Tampere University of Applied Sciences

Market Entry of U.S. Companies into Finland

Robert Alexander Mikkonen

BACHELOR'S THESIS
May 2020

International Business

ABSTRACT

Tampereen ammattikorkeakoulu
Tampere University of Applied Sciences
Bachelor’s Degree in International Business

Robert Alexander Mikkonen
Market Entry of U.S. Companies into Finland

Bachelor's thesis 49 pages
April 2020

This thesis was aimed to describe the different factors companies from the United States should consider in their process of internationalization and market entry into Finland. This thesis provides information on the Finnish market and its opportunities. It also explores different market entry methods and provides information needed for market entry.

The idea of this thesis was to provide reliable and up to date information of the Finnish market for companies, especially from the U.S., looking to do business with Finland. As a case study, the thesis demonstrates the market entry of Burger King into Finland and some information about the franchising industry.

The theoretical framework consists of books regarding globalization and internationalization. The information for the case study was gathered from different sources from the internet and Finnish articles. Statistical data was gathered from reliable Finnish, European and U.S. sources, such as Statistics Finland, World Bank, International Monetary Fund, Central Intelligence Agency, etc.

Key words: globalisation, internationalisation, usa, finland, trade, market entry

CONTENTS

GLOSSARY or ABBREVIATIONS AND TERMS (choose one or other)

TAMK	Tampere University of Applied Sciences
U.S.	The United States
EU	European Union
GDP	Gross Domestic Product
IMF	International Monetary Fund

1 INTRODUCTION

Global trends show that the business environment is constantly changing, forcing companies to expand into new markets. Companies from all sectors need to prepare for this trend, which requires the development of strategies that allow them to succeed in a competitive world. To achieve successful market entries and permanent business operations abroad, it is necessary to systematically identify the different forms of market penetration and have knowledge about the new market the company desires to enter (Johansson and Vahlne, 1990).

The aim of this thesis was to focus on the analysis of the Finnish market and the internationalisation process of U.S. companies. The objective of the study is to determine the different ways of entering the Finnish market and the possible challenges U.S. companies may face when doing so. This study was conducted to provide reliable and up to date references and guidance for companies who are planning to enter the Finnish market. This study has been conducted in order to provide an instrument of reference with reliable and up to date information on the Finnish market.

The first part of the research consists of a literature review, focusing on two well-known theory methods of researching business internationalization. The Uppsala Model and the Business Innovation theory. These theory models are then used to provide a basis for the research of market entry.

The second part of the research focused on the Finnish market and the trade relationship between Finland and the U.S. A brief description of the market and aspects considering the Finnish administration and taxation are given and the current trade relationship between both countries explained. Different market entry methods are presented, each approach with its own risks and benefits of market entry.

The third and final part of the research consists of a case research on Burger King and their entry into the Finnish market. Research will end with a conclusion and recommendations for companies looking to enter the Finnish market.

2 OBJECTIVES AND PURPOSE

The main objective of this research was to provide information of the Finnish market and it’s different entry modes. The research was conducted for companies from the U.S. looking to do business with Finland.

2.1 Research Problem and Scope

Currently, the United States represents the third-largest market of exports and Finland’s seventh-largest country of imports. In 2018, trade between the two countries accounted to $12 billion (Statistics Finland 2019). Having this in mind, the main research of the study is to discover the suitable entry modes for American companies entering the Finnish market and the factors behind the successful entry of this market area. The aim of the thesis is to answer the following questions: How to enter the Finnish market? What are the opportunities? What different entry strategies are there?. The study will also research the current relationships of trade between the two countries. The study will generally focus on all industry sectors and seek for answers concerning all industry sectors in general. The research will be conducted the form of the delivery of a guidebook for U.S. companies to have when looking to enter the Finnish market.

3 THEORETICAL FRAMEWORK

3.1 Globalisation and Internationalisation of Companies

In today´s business world, the relationships between people, companies, and countries have over-come trade barriers and national borders that once limited their interaction and therefore forming economic integration between nations. This has made it possible for businesses to access global markets and has created what we now call globalization. A concrete definition of globalisation, citing the concepts most accepted by the world, globalization can be defined in the following ways: According to the IMF (International Monetary Fund), globalization is a growing economic interdependence of a group of countries, due to the increase in volume and the variety of cross-border transactions in goods and services, as well as international capital flows and the accelerated diffusion of widespread technology (International Monetary Fund 2018.) The World Bank defines globalization as a general change that is transforming the world economy. This change is reflected by increasingly broad and intense international linkages of trade and finance and the universal drive towards free trade and capital markets. This is due to increasing internationalization, and to the rapid development of technologies which erode barriers that hinder international business and the mobility of capital. (The World Bank 2017).

In conclusion, globalization is a phenomenon that affects the cultural, economic, political, social, and environmental aspects of people, companies, and countries. Globalization for companies is searching for ways to enter international markets, in other words, to gain access and establish itself in the value chain of a given industry in the global market. From this ideology, arises the concept of Internationalization (Castels 1999, 3-26)

Internationalisation can be defined as a gradual process, which is based on the development of strategies that seek to open the way into international markets. Internalisation can also be referred to as the process in which a company participates in the reality of globalization, which is, how the company projects its activities, totally or partially, into an international environment and generates commercial- and financial flows and transfers knowledge between countries (Johanson and Vahlne, 1990, 11-32). Buckley (1993) defines the idea of internationalisation as a dynamic activity that includes the strategy of entry modes and the selection of international markets. These two dimensions represent the fundamental strategic decisions regarding the internationalization of a firm (Buckley 1993, 539-561). Cavusgil (1980) adds that the internationalization of the company, until recently, referred to two specific situations: The first relates to trade flows, that is, exports and imports of goods and services, and the second to how the company's internationalisation affects direct investment flows from one country to another (Cavusgil 1980, 272-281).

The globalization of markets and businesses can be observed through economic liberalization and free-market ideologies which nations share. This allows a higher number of countries, including the U.S. market, to opt for the opportunity to expand into the foreign markets (Castels 1999, 3-26). Today, the international economic environment is increasingly dynamic and global; This is reflected in the enormous growth of world trade in the last decade and in the boom of direct investments abroad that have also grown at unexpected rates. In the globalized world today, internationalization is no longer a simple choice that companies make. It has become part of everyday business. Some companies may not be interested in expanding overseas, but the emergence of a competitor may force them to seek out foreign markets in order to expand their market share and profitability, hence avoiding the possibility of stagnancy (Melin 1992, 99-118).

A good example of internalisation and it’s limitless opportunities is explained by the Bank of Colombia: A person in Colombia can wake up to a Swiss watch alarm, put on pants made in China, tennis shoes made in Korea, ride a bus assembled in Germany, work on a computer made in the United States, see a film shot in France, on a television set made in Mexico. A similar phenomenon occurs when we deposit our savings in a bank of Spanish origin, use a Finnish cell phone from a Canadian phone operator, and turn on the light provided by a Chilean energy company (Bank of Colombia 2016). In conclusion, it can be said that internationalization is an obvious cause and consequence of globalization, playing a fundamental role in the behavior of organizations, which today is marked as a trend between large, medium and small companies.

Internationalization implies entering a complex environment where the company has to face different factors, some different from those of the country of origin. Therefore, the lack of knowledge about these markets is a major obstacle to the development of operations. (Johanson and Vahlne 1977). In this sense, companies prefer to start their international activity with entry methods that imply a low level of commitment and add the methods that involve higher levels of commitment in a stepwise manner, as experience increases and perceived risk decreases. Research has shown, especially in the Scandinavian context, a high degree of consistency of this theory with the behaviour models of companies (Luostarinen 1979, Juul and Walters 1987, Welch and Luostarinen 1988).

Internationalization implies a series of benefits, risks, and difficulties. It is necessary to use the competitive advantages of other countries, such as differences in unit costs or the availability of specific resources. Companies look into the possibility of relocating their production to places where costs are lower and thus are able to have economies of scale. When it comes to internationalization, companies have to carry out an analysis of their strengths and weaknesses, in order to establish the viability of entering a new market. The decision about what and how many markets to approach, how to enter them, the type of organization to establish there, are the incremental decisions that require rigorous analysis of a strategic nature. A large number of companies use internationalization as a way to grow, without realizing that selling abroad can decrease their profits and involve risks that do not exist in the national market. Being international is expensive because the goal is not only to be bigger but to be better as well (Buckley 1993, 539-561).

