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A FINNISH COMPANY'S ENTRY TO  
HUNGARIAN MARKETS

Business Economics and Tourism  
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## **FOREWORD**

The thesis has been concluded during the period of four months in autumn 2010. I would like to thank my supervisor Thomas Sabel for his support and comments within the thesis process.

I would also like to thank Matteo Fulton, from Elcoteq for answering my questionnaire. Also I would like to thank Finpro for giving me helpful information in this process. And finally I want to thank my father who helped me to find the topic for my thesis and my daughter as well as my friends who gave me energy and support during this work.

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## **ABSTRACT**

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This research is about Finnish companies which have entered Hungarian markets. The thesis deals with internationalization in general and also more specifically with the European business. The aim of this study is to prove how important it is to know about the cultural differences in other countries when entering new markets.

The case study method was used in the research. The theory about internationalization and European business is based on the information from several books and also from some courses held in Vaasa University of applied sciences.

The purpose of this study was to find out how Finnish companies enter the markets in Hungary and which categories they have to take into consideration in this process.

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Keywords	Market entry method, Cultural Differences, International Business, and European Business
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## TIIVISTELMÄ

Tekijä	Kristina Haaki
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Lopputyö on Suomalaisista yrityksistä, jotka ovat astuneet Unkarin markkinoille. Se kertoo yleisesti kansainvälistymisestä ja myös tarkemmin Euroopan kaupankäynnistä. Tämän tutkimuksen tarkoitus on osoittaa miten tärkeää on tietää eri maiden kulttuurierot ennen kun astuu uusille markkinoille.

Lopputyössä on käytetty case tutkimusta. Kansainvälistymisprosessi ja Euroopan kaupankäynti teorit perustuvat useista kirjallisuuksista sekä myös muutamista koulun kursseista.

Tämän työn tavoite oli selvittää kuinka Suomalaiset yritykset menevät Unkarin markkinoille ja mitä kategorioita heidän tarvitsee ottaa huomioon tämän prosessin aikana.

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## **1 INTRODUCTION**

This study is about internationalization, which is a very important topic in the business life. It is a very common phenomenon among companies especially with the ones that want to success better in the world. Internationalization is a way to reach something more, to increase the income, develop the business and to enlarge the number of customers. The better you are known the better you live. Cultural differences will be dealt as well.

This work will research deeper Finnish companies and how they reach the Hungarian markets. Because Finland and Hungary are both European countries, there will also be theory about European business.

To get into the foreign markets all the different kinds of market entry methods have to be known. This is important, because without these background surveys the market entry can turn more into a flop than a success.

The theoretical part views some theses from earlier students, some literature material and also some information from the internet. Also, the material from the course Research Methodology in international Marketing and Foreign Trade will be used.

## **1.1 Aim of the thesis**

The aim of this study is to describe internationalization in general and the aim of the theoretical study is to view international marketing and how the internationalization is today. The work will concentrate on European business area and especially the area of Hungary. The market entry to foreign country is used as a case study and especially which entry strategy the company has used.

The specific objectives of the study are:

- a) To understand the importance of internationalization
- b) To define the market entry strategies and to find out the entry strategy to Hungarian markets with the case companies.

The research questions to be answered are: Why should companies go international? What are the key points in marketing entry? Is it different to run business in Europe than in US or Asia?



## **1.2 Limitations of the thesis**

The thesis is limited to research the internationalization and market entry of Finnish companies. The study focuses on the Hungarian markets and European Business.

The market entry strategies, especially entering the Hungarian markets will be discussed. The goal is also to find out whether there were any difficulties in entering Hungarian markets and what cultural differences there are.

## **1.3 Outline of the thesis**

The theoretical part concentrates on internationalization and international marketing as well as European business. Marketing entry methods will be presented and the present financial crisis will be dealt. The main area of the research will concentrate on Hungarian markets and Finnish companies that have internationalized into these markets.

The empirical part of the thesis gives an insight into the methodology of research methods and the approaches included in qualitative methodology.

The last part of this study is based on a case study of a Finnish company, which has entered the Hungarian markets. A questionnaire is analyzed to find out the company's business ventures, such as the strengths and weaknesses of this company.

## **2 INTERNATIONALIZATION**

### **2.1 Theoretical background**

The background of this thesis is internationalization and entering strategies to the markets in European area. The material is gathered from various literary sources and from previous Theses. The information about Hungarian markets is from web links which were got from Finpro, an association that helps Finnish companies to internationalize around the world.

### **2.2 Definition of internationalization**

The thoughts what come to mind about internationalization are future, success, money, new connections and opportunities. This is a topic that show new directions and growth to business life. Who would not want to success in the business world? In Finland internationalization is a must for the companies that want to manage in the business world.

Internationalization is a process where planning and implementing of product and services take place. These cause a process called localization; this means that these products have to be shaped so that they can be easily adapted to specific local languages and cultures. Internationalization process can also be called as a translation of localization enablement.

