CHOOSING EXPORT ENTRY MODE TO SWEDEN;

CASE COMPANY SEA-IN LTD.

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ABSTRACT

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TIIVISTELMÄ

Opinnäytetyön toimeksiantaja on Sisäilmatutkimuspalvelut Elisa Aattela Oy. Yrityksen toimitusjohtaja päätti laajentaa liiketoimintaa Ruotsiin. Tarkoituksena oli keskittyä ulkomaankauppaan, tehdä yritystä tunnetuksi sekä kasvattaa tuloja. Opinnäytetyön päätavoitteena on selvittää mitkä olisivat optimaalisimmat operaatiomuodot vientitoiminnan aloitukseen.

Opinnäytetyössä sovelletut teoriat perustuvat vakiintuneisiin kansainvälistymisteorioihin, joita tarkastellaan pienten ja keskisuurten yrityksien näkökulmasta, koska toimeksiantaja yritys kuuluu tähän ryhmään. Lisäksi, metodologinen lähestymistapa on kvalitatiivinen ja vielä tarkemmin induktiivinen tutkimustyö sillä toteutus tapahtui keräämällä ensisijaista dataa haastattelun muodossa, kunnes uutta tietoa ei ollut enää saatavissa, jonka jälkeen vertailtiin teorioita ja saatua informaatiota keskenään. Tutkimustyön toistotarkkuutta tuovat esille samaan johtopäätökseen tulevat eri muotoiset ja tyyppiset lähteet.

Tutkimuksen tuloksena saatiin selville, että yritykselle sopivin kansainvälistymisstrategia olisi Uppsala mallin ja vientiagentin yhdistelmä. Tärkeää oli kuitenkin huomata, että yrityksen eri vahvuudet toivat muitakin mahdollisuuksia vientitoiminnan harjoittamiseen ja etenkin kansainvälistymiseen liittyvillä teorioilla on suotuisasti vaikuttavia tekijöitä, jos niistä otetaan yksittäisen yrityksen tavoitteille ja motivaatioille sopivia piirteitä käyttöön.

Avainsanat Ulkomaankauppa, vienti, operaatiomuodot, kansainvälistymisstrategia, yritysstrategia, lisensiointi

Sivut 43 sivua

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ABSTRACT

This thesis was commissioned by Sisäilmatutkimuspalvelut Elisa Aattela Oy. The case company has encountered challenges with the home markets in Finland and therefore it decided to expand the business to Swedish markets. The main objective of the thesis is to investigate a promising internationalization strategy and export entry mode for the case company to enter new markets.

The theories used in this thesis are established international business theories and are investigated from the small and medium-sized enterprises point of view since the case company belongs to this group. The methodology approach is qualitative and more specifically inductive research, since the author first obtained the base information from the CEO of the company, and afterward studied the possible theories that can be linked to the data. To verify the fidelity of the thesis the convergent findings are acquired by different sources.

The findings of the thesis show that the optimal export mode for the case company is an international theory Uppsala model combined with an export agent. However, it was important to realize that various approaches and methods can be set as a driving force if the features of the company connect with a given theory. Especially the internationalization theories provide favorable aspects for a company that might choose to follow a certain theory but distinguish additional benefits from another theory.

Keywords
Market entry strategy, entry mode, licensing, business strategy, international business

Pages 43 pages

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1 INTRODUCTION

1.1 Background information

This Bachelor thesis is a part of the Business Administration degree of the International Business studies in Häme University of Applied Sciences Ltd. The following recommendations and problem-solving is created for the purpose of the case company to make a decision on how to enter the Swedish markets. The material of this thesis can be also shown to the future key stakeholders if necessary.

The main goal of the company and this thesis is to investigate the possible options on how to enter the Swedish markets with their product. Moreover, the company has set a short-term goal to penetrate the Swedish markets until the end of 2019, therefore, this market entry planning is to be conducted and implemented over two years. The author has received a limited subject area in considering the internationalization strategy and entry mode, therefore, this thesis will concentrate on entry modes most suitable for the company to engage in international business.

1.2 Sisäilmatutkimuspalvelut Elisa Aattela Oy/SEA-IN Ltd.

The case company is a Finnish Ltd. company found in 2015 by entrepreneur Elisa Aattela. The company's name is Sisäilmatutkimuspalvelut Elisa Aattela Oy however since the company is aiming to go international the company decided to choose an easier auxiliary business name; SEA-IN Ltd. Currently, the company is run by the Chief Executive Officer (from now on to be referred as CEO) and founder Elisa Aattela with multiple private entrepreneurs around Finland who license the tools and intellectual property of the company to conduct indoor air investigations. The service form of the case company is business to business, referred to as B2B. The company has four main customer segments in the field of the construction industry where the company aims to sell its product, E-collector, as well as instructions on how to use the product. These mentioned customer segments are indoor air companies, property planning and management companies, construction planning companies and property maintenance companies in order of importance. The company works in the consulting service field, more specifically in the construction industry, however, the service that the company offers is more related to indoor air examination than general construction work. The end user of the product is a customer who has hired the CEO or licensed the entrepreneur to investigate the indoor air of a certain research object.

Elisa Aattela invented a new sampling method to investigate the total toxicities in the indoor air and the analyzing method was invented in collaboration with the universities of Turku and Helsinki in Finland. After the product was finalized, she initiated a patent application for the sampling method and is currently doing cooperation with the laboratory in Tampere, Finnish Centre for Alternative Method (to be referred to as FICAM), to analyze the sample collected from the indoor air with human cells. The concept which is licensed by the individual entrepreneurs includes the product E-collector, continuous payment via Eppendorf pipettes and know-how transmitted by the CEO. Entrepreneurs wishing to work for the SEA-IN Ltd. do not require prior experience in the field in question, but interest towards the field is preferred. However, the technique used to gather the sample is simple to take even for amateurs, therefore, the case company is looking for entrepreneurs who share the same mutual values and goals as the mother company.

Interviews with the CEO have given the author information that Aattela's main motive when deciding to expand abroad is because the moisture damages and indoor air problems are worldwide issues and therefore needs to be tended. The core values of the case company lie in the health of people since the indoor air problems almost always lead to sickness, for example, the most common ones are the respiratory infections, asthma, and allergies. ("Sisäilmayhdistys," n.d.) Especially, the concern goes to public buildings like schools of all grades and hospitals since the health of children and patients are in jeopardy from moisture damage. In addition, Aattela has a strong belief in her own product which was also one of the key motives to the strategic business activities to go international. The characteristics of a visionary entrepreneur are suggested to be one of the modern driving forces in business life and are proven in a few of the theories investigated in this thesis.

As mentioned earlier, the method used to gather the indoor air samples is made as simple as possible and therefore the know-how can be shared all over the world to the licensed entrepreneurs resulting to achieve the goal of a healthier indoor air. The strategic decision to operate the company via licensing in the home market was made before the author started the bachelor thesis with the case company and therefore could not influence the decision. However, the CEO justified the decision by stating that the quality and the level of the sampling gathering will remain high because the basic instructions come from the original source of the method. However, when entering

another country Aattela gave the author freedom to research the optimal entry mode and strategy nevertheless within limits.
The third key motive for developing business outside Finland was purely financial and the current goal is to increase revenue within five years and exist on average in five countries. In addition to gaining an increase in turnover, the company has a mission to gain awareness among the industry in question because the product and analyzing method could possibly revolutionize the whole field by being the first method to gather toxic substances from the indoor air via water molecules and therefore collect the total toxicities of the air. The company has no prior experience in entering international waters and therefore the strategic planning is vital before carrying out any actions. The competitive advantages of the company in the frames of the marketing mix (price, product, position, promotion) are arguably attractive for all of the market segments that the company has chosen to work with. For example, the price is statistically more affordable than with the competitive methods, the product itself is unique and pioneering to the whole construction field with only positive feedback gathered, the target market has been carefully chosen and the desire to distribute within the segmentation is a driving force for the owner of the company, and last but not least the marketing strategy is based on the valuable resources the company embraces.

1.3 Research question and objectives

The research question in hand deals with market entry strategy with a deeper focus to the various options of entry modes. The target market, entry timing, and possible product adaptation have been decided by the CEO; therefore, the research and analysis of the thesis focus on how to implement the most optimal route for the case company to penetrate the Swedish indoor air investigating markets with its product. *"What is the optimal path for the case company to enter Swedish markets?"*

The objectives of the thesis are:

1. To understand and research the industry in question and how it will affect the decision of entry mode
2. Understanding the main motives and goals of the company and connecting them to existing theories
3. To describe the main differences between Finland and Sweden considering the market in question
4. To introduce the possibilities for entering the Swedish markets and comparing their advantages and disadvantages

5. Creating a solution for the case company to enter the markets with minimum risks while still carrying out the goals the company has set to itself

1.4 Thesis structure

This thesis is divided into seven chapters comprising of the introduction of the case company, the research question and objectives of the thesis, the theoretical framework, the methodology and data collection, empirical research, the recommendations for the case company and finally a conclusion. The introduction creates the foundation for the thesis by explaining the objectives as well as laying out the background information of the company. Together with the research question and sub-questions, the thesis forms an investigative perspective. The theoretical framework establishes the basics for the foreign market entry and as the objective is to compare those theories with real and present situations of the case company it is vital to explain suitable theories. The data collection and methodology indicate how the information was acquired and how the thesis is constructed. Finally, the recommendations and the conclusion are assembled with existing theories and substantiated arguments which result to find the optimal path to enter Swedish markets.

2 INTERNATIONALIZATION STRATEGY

"Strategy can be defined as the determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals" (Chandler, 1962)

Before a company decides to expand their markets to another country, they need to have a strategy for it to succeed and as Alfred Chandler in the above quotation cited it is the sum of long-term goals and objectives as well as strategic planning to achieve those goals established. The importance of having a well-made and thoroughly designed market entry strategy is crucial for businesses to succeed. There are two aspects that define the readiness of the company to expand their markets beyond domestic markets; the commitment level and the responsibility the company is willing to take for internationalization activities.

