational development of a company. Common way to measure performance is to monitor the achievement of set targets. Each company selects appropriate ways to measure performance based on individual needs. (Grabtchak 2013, 17-18.)

Determinants used to describe the export performance of a company can be divided in two different categories. Internal determinants view export performance from firm-specific point of view whereas external determinants evaluate the performance from environmental point of view. Both determinants are crucial for appropriate evaluation but depending of the theoretical approach, another one is seen as being more important. (Chetty & Hamilton, 1993, 28-29.)

The resource-based view of the firm (RBV) suggests that internal factors such as managerial issues determine the success of export performance. These factors controllable by the firm can be divided in to four groups:

1. Firm characteristics
2. Management characteristics
3. Management attitudes and perceptions
4. Export strategy

All four groups are broad and consist of tens of different indicators. (Beleska-Spasova, 2014, 66-67.)

Contingency theory, created by Cavusgil and Zou (1994), evaluates export performance through environmental factors. According to the theory firms have to pursue strategy that adapts to the changing environment, in order to succeed. The difficulty is that these environmental factors are rarely managerially controllable. Environmental factors can be broadly divided in to two categories: industry specific and market specific. Industry specific factors explain the technological intensity and the level of instability of the given industry.

Basly (2007) studied internationalization of family SME`s and identified three characteristics critical to the company`s success and knowledge development. First characteristic is conservatism in decision-making, which can constitute a major obstacle for success. Second critical characteristic is the orientation towards independence and reluctant willingness to rely on external help. Positive characteristic is undoubtedly social networking which affects enormously to knowledge development and constitutes a competitive advantage for many SME`s. Information is shared beyond regular working hours and social ties create sense of commitment and togetherness. Slow decision-making, independence and social ties undoubtedly strive for incremental internationalization plans which rely on careful considerations and commitment.

3 KEY STEPS IN EXPORT MARKETS

Darling & Seristö (2004) discuss and evaluate in their article: “*Key steps for success in the export markets*” key features in the effective export process. Their findings are based on extensive research trying to identify these success factors. Based on their findings they were able to develop ten key steps pursued by many successful companies. They conclude that the success is often achieved with a one-step-at-a-time perspective. Darling & Seristö (2004) also point out that “*discipline is the price that must be paid for successful market entry*”. They were also able to discover that planning process requires continuous integration and reassessment of these steps. The ten key steps and their interrelations are discussed in the following chapters and are illustrated in the following figure. It should be pointed out that the use of these steps is individualist by nature; every company has their own approach in implementing them (Darling & Seristö 2004, 43). Also the field of business, company operates in, has an effect on the implementation of the ten steps. Following figure (FIGURE 2.) explains the key steps essential for success in the export markets.

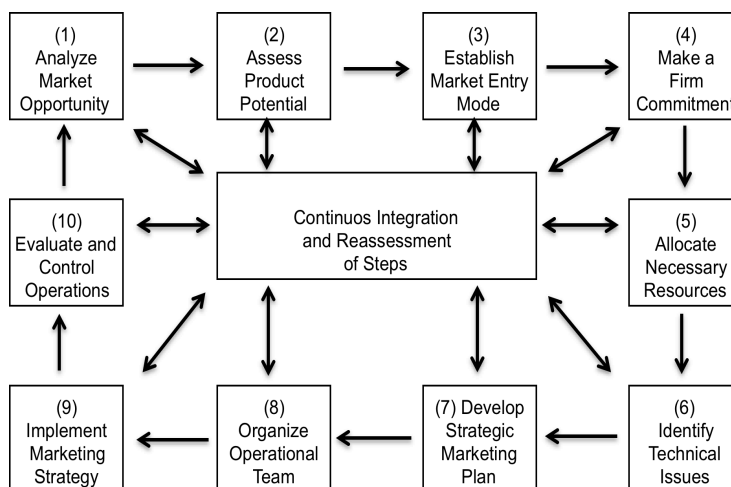


FIGURE 2. Key Steps for Success in the Export Markets (Darling & Seristö 2004)

3.1 Analyse market opportunity

Firs step in internationalization process is to analyse the market opportunity in the given country and evaluate market potential from several perspectives. Darling & Seristö (2004, 32) argue that the “*information is power in the marketplace*” so extensive marketing research provides important information of the external environment and competitors. PESTEL analysis helps in assessing the external environment (Weberience LLC, 2015). Analysis, which can be seen in the figure below (FUGURE 3), investigates

social, technological, environmental, legal, political and economic aspects of the external environment. In addition, investigating the position of the company, compared to competitors is one of the corner stones of thorough market assessment. Company should also perform profound picture of competitor's actions, policies and strategies.

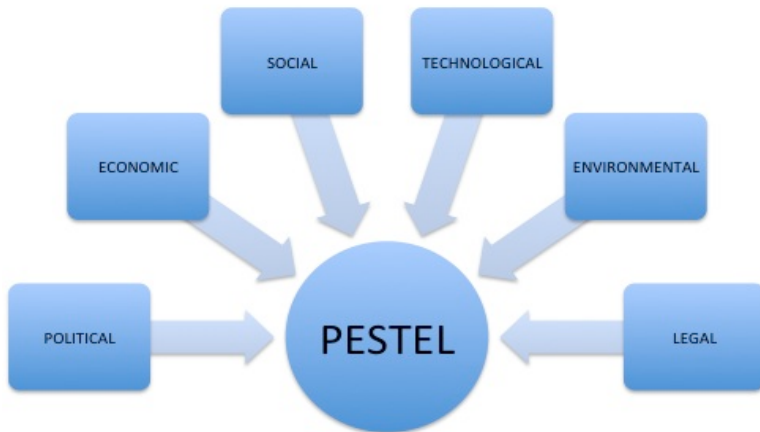


FIGURE 3. PESTEL Analysis (Weberience LLC, 2015)

3.2 Assess product potential

This step helps to evaluate the product potential in the given market. With the help of competitor analysis performed in the first step, company can evaluate own strengths and weaknesses compared to competitors. In order to succeed company should have a competitive advantage, which helps to differentiate from competitors (Darling & Seristö 2004, 32).

The biggest mistake company can make is to analyse the potential based on the success in domestic markets. Because external environment of countries vary, rarely success can be defined based on situation in domestic markets. On the contrary, company should consider how the product should be modified and how foreign markets differ from domestic markets. (Darling & Seristö 2004, 32-33.)

3.3 Establish market entry mode

If external environment and competitive situation seem favourable for company to enter the market, next step would be to consider the market entry mode. Buckley and Ghauri (1998, 85-86) noticed that companies tend to increase their level of international involvement together with increase in experience, skills, foreign market knowledge and

conquered market diversity. Companies usually start by pursuing modes that are less risky and require less commitment. However as the involvement level increases chosen entry modes start to require more resources and commitment. Buckley & Ghauri (1998, 86) continue that successful companies are able to pursue different entry modes for different markets.

Companies can adopt different entry modes. The following figure (FIGURE 4.) describes the level of resource commitment, company involvement and risk associated to of each mode. Each states faces different challenges and opportunities. Czinkota & Ronkainen (2013, 285) argue that more deeply company commits to foreign markets, more revenues it expects.