([http://whatis.techtarget.com/definition/0,,sid9\\_gci212303,00.html](http://whatis.techtarget.com/definition/0,,sid9_gci212303,00.html))

Finland lies in behind other countries as far as internationalization is concerned. This is why it is very important for Finland that there occur more internationalization from companies. This is why there have been different kinds of researches about Finnish companies' internationalization.

There are different views in internationalization to consider between small and medium- sized companies. One of them is that companies want to find new customers or the other one is to follow Finnish customers and the competitors.

The research of Minna Söderqvist & Karin Holstius revealed that in internationalization special attention must be paid to internationalization modes, strategic consideration and incitements for internationalization. Finland's number one trading partner according to this study was Russia, which was followed by Germany England and France. In the research it also came up that it is valued to the companies to have language skills and cultural knowledge in the whole process.

As internalization is a process that is difficult to plan in advance, it is important to study the information and interpretation capabilities. If the companies gather information about internationalization, it will give them better success to enter foreign markets than without studying the facts. To have this better success in this process, it is good to have a person in the company who has a good knowledge of business culture and the target country languages. If there is no such person in a company, they should use different kinds of support forms that are available from government-related or other organizations.(Minna Söderqvist & Karin Holstius, 2005, 5-57 )

### **2.3 International marketing**

International marketing is very important because the world has become globalized. We all are rounded by international marketing every day; it has effects in our lives, offers new opportunities and challenges. Successful international marketing holds the promise of an improved quality of life, a better society and more efficient business transaction. The main characters of international marketing are: activity, institutions, and process across national borders that create, communicate, deliver, and exchange offerings which have value for stakeholders and society.

Financial chaos and market uncertainty opened new directions for businesses and people all over the world. There are now many new goals and expectations, but also more competing values when it comes to the implementations.

Active consumer expenditures are important to keep the economy going. During these days there are new thoughts about the traditional concepts of risks, competition, profit, and private property, issues which form the main dimensions of capitalism.

In this decade the businesses have to think about new strategies, implement new plans, and to change the way they are doing business.

(Czinkota&Ronkainen 2009, 3-20)

## 2.4 European business

Doing business in Europe is the same as in any other place, like America or Asia. This means that Businesses have a lot in common whatever their origin is. These all different kinds of businesses are trying to find out the best way to compete in a world that is becoming increasingly open and competitive. Even though their overall objective may be similar and business strategies are shaped and influenced by the culture, traditions and economies, political and institutional frameworks and so on, these differ a lot from country to country and from region to region.

Europe is seen as an old continent, because of the history since the First World War. Europe has been the source of ideas that have shaped the business practice. There are many competitions in the business area between the continents. For Europe there will be some pressure in the future, because the rise of China and India will decrease the importance of the EU.

To understand better the different- sized economies among which EU is competing, it is mentioned: In an international context (in 2006) it is measured that US is 4.5 times bigger than Germany, which is to compete Europe's biggest economy.

Because of this phenomenon, it is going to raise the competition need of the continents. Still, the competitiveness is not among the states or government but among the firms. This means that the firms have to be well located within that economy and performing.

To understand the European business it is important to know the facts about every country in EU, although they have a lot in common but also many differences, for example in culture, organizations, traditions, history and economic structures. In other words all European states are examples of mixed economies. Although this is one continent, the size and role of the welfare state differs a lot.

As an example: in 2003 the social protection expenditure (expenditure on pension, unemployment, disability payments etc.) in Denmark, Germany, France and Sweden is above 30 per cent of GDP but in Cyprus, Malta, Slovakia, Ireland and the Baltic states it is below 20 per cent of GDP.

Nordic countries (Denmark, Finland, Sweden and the Netherlands) have the highest levels of social protection and welfare in the EU. All the other member states of EU should follow the example of the Nordic countries even though it is difficult, because of their so different social bargains and different economic starting points. But they can learn something from the Nordic experiences in the area of securing the future which combines equity and efficiency.

(Johnson & Turner, 2006, 1- 14)

In March 2000, Lisbon Strategy was launched, which means that it should commit to make the EU the most competitive economy in the world and encourage structural reform by 2010. This Strategy has four main points such as people, business, infrastructure and energy, research and innovation. In order to further improve competitiveness and increase the EU's sustainable growth potential, policies must be refocused towards long-term reforms in a motivated new strategy.

One important task of the Lisbon Strategy is to mitigate the economic effect of demographic changes, especially the ageing populations. Without any action the European workforce will shrink from about 300 million employees in 2005 to about 250 million in 2050. This means, smaller workforce will reduce the potential growth rate of Europe's economy and make the current welfare systems unsustainable. The Lisbon Strategy is focused also on improving productivity and on increasing employment. But this strategy could not reach the target, there are many factors why it failed.