There are several internationalization strategy theories existing for companies to take advantage of however these strategies are not a step by step rules to obey when deciding to take action in an internationalization but more of a recommendation and directive advice. These theories can be and almost should be modified for each company's needs since modernity and globalization have affected the nowadays requirements of internationalization. The author will use four different internationalization theories since they are relevant to the case company's resources, capabilities, and performance.

The Uppsala model

The Uppsala stage model was created by several Swedish researchers from the University of Uppsala (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). They found out that Scandinavian companies who wished to enter international markets had two pattern characteristics in common; the cautious expansion step to approach physically close distance markets and to use exports as their first move to expand to international markets. The four stages of the Uppsala model represent the development of entering new markets.

1. Sporadic export, irregular export activities
2. Usage of different export modes (non-equity modes, cooperative export)
3. Foreign direct investment
4. Establishing foreign manufacturing units (Hollensen, 2017, 83-87)

Between the stages, there are several years of gathering experience and expertise. The more committed the companies are for increasing international business the bolder their entry mode proceeds. Therefore, the Uppsala model is a slow way to expand to international markets however it is perceived as a safe and risk-free method since it evades uncertainties well. (Hollensen, 2017, 83-87)

The born global theory

As the opposite of the Uppsala stages model, the born global theory suggests that companies should lead with international business from the very beginning. The idea is to engage in international business boldly and rapidly however with minimizing presumable risks and creating a functioning internationalization strategy tailored to the company. A born global company is in most cases a small and medium-size enterprise (to be referred to as SME) with less than 250 employees and annually the sales stays under 50 million euros with characteristics of forefront technology and pioneering unique product. A common feature among the born global companies is a visionary entrepreneur as the CEO who considers the whole globe as the marketplace. (Hollensen, 2017, 94-99)

The resource-based view

The resource-based view (to be referred to as RBV) theory has a logic that relies on the valuable competitive advantage of the company. The idea behind it is that a company that has potential resources has a sustainable upper hand in the foreign markets compared to other competitive companies however the goods they are offering must have the characteristics of being rare, inimitable and irreplaceable. In addition, the certain valuable characteristic resulting for the company to have comparative advantage can be tangible or intangible or even a combination of both. For example, managerial structure, marketing strategy, and a product can form a strong competitive advantage, but the bottom line is that the functioning mixture is meant to be extremely valuable for the customer. The international business itself, in this case, is to expand by attracting either customers or possible business partners who in most cases contact the company instead of the RBV company contacting the customers or partners. (B. Barney, 1991)

The networking theory

Networks as such are a key factor in business and because of the critical role it plays, networking can be made a strategic decision to put exporting in action. Generally, the networking theory model takes place if a company sees an opportunity to work together with other firms, generally in the same field, and gain mutual benefit from the cooperation. For instance, actively changing conditions within a certain field could possess a great possibility for a networking model to work since the flow of information is important and companies are supposed to support each other by coordinating. Primarily the company wishing to join a certain network resulting in international extension can search itself a way to the network or be invited by one of the entities among the network. In addition to the joining process, the company can decide whether to search the network in the home country market or the foreign target market. Since the case company has no prior foreign business network, its goal is to establish new international relationships. Fortunately, the business network theory implies that every country has already its recognized network for companies to join. The cooperation is not structured with permanent and specific rules or approved financial compensation system however it is a method of adaptation and business-like negotiations between the companies. (Albaum & Duer, 2011; Hollensen, 2017, 85)

2.1 Market entry strategy

The market entry strategy includes two equally important aspects to consider when starting to export to another country: the entry mode and a marketing plan. The entry mode consists of the established means and ways of entering the desired country and a marketing plan involve the tactics and plan to achieve the goals the company has set to enter the desired target market in the foreign country. The foreign market entry mode requires several key marketing decisions from the company to choose from and those certain decisions should be considered in terms of short and long-term goals that the company has established. There are several factors that are influencing the decision of an entry mode and in general, the market entry strategy takes a full circle to create the perfect path to follow. However, these factors to take into consideration are always individual to the company's' core values, expectations, and motivations. The main factors underlining the market entry mode are the readiness of the company, resources, market research applied, business connections and goals established. (Albaum & Duer, 2011) As the author was asked to concentrate solely to investigate the optimal path and entry mode for the case company to enter target country, the marketing plan is to be left out of the market entry strategy and revisited after the case company has approved certain strategy.

2.2 Market entry modes

The most common entry modes are been presented herein as relevance to the case company. Entry modes can be separated into two groups: non-equity entry mode and equity entry mode. (Pan & Tse, 2000, 538) The non-equity entry modes include exports and contractual agreements and the equity entry mode includes foreign direct investments (to be referred to as FDI). The exports and contractual agreements can be furthermore divided into indirect exports, direct exports and cooperative exports (Root, 1987). The FDI can be separated into joint ventures and wholly owned subsidiaries. The two preliminary entry modes, non-equity, and equity are distinguished how strong is the commitment level the company is willing to show towards a certain entry mode. Equity means the capital or ownership of the company and therefore clarifies the difference between equity and non-equity modes. The non-equity-based modes don't need for the company to involve in a high level of commitment and usage of capital for as the equity-based mode demands the company to use its resources and capital with a high-risk commitment, for example, investing in a production factory at the target country. The commitment level concept can be opened and explained into various features which are financial and human resources available as well as the desired level of control within the business operation, risk and predicted profit to attain. The level of control is defined as the company's ability to affect decisions, operations, and methods. (Hollensen, 2017, 352-357.)

In the process of a company's internationalization, choosing the most optimal entry mode is strategically the most relevant business action to take and an ill-judged decision might be costly for the company. It is extremely hard for the company to change its chosen selection for the entry mode when already put in action and might result for the company to withdraw from the current markets. As said earlier it is a highly individualized decision for the company to make because experience, resources, market variety, and geographical location is different. Therefore, there are three ground rules in the theory of entry mode selection approach to clarify decision making. For companies that have achieved prior experience in foreign market exporting, the naive rule could apply however it is also used by SME's that have no market specific knowledge. If the company trusts the former strategy they have used in other foreign markets or decides to ignore the heterogeneity of a certain target market it will adopt the same strategy for all of the markets it is planning to penetrate. The second rule is the pragmatic rule that is the opposite of the naive rule since it applies adaptation to its entry mode strategy to all of the different countries it is entering. However, it is common for the pragmatic rule to work with the lowest risk of entry mode, for example, expanding to the immediate neighboring markets with low risk and control by licensing and is to continue with the same entry mode even though it might not be the best alternative. The risk in the pragmatic rule is that the company don't fully utilize its resources and capabilities in the foreign market. The final rule is the strategy rule that studies all of the possible options, factors that influence those options and the outcomes of every alternative. Comparing the entry modes thoroughly gives the company a full insight on how to maximize profits cost efficiently, fully utilize the resources with low risk and reach the objectives coherently. There are no acknowledged risks in the strategy rule except that it consumes a vast amount of time and personnel input which companies might overlook and therefore make hasty decisions because they don't have the patient to strategize carefully. (Hollensen, 2017, 350.)

The entry modes presented below are chosen for the purposes of the case company to enter the foreign markets and therefore exporting modes that are seen to be more beneficial for a multinational enterprise (to be referred to as MNE) or a big manufacturing company is left out deliberately.

2.2.1 Export

The export modes are divided into two different categories which are indirect and direct export. They both have a certain amount and type of intermediaries that distinguish them from one another. An intermediator is a third-party particle between the seller and the buyer, and its job is to facilitate the process of matching the exporter and a customer and resulting in the easy flow of goods. The manufacturer refers to the company who intends to export to another country.

2.2.2 Indirect

The indirect exporting means that the company is in business with an international marketing intermediary who has their own independent business and has specialized in foreign export. There are six established different indirect export practices that the company can decide to engage with but before choosing the export mode the company needs to research the possibilities and risks of these indirect export options. Indirect exporting is a low-risk operation for an SME which don't necessarily have a strong experience in the international business. Moreover, exporting indirectly for example via export merchant the company can test the foreign market attractiveness without big investments and can see within a short period of time if the foreign target market responses desirably. The middlemen used in indirect export usually locate in the home country and handles the business from there. In addition, these independent organizations take responsibility after the goods have crossed the home country borders and results in the exporting company to have minimum control over their own business overseas. (Hollensen, 2017, 366).

Export merchant
The first channel explained is export merchant which resides at the country of the home market and is an individual merchant who sells by its own name. The export merchant can be much the same as a domestic-based wholesaler but with minor differences. An export merchant takes care of the whole exporting activity leaving the manufacturer with basically no job related to exporting and allows the manufacturer only to profit for the utmost necessary expenses. However, generally, the export merchant wants to work with products that are identified as commodities because they don't want to make the marketing effort for a specialty product. (Albaum & Duer, 2011, 446-447)

Export management company
The export management company, shortly EMC, is an independent private company that serves different non-competitive manufacturers as their internationalizing department. EMCs are operating under the exporting company's name and every decision throughout the exporting process goes through the manufacturer. The company's characteristics can vary from being local to foreign-owned and the role of the intermediary can vary from an agent to a consultant and finally

to a distributor. The payment method for their exporting services are usually a commission based or a fee-based. From the importer's point of view, EMC's are the same as the manufacturer and from the exporter's point of view, EMC is seen as domestic sales activity. The export management company has several clients that offer related types of products, but as mentioned earlier the products don't compete. As Albaum & Duerr (2011, 456) explains it is highly advantageous for an SME to start exporting activity with an EMC. There are various benefits for using EMC for example, the number of distribution channels available are high and already established which results in quick export access. In addition, the manufacturer can jump right into a fully operational export business since the EMC has already taken care of the market research and handles the selling process. Furthermore, it is attractive for the buyers who in most cases prefer to work with only one supplier instead of several ones. Another important benefit for the manufacturer is that it is cost effective in a way that transportation and in some cases the marketing costs are divided by all the other merchandise that the EMC sells.