The internationalisation of companies is divided into four perspectives of study, which are: the economic perspective (Kindleberger 1969 and Hymer 1976), the process perspective (Johanson and Wiedersheim-Paul 1975), network theory (Ford 1980 and Johanson and Mattson 1988) and the perspective of companies of rapid internationalization (international new ventures) or born global (Knight and Cavusgil 2004). This research addresses internationalization based on the process approach set forth by the authors of the Scandinavian school.

3.1.1 The Uppsala Method

The Uppsala model is one of the most famous theories used to study international business. Several experts have done the analysis and have written about the process of internationalisation and its key factors. From a microeconomic approach, by taking the company as its starting point, the so-called paradigm of the international development stages, proposed by various authors belonging to the Uppsala School (Johanson and Wiedershein 1975; Johanson and Vahlne 1977, 1990; Vahlne and Nordström 1993), states that the process of internationalisation of a company is a gradual commitment within international markets. The model predicts that companies will gradually increase resources in a specific country as experience is gained from the activities carried out in that market (Johanson and Wiedersheim-Paul 1975). The development of the activity abroad would take place through a series of successive stages that would represent an increasing degree of involvement by the company in its international operations (Melin 1992, 99-118). This theory of the phases of development establishes that when the company wants to enter a certain foreign market, it goes through four different stages, which for the authors constitutes the so-called establishment chain. Specifically, this chain has been defined in the following four stages:

1. Sporadic or non-regular export activities,
2. Exports through independent representatives
3. Establishment of a commercial branch in the foreign country
4. Establishment of production units in a foreign country.

As it can be seen, each stage of the development process corresponds to a greater degree of international involvement of the company in the new market, both in terms of committed resources and in terms of experience and information that the company has on the foreign market. Each stage represents a different mode of entry (Johanson and Wiedersheim-Paul 1975).

The Uppsala model considers the progressive international commitment of companies, as a process of gradual and sequential expansion led by the interaction between market commitment and market knowledge (Johanson and Vahlne

1977, 1990; Johanson and Wiedersheim-Paul 1975). Johanson and Vahlne (1990) considered that market knowledge and commitment were characteristic elements of greater participation in foreign markets. It is assumed as a basic hypothesis of this model that the lack of knowledge about foreign markets is an important obstacle to the development of international operations and, therefore, as the knowledge increases, the level of resources committed to international activity is greater. Johnson and Vahlne (1990) believe that knowledge of the market is something that is gradually developed through the experience of acting in the foreign market. By increasing their experience in these markets, new market opportunities will appear, for example, the possibility of establishing new business relationships and the development of those already established, which gives the company greater knowledge of the new business environment (Johanson and Vahlne, 1990, 11-32).

The internationalization process is a sequence of permanent interactions between the development of knowledge about markets and foreign operations and an increasing commitment of resources in them. The main structure of the model is presided over by the distinction made by its authors between static aspects and dynamic aspects of the internationalization variables. This is intended to support the fact that the current state of internationalization is an important explanatory factor of the course it will follow later (Johanson and Vahlne, 1990, 11-32).

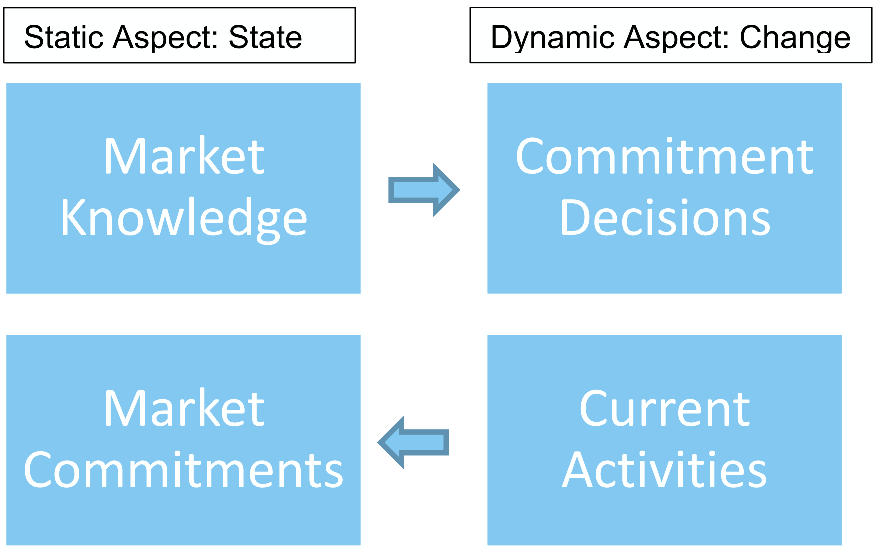

Figure 1. The Uppsala internationalisation model (Johanson and Vahlne, 1990, 11-32)

3.1.2 Business Innovation Theory

Another point of view to the Scandinavian approach, from authors of a model from the United States, claims that internationalization is a process of business innovation, of small and medium enterprises. (Bilkey and Tesar 1977; Cavusgil 1980; Reid 1981; Czinko- ta 1982). The model indicates that the relationship between internationalization and innovation consists of the integration of a company's decision to increase the international commitment of creating innovations abroad. Decisions of internationalization and innovation must be creative and deliberate determinations developed within limits imposed by the market and by the internal capacities of the company. This model highlights the cumulative nature of the decisions, both in the internationalization process and in the innovation process, provided that these are conditioned by the decisions that have been made in the past and, will in turn, lead to the decisions that have to be made in the future (Bilkey and Tesar 1977, 93-98). The model, in general, proposes the following stages of development of the international activity of a company:

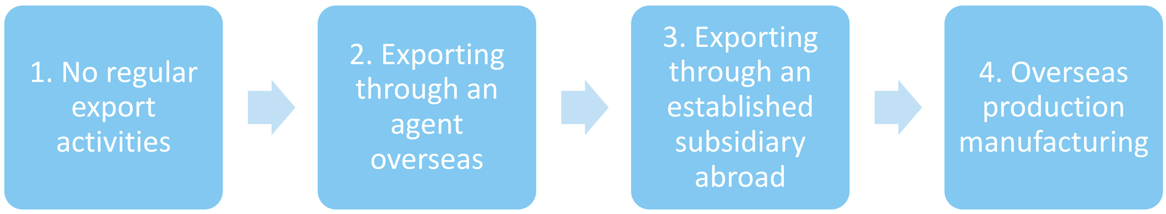

Figure 2. Business Innovation theory (Bilkey and Tesar 1977).

4 MARKET OVERVIEW OF FINLAND

GENERAL DATA

Country: Finland

Surface: 338.145 km^2

Climate: Subarctic in the South, The arctic in the north but also affected by the Gulf Stream.

Geographic location: It borders to the north with the Arctic Ocean, to the south with Estonia, separated by the Gulf of Finland, to the east with Russia and to the west with Sweden.

Topography: Flat, with numerous lakes and marshes.

SOCIOPOLITIC CONTEXT

Type of government: Parliamentary republic

Administrative division: 19 regions

Religion: Lutheran (72% of the population)

Official languages: Finnish and Swedish

DEMOGRAPHIC DATA

Population (2018): 5.55 million

Age structure (2018): between 0 and 14 years: 16.44%, between 15 and 24 years: 11.21%, between 25 and 54 years: 37.64%, between 55 and 64 years: 13.19%, over 70 years: 21.51%

Density (2018): 17 hab./km2. Most of the population is concentrated in the South and West, with large unpopulated areas in northern areas.

Capital: Helsinki

Culture and Ethnicity: 93% of the population is Finnish, with 5.6% of Swedes.

ECONOMIC DATA

Currency: Euro (EUR)

GDP 2019 (millions of dollars): 257,429

Inflation 2018: 1.3%

Unemployment Rate 2018: 7.6%

Average annual salary 2018 (gross): € 3,380 / month

Exports 2017 (millions of dollars): 67,281
Exports-products: Capital goods, paper, electrical equipment, vehicles, iron and steel, wood, optical and medical instruments, plastics
Exports-main partners: Germany, Sweden, Holland, USA, Russia, China, United Kingdom, Belgium, France, Estonia, Norway, Poland
Imports 2017 (millions of dollars): 70,100
Imports-products: Petroleum, petroleum products, machinery, vehicles, iron and steel, plastics, pharmaceuticals
Imports-main partners: Germany, Russia, Sweden, China, Holland, France, USA, United Kingdom, Estonia, Italy, Poland, Denmark, Norway, Belgium, Spain.