(<http://europa.eu/rapid/pressReleasesAction.do?reference=DOC/09/6&format=HTML&aged=0&language=EN&guiLanguage=en>)

Now there is a challenge against the Lisbon Strategy, this challenge comes from the Copenhagen Conference on climate change. It is a new program which was named as Stockholm Program, and it is for the period 2010-2014. This program specifies the frameworks for EU police and customs cooperation, rescue services cooperation, criminal and civil law cooperation and asylum, migration and visa policy. The European Council considers that the priority for the coming years should be focused on the interest and needs of the citizens and also other persons for whom the EU has a responsibility. While guaranteeing security in Europe it is a challenge to ensure the respect for fundamental rights and freedoms as well as integrity.

([http://www.se2009.eu/en/meetings\\_news/2009/10/16/stockholm\\_programme\\_made\\_public](http://www.se2009.eu/en/meetings_news/2009/10/16/stockholm_programme_made_public))

## **2.5 Financial crisis**

In 2006 the financial and economic crisis started in USA, it spread through the whole world in 2007. Since then, there have been a lot of challenges in the economic and business area. This crisis is worse than the one that happened in 1930s. The whole world tries to tackle the crisis, which is a challenge because many companies have to close down their businesses and the unemployment rate grows considerably.

It is said that this is a global economic shock, which resulted many failures in European banks, declines in stock indexes and large reductions in the market value of equities and commodities.

([http://en.wikipedia.org/wiki/Financial\\_crisis\\_of\\_2007%E2%80%932010](http://en.wikipedia.org/wiki/Financial_crisis_of_2007%E2%80%932010))

In 2008 a European Recovery Plan was implemented, which deals with the financial crisis, addresses the difficulties of the wider economy and makes Europe a key player in the global response to the financial crisis.

With this plan the European Commission wants to respond to the current economic situation. The aims of this plan are to stimulate quickly the demand and boost consumer confidence, to help reducing unemployment. It should also help people to return rapidly to the labor market, rather than face long-term unemployment. When the economy growth returns people and businesses must also be prepared.

European Recovery Plan should also reinforce Europe's competitiveness in the long term. All the actions included in this Plan will help the Member States to put the right social and economic levers in place to meet today's challenge, which means: to open up new finance for SMEs, to cut administrative burdens and kick-start investment to modernize infrastructure. This will drive a competitive Europe ready for the low-carbon economy.

([http://ec.europa.eu/commission\\_barroso/president/pdf/Comm\\_20081126.pdf](http://ec.europa.eu/commission_barroso/president/pdf/Comm_20081126.pdf))



## 2.6 Hungary in general



**Picture1.** (<http://www.fsz.bme.hu/hungary/intro.html>)

Hungary is situated in the East-Central Europe; it has borders with Austria, Slovakia, Ukraine, Romania Serbia, Croatia and Slovenia. The capital city is Budapest and the population in whole Hungary is 9,905,596 (in 2009).

Hungary joined the EU in May 2004.

(<http://www.fsz.bme.hu/hungary/facts.html>)

Since 1990's Hungary has become a country with successful economy and stable market. Hungary also got a lot of foreign investments and enterprises in 1990's. The key values in the Hungarian culture are individualism, respect and relationships. Even though Hungary follows western business practices, they want to keep their society individualistic.

Respect is one of the key concepts in the business world as well as at home. These concepts lead to the relationships, which are very important for them. Hungarian people want to do business with people who they can respect. They prefer doing business face to face, whenever it is possible.

Hungary has almost a third of Central Europe's foreign investment. It is also a member of the World Trade Organization and International Monetary Fund. This means that Hungary offers many opportunities for companies who want to step into their successful market. In the business culture of Hungary it is important that you follow the working practices which are: punctuality for meetings and appointments. The normal working hours are 9.00 am to 5.00 pm, they usually work overtime and without a lunch break. The main holidays are during July and August. Hungarians also dress conservatively and take pride in their appearance. (<http://www.communicaid.com/access/pdf/library/culture/doing-business-in/Doing%20Business%20in%20Hungary.pdf>)

## **2.7 Hungarian markets**

Finland and Hungary have few aspects in common. Both countries are fresh members in the EU and these countries are both small. Hungary and Finland have both special interests in the EU politics which concerns the Eastern neighbors. In Hungary, there are operating 170 Finnish or Finnish-based companies. These companies employ more than 20 000 people. The largest Finnish employees are: Nokia, Nokia Siemens Network and Elcoteq. These companies are seen as attractive employers compared to German or American companies.

In 1989 Hungary adopted the free-market economy, which was the opposite of the former government-regulated economy.

According to the index of Transparency International's 2008 Corruption Perceptions, Hungary is in the place 47, which means that Hungary is not on the top of doing business. In the same index Finland is situated as 5<sup>th</sup>.

This index doesn't mean that it is difficult to do business in Hungary; there are other good sides which help the companies to manage in these markets.