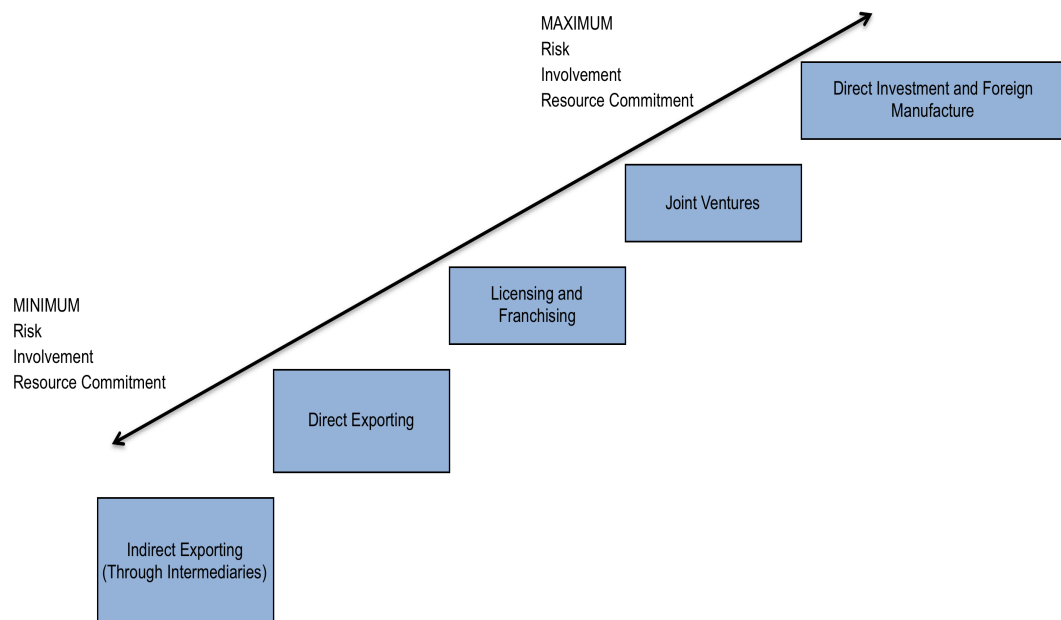


FIGURE 4. Market Entry Modes (Czinkota et al. 2011, 435-451)

3.3.1 Channel structure

When evaluating internationalization and different entry modes companies should also consider possible international marketing channel structures. These channels enable the flow of goods and transactions from home country to a designated country (Albaum & Duerr 2011, 392). Albaum & Duerr (2011, 393) describe international marketing channel of distribution as “a system composed of marketing organizations that connect the manufacturer to the final users or consumers of the company’s product(s) in a foreign market”. The distribution channel involves everyone from seller to final consumer. Usually the chain contains several intermediaries and facilitators. Sometimes a channel

can be very simple with only few intermediaries. Often, especially further the company exports, chain becomes more complex. (Albaum & Duerr 2011, 393.)

Flow of transactions involves all the sales negotiations, contracts and agreements needed to transfer the ownership of goods. Flow of goods means physical distribution of goods. For both transactions company should always consider the most feasible channel structure to avoid unnecessary risks and costs.

3.3.2 Direct and indirect export entry mode

According to Czinkonta & Ronkainen 2013, 286) many companies start their internationalization by exporting to neighbour countries. Exporting modes are always performed from home country and are the least risky exporting modes. After certain amount of exporting, companies start to consider modes that require deeper involvement and commitment.

Company may pursue direct or indirect export entry mode (Darling & Seristö 2004, 34). Indirect exporting means that companies use intermediaries such as agents or wholesalers and do not directly sell to end customers. These intermediaries can be either domestic exporting agencies or foreign importing agencies. Direct exporting means that the company sells directly to the end user. (Czinkota et al. 2013, 435.)

Compared to Czinkota et al. (2013) approach to export modes, Kananen (2010, 44-47) provides a different approach. According to him (2010, 44-47) companies can pursue own export, direct export or indirect export. Own export is a mode where intermediaries are not used. In direct exporting company uses an intermediary located in the foreign country. This can be an agent, wholesaler or importing company. Indirect export means that company sells own products abroad via domestic export agent or an export company.

The difference between two approaches discussed earlier in this chapter is mainly theoretical and either of the models can be used to describe the exporting mode. Kananen (2010, 49) underlines that often companies have a lack of choice and target market may be reached only with a least favourable option.

3.3.3 Contractual entry modes: licensing and franchising

Most typical contractual entry modes are licensing and franchising. Contractual entry modes are flexible choices, which enable market expansion with relatively low costs (Czinkota & Ronkainen 2013, 290). Company pursuing either of the entry modes can operate from home country without presence in the foreign country. However they introduce more risks than mere exporting because company has to hand over business secrets to an outsider. Contract details should be carefully considered to avoid certain risks (Czinkota et al. 2011, 291; Czinkota & Ronkainen 2013, 443; Kananen 2010, 65).

Under a licence agreement, licensor permits licensee to use its intellectual property, such as: trademarks, copyrights, patents, technical know-how, technology or specific business skills. It can also be referred to an exporting of intangibles. Licensee usually pays royalties as compensation. (Czinkota et al 2011, 442; Czinkota & Ronkainen 2013, 290.) Companies possessing a well-known brand are also able to use special form of licensing: trademark licensing. In trademark licensing licensee receives a permission to use, for example licensors logos and literary characters. (Czinkota et al. 2011, 443.)

As an entry mode licensing does not require profound knowledge of the markets or substantial capital investments. It also reduces resource needs required for exporting. Sometimes exporting is not possible because of the trade barriers and possible risks related to host-country regulations. In these situations, licensing as an entry mode offers less risky way to explore the market potential in the given country. (Czinkota et al. 2011, 291; Czinkota & Ronkainen 2013, 443; Kananen 2010, 65.)

Franchising provides a possibility to rapidly expand to new markets. It resembles licensing as both refer to selling of company property. The difference is that franchising means selling the right to use the entire business concept. Payment consists of a starting fee and royalties based on sales. (Kananen 2010, 67.) Franchisee receives a proven concept and franchisor accesses new markets (Czinkota & Ronkainen 2013, 293).

3.3.4 Investment entry modes

Companies rarely start their internationalization with investment entry modes. Capital investments always require a lot of commitment, knowledge, financial resources and risk awareness (Albam & Duerr 2011, 517). Most often the decision is made, when the demand for products is steady and investment is strategically important (Albam & Duer

2011, 518). Investment entry modes require commitment and ownership in the given country. Ownership varies from full ownership to joint ventures (Czinkota & Ronkainen 2013, 299).

There are different ways to expand through direct investment. Company can for example establish manufacturing facilities, subsidiary or sales office in the target country (Kananen 2010, 72-74). If company wants to share the ownership, it may consider joint venture. In joint venture organizations collaborate together and share the costs and possible risks (Czinkota & Ronkainen 2013, 301). Company has to also consider whether to build a new, for example factory. This is called "*greenfield investment*". Another possibility is to use acquisition route. This means purchasing already existing facilities. (Albaum & Duerr 2011, 525.)