Export buying agent

The export buying agent or also called export commission house functions the other way around than the other export channels explained. The representative works for the buyer at the seller's home country and screens for goods that are requested by the buyer. In other words, the manufacturer is been approached by the buyer via the export buying agent. When the purchasing agent has found the merchandise, it was asked to look for he sends out inquiries with a quote and eventually chooses the most appropriate one. Since the buyer is the employer of the agent, he is the one to pay the commission for the agent, therefore, granting nearly effortless exporting activity to the exporter. Basically, the exporter doesn't have any relationship with the buyer since the transportation of goods and administrative tasks are taken care of by the export commission house. Additionally, the payment is punctual and fast delivered to the exporter however, the risk of not being in control of the products' marketing can be a major reason for not using export buying agent. Moreover, in many cases, the company itself don't realize that they have potential market value beyond the home market before being approached by the purchasing agent. This way of exporting might be very profitable but generally, it is not a long-term solution since the consumer behavior and demand, as well as competition, can change suddenly. (Hollensen, 2017, 368-369)

Broker

A broker is one type of an independent export agent which resides and occupies in the home country. They might have multiple companies that they represent at the same time. The broker's work is done by bringing the seller and the buyer together without meddling himself to the sales process. The broker has no control over the product/service sold. He is merely a connection between the two parties who want to exchange goods or be in business. However, a broker can be a very advantageous specialist in different markets and his local know-how and network can bring long-lasting customers. This type of exporting is inexpensive since the broker works with a commission-based salary which is usually not very high percentage although using a broker is not effortless since the company must take care of the selling process. (Albaum & Duer, 2011, 453-454; Hollensen, 2017, 369)

Manufacturers export agent
This exporting possibility is similar to the EMC however, it has some differences, for example, the manufacturers export agent works using his own company name when engaging in selling activity.

Piggybacking
The piggyback marketing consists of two parties: the rider which is the company who wants to start exporting to a foreign country and the carrier who exports the products of the rider alongside its own products. The rider generally is an SME which has little or none experience in exporting and therefore engages in business with the carrier company since it has its own functioning export department. The carrier is a successful exporting company that sells complementary non-competing products to foreign buyers via established distribution channels of their own. This way of exporting is low risk, affordable and easy for the SME manufacturer. However, this channel of distribution means that the rider must give up sales control which might become an issue in the course of time. Both parties benefit from the business arrangement depending on what motives they decide to act upon. In most cases, the incentives for the carrier can be expanding the product line variety, promote existing exporting sales or simply increase profits by acquiring new customers. As a result of this, the payment made for the carrier is usually in the form of a discount however the payment can also be a commission based and work as a normal agent would. (Albaum & Duer, 2011, 458; Hollensen, 2017, 371).

2.2.3 Direct

The direct exporting means that the company handles the exporting activities directly to the buyer or to the importer in the target country. The direct exporting occurs usually through distributors or agents and both of them have distinctive roles and should not be mistaken as synonyms. However, direct exporting is not defined as a straight and direct line, it is sometimes necessary to use intermediaries although the difference to indirect export is still visible. For instance, direct export requires a home base exporting department of some sort. It can be one of three possibilities: a built-in department, a separate export department or an export sales subsidiary. Since the company is highly involved with the exporting transaction by managing contacts, transportation, relevant documentation, and contracts as well as conducting the market research for the targeted market it needs an organized exporting division. Direct exporting includes multiple approaches from which the common ones are agents, distributors, exporting departments, sales representatives, foreign retailers or direct selling to the end users. Direct exporting is argued to be more sensible for multinational enterprises than SME's since the level of risk, control and investment is higher than in an indirect exporting. The greatest advantage is that the company has control over the selling process for instance, whom to sell to, which channels to use, how to sell and where to sell the goods. (Albaum & Duer, 2011, 462-466; Hollensen, 2017, 372)

The built-in exporting department is constructed simply by having an internal export sales manager to organize the actual sales or discover leads and steer them into sales. This is preferred for companies that are not familiar with exporting activities or the key target is not a foreign business. On average the built-in exporting division is good to have at the early stages of exporting whether it is indirect or direct exporting. The separate or self-contained export department is required to establish when the foreign business is increased within the company and needs more consideration and resources. The complete separate exporting division is likewise in the built-in division, internal. However, this consists of coordinated and fluent business operations as well as the risks of unprofessionalism and limitations of know-how are decreased. Lastly, when the company has achieved a strong foot in the exporting business or has set an ambitious goal to go straight to direct exporting via wholly-owned subsidiary it has to establish an export sales subsidiary which is almost independent division however controlled by the original company. (Albaum & Duer, 2011, 462-466; Hollensen, 2017, 372)

The distributors and agents are also a passageway to direct export, but it differs from the indirect alternatives so that the salesperson is located in the target country. The agreements and contracts made between the manufacturer and the agent or distributor have to be formed carefully because it is a safety net for both parties. The three most vital aspects to look into when writing a business contract are the rights of the salesperson considering the sales actions, the lines, and the rules of competitive goods and the details of the business cooperation termination. (Albaum & Duer, 2011, 462-466; Hollensen, 2017, 372)

Agents

An independent company that sells to either retailers or wholesalers in the target country on behalf of the manufacturer. The agents usually take only care of the sales process but do not take the title of the goods, warehouse the goods or in most cases don't even see the product in question. They receive the payment usually by a commission what is decided upon before any actions are made. The sales cooperation contracts are an essential part for the manufacturer who is using the agents for exporting. Hiring an agent is highly recommended for a company which wishes to enter a new market and has little or none knowledge of the local markets or have no existing business contacts in the target country. (Albaum & Duer, 2011, 473; Hollensen, 2017, 372)

Distributors

The distributors (importers) are one of the most common direct export channels for a manufacturer. The distributor takes the title of the goods, in most cases organizes warehousing and has a major role in the sales operation. However, the distributor has to negotiate with the manufacturer about the sales conditions (price, service, distribution) but once done the distributor has the freedom to profit from the goods as it will see fit. There are many variations of distributors in the direct exporting category, but the bottom line is that they sell in their own name and want to gain a certain target market to serve and in addition, the distributors usually have already a substantial advantage in exporting since it owns retail establishments or wholly owned subsidiaries, warehouses, and other strongly related facilities. They acquire profit from the difference between the original buying price from the manufacturer and their own selling price from the end customers. (Albaum & Duer, 2011, 473; Hollensen, 2017, 372)

Join ventures

A joint venture is an equity-based exporting method which operates in a collaboration between two or more companies. The companies agree to a mutual task that benefits both the company's goals and as a result, they form a new business entity. All the parties in joint venture contract share the profits and losses, resources, management, and the network however the contract should state how much every party must share. There are three main reasons to enter a joint venture agreement; to combine resources, to combine know-how and to save money. A joint venture is common among SME's since it is a loose agreement with companies that share a similar industry and has a high potential to unite two or more products or service lines that complement each other profitably. Historically joint ventures have been formed because of governmental and legal limitations to enter a new market country but nowadays it is more likely to get on an agreement because it is more profitable in the long run than other exporting approaches. (Albaum & Duer, 2011, 550).

2.2.4 Contractual agreements

Another name given to contractual agreements which is more coherent with the exporting activities is a cooperative exporting. A cooperative exporting includes licensing, franchising, management contracts and the exporting ring.

Licensing

Licensing is a common method among small or medium size enterprises for exporting since it is known to be a low-risk alternative from all of the exporting entry modes. The foreign market operation called licensing has two parties: the licensee and the licenser. Licensing occurs via a contractual agreement between these two parties and the core idea of the contract is that the licensee is allowed to use something that is owned by the licensor. In most cases, the product licensed is intangible e.g. intellectual property, trademark, product design or even trade secrets. The licensor generally is located in the home market country and the licensee is located in the exporting target country. The licensee takes care of the marketing and selling activities and is repaid for this by the price that the end customer pays which he has set himself as the licensee however the licensor has signed a minimum price for the goods in the contract. On the other side of the contract, the licensor gets payment by royalties and fees from the licensee. In general, there is an initial payment for the starting package that can include the goods and after that, the licensee pays royalties that can be defined as an annual minimum amount or annual percentage amount. In addition, there can be some various additional fees for the licensee to pay for the owner of the goods. (Albaum & Duer, 2011, 539; Hollensen, 2017, 389).

Franchising

Franchising has similar features as licensing, but it is perceived more to be in connection with a business package that covers everything included in the total business concept whereas licensing only covers one part of the business. Franchising consists of two main roles but also can have several other parties: the franchisor who is the original owner/manufacturer and the franchisee who buys the business format from the franchisor. There are however two ways to use franchising in business: indirect franchising and direct franchising. The direct franchising is the original version where the owner who resides in the home country sells the business concept to the franchisee who resides in the target country. The franchisor can have multiple entrepreneurs working for her with separate contracts but nonetheless with the same settings. The indirect franchising has the same two main roles, the franchisor, and franchisee, but in addition, the first franchisee is called the master franchisor and this person has several sub-franchisees working for her. The difference between direct and indirect system is that the franchisor is allowed to directly control and coordinate the business activities and operations of all the franchisees and at the same time gain access to their local know-how and resource contacts whereas in the indirect system the master franchisee takes over the control of monitoring the sub-franchisees. The contract made between the entrant (the franchisor) and the target country individual (the franchisee) outlines the details from the business concept to a standard payment structure that yet again is a safety net for both parties. (Hollensen, 2017, 392)

Management contract

The management contract method has various roles in business and can easily be adapted to exporting activities. The management contract comprises of the owner (the contractor) and the management company which services the former requires. The company in need of exporting services asks the management company to oversee and act on behalf of the owner company. The department to be managed can be e.g. accounting or marketing. Payment type for management contract is structured in the actual contract which is crucial to form with care since the control level is mediocre. Usually, the monetary compensation from the contractor to the management company is in a form of a continuous fee that is in relation with the performance or it can simply be a fixed amount for a fixed period of time. (Hollensen, 2017, 409)

Export ring

Cooperative exporting in its finest form is an export ring which is a business practice formed of a group of several companies within the same field but has non-competitive goods to offer for the customers. These companies work together and share contacts, local know-how and promote each other since in most cases the export ring is constructed with companies that not only are related together with the field in question but also that the goods supplement each other. This kind of method for a market entry mode is popular within novelty products, innovate startups and niche markets, therefore, the details of the business operation through export ring are vague and generally made up to adapt to the situation however the main goal is for every party to gain mutual benefit. (Puumala, 2018)

2.2.5 Advantages and disadvantages

The advantages and the disadvantages of every entry mode need to be researched with consideration of the company resources, readiness, and objectives. However, there are some general differences that can be listed and afterward identified if the method is attractive for a company to engage in exporting business. As said earlier the strategic planning is to be made carefully and comparing the advantages and the disadvantages can show opportunities, risks, strengths, and weaknesses.