For example as enforcing contract Hungary rank as 12<sup>th</sup> and starting business there as 27<sup>th</sup>.

The capital city Budapest has been graded as one of the best locations for transportations. Hungarians are interested in doing business with the Finns because the relatedness of Finno-Ugric. The competition in Hungarian markets is high, especially in the area of retail business, foodstuffs and clothing.

When entering Hungarian markets it is important to be familiar with the Hungarian history, because it helps in understanding their culture. Hungary's economy has been a roller coaster ride and the same continues. In the beginning of the 20<sup>th</sup> century, Hungary was economically on the same level with Italy and Austria. It was an important meat producer and a rather wealthy country. During the years Hungary had several economy droppings. These droppings were because of unsuccessful political choices and Hungary is still far from the countries with which it was on the same level a hundred years ago. Still, during the communist era Hungary was the most advanced of the Eastern Bloc countries and had some liberties that other countries did not get.

Also it is good to know that this country belongs to the business culture which is relationship-oriented. This means that personal contacts and social relationships are very important there.

When this kind of relation is reached, it is easier to reach the target. It is common for the Hungarians to take customers out for a dinner and discuss business as well as other topics.

When doing business in Hungary English or German are often used. The Hungarians are not expecting that the foreigners would know the local language, because it is said that Hungarian is one of the difficult languages to learn. Even though Hungarians are creative they do not easily present their own opinions or ideas. In Hungary it is also very important to avoid making mistakes and they do not accept criticism. The hierarchy is low and the employees can easily talk to their managers.

Although Hungarian business culture sounds like a nice atmosphere there are also challenges, for example there is poor customer service, bureaucracy, corruption and disorganization. Hungarians do not like strict rules and they lack building strategies.

According to a study made by European Union, Hungary is ranked as the second worst on language skills for second language. This means that only educated people and the ones who are working in international companies can speak English well. The reason for this lack of English knowledge is, because in Hungary the English study started first in the 90's and TV shows as well as movies are dubbed.

Today it is a hard time for Hungary, because the GDP has gone rapidly down and the unemployment has increased. To stabilize the economy, Hungary took a loan of 20 million dollars from IMF and World Bank to get the economy stable again. The biggest single problem at the moment is the loans in foreign currencies. The goal of adopting euro seems to be far away. Hungary wants to join euro and they have been trying to fulfill the strict criteria with a lot of efforts. The estimated year for this is in 2014.

(<http://hsepubl.lib.hse.fi/pdf/wp/w471.pdf>)

## **2.8 Differences and similarities in Hungarian and Finnish business cultures**

There are similarities and differences between Finnish and Hungarian business culture. This part will review aspects from both countries.

### **Similarities**

In both countries when meeting business personnel, it is polite to greet with a handshake. Business cards are used when meeting people. For both Hungarians and Finns it is important that the people come in time to a meeting/appointment. It is rude if you come late.

Long-term customers are more appreciated than short-term customers in Hungary and Finland. Family and friends are very important; it is common to invite people to their homes and to get to know them.

(<http://www.kwintessential.co.uk/etiquette/doing-business-hungary.html>)

### **Differences**

In Finland, when meeting a business person, the first name and surname will be mentioned during the handshake. But in Hungary it is important to say the title before last name right, the first name is not used. In Finland decisions are made quickly and the work is done fast. But in Hungary the decisions are made slowly and everything is discussed many times. Finnish people want to get to the point quicker and do not like that much small talk. As for Hungarian, they want to have small talk and discuss the same topic over and over again before deciding what to do. (<http://www.kwintessential.co.uk/resources/global-etiquette/finland-country-profile.html>)

In Hungary the business environment and the way of working is more hierarchical than in Finland. In the Finnish company culture, employees have more power to

decide independently over matters that are in their field of responsibility. Whereas in Hungary many times the superior is required or requiring to take all decisions. This can be seen at the working place clearly. Employees in Hungary often only prepare the material and then take it to superiors for decision making, even if there was no special circumstance that would deviate from the normal flow of work. (Fulton Matteo 2010)

## **2.9 Marketing in general**

Marketing is defined as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”

Marketing highlights that there are inside and outside participants within institutions and processes in the marketing effort. It also shows that the activity goes beyond a single transaction.

Marketing also involves the words creating, communicating and delivering; these details show that the marketing discipline takes in its activities the leadership from the beginning to the end. In the marketing process it is important to find out the powerful effect of the “offering” which makes the exchange possible. Within the exchange it is significant to achieve satisfaction in the transaction. The core focus of marketing is to give value for customers, clients, partners, and society at large presets. To achieve this it is important to make relationships between different parties.

Marketers see their product and effort as a component of entire series steps that define the connection between entities. Marketing needs to be seen as a planned and purposeful activity. The goal of marketing has been expanded from sensing, serving, and satisfying individual customers to taking on in consideration the long-term interest of society.

Marketing is not limited as business entities, it also involves governmental and no business units. Its techniques are not only useful to goods but also to ideas and services.

