Rohit Sharma and Rajesh Upreti

INTERNATIONAL BUSINESS FINANCE

Two cases of foreign direct investments

Thesis
CENTRIA UNIVERSITY OF APPLIED SCIENCES
Business Administration
May 2020

ABSTRACT

Centria University of Applied Sciences	Date	Author/s
	May 2020	Rohit Sharma and Rajesh Upreti

Degree programme
Business Administration

Name of thesis
INTERNATIONAL BUSINESS FINANCE. Two Cases of foreign direct investments

Language Instructor	Pages
Sandor Kovács	43

Supervisor
Katarina Broman

The purpose of this thesis was to find the best way of doing business on global platforms. Foreign investment is one of the main tools to attract global economic integration in any economy. It acts as a bridge between investment and savings. The authors aimed to show the challenges, opportunities, and risks in international trade.

The theoretical framework of this research examined the circumstances of the international business environment, foreign investment, and its types. In this research work, the authors analyzed and reviewed the literature on capital movements under direct foreign investment. The existence of a positive influence on the economy of the country where these substitutions introduced should lead to an improvement in overall GDP and an increase in national production. The same goes for economic development and people's living standard. The main goal is to give a general idea of international trade while simultaneously presenting, analysing, and describing the human side of international trade.

This thesis concluded that business organizations and governments around the world should know about international aspects of governance. Moreover, the authors discussed how a business organization could enter global markets. In conclusion, it is suggested that companies should consider various risks and opportunities before embarking on their internationalization activities.

Key words

business environment, foreign direct investment, international business, investment, risk

CONCEPT DEFINITIONS

CAPM	Capital Assets Pricing Model
ETF	Exchange Trading Form
FDI	Foreign Direct Investment
FII	Foreign Indirect Investment
FMAGX	Fidelity Investment´s Magellan Funds
FPI	Foreign Portfolio Investment
GATT	General Agreement on Tariffs and Trade
GNP	Gross National Product
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
MNC	Multinational Corporation
MNE	Multinational Enterprise
MPT	Modern Portfolio Theory
NBER	National Bureau of Economic Research
NGO	Non-Government Organization
OECD	Organization for Economic Co-operation and Development
OTC	Over the Counter
PMPT	Post Modern Portfolio Theory
REIT	Real Estate Investment Trust
SMF	Students Managed Fund
WTO	World Trade Organization

ABSTRACT

CONCEPT DEFINITIONS

CONTENTS

FIGURES

TABLE

1 INTRODUCTION

This thesis is the study of managing money or finance on global business. It is concerned with foreign currency exchange rates, the monetary system of the world, and foreign direct investment (FDI). Generally, in international business goods are exchanged between the countries and traded with several foreign currencies. Business organizations operate their business through branches, joint ventures, and franchises. International business is one of the significant factors to affect the growth and prosperity of the nations and globalization magnifies the importance of international trade. The World Bank, the International Monetary Fund (IMF), the International Finance Corporation (IFC), and the National Bureau of Economic Research (NBER) are the global financial organizations that play roles as a mediator to resolve the international financial disputes.

Although the global marketplace is interconnected and reachable, the risk involved in doing business on an international platform is equally complicated. Opening a new project or expanding business means reaching a new market and to a new client, which helps to boost the profit level. The problem exists for both the private and institutional investor in the stock market. Lack of market knowledge, stock market crash, poor investment skills, high market volatility, and loss of money are common problems faced by investors. Besides these, the lack of trading investment knowledge is the most common issue that leads people to wrong decisions and loss.

The main aim of this thesis is to find out the alternatives to invest money in the international market. Every investment product has its risks and returns. This research helps the reader to understand whether the situation is right for investment or not in foreign markets. It is challenging to invest a considerable amount in starting a business or involved in overseas trade, but investors can capitalize by purchasing the stocks or shares or bonds of a company that already has international markets. The authors hope this research can encourage people to invest money in the global market, and it also shows the procedures, risks, and difficulties. Similarly, the authors have been exploring how an individual can get involved in the worldwide market by investing his money.

The purpose of selecting this topic is to research why do firms become international and want to invest the money in foreign markets and what is the international monetary system. It includes the definition of global or multinational business and the fundamentals of multinational finance. This thesis analyzes the different risks and opportunities in international trade. It also gives benefits to other investment

sectors and institutions. Hence, the authors will discuss the primary purpose of identifying factors that influence foreign investors in choice of their investment products and guide when, where, and how to select the investing platforms. Furthermore, the authors are going to find out the answers to the following questions.

1. How can an individual or organization be involved in foreign investment?
2. What are the environmental factors that affect international business?
3. What are the potential risks, opportunities, actors, and crises engaged in international business?
4. What is the role of decision making in an international business organization?
5. What are the factors that influence foreign direct investment?