Source: (Statistics Finland 2020 & International Monetary Fund)

4.1.1 Market Description

Finland is situated in Northern Europe. It borders to the north with the Arctic Ocean, to the south with Estonia, to the east with Russia and to the west with Sweden. Finland has a population of roughly around 5.5 million people (2018) and a surface of 338.145 square kilometers. Its situation of proximity to the Baltic countries, and the members of the European Union, reinforces its economic importance in the region. The capital city of Finland is Helsinki. This is where the majority of consumers are concentrated, and the core of commercial and service delivery activities are held. Other regions such as Vantaa, Espoo, Tampere, Turku, and Oulu are also of great importance for the Finnish economy (Central Intelligence Agency 2020.)
In 1995, Finland joined the European Union. Since then, the country has shaped its economy from a well-known agriculture and forestry economy to an advanced technological and design economy. International trade accounts for roughly a third of Finland's GDP. In 2019 the IMF estimated Finland's GDP to be around $257.4 billion with a nominal per capita GDP of $46,600. Finland is the only country in the Nordic region using the Euro as currency (U.S. Department of State 2020.)

Finland's central business area is the EU market, consisting of up to 60 percent of the country's total trade. Finland's main partners in trade are Germany, Sweden, Russia and the United States. The main fields of export belong to the transportation, forestry, electronics, chemicals, and machinery industries. The most significant imports come from Germany, Russia, and Sweden. The top products of imported are chemicals, electric and electronics industry products, products from mining and quarrying, and transport equipment (Statistics Finland 2020.) Regarding business registration, Finland is ranked 17th in the World Bank's 'Doing Business' classification in terms of ease of starting a business, due to the relative simplicity of the corresponding procedures. There are fundamentally five types of companies in the country: sole proprietorship, partnership, limited partnership, limited company and a cooperative (World Bank 2019).

4.1.2 Finnish Administration

Finland is a republic where the highest forms of leadership are parliament, the president of Finland and the Finnish government. In 2019, the Finnish government underwent many changes with the inauguration of social democrat Sanna Marin as the new prime minister. With her 34 years of age, she is currently the youngest head of Government in the world. She leads a coalition government with four other parties that go from the center to the radical left. The four are also run by women, three of them also in their thirties, who also occupy important ministries in the cabinet. Finland has legislation very similar to the Swedish one, it has an excellent source of law, together with the Acquis Communautaire, implemented in 1995. Relations between Parliament, the Government, and the President of the Republic are governed by the principles of European multi-party parliamentarism. It is very common in the Finnish political arena to reach cross-cutting agreements between the different political parties represented. The Government must have the support of the majority of Parliament, an organ that also elects the Prime Minister. Traditionally, the President has enjoyed considerable representative power in the area of foreign policy, although not the undisputed power as held by the French or the American leaders (Parliament 2020).

4.2 Taxation

Finland is currently involved in tax treaties with 70 countries, including the U.S. The tax agreements are based on the OECD tax model convention. The tax treaties are mainly bilateral, but there is a common tax treaty with the Nordic countries. In addition to the tax treaties, Finland is bound by a multilateral convention to prevent tax base erosion and the transfer of profits. Finland removes double taxation under its tax treaties, mainly through the credit method. This means that if the tax treaty entitles both states to a certain income, Finland, as the state of residence under the tax treaty, will refund the tax paid to the other country. Finland is a member of the Convention on Official Assistance, which includes more than 100 countries. Agreements on the exchange of information, the collection of taxes and tax audits shall be agreed upon. In addition, Finland has more limited information exchange agreements with different countries and FATCA agreement with the United States. The agreement on the exchange of information is intended to ensure that Finland has comprehensive information for tax purposes. With the exchange of information, authorities have better access to information, for example, on assets in tax havens.

4.3 Relationship of EU laws to Finnish law

The basic principle of the division of powers between the European Union and its Member States is the so-called principle of conferred jurisdiction, i.e., the Member States have given the Union decision making power in certain areas. In principle, the EU can only act on matters provided for in the treaties. Everything else is governed by the member states. The EU's power is therefore limited. The scope of the European Union's jurisdiction varies greatly from one sector to another. For example, in agricultural policy, the Union has wide-ranging jurisdiction, while in health policy, for example, jurisdictions are much more limited.

The jurisdiction of the European Union is divided into three main categories: exclusive jurisdiction, jurisdiction shared with the Member States and complementary jurisdiction of the Member States.
In matters falling within the EU's exclusive jurisdiction, only the Union can legislate and adopt legally binding acts. Areas of exclusive jurisdiction:

- Customs union
- Competition law
- Monetary policy of the euro countries
- Conservation of living marine resources as part of the common fisheries policy
- Common commercial policy

Shared jurisdiction is the most common form of EU competence. In areas of shared jurisdiction, both the Union and the Member States can legislate and adopt legally binding acts. Areas of shared jurisdiction:

- Internal markets
- Social policy (partly)
- Economic, social and territorial cohesion
- Agriculture and fisheries
- Surroundings

The union's third category of authority, i.e. the category of complementary jurisdiction, covers areas in which the Union has competence to carry out various support and complementary actions. These are:

- Protection and improvement of human health
- Industrial
- Culture
- Tourism
- Education, youth, sport and vocational training
- Civil protection
- Administrative cooperation

According to the principle of priority of the European union, EU law must take precedence over conflicting national legislation in the event of its application.

4.4 The trade relationship between the United States and Finland

Diplomatic relations between Finland and the United States began in 1919 after the independence of Finland from the Russian Empire. Finland has been of great interest to the United States for a long time due to its history and border with Russia. In 1995 Finland became a member of the European Union. The union was created to facilitate investment and to decrease trade barriers of products and services in Europe and with other countries such as the United States. The financial relationship between the U.S. and the EU is the biggest and generally most complex on the planet. The United States and the EU keep on pursuing activities to open more doors for business. Finland and the United States are part of several other trade agreements, including The United Nations, World Bank, World Trade Organization, The Arctic Council, Euro-Atlantic Partnership, Organization for Economic Cooperation and the International Monetary Fund (U.S. Department of State 2019).

U.S. Subsidiaries in Finland 2010-2018				
Year	Amount of subsidiaries	Employees	Revenue (millions of €)	Revenue growth from previous year %
2018	705	27562	13 184	17%
2017	654	24637	11 290	-6%
2016	483	25581	11 841	-21%
2015	456	26730	15 076	-20%
2014	480	28753	18 931	31%
2013	830	71243	14 502	54%
2012	444	25754	9 434	-11%
2011	444	25681	10 592	15%
2010	441	24371	9 209	-

Figure 3. (Statistics Finland 2019, Foreign Subsidiaries in Finland)

In 2018, there where 705 U.S. subsidiaries in Finland, employing more than 27 thousand people and generating around $14,2 million in revenue. According to Statistics Finland, the amount of subsidiaries from the United States is growing every in the long term (Statistics Finland 2020).

4.5 U.S. Direct Investment position with Finland

In 2018, direct investments from the U.S. to Finland (outward) were $2.5 billion, a decrease of 25.2% from 2017. Direct investments from Finland in the United States (inward) was $13.4 billion, an increase of 106.1% from 2017 (BEA 2017).