3.4 Make a firm commitment

In all strategic plans and actions companies pursue, firm commitment is essential part of the process. Same concerns internationalization of a company. Especially the commitment made by the management serves as solid ground for further internationalization activities. It should be noted that a mere decision to expand to foreign markets is not enough; commitment arises from careful considerations. Decision to expand abroad should be a long-term plan instead of quick decision to utilize excess production (Darling & Seristö 2004, 36). At the commitment stage, company should pursue SWOT-analysis, based on information gathered during previous steps. This analysis helps in developing policies to guide export operations and evaluate needed resources (Darling & Seristö 2004, 36).

3.5 Allocate necessary resources

At this point company should evaluate and assess all the resources required for the analysed market. This means assessing production capabilities, human resources and capital requirements. In order to evaluate the positive/negative payback of the allocated resources company should establish convenient measurement methods. These measurements should be performed on a regular basis in order to analyse the usefulness of the investments. (Darling & Seristö 2004, 36-37.)

Experience and education of personnel contributing on export activities should be carefully investigated. According to Buckley & Ghauri (1998, 87), background of people working with internationalization is a key factor affecting on the success in the foreign

markets. For this reason it is crucial to estimate the knowledge and experience personnel of the company own.

3.6 Identify technical issues

Export process requires different documents and certificates. At this point company should get acquainted with all the necessary documents required in the export process in the given country. In addition basics of the business law and other legal procedures should be considered. Another important issue is to understand the technical problems related to language barriers. Though English is the general language of international business it rarely is the native language of neither of the trading partners. Assuring that both counterparts understand the terms and that the words are used correctly is essential in avoiding possible discrepancies. (Darling & Seristö 2004, 37.)

3.7 Develop strategic marketing plan

When a firm has been able to perform all the previous requirements it can move on to develop a strategic marketing plan. This step is crucial as it combines all the previously identified issues and unifies them. Marketing plan should be precise, include specific objectives and clearly defined timetables. The structure varies depending on a company but it should at least contain the appropriate marketing mix (Darling et al. 2004, 39-40.) At this point firms should also consider whether to create unique strategies for each target country or rely on global marketing. However Czinkota and Ronkainen (2013, 207) argue that firms usually start with country-by-country strategies, offering different products to different customer segments in different countries. Only when markets for the product start to become similar companies are able to use global marketing efforts to save time, efforts and financial resources.

3.8 Organize operational team

To succeed in the foreign markets, management of the company has to be able to organize a well-functioning operational team (Darling & Seristö 2004, 40). In this context team does not only consist of people inside the company; it includes all the participants involved in reaching the foreign market with the product or service. In addition to choosing the right team, competencies and experience of the manager and personnel are important. It is argued that foreign experience; language skills, competencies and education of the manager are crucial in making the decision to commit a company to the exporting activities (Buckley & Ghauri 1988, 87).

3.9 Implement marketing strategy

This is the step where planning switches into action. If all previous steps are performed properly company should be able to implement created marketing strategy quite safely. This requires that the strategy is well planned and SWOT analysis is carefully completed. However company should also be prepared for possible drawbacks no matter how well it has prepared for success. The importance of risk management is discussed in the next chapter.

Successful implementation of marketing strategy is dependent on the effectiveness of the sales team (Darling & Seristö 2004, 41). It is advisable to remember that active involvement in foreign markets increases learning and experience. Companies learn more efficient procedures for analysing the market, more efficient ways to organize operational teams and more effective techniques to arrange supply chains (Darling & Seristö 2004, 41).

3.10 Evaluate and control operations

Constant review is vital for every company entering or penetrating foreign markets (Darling & Seristö 2004, 42). External conditions are changing constantly and a company has to rapidly respond to these changes. In addition company needs to be able to alter it's operations to meet the needs of the changing conditions. Continuous evaluation helps to have control over the market and detect possible changes in it (Darling & Seristö 2004, 42). For example a company may need to modify a product due to changes in customer preferences. By reviewing the past company can also determine which actions were successful and which should be avoided in the future. This final step is an on going process that ends only when company decides to withdraw from the market. In addition to Darlings et al. (2004, 42) assessment of evaluation and control, possible risk factors should be identified to ensure better prospects for the company success.

4 GLOBAL STRATEGY FORMULATION

National borders are coming more irrelevant and customer preferences and needs have similar features across nations. Companies possessing strong international brands and believing that the world becomes more homogeneous have started to unify marketing efforts to reach different geographical markets simultaneously (Czinkota et al. 2011, 305). According to the provided theory created by Czinkota et al. (2011, 306-309) certain external factors drive companies towards global business strategies. These factors are related to markets, costs, environment and competition. When favourable, globalization drivers offer attractive opportunities to establish global strategies. Czinkota et al. (2011, 305) argue that global strategies are a culmination of company's international activities and marketing efforts. Often company starts by focusing on one market at a time using multidomestic strategy: each country is treated as an individual profit center. Globalization emerges, when reached markets start to have similar features.

The theory (Czinkota et al. 2011) states that many stages can occur simultaneously though the process is often incremental. Any drawbacks or required actions emerged from evaluation and control may force to start the process from the beginning. If implemented correctly process may increase financial performance and positively contribute to other nonfinancial objectives.

Company should consider three dimensions while implementing global strategy. First it should consider short-term versus long-term benefits. Another important aspect is to consider possible costs related to the required time and realignment of strategy. Thirdly it is important to evaluate needed management resources. (Czinkota et al. 2011, 311.)

It is argued that globalization is one of the most important issues for companies aiming to accelerate growth. Strong internal and external pressure drive companies to further globalize their business activities. During globalization process, successful companies are able to allocate resources wisely across countries and localize product offering correctly.

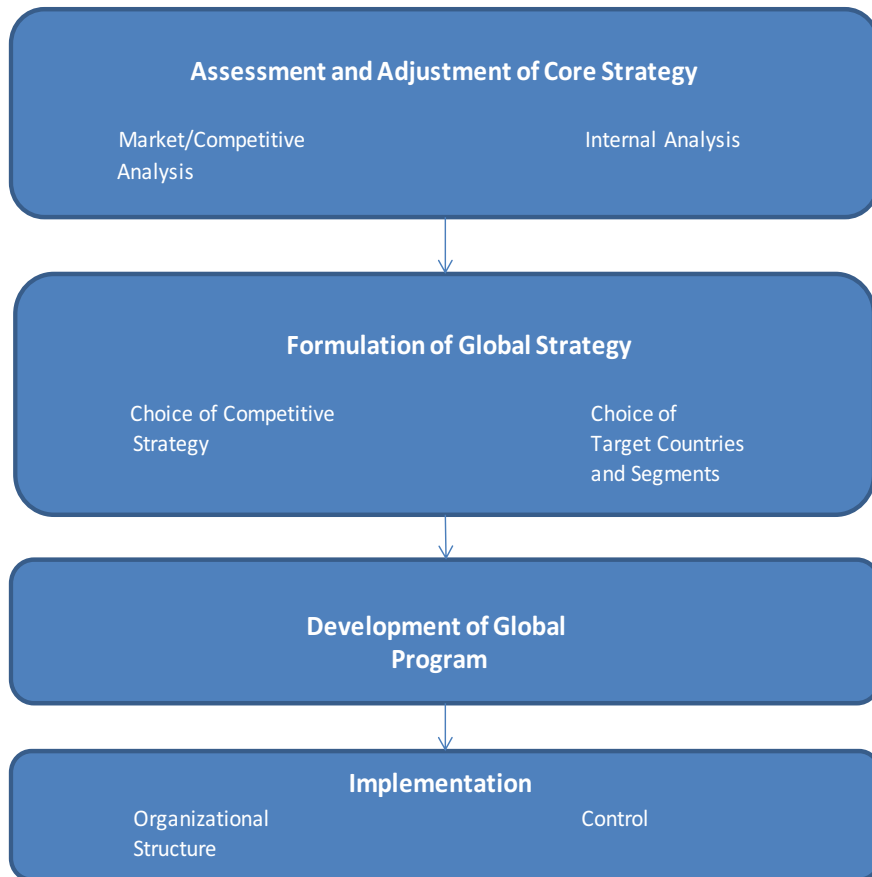


FIGURE 5. Global Strategy Formulation (Czinkota, Ronkainen & Moffett 2013)

Global strategy formulation begins by assessing the core strategy and completing needed adjustments. The process continues with actual formulation of global strategy. In addition global conditions are reflected to the created strategy to assure effective implementation of the strategy. Finally the strategy is implemented and controlled. The global strategy formulation is described in the figure above (FIGURE 5.).