Table 7.1 Advantages and Disadvantages of Different Modes of Internationalization

Mode	Characteristics	Advantages	Disadvantages
A. Exporting modes			
Indirect Export	The sale of goods or services through the domestic intermediary	– low entry cost – low financial risk – entry difficulties are lied on the domestic intermediary – low staffing requirements – lack of marketing costs – the least complicated mode of internationalization – relatively simple extension of sales markets	– low profitability of the transactions – full dependence on the domestic intermediary – lack of knowledge on the foreign market(s) – inability to gain international experience – the domestic intermediary can find a better provider – an intermediary may itself start the production in the country
Direct Export	Direct Export through a **foreign agent** (as a foreign intermediary)	– low entry cost – moderate financial risk – the agent overcomes the difficulties of entry	– low profitability of the transactions – high dependence on the foreign agent – inability to gain international experience
	Direct Export through a **foreign distributor** (as a foreign intermediary)	– relatively low staffing requirements – lack of marketing costs	– an agent can find a better provider – high transport costs – potential trade barriers
	Direct Export through a **representative office**	– physical presence on foreign markets – direct contact with foreign Customer – the permanent possibility to respond to foreign market signals	– the relatively high costs of maintaining a representative office – high transport costs – potential trade barriers
	Direct Export through **an own foreign distribution network**	– physical presence on foreign markets – very good direct contact with foreign customers – full control over the sales process – relatively high profitability compared with other forms of exporting	– high entry cost – high cost of maintaining the own distribution network – time-consuming of building up the own distribution network
Cooperative export	export grouping piggybacking	– distribution of costs for partners – synergy effect	– dependency on the export partner(s)

Continued Table 7.1

Mode	Characteristics	Advantages	Disadvantages
Subcontracting	The foreign counterparty shall have a domestic manufacturing company to execute a specific order (components or semi-finished products)	– low capital commitment – low risk	– relatively low profitability – inability to gain international experience – weak position of the exporter in negotiations with the consignee
Licensing	Sales abroad of rights covered by a patent or design or any intellectual property to be used for commercial purposes	– low entry costs – low financial risk – ensuring a steady income – a strong presence in foreign markets by commercial brand and logo – the licensee knows the local conditions – does not require a large commitment of staff	– the possibility to lose control over technologies and know-how – lack of control over the maintenance of the quality on the foreign market(s) – the threat of disloyalty of the licensee – relatively low income (royalties) compared to other forms of internationalization
Franchising	Sales of the rights by the domestic franchisor to conduct commercial activity by a foreign franchisee	– low entry cost – the possibility of rapid foreign expansion – the possibility of a simple expansion of both the large and distant markets	– requires some control cost – sharing profits gaining from foreign markets between the foreign franchisee(s) and a domestic franchisor – requires appropriate qualifications of franchisees – the possibility of potential conflicts between the partners – the possibility of difficulties in maintaining uniform standards and quality – the possibility of franchisee(s)' disloyalty

Figure 1. Advantages and disadvantages of entry modes (Horská et al., 2014)

In the above comparison graph Horská (2014, p.138-139) has listed the advantages and disadvantages of the exporting entry modes relevant to the theory part. These comparison graphs considering export modes are helpful tools for manufacturers who are struggling to summarize the risks and the possibilities of every entry mode that they have decided to take advantage of. What can be seen from the characteristics are the main points which are the level of control and commitment, time schedule, efficiency level in the light of resources and the possible risks.

3 MOTIVES AND MARKET SELECTION

Every company deciding to expand from the home market to a foreign country market has a motive. As John H. Dunning (1993, 67-74) had discovered that there are four fundamental motives for a firm to decide exporting abroad.

1. Market-seeking: Quest for a business to attain new customer

2. Efficiency-seeking: Quest for a business to decrease costs with attractive markets and/or prioritize the flow of efficiency

3. Resource-seeking: Quest for a business to attain resources that are not easily available at their home market and can be purchased with lower costs

4. Strategic asset-seeking: Quest for a business to attain strategic assets (e.g. intellectual property, expertise or equipment) that are critical for the business to obtain

Furthermore, the motives can be also differentiated to two types of motives: proactive motives and reactive motives. In other words, the motives can be differentiated by having characteristics of profit and non-profit orientation. Moreover, motives result in goals and those can be divided into primary goals and secondary goals. How to classify the goals inside the motives are explained by the factors that initiate action and are divided into another two types: internal influence and external environment. Below is explained and showed by a table these two types of motives including the stimuli defining it. In addition, the author investigates the current state of the case company's motives and to which motive type they may fall in. (Albaum & Duer, 2011, 118)

Market selection is been inspected only shortly since the author had very little of the decision to the matter, however, the author typifies the different forms of the settled market selection revealing the connection to the motives and type of entry mode. The internationalization process is full of carefully investigated decisions in all aspects of the business and those decisions carried out will all link together into a fully functional circle that achieves the goals set for the company.

3.1 Company motives

There are three different types of motives for SEA-IN Ltd. to invest in foreign markets. The first one is the most basic one; the company wants to attain more profit which the market-seeking motive is. However, interviewing the CEO Elisa Aattela, increasing revenue was not the main motive for the company. The values and mission of the case company are highly involved with the health side of the business meaning that it is more important for the CEO to increase awareness than to increase revenue. Two aspects about the product reinforce this second motive as the product has been made easy for almost any individual to use and it is more affordable than the current solutions made for investigating the toxins in the air. The third motive for the company to market overseas is a means of business strategy because of the nature of the industry. The Finnish construction work industry is conservative and does not adopt novelty products very easily, therefore, the company decided to bypass this possible market risk and enter more promising markets straight away. Both last two motives, second and third, are clearly strategic asset-seeking motives.

The result of a successful internationalizing business path is to achieve a permanent market position within the field of industry. All the motives are labeled long-term goals since the general exporting motive was innovation orientated and not problem orientated. Innovation orientated motive identifies the nature of the internationalization decision by being aware of the market opportunity abroad. Whereas the problem orientated motive is showing the need for foreign marketing and is not generally voluntary decision for the company to make.

3.1.1 Proactive motives

Proactive motives represent the company's active behavior in exploiting promising marketing opportunities or utilizing the unique competencies. Proactive motives have six sets of characteristics which can be furthermore divided into the internal and external influence of the company.

Internal

Managerial urge

The desire, need, enthusiasm and commitment to foreign market entry or any kind of internationalization come inside the company. SME's and MNE's managerial attitude towards exporting decisions vary from single decision maker to decision-making unit. On one hand, no matter how many individuals are involved with the decision the standard characteristics of foreign market entry strategy, company resources, opportunities at the foreign markets, research and motives, has dominance. On the other hand, it is suggested by Albaum & Duerr (2011, 119) that the prior knowledge, experience, and attitude of the decision maker plays a critical role and therefore can predict how the company starts to expand for foreign markets.

Marketing advantages

This includes investigating opportunities that have positive market attractiveness to the company, for example, cost allocation, increase in demand, facilitated transportation, competitive advantages, first-mover advantages, trends changing or inviting legislation. All the advantages that can have solid ground for the company to start exporting include the primary motive of gaining higher profitability. (Albaum & Duer, 2011, 121-122; Hollensen, 2017, 60)

Economies of Scale

The competencies that the company has within the home market can be carried out to the foreign markets as a result of gaining competitive advantage and economies of scale.

Unique product/technology competence

The company might receive inquiries from the foreign direction for its unique product/technology and therefore choose to react to the stimuli. However, the period that the goods will sustain its unique advantage is decreasing because of the rapid flow of intellectual property and modern world competition. The company can make a rational decision to spread competitive advantages of their own to a broader market scope because the opportunity costs would be inevitably low in other markets than selling overseas. (Albaum & Duer, 2011, 120-121; Hollensen, 2017, 60)

External

Foreign market opportunities

Seeking a foreign market opportunity is one of the most common motives and has a big influence on driving the company's exporting endeavors. However, the company must be aware of its capabilities to carry out an internationalization operation. The opportunities for attractive exporting business might occur if the company has done careful market research, specialized marketing knowledge or has recognized a beneficial business situation. It is most likely that the decision making considers the possible geographic and cultural distance to other countries e.g. finding similarities between the home market and the foreign market. In addition, depending on the resources and size of the company it is generally wise to limit the number of countries to entry to a small amount in the beginning. (Albaum & Duer, 2011, 121; Hollensen, 2017, 60)

Change agents
Sometimes the incentive for companies to engage with exporting can be an export promotion by state-controlled organizations, trade associations (e.g. World Trade Organization) or port authorities. These kinds of motives generally include loan giving or guarantee, offering basic market research information, facilitating financial crediting or insurance and invite to sponsored exhibitions and trade fairs. The stimuli coming from governmental agencies have a positive role on exporting activities to both sides of the party and is known for achieving valuable information for the company regarding exporting in the foreign country as well as attaining a profit. (Albaum & Duer, 2011, 121; Hollensen, 2017, 61)

3.1.2 Reactive motives

Reactive motives indicate whether the exporting activity of the company results in passive behavior towards internal or external pressures. Reactive motives have another six set of characteristics which are also divided into internal and external influencers. The table below clarifies the division between proactive and reactive stimuli as well as internal and external starting point.