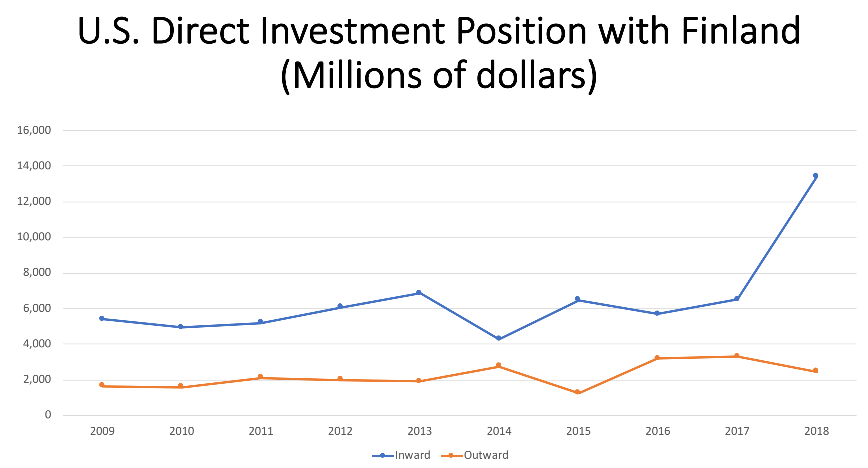

Figure 4. U.S Direct Investment Position with Finland (BEA 2017)

4.6 Opportunities in the Finnish market

The International Monetary Fund (IMF) listed the strengths and weaknesses of the Finnish economy in its 2018 report. According to the IMF, maintaining current economic growth will be more difficult in the future as Finland's working-age population is shrinking due to aging and declining age groups. According to the International Monetary Fund, the current economic situation in Finland is good, but there are many challenges ahead. The IMF estimated that Finland's economic growth in 2018 would be 2.8 percent. In 2019 it estimated that growth would continue at 1.9%. The reasons given for the slowdown were tightening financing conditions, weakening international demand and possible trade wars between countries. According to the IMF, Finland has succeeded in raising its employment rate, among other things, through the competitiveness pact, but the limits on the growth of the number of the employed are approaching quickly. This is due to a decline in the number of people of working age in the future. According to the International Monetary Fund, Finland needs to be able to increase labor productivity in order for growth to continue. The IMF also drew attention to the fact that some areas have higher unemployment, while other areas would be prepared to immediately employ more people. Labor mobility is low (International Monetary Fund 2018).

Although its internal market is limited, Finland has a lot of strengths. In essence it has political stability, it has a strategic position between Russia, the Scandinavian countries and the markets of northern Europe, it enjoys one of the lowest levels of corruption in the world, it has an excellent educational level, occupies the third position in research and development (R&D) spending and has a high-tech industrial base. It is also one of the most competitive economies in the world and has the highest score in the environmental sustainability index, according to the Global Competitiveness Report, made by the World Economic Forum. Finland attracts foreign investors, which find excellent business opportunities in the traditional and technological sectors (World Economic Forum 2018).

The keys to entering this Nordic market are offering competitive prices and quality products. American companies must keep in mind that Finns are very loyal to national brands, making it more difficult to convince them to change their preferences. In fact, there is a strong promotion of Finnish goods compared to foreign goods. The sectors that present the greatest possibilities for investors are the environmental and technological sectors. The environmental sector needs to improve in renewable energies and the technology sector demands the development of new software and cybersecurity applications. Renewable energies also offer significant development potential for U.S. companies, which already have a long history in this sector (Business Finland 2018). Thanks to the freedom of trade, settling into the Finnish market is easy and fast. Foreign SMEs do not have special credit lines, but there are other incentives for investment, such as the absence of double taxation. Entities that consider entering this market can seek financial support through Business Finland agency. Another option is the acquisition of local companies, which allows greater brand recognition, something highly valued by consumers (Business Finland 2018). The Ministry of Employment and Economic Development assists in the development of new projects with grants. Promising sectors in Finland are gaming, artificial intelligence and health sciences (Business Finland 2018).

5 MARKET ENTRY METHODS

The methods and strategies to operate internationally are one of the central ideas of the studies of international business. Managerial decisions such as their strategic choice, the terms of domestic and international negotiations, and organizational changes associated with internationalisation are decisive for the operation of multinational companies (Hollensen, 2004, 291-350). Doing business and operating in foreign markets involves higher risks than domestic commercial actions. These risks are especially higher when they are executed in emerging countries. Companies internationalise their operations through mechanisms known as modes of entry (or methods of operations abroad). There are several methods of market entry. A company can enter a foreign market through the shipment of products or services to other countries in multiple different ways (exports) or by establishing sales offices in foreign countries. A company can acquire foreign companies (acquisition), or they can allow companies abroad to do their production and distribution for them (licenses). Other possibilities are to allow companies abroad to sell the company's products (franchises) or by associating with foreign companies (joint ventures). The last method and probably the riskiest entry is investing and establishing new production plants and sales in other countries (direct investment) (Albaum and Duerr 2008, 305-391).

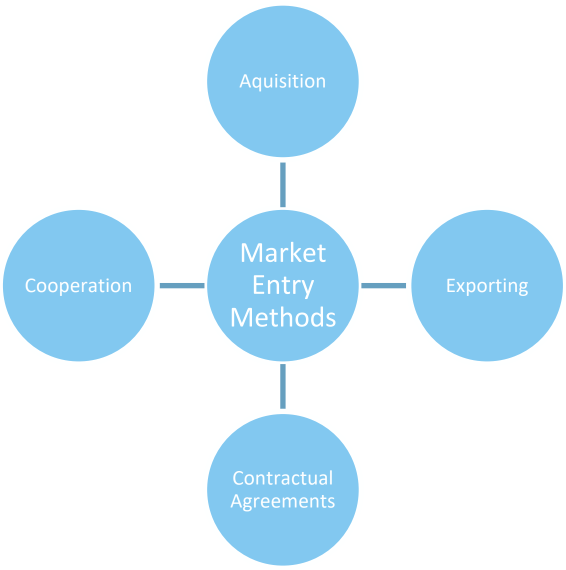

Figure 5. Market Entry Methods

Once the companies have carried out an analysis of the reasons for internationalisation and have designed and established the action plan, the last step to be carried out will be to choose the method of entry to the selected country, that is, how the company will carry out its activities abroad. The choice of this method will depend on the knowledge of the market and the risks companies are willing to take (Albaum et al 2005, 245).

5.1 Export Modes

Export modes represent the simplest way to enter international markets. In this form of entry, a company's products are manufactured outside the target market and subsequently transferred to it. It is considered the form of entry with lower levels of involvement, risk and control. The main forms are direct export and indirect export (Hollensen 2011, 335-339).

5.2 Direct Exporting

Direct exporting Is when the company sells directly from its home market to customers in target markets. This is a useful strategy in the early stages of internationalization and consists of selling to the final buyer located abroad (Johnson & Turner 2003, 116).

It differs from indirect exporting with the fact that direct exporting is when the company itself carries out the export activity without delegating the process to another organization, for example, with activities such as, research tasks, contacting clients, negotiation of sales, logistics, processing of documents, etc. The main difficulties encountered are: locating and negotiating with customers, ensuring the quality of service, and trying to retain customers. The company must invest in the creation of an export organization or have representatives and employees that carry out the commercial activities and the delivery of products (Albaum& Duerr 2008, 321).

Different methods of direct exporting, according to SELECTUSA (2018):

- **Direct sales**: Export tasks that are carried out by their own employees through the commercial or export department. The company exporting with this method is responsible for all export activities unless other arrangements are made.
- **Commercial agent**: A natural or legal entity who acts as an intermediary for the company and manages payments. In exchange, the agent receives remuneration and does not take possession of the product.
- **Distributor**: A foreign distributor takes possession of the product and sells it to companies in the market. Products are usually obtained through an exporter at a reduced price and sold for a profit.
- **Foreign Retailers**: A company sells its products directly to foreign retail shops. This method relies on the company's sales representatives on making deals with the foreign retail shops (SELECTUSA 2018).

Summary table of three direct investment methods:

Direct sales	Commercial agent	Distributor
Useful in the first phase of international expansion.	Independent professional acting for someone else.	Are merchants who purchase goods from exporters.
Low number of potential clients.	Does not buy or assume the risk of operations.	Acquires goods at a reduced price.
High-value operations.	Minimum structure, does not provide logistics or after sales services.	Provides support and service for the products.
Technically complex products.	Risk diversification among various end customers.	Sells the goods to obtain a profit.
Success depends on the professionalism and motivation of the sales team.	Commission remuneration, advice and market information.	

Figure 6. Summary table of three direct investment methods (SELECTUSA 2016)

Table with the advantages and disadvantages of direct exporting:

Advantages	Disadvantages
Potentially higher profits	Higher investment and risk
Greater company learning	Less flexibility on some occasions
Better control of marketing and exporting processes	The exporter must learn the procedures involved in the export method
More feedback from the market	Requires more time than indirect exporting
Better patent protection	

Figure 7. Advantages and disadvantages of direct exporting (SELECTUSA 2016)

5.3 Indirect Exporting

Indirect exporting consists of hiring the services of an international intermediary, who becomes a client of the exporting company, manage the different phases of the international operations and is in charge of reselling the product to other companies. This method is mainly used by small and medium-sized companies. It presents reduced risks and less investment than other direct methods. However, there is little control over the company's marketing operations abroad, and less market information is acquired. Furthermore, the company cannot exercise control over brand marketing abroad (Hollensen 2004, 293-297).