The authors will write the thesis together. Firstly, they prepare the content together after researching several books, relevant internet sites, journals, e-books, and other related articles. Regarding the division of work, the authors divided the chapters equally. Most of the time, the authors researched and brainstormed ideas together. Notably, sections 2, 3, and 8 were completed by Rajesh Upreti and chapters 4, 5, 6, and 7 were completed by Rohit Sharma. The remaining chapters 1 and 9 were written together.

This thesis has been split into nine chapters, and the first chapters present the introduction, which explains the objective of the study, background, aims, and purpose to choose the topics. Chapters 2 and 3 define investments, investment products, investment types, and international business environments. Likewise, chapters 4, 5, and 6 are the study of risk, opportunity, crises involved in international business, investment theories, and actors in the field of foreign investment, respectively. Chapters 7 and 8 are case studies on Foreign direct investment in Finland and about HMD Global. The authors jointly wrote conclusion and discussions.

2 INVESTMENT: DEFINITION, PRODUCTS, AND TYPE

Investment means to finance money in financial assets and profitable assets (Hiriyappa 2008, 2). Investing is an asset acquired with the object of creating profit. From an economic point of view, investment is the purchase of goods that are not consumed today but, in the future, to generate profit. Investments include the purchase of bonds, stocks, real estate and so on. Furthermore, constructed buildings and other facilities used to produce goods are also an investment. If investors take any action hoping to get future returns also considered as an investment. Investment is oriented towards future expansion or profit, but it is not sure that every investment makes a profit; it is associated with risk. Most investments generate revenue as appreciation, dividend, or interest payments. (Chen 2019.)

An investment can be classified into physical and financial investment. A physical investment means when an investor invests money into houses, lands, buildings, gold, silver, or other precious assets. Financial investment can be further classified into marketable and transferable investment and non-marketable investments. Investment in shares, debenture of public limited companies, bonds and government securities come under marketable and transferable investment. Likewise, provident fund, pension fund, bank deposit, insurance certificates, post office deposits and private company share are the example of non-marketable investments. (Hiriyappa 2008, 8-9.)

Many factors influence investments. Legal safeguard is one factor that encourages the accumulation of savings and investments. Investors constantly demand the protection of their property right from the government. Stable currency policy realistically is the next factor that the investors require, whereas both the price inflation and deflation are risky for investors. The independent existence of financial institutions namely commercial banks, life insurance companies, private investment companies encourages the saving and effective utilization of investment via investment markets. Similarly, another factor is the form of business organization. Sole trading concern, company, and partnership firm are popular forms of business organization. A public limited company is the best form of business organization for investment. It is more popular because of its features which are the limited liability of shareholders, perpetual life and transferability, and divisibility of stock and shares. (Hiriyappa 2008, 12-14.)

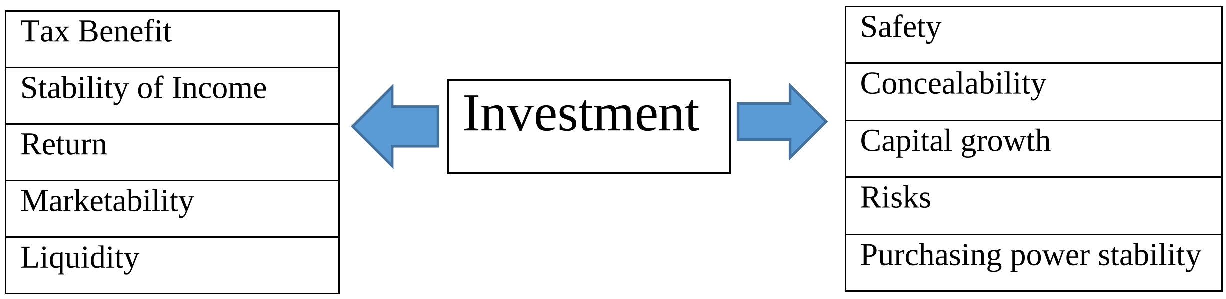

FIGURE 1. Characteristics of investment. (Adapted from Hiriyappa 2008, 3)

In the above figure, there are some features of investment. Tax benefit is one of the prominent features where the investors consider an investment and the burden of taxation on remunerations. Likewise, investors always consider the constant return from capital investment and a high rate of return. Marketability refers to the transferability of assets or buying and selling of securities in the marketplace. Securities listed in a stock market are more marketable than which are not listed in the stock market. Liquidity indicates an investment ready to change into cash immediately. Every investor wants the safety of their funds. They can buy a government bond for more safety about capital. Investors choose the established industry and invest in the stock at the right time for capital appreciation. (Hiriyappa 2008, 3-5.)