Table 1. Classification of export modes (Albaum & Duer, 2011)

	Internal	**External**
Proactive	Managerial urge	Foreign market opportunities
	Marketing advantages	Change agents
	Economies of scale	
	Unique product/technology competence	
Reactive	Risk diversification	Unsolicited orders
	Extend sales of a seasonal product	Small home market
	Excess capacity of resources	Stagnant or declining home market

Internal

Risk diversification

Declining markets in one country are not such a big risk for a company that is exporting in several other countries since typically an economic slump is not expected to happen simultaneously in all the countries in the world. Therefore, a company that is exporting in different countries have a lower risk to face business challenges than a company that is only concentrating on one market in one country. However, this motive on its own is not enough of a stimulus for a company to start market spreading.

Extend sales of a seasonal product

As the motive was not enough on its own on the above risk diversification, the extended sales of seasonal product are a more pressing stimulus for a certain type of businesses. Demand and production conditions can fluctuate throughout the year for companies that offer seasonal goods and therefore are more prone to explore exporting opportunities in different countries. For example, a company selling skiing products might want to move around and limit their business duration in those countries that have winter as a result that all year long they would have active markets. Moreover, this kind of strategic exporting activities can provide stable profits and possibilities for growth.

Excess capacity of resources

If the home market demand is not as high as the company had predicted it has an opportunity to acquire inexpensive equipment and labor in a foreign country and start exporting business for the surplus. Fortunately, in a majority of the cases, the costs for surplus exporting are low however, it is important to put effort and sometimes product adaptation to the operation since many companies neglect the specific demand in the exporting country. Companies only goal is to free themselves of the surplus produced in the home market and sets attractive prices, in other words, lower prices than the ones in the home market. This transpires to economically harm the importing countries' markets and because of this, many countries have decided to create laws for illegal down pricing for exporting activities.

External

Unsolicited orders

Sometimes the company may receive an unsolicited inquiry from foreign customers. This occurs when the company has been introduced to a wider consumer audience generally via advertising. As a result, the company receives orders and therefore starts to explore the potential exporting possibilities. In many cases, the company is unaware of their attractiveness to other businesses, for example, the environment, technology or branding and when receiving the unasked inquiry becomes aware of the new out branching.

Small home market
The home market can become too small for a company and in consequence, they are forced to spread to new territories. For example, companies that produce industrial products with only several, but well known, customers situated in a different country or for a company that has a specialized product for customers all over the world in a niche segment. Nowadays exporting runs through every company's decision body's mind since before starting a company the demand of the home market is been researched and forecasted for successfully operating and it is exactly why companies know if they ever need to start exporting in the future.

The stagnant or declining home market
The saturated or declining home market occurs when the company collects regressing marginal revenues or even negative profits despite its marketing efforts. The motivational part here is to look more closely to the product life cycle and the reasons why the domestic markets are saturated. Instead of prolonging the expiration day of the product life cycle by refining the characteristics of the product the company can spread the market scope to another country where the product might be in ground zero in the eyes of the new customer. Regardless of the measures of its market share or sales volume the company is suffering from either production or managerial slack. Both have to do with untapped resources which can be tangible or intangible. (Albaum & Duer, 116-126, 2011; Hollensen, 56-63, 2017.)

3.2 The current state of the industry and the market selection

The first aspect to study in the industry research is the construction industry in Finland. The construction industry in Finland has a long history and it is known for active but stable entering and leaving the market ratio because of the ease of entry within the industry however this only works in certain pace that slowly gets saturated in Finland and the companies wishing to expand to international markets have a tough time adapting to the construction industry. Why is it important to study the construction field is because the case company works closely with the construction and management field which had a major impact when deciding to start expanding to another country. The Finnish construction field is perceived as a conservative field which results in many challenges. For example, the E-collector is a revolutionizing novelty product which is seen as a threat within the construction field because it might dismiss the demand for old and expensive ways of examining the indoor air. Moreover, hypothetically if the new research method for indoor air would be adapted it would also change the way buildings have been planned and implemented from materials to ground engineering. Understandably, these changes would create risks for established construction companies in the future since their main capital would be in the line of declining because the new method gains a foothold. (Tervala, 2017)

The second aspect to study in the industry research is the health symptoms and their share in Finland and in Sweden caused by water damaged buildings and mold. The indoor air problems resulting in health hazards to people have been an active topic for almost 20 years now but nevertheless in the core of the construction industry it is not considered a serious matter even though studies and facts about the graveness of the issue are piling up and showing that this phenomenon is becoming more and more normal. Since people spend 90% of their time indoors it is inevitable that the indoor air has an effect on the health of humans. (Reijula et al., 2012).

Table 2. Swedish damaged building stock (Boverket, 2010)

Building type	Contaminated buildings			Cost of repair	
	Quantity	%	Inhabitants	SEK, b.	€, b.
Single family house	718 000	38	1652 000	91	9,1
Apartment house	22 000	13	538 000	6	0,6
Commercial building	11 000	11		4	0,4
Total	751 000	36	2 190 000	101	10

Table 3. Finnish damaged building stock (Reijula et al., 2012)

Building type	Contaminated buildings		Cost of repair
	Quantity	%	€, m.
Single family house	1 143 896	9	240
Apartment house	59 499	8	180
Commercial building	43 058	-	-
Total	1 246 453		420

Sweden has a more optimistic orientation to the field in question than Finland and therefore shows promising opportunity to enter the markets with a novelty product. Sweden is described as a country that has markets which are highly responsive to newly developed technologies and promotes for their strong demand for products and services that encourages safety and security ("Export," n.d.). Moreover, the above statistics show that there is a demand for water damage investigating in both countries since the water damages and indoor air problems at their current state are high and increasing. The Finnish Parliamentary Audit Committee (to be referred to as FPAC) has published a research in 2012 about the buildings' moisture and mold problems in Finland and it strengthens the fact that there is a vast amount of damaged buildings in Finland to be investigated. The condition in Finland can basically be correlated to Sweden since the climate has half the impact on the moist damages and since Finland and Sweden are located close to each other in geographical aspects the climate tends to be the same. However, the other half comes from toxic building materials, unorthodox construction methods and air condition planning and finally the toxicities used inside the building and these might vary from country to country and therefore is to be explored in Sweden. Nevertheless, the Swedish National Board of Building, Housing and Planning have conducted a BETSI research considering the moist and mold damages in buildings and it shows more or less exact same results as Finland, therefore, the problems linger in the same status as in Finland. (Boverket, 2010; Reijula et al., 2012).

Market selection is a vital component in the procedure of foreign market entry. Identifying the characteristics within the market selection is an important part of market research. Defining the wanted market segment by strategic elements and the compatibility with the company's resources. Strategic elements are referred to as the common tool PESTLE where each letter represent a macro environment dimension: Political, Economic, Socio-cultural, Technological, Legal and Environmental. However, for the purpose of the case study, it is important to identify the market selection theories of how to rather than why.

The market selection comprises of several terms that can when fully understood, help the company find its way to the right market selection policy. Reactive market selection occurs when the company acts passively upon an export opportunity that presented itself almost incidentally. In other words, the company is responding to the market selection that is irregular and therefore informal and unsystematic. The benefits of bringing reactive market selection approach into use are the low cost and effort as well as gaining quick short-term profits. Proactive market selection approach is the opposite of a reactive approach. In the proactive market selection, the company is aware of the efforts it divides to the exporting activities. Active research of attractive customer segments and exporting channels are being sought systematically. The process undergoes formal research which results in advantageous market intelligence for the company. Proactive and reactive market selection approaches can be used together, and, in many cases, the company uses proactive for the primary markets and reactive for the secondary markets. The actual procedure strategy for exporting is as important as the market approach. As the idea is to concentrate on exporting the company is using a proactive market selection policy and continuing to choose from an expansive or contractible method. Expansive method for investigating possible export markets is used when the company intends to spread to a similar country which in many cases is the neighboring country. Here is where PESTLE takes place again and the company decides to cluster its market segments into different countries. For example, the Nordic countries are similar geographically, culturally and politically, therefore, is a great market cluster for a company that is inside the Scandinavia. Benefits are significant since the company must do minimum product adaptation and transportation is cost effective. The contractible method is more systematic and impartial. The company uses a three-stage precept which in short starts by screening a vast amount of countries and then broken down eventually to the most optimal country to enter. The evaluation process is effective but consumes a lot of time and effort. Criteria used to eliminate the countries that do not show potentiality are general market indicators and specific product indicators as well as using PESTLE. (Albaum & Duer, 2011, 277-283.)

4 METHODOLOGY

4.1 Research approach

This thesis uses the qualitative approach as a primary methodology because the nature of the research includes collecting specific kind of data and afterward attempting to reach a conclusion for the research question. In other words, the author uses inductive research design when collecting and analyzing data and becomes herself the data collecting instrument. The object of using a qualitative approach is to provide understanding for the researcher until no new information appears. Gaining internal insights into the phenomena on hand via qualitative research was mandatory for the thesis to construct consistent analysis.

4.2 Data collection

The data collection consists of two different sources of information which are primary and secondary data. The first one is fully internal covering observations, interviews with personnel and material provided by the case company. The primary data is collected through a direct source. The second data covers external material which are books, e-books, articles, journals, theses, and valid internet-based searches. The secondary data is collected through an indirect source.

4.3 Methods

The thesis is a case study-based dissertation, therefore, the method used in this research is a qualitative approach. The qualitative approach consists of several different methods on how to collect and apply the data. The first method used to collect data was observed during the company internationalization meetings. The author had the role of a participant observer when collecting notes, information and impressions at the meetings which were held monthly together with the CEO and third-party business development professional.

After the author had a general understanding of the company's goals via business model canvas that was created by the CEO and third-party business development professional the second method used to collect data was interviews with the CEO. The interviews were concentrating on the ground lines of the upcoming market entry and how the thesis research is to be implemented. The third method used to collect data was a content analysis of any written form of internal data that the author was provided for example, general information pamphlets, cooperative companies' information, and future advertisement material. The fourth method included the thematical style of studying the indirect sources and coding the relevant topics in order to discover and define the exact information needed for the thesis. Using several different sources that have the same outcome considering internationalization strategies increased the credibility of the research. Moreover, the author used the triangulation method to reduce the systematic bias within the collected data, therefore, the findings are not jeopardized by a singular source.