Different methods of indirect exporting:

- **International commercial agents**: Operate in the same way as a national commercial agent, they usually represent the commercial interests of various companies. The agent simply promotes and markets the product on behalf of the exporting company. The risk of product loss is borne by the manufacturer or the exporter and they usually reside in both the country of origin and the country of destination. Here you can include intermediaries who put buyers and sellers in contact in exchange for a royalty or commission “agents and brokers” (Albaum and Duerr 2011, 453-454.)

- **Export management companies (EMC)**: This is one of the most used intermediaries, together with the agent. The distributor buys directly from the exporter, assumes ownership of the product (at his own risk). An export management company is an organization that helps with the distribution of other companies goods to foreign markets. It differs from the agent, as it offers greater coverage of the market, services, storage organization and distribution. This method is used by companies that do not have their own distribution network, want to minimize risks and have products that require an after-sales service. The relationship between the exporter and the importer will be reinforced by sharing resources and capacities (Hollensen 2011, 339; Griffin and Pustay 2015, 369)
- **International trading companies (Trading companies)**: Carry out import-export operations, triangular operations and clearing trade. Many of these companies are technology manufacturers, joint venture partners, and can finance and invest in international operations. It is usually the answer in order to tackle very difficult markets or to release significant volumes of certain products (Hollensen 2011, 339-340; Seyoum 2013, 91).
- **Piggyback exporting**: This method consists of a company with little exporting experience or without resources, decides to establish an agreement to market its products through the structure and international network of some exporter or experienced company. In exchange, he receives a remuneration or commission payment for the sales made (Ghauri and Cateora 2014, 218-219)

Table with the advantages and disadvantages of indirect exporting:

Advantages	Disadvantages
Little or no investment	Total dependence on intermediaries
Lower risk than other forms of entry	Little learning of the export business
Greater flexibility	Little sales potential

Figure 8. Advantages and disadvantages of indirect exporting (Kotler, Armstrong, Wong, Saunders 2008)

5.4 Contractual Agreements

Contractual modes represent a way of transferring technology or human skills from a company to a partner in the international market. This is done through an association between both parties. The most common forms of contractual agreements are franchising and licensing agreements (Hollensen 2011, 346).

Licensing

A licensing agreement implies a contractual agreement between two companies. One company (licensor) grants the other (licensee) the rights to a particular intangible property for a period of time in exchange for a royalty (Branch 2006, 491). The licensing approach consists of authorizing the manufacture of a product to a foreign company, transferring the patents, trademarks or industrial designs, know-how, etc. The company transferring the knowledge or goods is called the licensor, and the recipient is called the licensee. Therefore, the licensee is responsible for manufacturing the products covered by the license fees and then selling them on to the assigned market. The main risk that the licensor assumes is that the licensee eventually becomes his main competitor. To avoid this, the licensor must retain the trademark and control the patent registration process or retain a key element in making the final product. For the licensing company, this method allows it to enter the foreign market with its brand or product without having to invest capital in the country of destination. For the company that receives the license, this allows the company to get an asset, the brand, the patent, etc (Albaum, Duerr & Strandskov 2005, 348).

Table with the advantages and disadvantages of the licensing:

Advantages	Disadvantages
Does not assume the risks, costs or need to open a company abroad.	Experience curves and location economies cannot be exploited.
Does not allocate resources in unknown markets.	Limited ability to coordinate strategic movements from one country to another.
Licenses are made in the event that the company cannot enter the market due to investment barriers.	Risk of giving technological knowledge to the licensee and this becomes a potential competitor.
It is also used when the company owns certain intangible property that it does not want to develop.	Less knowledge and expertise from the market.

Figure 9. Advantages and disadvantages of licensing (Foley 1999, 344)

Franchising

Franchising consists of the transfer of a product or service, name, trademark, or know-how of the management and marketing procedure to an entrepreneur residing abroad. A franchising agreement is established between a company (franchisor) that transfers the knowledge to another (the franchisee) (Branch 2006, 486). In exchange for a direct or indirect financial consideration (royalties on sales or entrance fee), the right to exploit a franchise and to market certain types of products or services (it is usually more used by service companies). Consequently, franchising offers the possibility of exploiting a business model backed by a brand that has a good corporate image, which allows the franchisee to enjoy the advantages derived from the training, assistance, or advice of the franchising company (Griffin and Pustay 2015, 375).

There are four ways to internationalise through franchising:

- **Master franchise**: This is an agreement in which the franchisor (owner of the brand) grants the exclusive rights to open franchises in a defined territory to a natural or legal entity. The franchisee's remuneration is usually set based on a negotiated royalty percentage (Hollensen 2008, 233.)

- **Direct franchise**: This is the traditional development process in domestic markets. The franchising chain grants individual franchises in a foreign country. This involves the regular visit or the creation of a minimum business structure in the destination country, by the franchise chain, to adequately monitor the obligations contracted with the franchisee (Hollensen 2008, 233.)
- **Joint venture franchise**: The joint venture is a joint investment agreement that is established between two or more companies to promote a business. The joint venture franchise is the grant of a franchise to a joint venture party (Kotler, Armstrong, Wong, Saunders 2008).
- **Franchises through direct investment with an own facility**: Represents the mode of entry through direct investment in which the company establishes a store with its own resources, it does not depend on the franchisee using its own resources to establish one. This means the franchising company can change franchisees after the contract expires if they have not been productive. This method allows the franchising company greater control over its operations, but requires a greater investment of resources and involves more risks (Kotler, Armstrong, Wong, Saunders 2008).

Set of rules for both franchisor and franchisees:

The franchisor must perform the following actions: i) must select the franchisees; ii) transmit the know-how and iii) provide industrial and intellectual property rights. The franchisee must carry out the following actions: i) it must undertake the necessary investments; ii) it cannot share the Know-how to third parties; iii) it must collaborate with the maintenance of the brand and its reputation; iv) provides the financial and commercial information required and v) pay the royalties and entrance fees established in the contract (Albaum et al 2005, 254).

Table with the advantages and disadvantages of franchising:

Advantages	Disadvantages
Less risks and costs of starting the business in a foreign market	There are costs of control and supervision of the relationship between both parties.
A good incentive is created, due to the rapid consolidation by the franchisee	There is low control of the franchisor company over the franchisee.
This method helps the company build a global presence quickly, with low costs and low risks.	Quality control is lost, the franchisee may not be as concerned about quality as the franchisor expects.

Figure 10. Advantages and disadvantages of franchising (Albaum et al 2005, 254)

5.5 Strategic Alliances and Cooperation between companies

According to Child, Faulkner & Tallman (2005) An alliance can be defined as an agreement between two or more independent companies that are joining or sharing part of their capacities or resources by establishing a certain degree of interrelation in order to increase their competitive advantages. Strategic alliances are about cooperative agreements between potential or current competitors (Child, Faulkner & Tallman 2005). Alliances can be established:

- To accelerate the internationalization process.
- In order to penetrate a larger number of markets.
- In order to recover the lost position in the markets and improve the competitive position (by sharing resources with a partner).
- To obtain resources that the company does not have and to be able to exploit competitive synergies.
- To share risks or to meet specific objectives.

The alliances allow the capture of resources that the company lacks, streamlines entry into the country, and is planted as a process in which both companies improve their products, processes, system and management techniques. Alliances can be complicated where complex decisions are required, a high control system and problems of opportunistic behavior can arise (Hollensen

2008, 237.) For the proper functioning of alliances, the following must be taken into account: the choice of the partner, the structure of the alliance, and the way of managing it. To take full advantage of this method, it requires: the company and all its employees to learn the value of the partner, know all its strengths and weaknesses, and acquire the particular skills that can enhance the competitive position of the company (Albaum, Strandskov, and Duerr 2002, 345).