4.1 Assessment and adjustment of core strategy

Strategic planning process starts with defining the business the strategy is developed for. Company should group product offerings based on customer preferences. The phase requires commitment from the entire management as it considers all functions of the company from marketing to production. Jointly created assessment should state which countries to enter and which products to offer. Management should be highly motivated and possess extensive knowledge of the targeted countries. External factors should be carefully considered. (Czinkota et al. 2011, 311-312.)

To avoid country-by-country approach, company should focus on underlying forces critical for simultaneous success in different countries. In other words company should investigate common features from each country based on customer preferences and competitive forces. As a result company can estimate risks, profitability and understand the structure of global industry. Key is to evaluate trends in global demand instead of focusing on individual markets. (Czinkota et al. 2011, 312-313.)

In addition to external analysis, internal analysis has to be carried out in order to understand resources and capabilities of the company. Assessment of global competitive advantage is also critical step. Company have to overcome several different boundaries, including finance, personnel skills and competencies as well as cross-cultural experiences. This stage is crucial for letting go of the markets that seem too difficult to enter either because external factors or internal factors. (Czinkota et al. 2011, 313.)

4.2 Formulation of global strategy

At this stage the first step is to define suitable competitive strategy. Afterwards company should consider which countries to enter. Final step of the stage is to segment the markets.

4.2.1 Choice of competitive strategy

With the help of the internal and external analysis performed during the first stage, company managers are able to formulate global strategy choosing on of the following strategies:

- Cost leadership
- Differentiation
- Focus

Cost leadership may be pursued when company is able to offer identical products cheaper than competitors. This often requires cost savings and economies of scale. Differentiation is preferable for a company aiming to target single markets or niche markets. Competitive advantage using this strategy may be achieved, for example by unique design or after-sales services. Focus strategy also aims to reach single industry segments. Difference to differentiation is the underlying orientation either to low cost or differentiation. (Porter, 1985.)

4.2.2 Country-market choice

When the appropriate competitive strategy is selected, company should consider which countries to enter. Purpose is not to conquer the entire globe. Usually geographical segmentation begins by selecting the appropriate regions. The detailed analysis of each country is performed afterwards. For the evaluation of different countries, company can use portfolio model. This model helps to estimate internal strengths and external attractiveness of each country. Internal strengths constitute from factors such as market share, product fit and presence in the market. (Czinkota et al. 2011, 315.) External attractiveness can be measured using for example PESTEL analysis and competition analysis.

Czinkota et al. (2011, 316) introduce three different criteria worth considering when selecting appropriate markets:

- “*The stand-alone attractiveness of a market*”, which implies to the number and type of competitors, market size, market growth rate, governmental regulation and economic and political stability.
- “*Global strategic importance*”. Specific industries can be geographically concentrated on certain markets, which makes the market appealing to companies competing in the given industry.
- “*Possible synergies and market similarities*”. Company could consider entering markets similar to those already entered because of the gained knowledge concerning for example preferences of possible customers (Finland vs. Sweden).

Allocation of marketing efforts among different markets should be considered in order to decide market expansion policy. Company should consider whether to concentrate on small number of market or use diversification, which is designed to several markets. However the greater the extent to which marketing mix elements can be standardized, more likely diversification will be used. (Czinkota et al. 2011, 316.)

4.2.3 Segmentation

Effective segmentation assists companies to effectively standardize product offering while considering the unique elements and requirements of the specific customer group. Essence is to approach markets on a region or global basis, not individual country at the time. The most challenging part is to segment the global markets while addressing local preferences and making required adjustments to local needs. Another challenge is to

decide the appropriate base for segmentation. One solution is to segment the markets according to homogeneity in marketing mix variables. (Czinkota et al. 2011, 317-318.)

4.3 Development of global program

Company should consider effective ways to take advantage of the conditions set by globalization drivers in a context of internal capacities and competitive challenges. This is done by considering product offering, marketing approach, value-added activities and competitive moves. Essence is to maximise local presence and relevance (adaptation), effectively leverage cross-border resources (aggregation) and by understanding the differences between local and regional markets to aim marketing efforts most efficiently (arbitrage). (Czinkota et al. 2011, 319.)

It is important to distinguish between standardization and globalization. Though global marketing unifies certain activities, it takes into consideration local preferences and requirements to the extent crucial for success. Same feature concerns marketing programs. Though certain elements are unified, like the ones needed for positioning and image building, certain elements, like distribution need to be localized. Important aspect is also to consider value-added features and their execution. To avoid duplications global companies should consider concentrating certain activities to certain areas. Finally company should be prepared for bot local and global competitors. The essence is to understand careful monitoring of each target country and competitive forces in each country. Major loss in one country may start domino effect that creates losses in other countries. (Czinkota et al. 2011, 3321-323.)

4.4 Implementation

Successful companies are able to balance the requirements of local and global customers. This is difficult task, as often there are lot of different preferences. Many mistakes and market losses are due to the insufficiently performed market research. Overstandardization is also one of the common pitfalls. (Czinkota et al. 2011, 323.)

For a successful global strategy company needs to transfer information between different markets and units located on different countries. This is the only way to strengthen company values, team building and idea exchange. Mid management is encouraged to utilize expatriation to gain knowledge from different markets. Different global training programs are created to increase the knowledge of managers and

employees. These activities increase personnel's` knowledge concerning global markets. (Czinkota et al. 2011. 324.)

The last stage is to define correct organization structure, implement the strategy and establish control activities. Organizational structure should emphasize and support globalization. Company has to ensure that information flows smoothly and decisions are made by the right people. Corporate culture has to also support globalization. In other words corporate culture has to be committed to global market place. Global companies often prefer concentration on identity that does not favour any specific country. Though company is originally established in certain country, country-of-origin does not play any crucial part. Same concerns decision-making. Decisions rarely are one hat do not support treating world as single market. (Czinkota et al. 2011, 324-327.)

When the strategy is implement it should be constantly monitored and evaluated. Company should be proactively prepared for local and global competitors. Constant assessment of competitive advantage is vital for successful global strategy. (Czinkota et al. 2011, 327-329.)

5 RESEARCH

This research is qualitative by nature. Research is a case study as it involves only one company. This also sets some restrictions on implementing the findings on other cases. Theoretical framework is developed to support and explain findings of the study.