The marketing process consists of four steps analysis, planning, implementation and control. With the analyzing is meant that before accessing a foreign market there has to be collected data about the target country. In this kind of data the qualitative and quantitative techniques are involved.

These sources can vary from secondary to primary data, internal to external and informal to formal data. After collecting these data, it will be used to find out company's opportunities which lead to the key criterion which is competitive advantages. The planning stage involves long-term and short-term strategies. With this stage the opportunities in the marketplace are explored. This is important because without planning it is difficult to get into a new foreign market.

Implementation is the stage where the actual planned activity is carried out. If the plan is done well and all the details have been taken into consideration, then this stage will be a success. The unforeseeable changes within the company and environment forces also have to be taken into consideration. This is why there also has to be the last stage, control. Within the control short-term and long-term tools are used. Short-term tools are annual plan control and efficiency control. The long-term tools control that the marketing is not only doing things right but also doing the right things. The result of the control effort gives important input for succeeding planning efforts.

( Czinkota& Ronkainen 2009, 16-21)

## **2.10 Market entry methods**

A company decides with a market entry method how they want to expand their business into new markets. It is an important decision, because with this conclusion they have to manage and achieve their goals in the chosen country.

There are four main methods to enter new markets: export, licensing, franchising, and foreign direct investment.

*Exporting:* This can be defined as the marketing of goods produced in one country into another. Exporting is a method that is traditional and well established of reaching foreign markets. It does not require that the goods have to be produced in the target country and there is not needed to invest in foreign production facilities.

*Licensing:* In the target country licensing allows a company to use the property of the licensor. This kind of property can be such as trademarks, patents, and production techniques. The licensee pays a fee in exchange for the rights to use the intangible property and technical assistance.

Licensing involves little expense and involvement, but the only cost is signing the agreement and policing its implementation.

*Franchising:* It is possible to make an agreement with a parent company, which allows to the franchisee to do business in a particular way. This kind of agreement can mean that: it is possible to sell the franchiser's products or use its name, production, preparation and marketing techniques as well as its business approach. The main forms of franchising are car dealerships, soft drink companies and lodging services as well as fast food outlets.

*Foreign Direct Investment:* This stands for the international investment flows which acquire properties and plants. These kinds of investments are made by an international marketer, because he wants to create or expand a long-term interest in an enterprise with some degree of control. This has also become a major possibility for international market entry and expansion.

(Czinkota & Ronkainen, 2010, 283-291)



## **2.11 Market entry process**

Entering a foreign market characterizes a major strategic move by a company as it considers internationalizing its operations. The company has to pay careful attention to the primary mode of entering the new market. Companies also have to think about the development of their business in the markets as longer-term. Often there is a need to do changes in their servicing mode to improve their market access.

(Bartels & Pass 2000, 145)

To make sure that you will have a successful entering, it is very important that the company effectively evaluate the various world markets where its product is likely to be marketable. This will include review of macro-economic factors such as the size of the population and the economic development level and buying power of the country, and more specific factors, such as the existence of competitive products in that country.

In the market entry process it is important first to find out the target market and to be aware of the supply and demand. There is a need to be prepared for the market and carry out a market research. Contacts need to be established in order to find out the interest and to create a customer group. Some research of the competitors in the same kind of business area must be done. (Rosmaryani 2008)

### **3 THEORETICAL FRAMEWORK**

The information which is used in the theoretical part is affecting in many ways of how these are going to be used further in my research and how these also concern the chosen research method. This gathered information in the theoretical part, are help to limit this work in a specific area, without leading it to a sideway. The research method chosen is qualitative, because the information which is gathered above has a lot of details and so it was better to make open questions than detailed ones.

The questions are structured in a qualitative way, so that it is not possible for the respondents to answer only with yes or no answers. This way the research can get a deeper conclusion of the research topic.

The outcome of the case company is expected to show if the theory described in the theoretical part corresponds to the answers of the respondent. In other words the result should match at the end of this process.

## **PART III**

### **EMPIRICAL PART**

#### **4 METHODOLOGY**

This part summarizes the methodology that was used in the study. The research method will be defined and details on data collection will be explained. The advantages and disadvantages of the questionnaire will be dealt with and as well as the reliability and validity. The case study will be introduced in this part.

##### **4.1 Definition of research method**

The reason for using research methods is because it is based on systematic and organized effort to find out problems and to answer questions which need solutions. In other words, it is simply a process of finding solutions to a problem that is studied and to analyze the factors included in this process. Business research includes many steps that help finding answers to the topic that is studied.

Research gives the needed information which will guide the problem solver to make informed decisions which include problems. According to Sekaran the nature of study can be either exploratory, descriptive, hypothesis testing or case study analysis.

*Exploratory study* is used when there is not much knowledge about the happening and when there haven't been done other such kind of research before. In order to get started with this kind of study, the researcher has to get familiar with the research problems and after that the model can be developed as well as the design of the research.