- The choice of the partner: A company must choose the right partner or ally. The partner must help achieve the objectives, share the same vision of the company, and not seek to exploit the alliance in their favor. To choose a partner, an extensive search has to be carried out (Albaum, Strandskov, and Duerr 2002).
- The structure of the alliance: The alliance must be structured in such a way that the risks of the company are acceptable and do not spread too much to the partner. Therefore, it is required: i) to avoid opportunism, trying not to transfer technology; ii) create contractual safeguards that serve as protection against opportunism; iii) both parties can agree by advancing the transfer of skills and technology to obtain an equitable profit and iv) a significant and truthful commitment with the partner is required (Albaum, Strandskov, and Duerr 2002).
- The administration of the alliance: once the partner is chosen, the aim is to increase benefits, and this implies building trust between both parties. It is necessary to consider the sensitivity of cultural differences and to build interpersonal relationships to facilitate harmony and trust between both companies (Albaum, Strandskov, and Duerr 2002).

Different types of alliances, according to Hollensen & Cavusgil:

- **Alliance related to production and logistics**: Seeking to achieve a greater volume of activity to obtain economies of scale, acquire learning, or share knowledge about how to organize production processes.
- **Technology alliance**: Resources are shared to develop technologies or to be able to access certain innovations quicker.
- **Marketing alliances**: Seek to share resources to gain access to certain markets.

- **Export Consortia**: Companies of different dimensions that unite by contributing capital to channel exports abroad. Entering the market individually is risky and difficult, but together they share the risks.
- **Foreign trade cooperatives**: To use the same mechanism as a consortium, but with a different legal order. The roles in these companies are equal. All partners have the same participation (it mainly occurs with companies in the agricultural, agro-industrial, and livestock sectors).
- **Minority interest**: A minimum capital contribution is established by the partner. Companies use this capital to expand their business operations, invest in opportunities, and to purchase new equipment. The partners that have this participation, usually have limited voting rights and have financial restrictions, whether the company has losses or gains.
- **Exchange of shares**: Companies issue shares to raise more capital. The exchange of shares involves the transfer of securities between two individuals and must be registered in a stock market such as the "New York Stock Exchange or the National Association of Securities Dealers Automated Quotarion System (NASDAQ).
- **Projects with support from the government or international institutions**. In these projects, governments promote research or technology aid to companies.
- **Consortium**: Agreement through which the shareholders of independent companies agree to hand over control of their shares in exchange for consortium certificates that entitle them to participate in the company's profits.
- **Licenses and franchises**: Licenses or franchises are granted to a group of companies seeking a resource, which is lacking, in another company to carry out their activity effectively.
- **Cross-licensing**: This occurs when a company licenses a company in a foreign market in return for a similar license from that company.
- **Mixed agreements**: Two companies create an agreement to exchange different know-how of the company. For example, one transmits technology to the other, and the other transmits marketing and distribution of information.
- **Manufacturing contracts**: A company subcontracts the manufacture of a component or product to another company.

- **Management contracts**: An international company expert in a subject, sells its services to a local company.
(Cavusgil 2012 & Hollensen 2008)

Table with the advantages and disadvantages of alliances:

Advantages	Disadvantages
Facilitates entry into a new market quicker	Possibility of taking the know-how away from the company and using it for other purposes (the opportunistic behavior).
Facilitates the capture of resources that the company lacks	Risk of offering more than what is received in exchange.
Possible to share fixed costs and risks of creating new products.	Not reaching an understanding with the partner when sharing different objectives.
Facilitates the development of activities.	More complex and greater decision making.

Figure 11. Advantages and disadvantages of alliances (Child, Faulkner & Tallman 2005).

There are other types of cooperative agreements depending on the legal form they adopt. The two most relevant agreements for this work will be explained below:

Cooperation between companies

Cooperation is a partnership between several competing companies, who seek to carry out a specific project or activity by uniting or sharing part of their activities, and resources to increase their competitive advantage (Webster 1999). The justification for this association involves two reasons:
Economic reasons: Reduction of transaction costs and taking advantage of the greater efficiency of each partner.
Strategic reasons: To improve the competitive position, obtain an adequate size to compete, reduce costs, take advantage of economies of scale and gain experience, reduce the risk and uncertainty. The risk is shared when carrying out a

joint project and it is possible to have access to resources and capabilities that the company lacks (Webster 1999).

5.6 Merger and Acquisition

The acquisition is a form of strategic alliance that consists of the purchase or taking the operational control of a company. The purchase can be direct or through the accumulation of shares. A merger is a way of gaining dimensions and competitiveness, the investments and commercial criteria of two companies in the same branch or with similar objectives are unified Hollensen 2004, 343. The reasons for mergers and acquisitions are as follows:

- Achieve operational or financial synergies to maximize objectives.
- Increase the growth or power of the company.
- Cost reduction, economies of scale, and more efficient management is carried out.
- There is an improvement in income due to the complementary resources obtained that favor the growth of the company and the strategic benefits obtained.
- They allow to increase the market share of companies
- Tax benefits and lower capital costs are obtained.

(Cavusgil et al. 2012, 444.)

5.7 Foreign direct investment

Foreign Direct Investment (FDI) consists of capital investment by a natural person or a legal person (public institutions and companies, private companies, etc.) in a foreign country. In the country of destination, this capital inflow can be made through the creation of new production plants or the participation in already established companies to form a subsidiary of the investment company. According to the OECD, FDI is intended to exercise long-term control over the acquired or investee company, and the criteria established to define it is that the property acquired by the parent company is at least 10% of the subsidiary (OECD 2016).

5.8 Own subsidiaries

The direct presence in the market allows companies not only to sell products beyond their borders, but it also allows them to occupy a segment in foreign markets, establish a strong brand image, control their commercial policy, and their marketing plan. Furthermore, they can determine prices and margins, out the use of intermediaries, set transfer prices between the parent company and the subsidiary and obtain greater competitiveness. Distribution is streamlined, and shorter delivery times are obtained, the subsidiary acts as an importer of the parent company and allows them to maintain permanent stocks (Hollensen 2008, 244). The subsidiary, is an independent company, established in accordance with the legislation of the country in which it has been created and endowed with its own legal personality, improves relations with the professional environment and with the Administration (Hollensen 2004, 338).

5.9 Joint Ventures

Joint ventures are agreements between several companies to conduct business together. It normally requires a large initial investment and will pay off in the long term. The time horizon of these investment agreements is long term (Branch 2006, 490). Both local and foreign companies can participate in joint ventures. This method allows for a faster penetration of companies due to the knowledge of the country obtained, better access to cheap labor and raw materials, and better distribution channels. It is used by companies that want to enter markets that are culturally different from their own country and are far away and have a different structure. Furthermore, this method allows for a distribution of the investment risk among the companies. Companies benefit from local know-how, and will enable them to develop the business more efficiently. Joint ventures allow companies to share risks, but also to share the benefits. The main disadvantages are the loss of control of business management and high costs of control and coordination (Albaum, Duerr & Strandskov 2005, 355). Decisions must be made by mutual agreement, and this is challenging. If sometimes it is difficult to reach agreements with managers of the same company, the difficulty is more significant with people who are from different companies. Furthermore, it may happen that the partner becomes a strong competitor. Cultural differences in management decisions, management styles and behavior must also be taken into account (Johnson & Turner 2003, 121).

6 Starting a Business In Finland

When a foreign company plans to start operations in Finland, it is worth checking what obligations it will have in Finland. Obligations may relate to, for example, employer performance, employee social security, VAT or income tax. In the case of employees of a foreign company, the correct procedure for their personal taxation must also be reviewed (Finnish Tax Administration 2020).

When a company from the U.S. comes to Finland, the company can establish operations in several different ways, the most typical are either the establishment of a subsidiary or the registration of a branch. The difference between these is that a subsidiary is a separate company from the parent company, whose operational obligations and responsibilities are determined by Finnish legislation. A branch is not a separate entity from the company and, therefore, has to follow Finnish legislation on the part of the business done in Finland. Subsidiaries and branches of foreign companies in Finland must keep their accounts according to Finnish legislation. If necessary, the company must register in the VAT and employer register and file an income tax return in Finland. Prepayment registration is also recommended whenever possible. Even if no subsidiary or branch has been established in Finland, the activities carried out here may constitute a permanent establishment for a foreign company in Finland for both income tax and VAT purposes. In the case of a permanent establishment, the company is liable to income tax and VAT in Finland and may also incur obligations regarding the employer's contributions (Finnish Tax Administration 2020).