The secondary data for the thesis is gathered from relevant literature, articles and other professional sources. Information is also gained from presentations held in the seminar organized by North Savo Region -association. Partly this thesis is based on existing interviews with the export manager of Lignell & Piispanen. Primary data is gained through in-depth interviews with the key persons in the company.

The main objective of the study is to compare two different models of internationalization. The models were chosen together with the production manager of Lignell & Piispanen. Both theories have common features with the company's current activities but are more detailed. Another objective of the study is to create an export process chart for Lignell & Piispanen. The chart is based on the chosen model theory.

5.1 Research questions

The thesis topic evolved as an outcome of the various discussions with the export manager of Lignell & Piispanen. The purpose of the study is to reach the following outcomes:

1. Describe the current export process model of Lignell & Piispanen
2. Evaluate and compare company's current export process model to alternative theories
3. Based on findings and relevant literature, formulate a new export process chart for the company
4. Describe which benefits could Lignell & Piispanen achieve by implementing the principles of the chosen process chart

5.2 Research methodology

Theories of Darling & Seristö (2004) and Czinkota & al. (2011) are used to provide the theoretical framework for the study. Other relevant professional sources are used to justify the findings of the study. Two mentioned theories are compared against each other and reflected against case company's current operations. To support the decision

of choosing the correct model, research study tries to gain in-depth knowledge about the company by interviewing production manager. Furthermore, several discussions with the export manager have provided deeper understanding of company's operations. In addition, previously performed interviews for the export manager are used as background information.

Research study is qualitative by nature. As only one company is included in the study, the research can be described as being a case study. Research process started with extensive search for theoretical literature concerning the subject. Nowadays the trend is rather to use several different theories and diversified perspectives concerning the issue researched in order to justify findings. For this reasons several different theories were used to explain the results of this study. Furthermore as the study focused on comparing two different theories it can be described as being comparative by nature. This is one form of qualitative research in which beforehand selected items are compared against each other. It is good to point out that comparing certain items against each other restricts generalization of the findings and the results are valid only in the given case (Flick 2014, 66, 114).

In addition to theories, research data includes a lot of verbal data. The term "*verbal data*" means all information consisting of words (Flick 2014, 195). This research utilizes verbal data gained from interviews and conversations. Conversations were not structured but interviews were performed using semi-structured interviews. Semi-structured interviews are often open-ended questions which leave room for interviewee's own opinions in addition to asked questions (Flick 2014, 198).

Theories of Darling & Seristö (2004) and Czinkota & al. (2011) were chosen to this study in agreement with production manager Aki Railanmaa. According to the production manager (2015) both theories had features that Lignell & Piispanen can relatively easily adapt. However as the company wants to use only one model, comparison between these two theories has to be made in order to find more suitable one for the company. As the study involves only one company, case study method is a natural method choice.

5.3 Company Lignell & Piispanen

Lignell & Piispanen is a family-owned, limited company established 1852 (Kauranne 2002). Company can be described as Finnish distillery specialized in liqueurs, vodka, berry wines and other spirits. Their production facilities are located in Siikaranta, Kuopio. Annual turnover 2014 was 7 million euros. Company employs overall 21 people.

Company has long traditions in producing Scandinavian artisan liqueurs. Core values of the company are quality, craftsmanship and respect for arctic nature. Family traditions and passage of valuable information and knowledge from one generation to another are the corner stones of the company. (Lignell & Piispanen 2014, 4-8.)

Geographically company is represented in all parts of Finland. Products are sold in domestic restaurants and in Alko. Alko is a state own monopoly with exclusive rights to sell alcohol beverages for Finnish consumers. In addition to domestic markets, company actively seeks ways to expand to international markets (Hynninen 2014).

Lignell & Piispanen exports to foreign markets. Their customers are wholesalers and distributors in the respective countries. Lignell & Piispanen does not market to end-users as marketing efforts are aimed to reach wholesalers and distributors. In addition to exporting activities, company imports certain alcohol beverages to Finland.

Management commitment and organizational commitment are important aspects of going international (Buckley & Ghauri 1988, 95). According to export manager (2014) and production manager (2015) this commitment can be seen in everyday life of the company. Internationalization is one of company`s most important strategic decisions.

5.3.1 Product Profile

According to production manager Aki Railanmaa (15 March 2015), Lignell & Piispanen has approximately 60 different labels, some of them are products bottled for other companies. For foreign markets, they are offering four different brands, including their newest, Gustav product-line, which is only marketed for foreign markets and tax-free sales.

Company relies on the positive country-of-origin effect (COE) Nordic products have on foreign markets. Nordic products have a reputation of high-quality and trustworthy ingredients. Country-of-origin effect (COE) can be defined as an influence the country of manufacture has on customer perception (Ghauri & Cateora 2010, 297).

5.3.2 Current situation on international markets

During year 2013 Lignell & Piispanen built a new production plant in Siikaranta, Kuopio. They moved all their operations in one place. At the same time, they were able to increase production capacity from two million litres to five million litres (Lignell & Piispanen 2014). Currently the company does not operate at full capacity but is ready to increase the production volume rapidly if required.

Currently Lignell & Piispanen exports to Sweden, Norway, Estonia, Lithuania, Germany, Austria, Switzerland, UK, China and Hon Kong. Products are also sold in Russian border shops, at cruise liners (Tallink-Silja, Viking Line), Finnair airplanes and at Helsinki-Vantaa airport. (Lignell & Piispanen 2014). According to CEO Harri Nylund, every fourth bottle company produces goes to export markets, which means 30% of total sales. They are market leaders in Baltic Sea duty free markets and Russian border shops, with their berry liqueur product line. (Juutilainen 2013.)

According to the export manager (2014) main reason for going international is the possibility to gain growth. Other relevant reasons are the attention brand has received and the strong believe inside the company, that they can offer unique high-quality products to foreign markets. Production manager (2015) adds that companies selling alcohol beverages face certain difficulties due to legislation. For example, marketing alcohol beverages is restricted which imposes difficulties to launch new products in Finland. These problems may be avoided if products are solely designed to meet the demand of foreign markets.

5.3.3 Future plans

According to production manager (2015) their target is to expand exports to cover 50% of the company's turnover. Main focus at the moment is on Central Europe and Asia (Lignell & Piispanen 2013). New production facilities enable fast adaptation to increasing order quantities as the production currently runs on excess capacity. Possible orders from Asia might be substantial and company has to be prepared for those orders.

In the future company will strongly invest in exporting activities. International sales are going to be big part of company's future strategy. Future exporting operations are aligned together with the main strategy. For this reason, a systematic approach to exporting activities is vital for the company. (Railanmaa 2015.)

5.3.4 Company`s current exporting process

According to export manager Hynninen (2015) company`s current exporting strategy is aligned with company`s main strategy. Main strategy consists of four sectors, one of them focusing on customer and market perspective. Under this sector export strategy states that company will focus on Nordic, Central European and Asian markets. Strategy is systematically followed targeting all export activities to reach specified markets. Hynninen (2015) states: *“However we do keep our ears and eyes open, study the market at all times and monitor trends and customer behaviour”*. Open-mind for new markets is one crucial part of exporting strategy.