2.1 Investment products

Investment products are the products offered to the person or institution based on an underlying security that is purchased with the expectation of earning a good return. Investment products are absolute terms for all the bonds, stocks, mutual funds, and other financial instruments used to invest money. The types of investment products might be different for individuals and institutional investors. There are two standard classifications for investment products that are income distribution and capital appreciation. Those investors who purchase stocks or shares are hoping for capital appreciation. Fixed interest investment bonds offer investors set interest or capital distribution. (Chen 2019.)

2.1.1 Stocks

Stocks comprise a share of the company that can be purchased by investors from a public company. Stocks are also called equities. Stockholders mean retaining some ownership in the company. The company either gains or lose, naturally depending on the key performance of the company. It is not sure the shareholder gets profits. Generally, the company issues share to expand the company, paying off debts or buying assets namely building, plant and machines and launching new products. The stockholder also has voting rights depending on the types of stocks purchased to elect the board of directors. The company pays the dividend to their shareholders, who are the parts of company profits. Usually, dividends are paid quarterly, but the company can also issue dividend monthly, semi-annually, or annually. (Miller 2020.)

Profits can be fixed or variable, which can be provided in a specific form of cash or additional shares. If a firm generously pays a fixed profit, the shareholders will no doubt receive the same percentage or the same amount each time the profit is paid. But, if the organization is releasing the variable dividends, the dividend will be totally dependent on the organization's performance i.e. the investors will receive a higher number of dividends is company is in profit or vice-versa. (Miller 2020.)

Companies issue a variety of stock on the basics of ownership rights that a shareholder owns which are generally of two types i.e. common stock and preferred stock. Common stock is issued rather not needed preferred stock. The common stockholder typically receives voting rights, one vote per share is properly used to elect board members whereas preferred stockholders do not have that right. Preferred stocks come with the fixed dividend payment when common stockholders may or may not get dividends as common stockholders get variable dividends. If the company declares bankruptcy, preferred stockholders need to prioritize and paid first by the company and then the common stockholders. (Miller 2020.)

2.1.2 Bonds

Bonds refer to fixed-income security issued by a corporation, government, and other organizations. A bondholder is a stakeholder in the business but not an owner of the company. Investors are entitled to the interest that is promised to pay along with the principal at the maturity period. The amount of interest paid by the company to the investors is called a coupon, which often is paid quarterly. Bondholder does not share in the profits of the firm. The bond may be secured and unsecured. An unsecured bond referred to a debenture, which is not backed by an asset. A secured bond is backed by specific assets. If the

secured bond issuer cannot pay the interest owed or principal amount, the investors have the right to claim the assets of the company. (Parameswaran 2011, 167). Most bonds are traded over the counter (OTC) through electronic markets. Many brokers charge a higher commission for the bond to individual investors. We can often buy bonds through brokers' websites or call with the bond's unique ID number, which is known as CUSIP number, to place a sell or purchase order.

2.1.3 Mutual funds

Mutual funds are types of investment products that collect capital from many investors to invest in several securities that include stocks, bonds, money markets and other resources. Mutual funds offer small investors access to professionally managed portfolios of stocks, bonds, and other securities that are managed by professional money managers. Mutual funds charge an annual fee and charge commission under some circumstances. The price of mutual funds is net asset value (NAV) per share. Mutual fund shareholders do not have voting rights and have a unique feature. A share of a mutual fund represents investments in many other stocks or securities instead of just one holding.