Registration Process

When a foreign company starts operations in Finland and does not establish a separate subsidiary or register a branch in the Trade Register, it must still submit a declaration of incorporation to the Tax Administration, based on which the company will be entered in the necessary registers (Finnish Tax Administration 2020).

Prepayment register

A company engaged in business activities in Finland may be entered in the advance payment register if Finland and the company's home state have a tax agreement or the company has a permanent establishment in Finland. If the company is not on the prepayment register or does not have a 0% withholding tax card, Finnish customers must withhold tax in Finland from the services paid to the company (Finnish Tax Administration 2020).

Employer register

A foreign company does not have to register in the employer register if the company does not have a permanent establishment in Finland. However, the company must file a declaration of wages paid in the income register if the employees reside in Finland for more than six months, i.e., they are generally taxable here and pay taxes in Finland as advance taxes. If the employer has applied for the employer register, the employer must withhold tax on the employee's salaries (Finnish Tax Administration 2020).

VAT

A foreign company must enlist in the VAT register if it has a fixed establishment in Finland for VAT purposes, from which it operates in Finland. In addition, a foreign company must enlist in the VAT register also in the situation that its reverse sales are not subject to reverse charge, even if the company does not have a permanent establishment in Finland. Such a situation exists, for example, if goods or services are sold in part to private individuals. Under certain conditions, a foreign company may also register voluntarily in the VAT register (Finnish Tax Administration 2020). When a foreign company starts operations in Finland, the company needs to review the obligations imposed on the company and the company's employees in Finland. The requirements are particularly affected by the quality of the operation and its duration. For more information, please visit the Finnish Tax Administration web page vero.fi (Finnish Tax Administration 2020).

Setting up a business in Finland is simple, for example the process of incorporation may only take about 2-3 weeks. Key steps for setting up a business in Finland:

- This can be an investors own capital, a loan, public funding from Finnvera, EU funded support from ELY Centers or innovation incentives from Business Finland.

Finnvera: https://www.finnvera.fi/eng/
ELY Center: http://www.ely-keskus.fi/en/web/ely-en/
Business Finland: https://www.businessfinland.fi/en/do-business-with-finland/home/

- A foreign company can establish a business in Finland through setting up a limited liability company or by starting a branch in Finland.

Enterprise Finland: https://www.suomi.fi/services/eservice/my-enterprise-finland-development-and-administration-centre-for-ely-centres-and-te-offices/d42a59d4-d9e9-4e7c-99b9-4b56a04a001c
The business information system: https://www.ytj.fi/en/index.html

- Businesses are registered in the Finnish trade register.

The National Board of Patents and Registration of Finland: https://www.prh.fi/en/index.html
The Finnish Tax administration: https://www.vero.fi/en/individuals/
Free service for establishing a business in Finland: http://www.perustayritys.fi/en/frontpage/

- Recruiting can be done through recruitment agencies or free recruitment services from the national employment offices. Employers must take into account, social security, pension, unemployment and insurances related to employees.

Employment and economic development office: http://www.te-palvelut.fi/te/en/index.html
Ministry of Employment and the Economy: : https://tem.fi/en/enterprise-finland-services

- Information regarding to bookkeeping, auditing and other services can be found from: https://taloushallintoliitto.fi and https://kauppakamari.fi/en/

Source: (Business Finland 2018).

7 Case study: Burger King

Founded in 1954, Burger King is the world's second-largest burger chain. There are more than 14,000 Burger King restaurants in 88 countries around the world. The restaurants serve about 12 million customers daily. About 97 percent of Burger King restaurants are independently run by franchised entrepreneurs. More information is available at www.burgerking.fi.

Burger King Franchise

The Burger King franchise consists of grilled burgers, fries, and soft drinks, served quickly and consistently by friendly people in a clean environment. The Burger King franchise includes training programs offered worldwide, so that the franchisee and their teams can carry out the highest level of service and that their business can grow by achieving operational excellence. Burger King is a pioneer in the use of franchising as a means of expansion, it has a history of more than 50 years worldwide. Burger King's franchise formula encourages franchisee growth with the system, which is managed by 91% of restaurants, allowing them to also be an active part of the system. The Burger King franchise bets on the profitability of the franchisee, developing different models of establishments to adapt to the needs and potential of each location. Thanks to the master franchise agreement, individual entrepreneurs can also be included in the chain (The Finnish Franchising Association 2019).

How much does it cost to open a Burger King franchise in Finland?

Initial investment: € 700,000
Entrance fee: € 28,000
Royalty: 4-5% of monthly gross sales
Minimum surface of the location: 225 m2
Profile of the franchisee: Financial capacity, personal involvement in the operation of the business, identification with the brand
Requirements of the Local: 6-meter façade.

Main areas: Commercial streets, leisure areas, service stations, airports, shopping centers etc.

Market Entry of Burger King into Finland

In 2013, Burger King entered into a master franchise agreement with Restel Oy covering the Finnish market. Burger King restaurants are Restels main business area currently, but in the future, the agreement will enable the expansion of the restaurant network through sub-franchise agreements with independent entrepreneurs. Restel is already active in the fast-food market, and Burger King restaurants are looking for further growth in the above-mentioned market segment. Burger Kings restaurants complement Restel's restaurant offering. Restel's goal was to create a nationwide Burger King network. Restaurants are placed in places where people move, such as transportation stations, shopping malls, and event arenas. Some of the restaurants will become individual restaurants in busy business locations. Today, there are a total of 58 Burger King restaurants in Finland, of which 20 are located in the Helsinki metropolitan area and two on Tallink's ships (Restel homepage 2020).

Restel Oy

Restel Oy is a Finnish restaurant company with more than 170 restaurants across Finland. The company employs about 2,700 professionals in the field. Restel's restaurants include BURGER KING®, Taco Bell, Rax Buffet and Shell Pearl Shell, Martina, O'Learys, Wanha Mestari and Hemingway's restaurants, as well as Event Restaurants (Restel homepage 2020)

Thanks to the master franchise agreement with Burger King, individual entrepreneurs can also be included in the chain, says Leena Turunen, Business Area Director. According to Turunen, the market in Finland is competitive, but Finns are eating out more often and in the current tight economic times, fast food is popular among the Finns. Restel recruits fifty employees for each smaller Burger King restaurant and several dozen for larger ones (Kauppalehti 2013).

7.1 Interview of the President of the Finnish Franchising Association

In an interview by Yrittäjät, Henri Häyrinen, President of the Finnish Franchising Association, listed 12 trends that affect the future of franchising.

Franchising is becoming more common in Finland as the number of chains grows. In a review in 2015 of Franchising in Finland, Henri Häyrinen, President of the Finnish Franchising Association, lists trends in 12 areas.

1. Franchise units are more entrepreneur-driven

Traditionally, franchise chains also have their own units. Recently, especially in the United States, chains have reduced the number of their own units, especially in the fast-food sector. Burger King, for example, owns only 0.4 percent of its units in the country. In Finland, for example, the R-kiosk chain has recently reduced its own units.

2. Multiple units by one entrepreneur

Häyrinen estimates that today the same entrepreneur has several units. From the point of view of the chain, the situation is positive, because in this way, a successful entrepreneur is in control of several units.

3. Franchisors have multiple brands

In the United States, in particular, it has become common for the same franchisor to have multiple brands. In Finland, for example, there is the Bestseller chain, whose brands include Vero Moda and Only.

4. New products

New industries and products will be covered by franchising. An example of this will be new chains focusing on healthy food and fitness services.

5. Women and immigrants

The number of women and immigrants among franchisees is growing.

6. Population aging

The aging of the population will bring new consumers with time. This also brings the potential to franchises. In addition, experienced entrepreneurs are a resource for chains.

7. The franchisor and franchisees are getting closer

Häyrinen anticipates that franchisors, i.e., chain managers and franchisees, i.e., entrepreneurs, will converge. This is due to the intensified competitive situation. The phenomenon is reflected in the increasing decision-making power of individual entrepreneurs in matters concerning the chain.

8. Funding changes

The tightened financial situation is reflected in the experimentation of new models for financing entrepreneurs. This is reflected, for example, in the fact that franchisors support their entrepreneurs in financial negotiations or even finance their own entrepreneurs.

9. Agreements

According to Häyrinen, agreements in franchising have become shorter and more precisely defined.

10. Technology

Technology also brings challenges to the franchising world. Social media brings challenges but also allows for more effective communication.