Export manager believes (2015) that one of the best features of current export plan is the flexibility it offers. Certain guidelines are provided still leaving room for detailed operations. However, as he continues: *“More detailed plan with precisely executed operations would most likely bring more predictability in export business”*. Due to the nature of the strategy, content cannot be revealed in this thesis in more detail. Current exporting plan of the company can be divided in following steps:

1. Market Analysis
2. Partner search
3. Test market
4. Aim to find the right partner
5. Agreements done together with the partner
6. Support negotiated with the partner
7. Training of the products and brand to the partner
8. First order
9. Feedback
10. After sales
11. Repeat of sales

Export manager (2015) assures that market factors, such as economic, demographic and competition are studied properly, before entering new country. He continues that the key is to gather market intelligence from several sources and utilize reports produced by certain experts. Though market research is mostly conducted properly, export manager admits that occasionally new markets have been entered within quick schedule without proper market intelligence. He does not specify the affect lack of proper market intelligence has had on company`s export activities.

Both export manager and production manager (2015) underline the importance of networking. New customers, suppliers, partners and distributors are met in industry events and exhibition. In addition, company stays in touch with old acquaintances and connections. Rapport building, especially in the export business, is one of the most important operations of the company.

Lignell & Piispanen approaches individually each target country with tailored strategy and marketing plan. According to export manager (2015) they have global marketing plans for some brands. However, local adaptation is required to some extent. Besides marketing, other operations are strongly customized for individual markets.

5.3.5 Company`s current export process chart

Export process chart explaining the current export activities of Lignell & Piispanen is created in order to be able to compare and asses company`s current activities with the help oh the two chosen theories. The created process chart is based on the interviews held for the company`s representatives. The export process chart explaining the current export activities can be seen in the figure below (FIGURE 6).

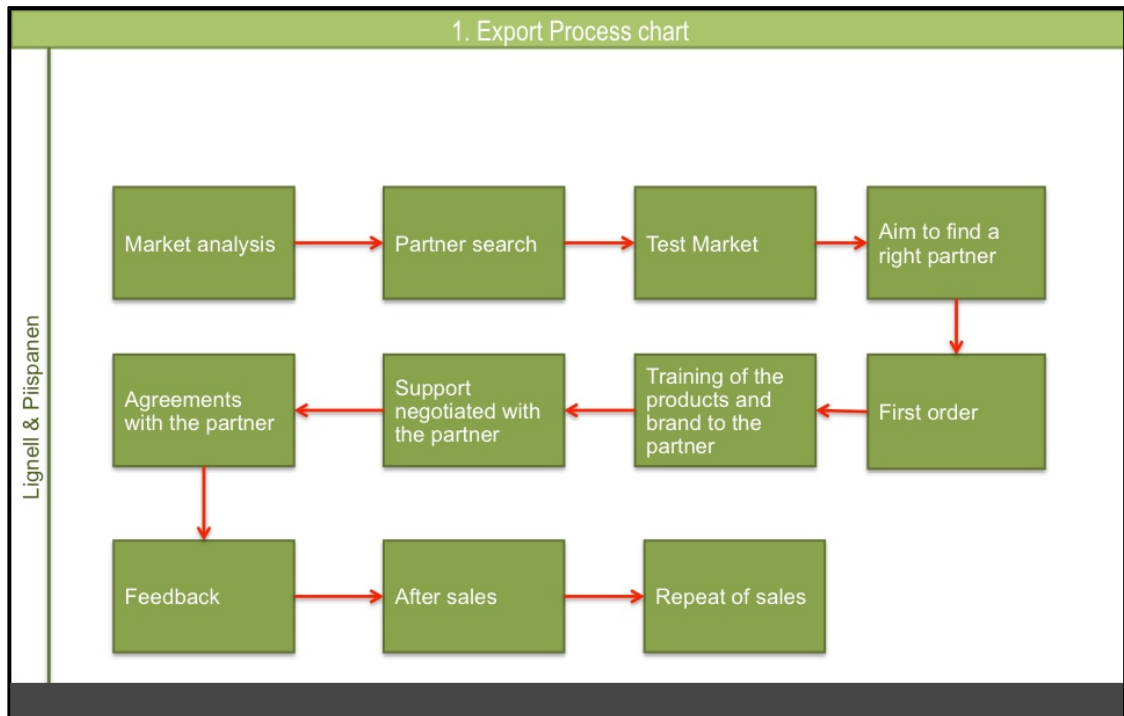


FIGURE 6. Current Export Process Chart of Lignell & Piispanen

5.4 Data analysis

Assessment of case company`s current situation on international markets was based on the interviews with export manager and production manager. The past performance of the company, documented during previous studies, was revised with the production manager. Based on revision, required updates were performed.

Discussion and interview sessions with the representatives from the company were recorded to some extent. Unfortunately, the early discussions, mainly when planning the thesis, were not recorded. This affects to some extent to the reliability of the findings. Coding of the primary data received from the interviews helped finding similarities and repeating opinions in the answers provided by the production manager and the export manager. In addition, differing opinions were searched and revised with the production manager.

Theories were compared using different theoretical sources. In addition, both theories were discussed together with the production manager. Furthermore, both theories were reflected against company's current export operations in order to find more suitable model for the company.

5.5 Interpretation of results

According to the interviews held for the key persons in the company, process chart describing company's current export process was developed. Company's current approach to export markets considers internationalization of Lignell & Piispanen from very narrow side, concentrating only on sales activities. It is recommendable that company would implement processes that consider more profoundly the entire export process. According to a survey concerning the growth potential of SME's in North Savo region (Seppo Hoffren Consultancy, 2015) careful planning of strategies and processes might be crucial for company's ability to gain growth and possible cost-savings.

Models, the one created by Darling & Seristö (2004) and the other created by Czinkota et al. (2011) introduce a step-by-step approach to expand abroad. The starting point is to evaluate the external and internal environment of the company. The final step in each model is the implementation and constant evaluation of the process. In addition, both theories highlight the importance of a detailed plan in order to succeed in the export markets.

Management commitment and experience is highlighted in both theories. Buckley & Ghauri (1998, 87) and Gabrielsson (2015) agree on the importance of international experience and knowledge. Once the commitment is made, every decision made in the company should support internationalization. The export process chart company currently uses does not recognize the importance of management commitment. However, export manager assured that the company is highly committed in expanding abroad. To assure that the commitment is communicated to all levels in the organization, Lignell & Piispanen should add the step "management commitment" to their process chart. During this step company could consider following questions:

1. Is our company ready to expand to this foreign market?
2. Are we willing to see the effort to learn about this new market?
3. Are we ready to invest to this expansion?
4. Does expansion to the market support company's overall strategy

Networking and active participations to trade fairs and exhibitions are proven to be excellent ways to increase international presence and knowledge (Koch 2001, 355). Visiting the target country and learning about their culture and language are often the most efficient ways to gain experience of the potential market environment. (Kananen 2010, 43). According to both theories (Darlin & Seristö 2004, Czinkota et al. 2011) experience and knowledge from the target country is crucial for success. Both theories state that presence in target country is vital for understanding external requirements and cultural differences compared to domestic country. Case company agrees to the importance of networking and gaining information concerning targeted countries. However, export manager (2015) admits that they could perform more marketing research. New export process chart could underline the importance of proper marketing research and knowledge concerning new markets and culture.