5 ANALYSIS AND DISCUSSION

Starting by investigating the optimal internationalization strategy for the case company to use for foreign market entry is distinguished to three theories out of the four explained. All of the four theories were chosen to be inspected because they carry specific features that were advantageous for the case company. The Uppsala model with advantages of expanding risk-free to a physically close neighboring country, the born global theory with advantages of moving fast to a new target market combined with the unique product feature and lastly the networking theory has a strong advantage in relationships and cooperation considering the industry the case company is working with. Only the RBV theory was ruled out because it did not have as strong advantage as the other theories however it was a worthy theory to test since the case company has a sustainable advantage with the unique product. The RBV theory requires inquiries and solicitations from the foreign buyers which the case company has not acquired since one of the company goals considering raising awareness is yet to be fulfilled. In addition, even though the product is unique and one of a kind it does not possess a strong and solid ground on its own to become an advantage. It would require another set of rare, inimitable and irreplaceable feature for the case company to adopt the RBV theory and take advantage of it.

As said earlier in the theory part, the strategies are directional and should be tailored to a company's needs. Therefore, a modification of the three theories would make the most of the strategical guidelines for the case company. Following only a certain theory just to follow the rules is not recommended in an ever-changing business world. A more meaningful strategy is to combine theories to select the characteristics which are most favorable for the individual company. However, it is valuable to understand the basics of every internationalizing theory and to investigate if one of them could be more fitting than the other. As mentioned above the Uppsala model could apply to the case company's situation since there is a functioning cluster market within the Nordics that offers easy access to a physically close neighbor market. It is fairly easy logistically and culturally to enter Sweden step by step. Hofstede's cultural dimension theory shows the cultural indicators between countries. This exact table below shows that Finland and Sweden have very much in common and therefore is an attractive market to enter by a Finnish company. There is little need for adaptation and as a result of that the Swedish markets are fairly easy to penetrate.

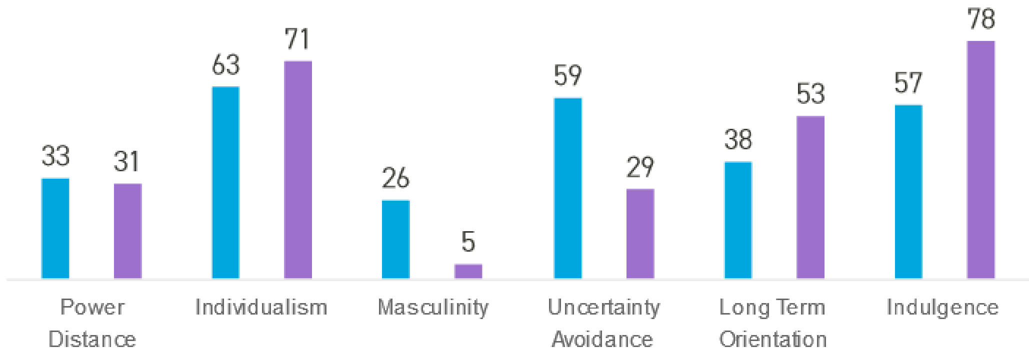

Figure 2. Cultural dimension framework between Finland (blue) and Sweden (purple) (Hofstede, n.d.)

In addition to the close distance advantage that these countries share the Uppsala model also suggests starting with exporting and more specifically indirect exporting since the core of the theory is to pursue market expanding with low risk. Since the case company has no prior experience in internationalization it would benefit from a slow developing expansion to new markets, however, one of the company's motives was to strategically enter foreign markets to gain a foothold in the field of construction and therefore the slow entering does not apply to the current situation. Furthermore, the company possesses a strong born-global orientation since the CEO is a visionary entrepreneur with a driving desire to enter new markets as fast as it is possible for the company. The strategic motive to fast track to the Swedish markets to gain foothold reinforce the use of born-global theory. Not to mention, the pioneering unique product that the RBV theory had as a key part the born-global theory holds the same character resulting to confirm that the born global theory overrules the RBV theory. The Swedish markets were researched to be more responsive since it adopts new technology more easily, is more open to goods that are considered to be linked with safety and health and comprehends the danger of growing indoor air problems. Therefore, taking all this into account the born global theory seems to be easily applicable to the case company's situation since the Finnish markets are more resistant to the new product. In most cases companies who want to go international they start safely with the Uppsala model, but in this case it is a difficult road to take since the home markets are not ready and this results to taking an evasive step and concentrating to a market that is highly receptive and in the end when it's gained a solid ground in the foreign markets the case company can eventually return to home markets with testimonials and confirmative evidence. However, the case company lacks the human resource to put born-global theory into action since it has no experience in internationalization and the current employees or the CEO has little knowledge of how to advance in this situation.

Both of the suitable theories have features that can create an attractive strategy to enter foreign markets but the important aspects of both theories engage in disharmony; the Uppsala model avoids risks, gathers experience with slow-paced entry and the born-global theory fulfills the strategic seeking motive by quickly gaining foothold among the industry without regard to possible risks, exploits the unique product status of the company and make use of the innovative orientated mindset. This leaves us to the last internationalization theory which is the networks theory. It has fewer advantages in numbers, but they possess a greater impact. The first characteristic is the rapidly changing industry because of the quick development of technology within the indoor air investigative field. The network theory favors a situation where cutting-edge technology is at the heart of the business and therefore the case company is in an advantageous position. The flow of information between companies that rely on networks within a specific industry is crucial considering that the idea of networking theory is to gain mutual benefit and/or supplement each other. The case company offers a pioneering product with a growing business market and is looking for an exporting network or a partner to work with and combine goods to result in an attractive package to sell. As mentioned in the theory part there are existing established business networks in many countries and generally, the company needs to be invited to join, however, if the company finds a partner that is well connected through for example an export ring it could find a way to surround itself with a functioning network. On the other hand, the indoor air investigative field is fairly unknown market and might not yet have an established network and therefore it would be hard to find a partner however this could appear as an opportunity to create a network and strengthen the case company's position in the markets. In any case, one must remember that the Finnish markets were unwilling to cooperate so the search for networks must be pointed to the Swedish markets.

Business strategies should be made adaptable because the pace, means and ways of modern business have changed and keeps changing continuously. However, the rules of mode selection stay the same and can be traced to the theories observed by the features the rules possess. Strategy can be created with several theories combined and therefore it is important to investigate similarities between different theories and see if they add up and form a functioning strategy to act upon. The first rule was the naïve rule and it can be combined with the ambitious goals that the born-global theory holds. For an SME to begin its internationalization without prior knowledge has quite a few risks it can encounter all the way from cultural misunderstanding to financial losses due to simple errors that were overlooked. However, adopting the naïve rule and born global theory can produce the visionary entrepreneur to invent a timely and profitable business opportunity. In addition, the case company has the possibility of a fresh start since the domestic markets maintain prejudices and the unwelcoming environment as an opposite to the Swedish markets. The second rule was the pragmatic rule and considering how it suggests to start developing cautiously step by step it is referred to be in connection with the Uppsala model. Proving the point that it is useful to investigate both theories considering internationalization but also the resemblance between the theories appears when the pragmatic rule gives a new point of view to the Uppsala model to consider. In the long term, the pragmatic rule shows that it is not beneficial because the strategy depends on slow development and results to lose opportunities along the way. Coupled with not taking into account the effective utilization of resources the pragmatic rule is not practical in the long term or for a company that has a unique product advantage. Even though the third rule, strategy rule, is also taking into account every opportunity and risk as well as the pragmatic rule there is the difference where the strategy rule understands the fine distinction between safe opportunity and profitable opportunity. Seizing an opportunity whenever, wherever and however is different than gradually taking more responsibility and trying physically close markets. The strategic rule is a combination of the Uppsala model and born global theory by consisting of risk-free but opportunity attractive actions. Yet the case company lacks the human resource to engage in this strategy rule and what is more, the time these researches consume is not available within the case company.

Moving on to the modes of export available for the case company. Evidently since the case company lacks prior experience in foreign markets, market research, human and financial resources as well as the active network it would be wise to turn towards non-equity solutions. Moreover, the Uppsala model together with the pragmatic and strategy rule points to the same conclusion. However, some of the detailed features are created during the internationalization process and therefore should not be a limitation for possible options. For example, market research and human resource can be generated when deciding to use an exporting mode that includes them. On one hand, the possibilities for the case company could be following the Uppsala model and the other strategic theories that support it and on the other hand, the case company could follow the born-global theory and its supporting theories. Both of them have a set of entry modes that lines up with their tactics. Consequently, the risk-free Uppsala model follows non-equity solutions and the ambitious born-global theory follows every mode it sees as a timely opportunity. Another point of view for investigating the possible entry modes for the case company to execute is what are the levels of commitment, responsibility, control and whether the product is sold behalf of the manufacturer's name or the intermediaries name. In this case, the goal of raising awareness collides with the option which sells the product by the intermediary's name since the case company wants to transmit the right kind of image and information however it is not an excluded option because it is only a question of negotiation. The commitment and control level also has two opposite angles to investigate; whether it is a good thing to have a high control and commitment level or if it is better to have low control and commitment level. Having a high commitment and control level represents for the company a need to invest more and make own decisions and as an opposite angle, the low commitment and control level signifies that the company don't need to use so much equity and don't have a strong say in different decisions.

Investigating firstly the indirect export modes in order from the export merchant to piggyback entry mode. The export merchant sells in its own name and as mentioned above this is not an attractive feature for the case company to enter upon however it depends if the other characteristics of the entry mode are by all odds exemplary. In this case, it is not because there is no control whatsoever since the export merchant single-handedly runs the export operation and in addition, the export merchant prefers to work with commodities which is the opposite of what the case company is offering. From the selling point of view, it is important for SEA-IN ltd. to have active and receptive marketing activities in the target country and if it can be done via the exporter it must also be taken into consideration when choosing the export entry mode.