*Descriptive study* is used when the researcher wants to understand the characters of a group in a specific situation, to think systematically about phenomena in a

situation and provide further research ideas as well as facilitate certain decision making.

*Hypothesis testing* explains the nature of certain relationships or establishes the difference between groups or the independence of two or more factors. The two main aims in this testing are to explain the variance of the dependent variable or to predict organizational outcome. The last one is *Case study* in which analysis covers in-depth and contextual analyses of similar situations and problems that have been experienced in other organizations too.

(Uma Sekaran, 2000 pages 3-129)

## **4.2 Introduction of the two methodology alternatives**

There are two kinds of methodologies used “as tools” when doing research. These are qualitative and quantitative methodologies. With these aspects it is possible to reach answers and to get to the goal of the research problem. The methodology used in this research is qualitative; it will be explained in the following chapter. Quantitative methodology is also mentioned in comparison.

## **4.3 Quantitative methodology**

Quantitative methodology: It is described as: “ A structured questionnaire given to a sample of a population and designed to elicit specific information from respondents”.

This methodology is the most common method, used in marketing research when collecting primary data. The advantages of this method are that the questions are easy to manage; responses are limited to stated alternatives which lead to reliable data, fixed response questions, coding, analyses and interpretation of data relatively sample.

The disadvantages of this method are personal questions because of that people are unwilling to answer. There might also be fixed response alternatives and these can have a loss of validity. Also putting questions into words is a challenge because something that is logical to the researcher may not be to the respondent. There are different kinds of survey methods in this alternative, these are: through telephone, personal interview and mail interviews.

#### **4.4 Qualitative methodology**

Qualitative methodology is described as: "An unstructured methodology based on small samples, intended to provide insight and understanding." This is easier explained as: "To get deeper insight the research problem." Qualitative research is a flexible method where the respondents can express their opinion in their own words. The different forms of data collecting are: interviews, participant observation, field notes and open-ended questions. With this method it is possible to reach the feelings and experiences of the respondent. Qualitative research is used because it can give sensitive information which is not possible when doing charts. Values and emotions are easier to describe in this kind of research method. The nature in these data is words, images and categories.

(Thomas Sabel, 2009)

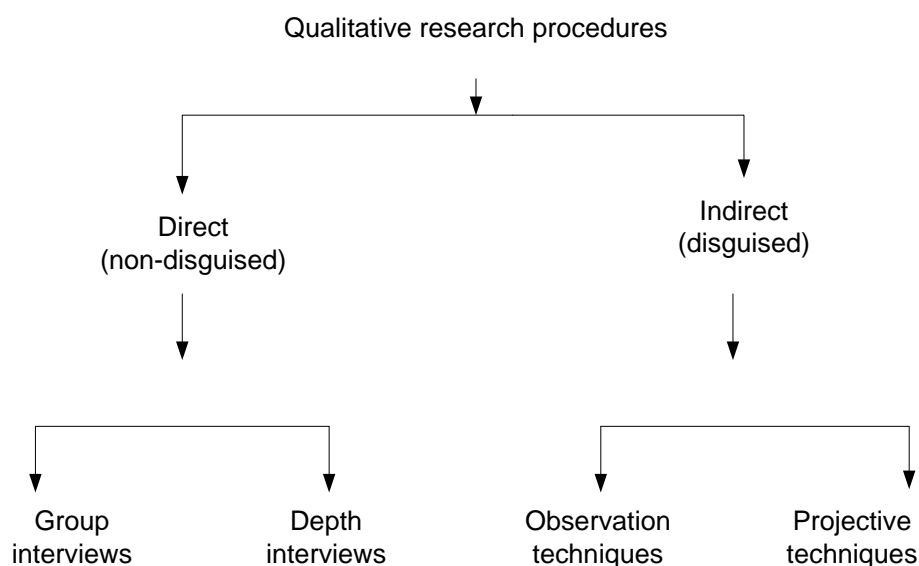
The main method of collecting the qualitative data in this thesis is interview questions. Since the interviewed companies are far away the interview media was through e-mail. The e-mail interview was structured so that it is easy and quick to respond. There is a challenge to analyze the answers in using qualitative method, because the answers are in such wide range.

The researcher has to know how to put together all the answers of different companies. Qualitative research method focuses on wide-angle and deeper-angle lens, also examining the breadth and depth of phenomena to learn more about them.

([www.southalabama.edu/.../johnson/studyq/sq2.htm](http://www.southalabama.edu/.../johnson/studyq/sq2.htm))

Picture 2 shows the qualitative research procedure more in detail.

### **The Qualitative research procedure**



**(Picture 2: Malhotra, N.K.-Birks, D.F. 2000)**

In this picture, the direct approach means that the purpose of the project is revealed and clear to the respondents. As in the indirect approach the purpose of the project is not clear.