It is important to highlight that internationalization and expansion to new markets come with a risk. Company should never jump carelessly to new markets and wait for a success. Use of external guidance and consulting services are highly recommendable to many SME`s companies. (Grabtchak 2013, 10.) Author highly recommends this approach also for Lignell & Piipspanen. Outsiders provide more perspective by evaluating situations from different point of views. Neither of the theories supports the use of external advisors. This is major drawback for both theories. Rarely personnel of a SME`s company own enough experience and information from different countries.

The theory provided by Darling & Seristö (2004) is more profound as the total process is divided in more incremental steps. The model forces to consider details whereas the model created by Czinkota et al. (2011) describes the stages in more general level. As such there might be difficulties in defining the content of each step. However both models succeed in defining the entire process from screening the possible market to measuring performance in the market. As company`s current model focuses only on sales process, both theories provide more fundamental approach.

The major difference between the models is the orientation towards internationalization. Darling & Seristö (2004) provide country-by-country approach whereas the model created by Czinkota et al. (2011) supports globalization of a company. Globalization usually requires a lot of resources which might be obstacle for a SME`s company like Lignell & Piispanen. Lignell & Piispanen has expanded to new markets one country at the time. However current marketing material and updated brand-strategy have features of global marketing strategy. As these activities are not described in the company`s

current model, new model could contain a global marketing plan though the entire process would follow a country-by-country approach.

One important difference between the models is essence of external analysis. Darling & Seristö (2004) support the importance of extensive PESTEL analysis of the given country whereas Czinkota et al. (2011) recommend investigating first the global conditions in the given industry. Country based analysis is conducted afterwards. In today's rapidly changing environment the author suggests considering both the global and local environment when making market entry decisions. Proactive approach to changes whether local or global may help company be prepared. Neither global nor local conditions were considered in company's current model. The new model will contain a step focusing on the external environment, whether global or local.

Gabriellson (2015) highlights that company should implement theories concerning internationalization created by people from Nordic countries. Often theories or tools created in large countries like United States or China lack the perspective of a small country with the periphery location. Some of the authors in both theories have a Finnish background. However the theory created by Darlin & Seristö (2004) supports activities of a smaller company. Many examples in the book written by Czinkota et. Al (2011) are based on corporations established in large countries. Difficulties may arise, if the latter is implemented in the case company.

As Basly (2007) investigated, family SME's have special characteristic that can hindrance export activities. SME's companies usually consider decision from several different aspects. For this reason, the current export process used in the company has to be extended to consider the entire process. More profound approach would guide to evaluate different aspects already in the beginning of the process leading to considerable timesaving. Model created by Darlin & Seristö (2004) favours profound and considered processes typical for family SME's.

According to production manager Railanmaa (2015), Lignell & Piispanen has followed traditional path and entered one country at a time. For now there is no reason to change the approach, as it would require substantial amounts of resources. This fact is one of the major contributors to the decision to prefer the model created by Darling & Seristö (2004).

Darlin & Seristö (2004) introduce a traditional model for international export expansion. According to the model (Darling & Seristö 2004) each country has to be thoroughly

investigated and focus should be on one country at a time. The model created by Czinkota et al (2011) is also partly traditional model as it has a step-by-step approach. However some elements in the model aim to reach several markets simultaneously making the model more appropriate for global companies. Lignell & Piispanen is a traditional Finnish SME's company. Though some operations, like marketing, can support global approach, characteristics of the company require more conservative and country-by-country approach. In addition, legislation concerning selling, distribution and marketing of alcohol beverages is challenging. Policies concerning these activities vary from country to country. Unified global approach may be impossible to implement, if previously mentioned aspects require substantial country-based modifications. For this reason the model created by Darling & Seristö will be chosen as a basis for the process chart. Due to the characteristics of the company, Lignell & Piispanen is not ready for global approach.

If the company decides to implement the created process chart, major improvements in risk avoidance and in effectiveness may be achieved. Besides, more systematic approach may be attained. Created process chart is developed to capture the essence of step-by-step process; careful completion of all the requirements needed to take the next step.

5.6 Outcome

Based on the findings in the research, aim was to develop a process chart to support future operations of the company in international markets. The process chart describes an incremental process from evaluation of new possible target market, through strategy formulation and implementation, finally to evaluation and monitoring of the entire process and outcomes.

It is important to highlight that the process chart is based on the theory created by Darling & Seristö (2004). Therefore, the process chart is not a unique creation that evolved as an outcome of the thesis findings. However, as the scope of the theory was too broad and did not focus on detailed description of each step, supportive actions essential for completing each step are added to support the effectiveness of the total process.

Process chart aims to describe the steps needed for systematic export process. However, the chart does not describe who in the company are responsible for implementing each step. Responsibilities are for the company to decide.

The created process chart is created to explain the export process step-by-step. It should be underlined that the chart only describes the process, which moves on without interruptions. In real situation this rarely is the case. Often companies need to revise certain activities, take a step backwards or choose direction. In the future company should create a process chart that also considers possible drawbacks. The created process chart can be seen in the following figure (FIGURE 7.).