The export management company has various advantages since it sells by the name of the manufacturer and hands over the control to the manufacturer but is nonetheless SME friendly. By being SME friendly means in this case that the export mode is highly adjustable for the case company's needs and is a fast method to enter new markets since the distribution channels are available immediately. The born global theory supports this mode since it is a quick and ready-made way for the case company to start its exporting activities. Moreover, EMC usually has a variety of products it serves and therefore could be linked to a networking theory or have similar details as exporting ring. Non-competing products to sell in the same area of the industry could be beneficial in a way that a novelty product is not seen as a lone and unconvincing product. The transportation of the product is fairly easy seeing that it is a metal box and it is only sent one time to the customer however the transportation of the water sample is currently sent to FICAM in Tampere and that results to long waiting periods and transportation costs. All this in mind, the allocated transportation costs that EMC might offer is a positive feature for the case company. Also, it is cost efficient to choose the most suitable export role whether it is agent, consultant or a distributor but since the case company needs at this point of time a considerable amount of help the consultant is not enough and the decision would be between the distributor and an agent. Employing an EMC would seem like the suitable option to start export activities however it is challenging to find an EMC with an interest to such a specific market area and that would share the right values and ambition with the case company.

Export buying agents have the opposite orientation than the EMC since the buyers contact the manufacturers hence there must be a real interest in the product. However, the case company's goal to raise awareness is challenging this mode of export because the possible buyers are not aware of the company or what it does. Other aspects to investigate is the benefit of being almost cost-free export method since the case company does not have to pay to the intermediary, transportation or marketing but once more the marketing expenses can be vital for the case company to take care of. If the case company is given the chance to work with the export buying company, it would be an attractive opportunity to start the exports slowly with one interested buyer and then spread the customer base. On the other hand, the case company could take advantage of this cost-free starting point and then continue with some other export mode that would have a more long-term orientated strategy. The final decision that concludes this mode is the core requirement of the case company to start exporting during 2019 and due to this, the export buying agent option does not need to be taken into account.

The broker is known for having a strong market knowledge and that is a quality that the case company requires because of the specialty product they offer. If found a specific broker who has access and vast knowledge of the target market it would be a favorable export mode option to choose. In addition, the case company takes care of the export activities and therefore has high control over how, where and to whom to sell. In general, the case company wants to have at least medium control over the export activities in case the low control would result to damage the image, plausibility, and accuracy of the business. The broker could be utilized in the same way as the export buying agent by acquiring buyers or business partners through the broker and then continuing with another export mode that has more stable success. Additionally, the commitment level is not too high since it is inexpensive to hire a broker.

Manufacturers export agent as already mentioned in the theory part is similar to the EMC however this option is not as attractive since the export agent uses its own name when selling the product onwards.

In the piggyback export mode, the case company would adopt the role of the rider and with all the adjustable options the piggyback mode offers the case company would benefit the most from a situation where there would be cooperation between companies that have the same industry area but which has non-competitive products to sell. Mutual gain with a complementary product, for example, air purification products could strengthen the foothold that the case company is aiming to achieve. In conjunction with, the prompt flow of information within the industry and regardless of the inexperience of exporting activities the piggyback mode appears to be a very beneficial export mode for an SME. However, even if the control of the sales would be negotiable with the carrier company, in this case, it seems almost impossible to find a large network that would be specifically interested in indoor air and not add the construction industry among it. If the construction industry is to be added within the line of products offered, they might see the product of SEA-IN ltd. as a risk to their own competing products.

Continuing with the direct export modes that are agents, distributors, and joint ventures. As it is the case company do not currently have a home base exporting department which in theory is inevitable to have if the company is going to engage in any mode of exporting activities, however, there are various adjustable methods nowadays to start exporting without the need for a high level of equity utilization. For example, the CEO can take the role of the built-in export department in the company, but it requires patience and a great number of working hours since a person who has no theoretical background for marketing has to conduct a market research. Regardless, it is not said that the CEO cannot have a third-party help when immersing to the possibilities of internationalization but taking into account the limited financial resources acquiring only one perfectly fitting practice would be more profitable. As mentioned before the level of control and commitment in indirect exports are low and can have both beneficial and harmful characteristics aside from that the direct exports have the same values considering the level of control and commitment when they are exceptionally high. If the case company is in control of the overall sales and marketing, it certainly utilizes resources to the right places for example efficiently targeting the right target market and transmits the correct knowledge of the product and information of the results. However, the case company should take into consideration the budget of internationalization activities and decide how much concentration they are willing to put in the export department. The strategy rule and born global theory both supports the creation of a solid built-in or separate export department and therefore invest considerably in the internationalization operation.

Agents do not sell in their own name but in the name of the manufacturer which is a feature the case company looks upon however the agent in most cases have several products they are selling in their line of goods and if the case company's exporting sales has a challenging start for the agent he might turn attention towards the other products he is selling resulting a negligence to the SEA-IN ltd. product. Despite that, the agent is an easy way to gain access to another country's markets if found a reliable and sincerely interested intermediary and in that being the case it is important to pay attention to the contracts made with an agent. In this example the case company would still have to take care of the transportation and marketing however the most essential goal to achieve is to acquire interested foreign buyers and gain awareness among the industry in question and with the agent being cost-effective and SME friendly it is a valid option for the case company.

Distributors would buy the product from the case company in bulks and then sell them in their own name to customers and due to this the case company would have only limited control over the sales activities. On the other hand, the case company would not need to employ a separate salesperson and would be able to cut expenses while only monitoring the cash flow. Additionally, the distributor manages the warehousing in the foreign country but since the product is half tangible and half intellectual property there is no need for a traditional bulk warehousing. One of the meaningful goals the CEO is exact about is the health perspective hence she does not want the possible export mode would only be interested in making profit and since the distributors payment, in general, is the difference between the original price the distributor buys and the price the distributor sells there is a chance that an ill-judged decision would result in this. In addition, the case company would lose the contact to the end customer and therefore would not be able to know for instance if something is not functioning correctly or if the product is being misused. However, the moment the distributor gains access to the products he also admits to any liabilities and risks resulting the case company to avoid administrative costs but since the authority and responsibility is important to the CEO this is not seen as a positive feature but more as a neutral feature.

The joint venture is an SME friendly in a way that it aims to share resources and risks of the business between two or more companies. In this case, if the case company would find another firm that has the same values and goals within the industry it could perform well in the exporting operation. The case company would not be alone to make its way to new markets but would have stronger authority and expanded the line of goods to offer which would result in gaining a sizable foothold among the industry. In spite of how attractive the joint venture looks on paper and statistics, it has a prevailing humane flaw. Joint venture can be described as a marriage because sometimes the chemistry between two humans do not fit even if there would have been extensive research made beforehand. This fall between the two people's chemistry may lead to both of them to only concentrate on themselves and finally terminate the marriage and usually with bad terms. There is a high possibility that a product such as the case company’s' erupts envy and causes challenges in the joint venture method however if found the optimal partner or partners joint venture is another great export mode for SEA-IN ltd.

The analysis of a cooperative export entry modes will be explained in the following section in the order of licensing, franchising, management contract and export ring. The cooperative export modes incline towards the networking theory and strategy rule which both have attractive results if completed with success. The field in question is fluctuating because it is under ongoing research and development due to this the network theory presents an opportunity for a strong unity for SME's that wishes to enter the markets with new goods that the conservative field is aiming to suppress.

As was pointed out in the introduction of this thesis the case company is currently using the licensing method for acquiring new employees in the home market. The success rate has not been as high as was expected due to the challenges in the construction field as well as the negative reception in general. Even though the licensing model that is currently used is theoretically well made in respect of the company's values and also taking into consideration the needs of the licensee the number of active entrepreneurs is still low. In the light of the genuine interest and concern that the Swedish markets possess towards the health and safety aspect within the field, it could be argued that the licensing model would work more fluently and efficiently at the target country. However, it needs to be researched thoroughly if there could be easy networking access to new licensees. Additionally, the case company has a same starting point with the licensing method even though it is proven that the current method functions fluently; no prior knowledge of the target markets possibilities or cooperation, an insufficient amount of human resources and financial resources. The licensing method could be easily modified to the target markets requirements in consideration of transportation of the products and water samples, but it would be more rational if the samples, for example, could be processed in the target country instead of sending them back and forth between two countries. This would require contacting a local laboratory that would be willing to cooperate and for that information, the case company needs local knowledge hence another export mode. All in all, there is room for development in the licensing export mode, but it is yet again a valid option to take into consideration but with a combination of another short-term export mode.

Turning now to franchising which has similar features as the licensing but is more preferred by business entities that offer not only a product or intellectual property rights but a complete business concept. If the case company would consider franchising it would first need to decide whether to engage in indirect or direct franchising. The direct franchising maintains the high control level since the franchisees would have an outlined set of instructions to follow and the indirect franchising has a medium level of control to share. Moreover, the case company does not offer a corresponding business package for example as McDonald's offers that the franchising model would require since the company is not yet regularized its own company form. Adding the financial resources that the franchising model would require is above what the case company could manage.

As the CEO would prefer to have an export entry mode that carries far instead of a short-term solution the management contract does not fulfill that requirement. In addition, management contracts are highly limited to one task and are in most cases expensive if the task in hand is to be greatly tailored. Perhaps the most serious disadvantage with this export mode is that it is replaceable with many different exporting options, for instance, an agent because it conducts the same tasks and is more adjustable.

Finally moving to the export ring mode that is most likely the closest mode linked to the networking theory since it is based on networking and searching for a collaboration partner. If deciding to choose the export ring mode it can vary from short-term to long-term because the contracts between the partnering companies are tailored to the current situation and can be adapt when there is a change in the developed status. Promising growth setting is in a developing market that has a view of innovative orientation and acceptance of novelty products and therefore the export ring seems to be another valid option for the case company. On the contrary, with a joint venture, the export ring requires several companies and they do not form a new business entity but cooperation. This distinction can be exemplified in a scenario where the case company would have an export ring with companies that gain mutual benefit in the same field with supplement goods:

- Company A, that provides local market knowledge and channels
- Company B, that provides complementary product
- Company C, that provides warehousing and human resource in the target country

Furthermore, the companies maintain their own corporate form and decide whether to share the risk, financials, liabilities, etc. Bearing all this in mind, the export ring can be formed fairly fast if it has the right channels and cooperative forces, however, the export ring can also take a considerable amount of time to shape into a functioning ring and if the case company do not actively search for partners it might take years to penetrate to another country.