*Group interviews* can have 6-12 people in a discussion, which is lead by a moderator. The idea is to get a creative discussion.

*Depth interviews* on other hand are based on one-to-one way. The purpose is to find out the motivations, beliefs, attitudes and feelings on a topic.

*Observation techniques* means to observe the habits and differences between people in everyday situations.

*Projective techniques* means that there is unstructured indirect form of questioning which tries to encourage the respondents to develop their original motivations, beliefs, attitudes and feelings. The respondent is also asked to interpret the behavior of others rather than their own behavior.

(Thomas Sabel, 2009)

#### **4.5 Collecting the Data**

After the research plan has been formed, the process of gathering information from the respondent can start. Before starting the thesis, a lot of interesting books about international Business were gathered. Information was also found on the Internet. The primary data for the theoretical part was collected from several books and the useful information about Hungarian markets was got with the help of Finpro. The reliability of some Internet sources was identified by comparing the same subject with several web pages. In the empirical part the same kind of sources were used as above, together with several books and internet. In the last part of the thesis were used as primary data which finally helped in understanding this whole process and give the necessary answers. As a secondary data in that part the web pages of the case company were used, in order to clarify them and to get a wider picture about the Finnish company's entry to Hungarian markets.

#### **4.6 Reliability and validity**

These methodological aspects are tricky in the qualitative research; because in this kind of research the data can be unexpected but it can also give many different perspectives, happenings and events. This is why the process in gathering the answers of qualitative research is challenging and time consuming.

Reliability and validity are concepts that can give the basic framework for the evaluation of research for example in the business research. With the validity it is important that the questions are formed well. At the end of the research it is also necessary that all the information and facts are reliable.

Reliability is more used in the quantitative research because it tells the point to which the measure, procedure or instrument is leading in the same results on the trials which are repeated. This is why the questions are structured so that it is easy for the next researcher to do the same kind of study and come up with similar conclusion. Validity means that the answers and conclusion are easily proved true. To get a true conclusion, it requires the right information and true evidence of the research topic. (Eriksson&Kovalainen, 2008, 290-292)

In a case study, especially in a comparative research the study area and the general framework should be well specified. For this case study to get reliability facts the manager in the chosen company was interviewed and also the basic facts about the company in their web pages was checked.



## **5 CASE STUDY**

Case study is a methodology that involves the collection of data which are related to an individual or small group through observation, interviews and the collection of documentary evidence. With a case study specific research questions that will give answers to the researcher are investigated. It also gives different kinds of evidence but should lead to similar results when the same topic is researched more than once.

The purpose of this case study is to provide useful information about previous experiences in foreign markets. The aims of the internationalization are explained, so that it specifies the important issues before and during this process.

For the right information, books and reliable web pages were used in gathering the main issues for the case companies. The result is intended to serve as guiding information for other companies that plan to enter the Hungarian markets.

## **6 INTRODUCING THE CASE COMPANY – ELCOTEQ**

Elcoteq is a Life Cycle Service Partner for high-tech product and service companies. Its activities are global. The service that Elcoteq is providing is engineering, manufacturing, fulfillment and after market service. The net sale in 2009 was 1.5 billion Euros and the number of employees were around 10 000. They operate in 15 countries and their corporate office is located in Espoo, Finland.

The customers of Elcoteq are the ones who are operating in the high-tech product and service area. Their largest customers in 2007 were Ericsson, Nokia mobile phones, Nokia Siemens Networks, Philips, RIM, Sony Ericsson and Thomsson. For Elcoteq it is important to be a high performing and reliable company, which is capable to understand their customer needs and to provide them the best global service in the area from product development to after market service.

Their values are customer satisfaction, committed personnel, ethical conduct of business, continuous improvement, result orientation and corporate responsibility. Elcoteq has three core strategic themes, which are: expanding the service offering, growth with positive cash flow and operational excellence.

Because of the uncertain market situation, Elcoteq is now concentrating on more flexible solutions and also putting an emphasis on enhancing and integrating its service offerings further. The purpose for this is to make the management service stronger. This is because they want to provide also in future their operators and service providers. Their goal is to create superior value for their customers and driving shareholder value on balance with competition and beyond.

Elcoteq Hungary Ltd started its business operations in 1998, in the city Pécs in Hungary. Their operation is manufacturing electronics for their communications technology customers. They have 4000 employees there which make Elcoteq Hungary the largest industrial employer in the city of Pécs.

(<http://www.elcoteq.com/en/About+us/frontpage.htm>)

## 7 QUESTIONNAIRE

A questionnaire was sent to ten companies at the beginning of March, 2010 and the answer from one company was got at the end of March. This is why Elcoteq is the case study in this research. To get the reliability and validity for the answers, the managing director of the company was interviewed, who also compared the information with another colleague. With the questionnaire the aim was to prove that the information of the theoretical part is true and realistic.