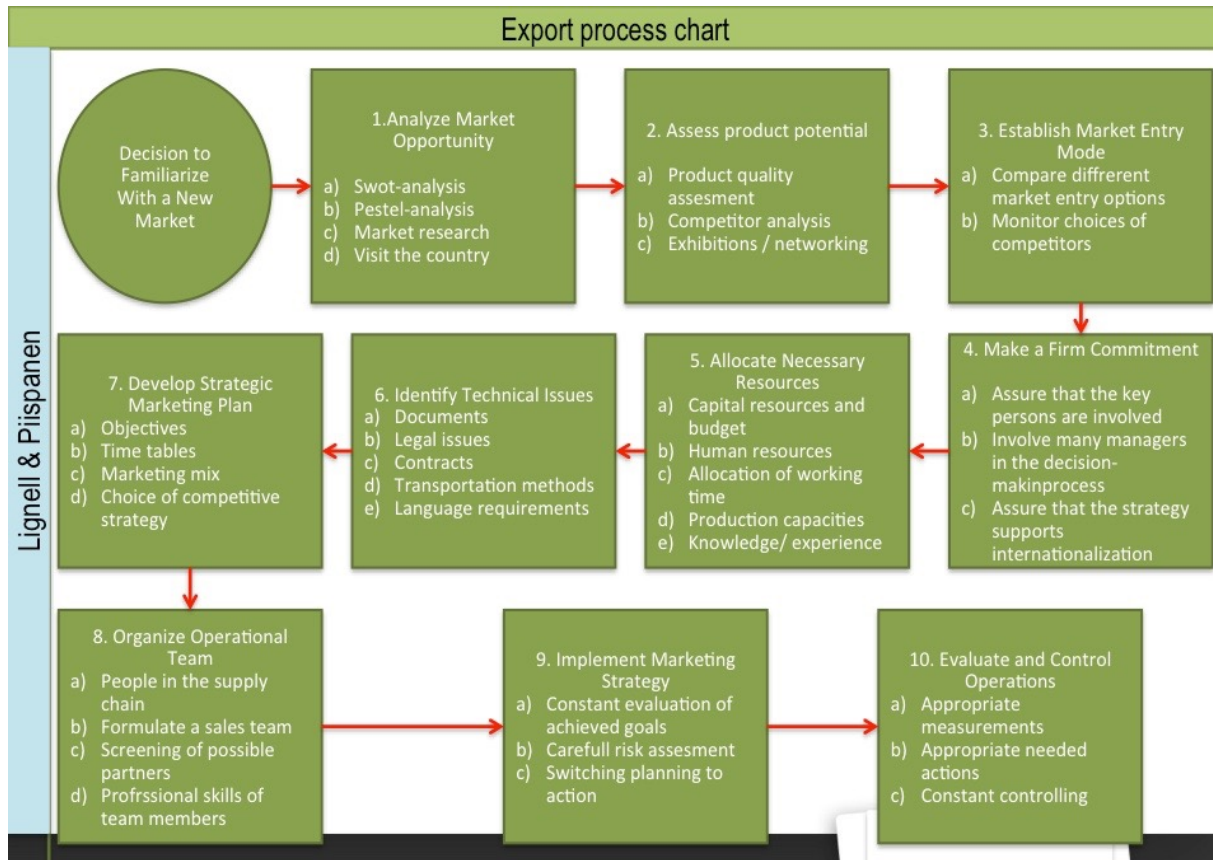


FIGURE 7. Export Process Chart Created for Lignell & Piispanen

The created process chart was introduced to production manager. According to him, the chart could benefit the company. Promise of actual implementation was not given. When assessing company's current situation, two managers were interviewed. Similarities in answers increased reliability of the findings. However, conclusions made in the research are based on company's current situation. Any change in company's operations might have affect on the validity of results.

This study managed to highlight the importance of systematic planning in order to succeed in international business. The conclusions and the process chart created for Lignell & Piispanen have restricted applicability to other companies, as the research is a case study focusing on a single company. However other companies could reflect the

created process chart against their own processes and evaluate the need for improvement. In addition, other companies might be encouraged to monitor their own activities more critically.

6 DISCUSSION

The entire thesis process was really time-consuming and challenging. Though initial timetable was created, several sudden incidents extended the planned timeframe. One major challenge was to actually start the entire process. The structure, objectives and methods were established but starting the actual writing process took time. The foremost challenge was to read through all related literature. The reading process required several hours as the thesis was mainly based on theories and literature. On the other hand writing with a foreign language often requires additional resources and time.

The interviews held for the production manager and export manger could have been more profound. The information gained through interviews could have been more extensive. However, difficulties in finding a suitable time for the interviews affected on the quality. Other option would have been possibility to complete internship in the given company. Internship could have provided effective way to deepen knowledge concerning the company. Overall feeling was that thesis was not able to get as precise picture of the company as was intended.

To find a suitable process chart, comparison was compulsory to be able to justify the suitability of the chosen theory. Internationalization theories are really hard to find because the subject is not studied extensively. Initial purpose was to compare several different methods. However this was not possible due to difficulties in finding appropriate information.

If there were a change to start the process all over again, several different methods would be compared. Also co-operation with the company would be more intense. In addition, more precise risk assessment would be conducted in order to prepare for possible delays.

Overall the entire process was really interesting and educative. Desire was to make something for actual company. This also helped in networking and getting familiar with the local business environment. With the help of the thesis process, degree studies have come to an end and it is time to move on to actual working-life.

7 CONCLUSION

The topic was discovered under the course “*Business environment analysis*”, arranged at Savonia UAS. The task was to analyse, evaluate and develop internationalization activities of SME`s companies located in Kuopio region. One of the companies was family owned company Lignell & Piispanen, which later on selected to be the case company for this study. During the evaluation process it became quite obvious that the company needed to develop more fundamental approach on expanding to new markets. Several discussion meetings with the export manager finally led to a decision to create a detailed process chart for the company, which could guide the future decisions concerning international activities.

The aim of the thesis was to compare two different models against company`s current export model. The first one is created by Darling & Seristö (2004) and it introduces ten key steps essential for success in the export markets. The second approach created by Czinkota, Ronkainen & Moffet (2011), explains formulation of global strategy. The introduced models were evaluated and compared with support from other relevant sources. Both theories were reflected on case company`s operations to asses the potential of each model. Based on the findings, goal of the study was to create a process chart to guide future export activities of Lignell & Piispanen. The assessment was made with the help of relevant literature and interviews conducted for production manager and export manger of the company.

Thesis managed to evaluate and compare two different theories concerning success in international markets. Reasons to select the chosen theory are well justified and explained. The created process chart takes into consideration the requirements and past operations of the company. If the company decides to use the chosen model major improvements in effectiveness and risk avoidance may be achieved. The created process chart was introduced and accepted by the company representative.

Company may be able to operate more systematically, if the created process chart is used as a tool. However this has to be verified and tested, as there is no existing evidence supporting the effectiveness of the chart. Future research could focus on evaluating the effectiveness of the created process chart.

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APPENDIX 1

INTREVIEW QUESTIONS FOR ANTTI HYNNINEN

Interview questions for export manager of Lignell & Piispanen, Antti Hynninen.

Interview was conducted 16 April 2015.

1. Does the company have an exporting plan/strategy?
2. Is the plan systematically followed?
3. Should the company have more detailed exporting plan? What are the aspects that need improvement suggestions?
4. Can you explain (shortly) company`s exporting process?
5. Does the company have a global marketing plan or are the marketing activities localized to meet the needs of individual markets?
6. How well the market factors (economic, competition, demographics etc.) are studied before making the decision to start the export process?
7. Where/how the company seeks new networks, customers, partners etc?
8. Does the company rely on external help anywhere in the process of expanding to new markets (for example in marketing research)?

APPENDIX 2

INTERVIEW QUESTIONS FOR ANTTI HYNNINEN

Interview questions for export manager of Lignell & Piispanen, Antti Hynninen

Interview was conducted 13 February 2014.

1. Current foreign markets the company has entered?
2. The amount of sales to foreign countries compared to total sales
3. The main reasons for expanding to foreign markets?
4. Do the products have to be modified to meet the needs of foreign markets?
5. How the company`s commitment to internationalizing process can be seen in the organizational structure of a company and in its daily operations?
6. Does the firm actively seek new foreign markets?
7. The main risks for the company in the internationalization process?
8. Which financial factors have to be considered when expanding to foreign markets?
9. How expanding abroad is financed?
10. Does the production capacity meet the needs of expanding to foreign countries
11. How the products are marketed for the new target countries?
12. Is the company ready with their internalization process or do they still have a lot to do?
13. Where the company seeks and gets information concerning internalization process and new markets?
14. How the organizational commitment to internationalization process can be seen?

APPENDIX 3

INTERVIEW QUESTIONS FOR AKI RAILANMAA

Interview questions for production manager of Lignell & Piispanen, Aki Railanmaa.
Interview was conducted 15 March 2015.

1. What are the main products offered for foreign markets?
2. Is the company committed to internationalization?
3. How is the company prepared to meet the demand arising from new markets?
4. How the commitment to internationalization can be seen in the daily operations of the company?
5. Does the company approach new markets country-by-country or does it focus on global approach?
6. Could the company consider another approach?
7. Which entry mode(s) is used to conquer new markets?
8. Does the company follow any specific guidelines when considering expanding to new markets?
9. Can production amounts be adjusted to increase in demand?
10. To what extent products need to be modified to different markets?
11. What plans does the company have for future?