After analyzing the international strategy and processing the characteristics of the export entry modes resulting to screen the possible compatible solutions for the case company it is vital to investigate how the motives and market selection suits the chosen options. Moreover, to better understand the requirements of the case company exporting desires it is necessary to dive into the reasons and objectives of the case company. From the four fundamental motives the case company fulfills two of them; the market seeking a motive and the strategic seeking motive. Expanding business with the objective of increasing revenue supports the market seeking a motive and attracting new customers as well as raising awareness is supporting the strategic seeking motive because it is combined to the risk aversion tactics that was one of the main motives. To avoid the negative reception in the home market the case company takes upon the opportunities in the more favorable foreign market. These three core motives for entering international markets are priority long term goals for SEA-IN Ltd. and the company is actively working towards them. For instance, the case company hired an independent marketing specialist to offer guidance in the internationalization strategy. In other words, the case company has a proactive approach towards the market selection strategy and conducting the motives into finished goals.

The stimuli that initiate a certain action or not initiate any action was described earlier in table 1 and whether the motives are proactive or reactive is easy to estimate. From the proactive list and more specifically the internal column there are three features that meet the case company's motives. The managerial urge appears in the strong desire of the visionary entrepreneur to expand to international business, marketing advantages are created in the foreign market by increasing profits and demand and lastly the unique product motive is highly convenient in the case company's situation. From the external column, there is only one suitable feature, but it is nevertheless inferior because it is one of the three core motives; the strategy to exploit the receptive business environment in the foreign market opportunities. The classification of a reactive motive list is two points shorter than the proactive list. The internal column of the reactive motive characteristics is completely irrelevant and not fitting for the case company's own motives however the external column fulfills two of the features but vaguely. The small home market and stagnant or declining home market seems like a clear stimuli for the case company to expand beyond the home markets since the industry is not welcoming and the governmental authorities are not supporting the new method to investigate the indoor air however, it does not mean that the markets would be small, stagnant or declining. It seems that the markets for the indoor air investigating services are not yet to be fully discovered and understood by the industry which makes it on the opposite possibly an extensive and emerging new market share. Due to this, there are none solid points shown from the reactive stimuli column which strengthens the argument that the case company is fully proactive in motive and market selection approach. In addition, the born global theory supports initiative methods and active business behavior which the case company seems to utilize. However, the proactive expansive method that the company also prefers is supported by the Uppsala theory because it is cost effective, low risk, easy access to foreign markets and most importantly it recommends expanding to neighboring countries. In contrast, the contractible method could also be a valid approach, however, even though it would be effective and profitable because it reveals all possible potentials and even the ones that might be hidden it consumes a great number of human resource and hours to complete. In addition, if the case company would find out a potential target country for example in Latin America, could it be a viable option considering the inevitable increase in the business costs? Due to this, the expansive method is chosen to be closest to the realistic goals defined.

All in all, the three internationalization theories as well as seven different export modes have all beneficial advantages for the case company's requirements. The alternatives that have networking in common are SME friendly, cost-effective and promising in terms of the industry in question, however, it should be taken into account that creating networks consumes time, for example, evaluating and forming a trust to a partner does not happen overnight and due to this the solutions with a strong network connection cannot be described as an adamant possibility. Another important finding of the study was that even though the born-global theory has many promising features, one must understand the core idea of the theory in long-term; it is meant to be utilized if the company envisions to expand daringly to long distance countries or multiple countries at the same time. In this case, the born-global theory does not apply since the company has set its goal to enter Swedish markets. In addition, the characteristics of a visionary and ambitious CEO are not enough of a resource for a company to make major decisions like business expansion.

The Uppsala model provided the most promising outcome because its prerequisites are alongside the premises of the case company. This is evident since the company is entering into a bordering country hence the risk is low. Furthermore, assuming that the Swedish markets are receptive the case company can gain fast access to a strong foothold in the market share via one exporting pursuit and in the meantime grow experience with international business. As an additional bonus, the Uppsala model is highly supporting SME's that have limited resources and knowledge. The three export mode alternatives that have a realistic view of being put to use by the case company are the broker, the agent and the licensing method. Surprisingly, every alternative is from a different section; the broker is an indirect export mode, the agent is a direct export mode and the licensing method is a cooperative export mode. The broker and the agent both have in common the export expertise that is used to create a passageway to another market whereas licensing method leaves the searching of possible cooperation partners to the manufacturer which in this case was not part of the exporting terms. The CEO, Elisa Aattela, wanted to utilize a third-party local knowledge of exporting instead of doing the work herself since she needed help with it, therefore, the entry modes to investigate are the broker and the agent. On one hand, the broker is prone to be combined with another export mode since the sales management and contracts are left for the manufacturer to take care of, therefore, as a short term solution the case company could hire a broker with specific market knowledge and connections and acquire several buyers that work under a licensing contract. On the other hand, hiring an agent would be a long-term solution and in addition, the agent would take care of the sales and marketing instead of using other methods.

6 RECOMMENDATIONS

This combination of observational studies and findings provides support to the conceptual premise of choosing from various exporting operation methods in terms of the case company. Even though the CEO has given the details and plans of the company acquirements and based on those the author conducted the research for exporting possibilities it would be recommended to revise those assets once again. Therefore, firstly the findings suggest that the case company has to investigate in reality its internal resources for example financial situation and responsibility and control stipulation. If nothing has changed and the evaluation of the corporate readiness has remained constant the findings suggest the following. The export operation, in general, has two core decisions to make; the internationalization theory and the export mode. All the rules, approaches, methods and selections support the decision between all the alternatives that the internationalization theories comprise and all the different alternatives that the export modes comprise. In addition, the vital features to consider is whether the alternatives are SME friendly since it represents the real possibilities that the case company can engage in. To add two more vital core features, benefits of a network and possible tailored combination, it is easier to utilize the findings of the study to achieve a suitable outcome for the case company.

Networking should be taken as an approach to every aspect of the business since it is one of the key features of business but until further notice, it should be kept out of the hard plans of internationalization case. In general, however, it is recommended for the case company to be on a constant lookout for a networking possibility since the evidential advantages of piggybacking, export ring, joint venture and the networking theory itself were proven by the study in hand. The findings also suggest that the born-global theory should be kept as a driving force for the future. To have a mind-set like the born-global model it could innovate new point of views or the unexpected possibility of business expansion. The best combination of networking mode and the born-global mode was the EMC which the author recommends retaining as a backup plan. Knowing the threats and risks the Uppsala model and the supporting approaches and rules might possess in a certain situation, for example, not exploiting attractive opportunities or following the indirect export mode because it is in the theory the company can avoid encountering them. Therefore, knowing this the case company can utilize either the pragmatic rule of the Uppsala model and evade the risks of not being opportunistic or engage in the strategy rule without causing a strain to the human resources.

The final alternatives left are supporting the Uppsala model and from those three export modes, the author found the most practical one for the current situation of the case company. At the moment, the licensing method is a functioning recruitment and commercialization of the product at the home markets in Finland but if adapted to the exporting activities it would result for the CEO or an individual employee to take care of the actual penetrating to the markets which the case company hoped to avoid by using a third party exporting specialist. Therefore, licensing as an entry mode can be left out of the solutions, however since there is an experience of licensing from the home markets it could be combined with the chosen entry mode. Finally, the difference between a broker and an export agent is made by the comprehensiveness of the mode as well as the withstand capacity. The study suggests that an export agent is a promising solution because it fulfills the requirements of the case company; market research, inexpensive method, the possibility for a tailored contract, the product is offered by the manufacturer's name, genuine interest in the product, connections among the industry. Furthermore, the control level is negotiable and due to this, the concentration towards the home market is not disturbed. The goal was to build a foothold in the foreign markets and afterward return to the home markets to claim the rightful place within the water damage investigating field.

7 CONCLUSION

In this dissertation, the aim was to answer the research questions and browse the possible alternatives for entering foreign markets.

1. To understand and research the industry in question and how it will affect the decision of entry mode
2. Understanding the main motives and goals of the company and connecting them to existing theories
3. To describe the main differences between Finland and Sweden considering the market in question
4. To introduce the possibilities for entering the Swedish markets and comparing their risks and opportunities
5. Creating a solution for the case company to enter the markets with minimum risks while still carrying out the goals the company has set to itself

The five objectives of the thesis were answered and together they all provided evidence for the optimal entry path. The specific industry, in general, is a growing market area because of three points of views; the increasing amount of water damage and toxic buildings build and the awareness of health safety considering this topic, the development of new techniques is unavoidable, and the conservative paradigm of the construction field is receding. The difference between the current situation in Finnish and Swedish markets are only showing positive effects for the case company since Sweden has taken a more serious stand on the health aspect of the business in question. Therefore, the decision to expand business possess a great opportunity for the case company in the long-term. Since the credibility of the product is vital to the image of the company as well as to the end customers it is important to use entry modes that are not seen to be selling commodities or have questionable motives for the sales.

The motives of the company and how those drive the company to enter new markets were investigated and was decided that the strategic planning to evade the repellent markets in the home country was the decisive motive to engage in internationalization process without detracting the other motives. For example, the born-global theory and the strategy rule were both great examples of how motives support theories. All the theories explained were specifically investigated to see if there is a promising connection between the case company and the theory in hand and out of twelve entry modes and four internationalization theories the author was able to discover the most suitable one. It was important to study the basics of every theory as well as the possibility to combine and modify since every business is an individual and the situations fluctuate constantly. The Uppsala internationalization theory along with an export agent is a promising combination for the case company to adopt when starting an international business. This explorative study will provide further understanding how solid theories can be investigated and afterward integrate the companies own characteristics to the congruent features of the theory resulting to a strategy that perceives the risks and exploits all opportunities.

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