11. Loud entrepreneurs and former entrepreneurs

Social media allows for strong criticism if, for example, an entrepreneur or former entrepreneur feels that they have been mistreated. It is difficult to manage this situation. According to Häyrinen, it is worth trying to avoid situations through constant cooperation and communication between the parties.

12. Management

The management of the franchise chain is multi-level, with a lot of self-employed people and their employees involved. This puts pressure on the chain management, which, according to Häyrinen, must be able to sell its ideas to entrepreneurs instead of being instructed.

Source: (Yrittäjät 2015)

8 Conclusion

The United States is the largest single economy in the world and plays a significant role in the global economy as a whole. The trade relationship between Finland and the U.S. is good (U.S. Department of State 2019). Finnish society has long-term and comprehensive relations with the United States. The United States is one of Finland's most important economic partners. Exports to the United States have employed a large number of Finns. There has also been a significant transfer of technology from the United States to Finland. Economic relations with the United States will continue to be important for Finland's economic development (Research institute of Finnish Economy 2018).

Interaction extends to almost all areas: foreign and security policy, trade, services and investment, research and innovation cooperation, student exchanges and culture. Finland benefits from cooperation with a large and dynamic country. As a developed society, Finland also produces solutions and views that are of interest to the United States in many areas of business.

Relations between Finland and the United States are managed both through direct bilateral contacts and through cooperation between the EU and the United States (European Commission).

The best way to enter the Finnish market depends on the company entering and their industry, the risk they are willing to take and the knowledge they already have on the new market. The most common forms of market entry are exporting, licensing, partnering and acquisition.

9 Key Business Links

U.S. Commercial Service Finland

The U.S. Commercial Service Finland is located at the U.S. Embassy in Helsinki. The Commercial Service department offers assistance for companies in the U.S. looking to enter or expand their business in the Finnish market.

https://2016.export.gov/finland/

Finland Chamber of Commerce

Creates global networks and promotes trade. Works on a national level covering all 19 regions of Finland.

https://kauppakamari.fi/en/

Business Finland

Is an organization that connects international companies with the right contacts and assist with investment opportunities.

https://www.businessfinland.fi/en/do-business-with-finland/home/

Enterprise Europe Network

Enterprise Europe Network helps businesses innovate and grow internationally. The network has more than 3000 experts and over 600 member organizations in more than 60 countries worldwide.

https://een.ec.europa.eu

Finland Country Commercial Guide

The country commercial guide of Finland is a great place to find more information about Finland and its business possibilities.

https://www.export.gov/apex/article2?se-
ries=a0pt0000000PAtmAAG&type=Country_Commercial__kav

REFERENCES

Albaum, G., Strandskov, J., Duerr, E., Dowd, L. 1994. International Marketing and Export Management. Addison- Wesley, Cambridge. UK.

Albaum, G, Duerr, E & Strandskov, J 2005, International Marketing and Export Management, 5th edn, Pearson Education Limited, Harlow.

Albaum, G & Duerr, E. 2008. International Marketing and Export Management. 6th Edition. England: Prentice Hall, Financial Times Publishing.

Bea.gov. Direct investment by country. Web page. Read 09.01.2020. https://www.bea.gov/system/files/2018-07/fdici0718.pdf

Branch, AE 2006, Export Practice and Management, 5th edn, Thomson learning, London.

Buckley, PJ & Ghauri, PN 2002, The Internationalization of the firm, Thomson Learning, London.

Burger King. Information about Burger King. Web page. Read 08.04.2020. http://www.burgerking.fi/about-bk

Business Finland. Opportunities in the Finnish Market. Web page. Read 25.03.2020. https://www.businessfinland.fi/en/do-business-with-finland/invest-in-finland/business--opportunities/business-opportunities/

Business Finland. Setting up a business in Finland. Web page. Read 06.04.2020. https://www.businessfinland.fi/en/do-business-with-finland/work-in-finland/setting-up-a-business/

Cavusgil, S.T. & Ghauri, P.N. 1990. Doing business in developing countries: entry and negotiation strategies. Routledge. London & New York.

Cavusgil, S.T., Knight, G. & Riesenberger, J.R. 2012. International Business – The New Realities. 2nd Edition. Pearson. Upper Saddle River.

Central Intelligence Agency. World Factbook. Read 02.02.2020.
https://www.worldbank.org/en/country/finland/overview

Child, D. Faulkner, S. Tallman 2005. Cooperative strategy: Managing alliances, networks, and joint ventures OUP, Oxford.

COGECA (2010): Agricultural Cooperatives in Europe, Main Issues and Trends. COGECA, Brissels.

Export.gov. Finland Country Commercial Guide. Web page. Read 20.12.2019
https://www.export.gov/apex/article2?series=a0pt0000000PAtmAAG&type=Country_Commercial__kav

Faulkner, D.O .1995. International Strategic alliances: Co-operating to compete. Maidenhead. McGraw-Hill.

Finnish Tax Administration (Vero). Starting a business in Finland. Web page. Read 23.03.2020.
https://www.vero.fi/yritykset-ja-yhteisot/tietoa-yritysverotuksesta/ulkomainen_yritys_suomessa/

Foley F. The Global Entrepreneur. 2nd Edition. Dearborn Financial Publishing

Ghauri, P., Lutz, C. and Tedfom, G. (2003), "Using networks to solve export-marketing problems of small- and medium-sized firms from developing countries", European Journal of Marketing, Vol. 37 Nos 5/6, pp. 728-752.

Hollensen, S. 1998. Global marketing: A Market-response Approach. Hertfordshire. Prentice Hall.

Hollensen, S. 2004. Global Marketing- a decision-oriented approach. 3rd Edition. England: Prentice Hall, Financial Times Publishing.

International Monetary Fund. Country Data. Web page. Read 12.01.2020
https://www.imf.org/en/Countries/FIN

Johanson, J & Vahlne, JE 1990, 'The mechanism of internationalization', International Marketing Review, vol. 7, no. 4.

Johanson, J & Wiedersheim, PF 1975, 'The Internalization of the Firm: Four Swedish Cases', Journal of Management Studies, vol. 12, no. 3, 305 - 322.

Johnson, D & Turner, C 2003, International Business: Themes and issues in the modern global economy, Routledge, Great Britain.

Kauppalehti. Restel and Burger King Franchise. Web page. Read 08.04.2020. https://www.kauppalehti.fi/uutiset/burger-king-aluksi-restelin-kasissa/9dc938b8-faa4-39d9-aa2b-3cfd0450b6c3

Kotler, P. & Keller, K. L. 2009. Marketing Management. 13th Edition. Upper Sanddle River. Pearson Education, Inc.

Luostarinen, R, Welch, L 1997, International Business Operations, 3rd print, Kyr-iiri Oy, Finland.

Ministry of Foreign Affairs of Finland. Europe legislation. Web page. Read 06.04.2020 https://eurooppatiedotus.fi/suomi-ja-eu/eu-lakien-suhde-suomen-lakiin/

OECD. Foreign Direct Investment. Web page. Read 11.01.2020. https://data.oecd.org/fdi/fdi-flows.htm

Parliament. Finnish Administration. Web page. Read 12.01.2020. https://www.eduskunta.fi/fi/Sivut/default.aspx

Restel. Company web page. Web page. Read 09.04.2020. https://www.restel.fi

Root, F.R. 1994. Entry Strategies for International Markets. Lexington: Lexington Books Publishing.

SelectUSA. Exporting Strategies. Web page. Read 14.01.2020. https://www.selectusa.gov/article?id=Direct-Exporting

Statistics Finland. Foreign Affiliates in Finland. Web page. Read 28.02.2020. https://www.tilastokeskus.fi/til/ulkoy/index_en.html

Statistics Finland. General Data. Web page. Read 28.02.2020 http://www.stat.fi/tup/suoluk/suoluk_ulkomaat_en.html

The Finnish Franchising Association. Information about franchising in Finland. Web page. Read 06.04.2020.
https://www.franchising.fi/in-english

Webster, E. 1999. The Economics of Intangible Investment, Edward Elgar, Cheltenham.

World Bank. Finland Country Overview. Read 25.01.2020.
https://www.worldbank.org/en/country/finland/overview

Yrittäjät. The trends of franchising in Finland. Web page. Read 08.04.2020.
https://www.yrittajat.fi/uutiset/496810-franchisingin-suuret-trendit-burger-king-karjessa#d0b56dcd