### 7.1 Analyzing the answers

The first section of the questionnaire dealt with about the basic information of the company. The respondent was Matteo Fulton, who is the Managing director in Elcoteq Hungary Limited. The number of employees in office in Hungary is about 3600-3700. The question about the turnover showed that the specific figure is not published information. But the interviewee told that Elcoteq Hungary is one of the largest sites for Elcoteq SE.

The second part of the questionnaire was about the internationalization process. The first question in this section was about why they chose the Hungary markets. The answer was that Hungary is situated in the middle of European markets and it has a skilled as well as well known educated labor force. It has also good and improving infrastructure and very good cooperation with local authorities. Hungary also had already experience working with Finnish companies previously, for example Nokia,

The second question in this part was about the entry method they had used. They used the Greenfield method which is a wholly owned facility and investment, launched in 1998 in Pecs, Hungary. Elcoteq did not actually make a market entry; they only expanded their operation form from Finland to the Hungary. Though, before going to the Hungarian markets, they started to negotiate one year earlier before it was possible and then in 1998 its operation started in Hungary.

The motive of expanding to Hungary was that this country is the centre of the European market place which is one of the world's leading markets. In order to make it possible for Hungarian markets, regional presence is required, because of the demanding nature of the market for the Elcoteq Customers.

The fourth part of the questionnaire was about cultural differences. In Hungary the business environment and the way of working is more hierarchical than in Finland. In the Finnish company culture, employees have more power to decide independently over matters that are in their field of responsibility. Whereas in Hungary quite often the superior is required or requiring to take all decisions. This can be seen clearly at the working place. Employees in Hungary often only prepare the material and then take it to superiors for decision making, even if there was no special circumstance that would deviate from the normal flow of work. This more formal and hierarchical way of working often leads to slower decision making than in Finland where the employee would not ask the supervisor unless there were some specific reason to seek the superior's consent.

The last part of the questionnaire was about the future plans of the company. The financial crises did not affect Elcoteq. It expanded the market segments that it serves and has continued to develop its expertise in order to provide a total product life cycle service to its current and potential customers regionally and globally. In the future the strategy is going to stay the same, because emphasizing their competitive advantages and continuously improving the service offering to their current and potential customers has always been a part of their strategy. Elcoteq Hungary thinks that they are having success to stay in Hungarian markets also in the future. They believe that based on the current improvement trends in the marketplace, Hungary is a highly competitive market and Elcoteq will remain competitive in the European region via their location in Hungary.

## 8 CONCLUSION

The process of this thesis has given the researcher and writer a lot of knowledge. The internationalization concept and its connections to marketing entry have become clear. When companies internationalize many different steps have to be considered in order to be successful. The overall purpose of my thesis was to find out the difference of doing business between Finnish and Hungarian markets. The result showed that there are small differences among these two countries.

The information in the empirical part gives the necessary aspects that are used in the theoretical part. This means that these “rules” used in the empirical part concerning how to do a research, show the usage of the information in the actual research. The expected information was received and it was in the same line with the theory. As for the analysis of the answers of the questionnaire, it was interesting to realize that the information fits so well together with the information of the theoretical part. It showed that the basicwork had been successful, which made it possible to compare the two different sources together. Furthermore, with the answers of the questionnaire the perspective from another person was got.

As a conclusion it would be said that internationalization is a very important issue for Finnish companies when they want to success better. Another finding in the research was that doing business in Europe is the same as anywhere else. But the actual difference is the business culture among countries. It was also interesting to gather information about the financial crisis and see how it affects the business world. Hopefully the result of this research gives the right idea of doing business in Hungary.

## **9 SUGGESTIONS FOR FURTHER RESEARCH**

There are many topics that can be involved to this research topic. For example there could be a deeper research about the impact of financial crisis in the business world. Also it would be interesting to have more information about the financing systems, that support Finnish companies when they go abroad and is it now more difficult to get support than before because of the crisis.

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## APPENDIX 1

**Questionnaire: Finnish Companies entry to Hungarian markets****Basic Information**

1. The name of the company and contact information
2. The name and title of the Interviewee
3. What is the turnover?
4. Number of employees

**Internationalization Process**

1. Why did you choose Hungary markets?
2. Which entry method was used when entering the Hungarian markets?
3. Did you change the marketing methods when you entered the Hungarian markets from Finland?
4. If yes, what is the difference between these method in Hungary an Finland?
5. When did you start negotiations before entering the Hungary markets?
6. When did you enter the Hungarian markets?
7. What kind of entry motives did you had?
8. Make a short list of positive and negative experiences within your company.

**Cultural Differences**

1. What are the cultural differences in doing business between Hungary and Finland?
2. How can these be seen and how does it affect?

**Future Plans of the Company**

1. How did the financial crises affect to your business strategy?
2. Are you planning to change your strategy if yes, how?
3. Do you think that you still will have success to stay in the Hungarian markets in the future?

Thank you for your time.