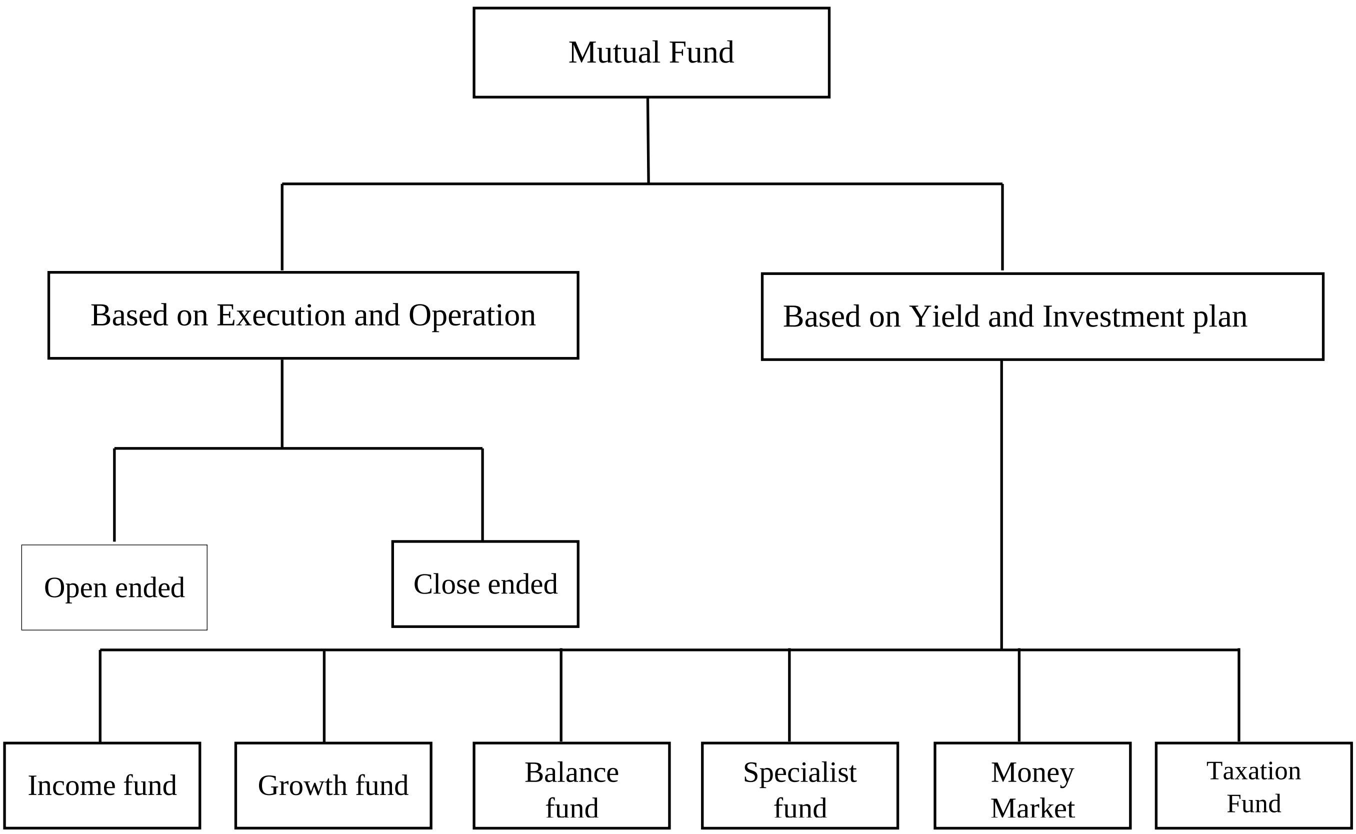

FIGURE 2. Types of mutual funds. (Adapted from Hiriyappa 2008, 93)

Under close ended funds scheme, the subscription open for investors only for a limited period usually is one month to three months. When the target is reached or the subscription period is over, investors are not allowed to withdraw investment at their will. It is just the opposite for the open-ended funds, investors are permitted to withdraw and buy funds at any time. Open ended funds are not listed in the secondary market whereas close ended funds are listed. Income funds mainly aim at the distribution of steady income in terms of dividends. Growth funds aim to give investors maximum capital appreciation that is not offered in regular income. Balance funds include a unique combination of both income and growth funds which aim at equitably distributing regular income and capital appreciation. Specialized funds offer special schemes to address the specific need for distinct categories of people. To compare, money markets mutual funds have all the features of open-ended funds, but these funds invest in highly liquid and safe securities i.e. commercial paper, bankers' acceptance, certificates of deposits, and treasury bills. (Hiriyappa 2008, 93-96.)

Mutual funds are categorized based on securities of various funds i.e. equity funds, fixed-income funds, index funds, balanced funds, money markets funds, income funds, global funds, specialty funds, and exchange-traded funds. The most famous mutual fund in the investment world is Fidelity Investment´s Magellan Funds (FMAGX) commenced in 1963. (Hayes 2019.)

2.2 Foreign investments and types

Foreign investment entails investment flow from one country to another, providing extensive ownership stakes in local companies and assets. In this type of investment, the foreign investor has an active role in management. Foreign investments can be made by an individual but mostly big firms and corporations with substantial assets do the investment to enlarge their reach. (Chen 2020a.) The core driver of the globalization of economics is foreign investment. This chapter divides the foreign investments mainly into two types i.e. foreign direct investment and foreign portfolio or (FII) foreign indirect investments.

2.2.1 Foreign direct investments

Foreign direct investment (FDI) is a type of investment where the multinational enterprise (MNE) invests directly in production or other services over which it has effective control in a host country. (Johnson & Turner 2003, 195). It is a physical investment and purchases made by a business company together with

buying the building, machines, factories, and installation of plants in a foreign country. This investment is considered a long-term investment, and it helps to grow the foreign economy. (Chen 2020a.)

2.2.2 Foreign indirect investments

Foreign indirect investment is undertaken by individuals, institutions, and public bodies in a foreign country. The foreign indirect investor does not have control over the assets. (Johnson &Turner 2003, 189.) As it is a short-term investment, and the domestic company can sell its assets or investments very quickly. This investment also referred to as foreign portfolio investment (FPI). (Chen 2020a.)

FDI is an investment made by a firm or an individual situated in one country with the business purpose in another country. It may be in the form of a subsidiary company, merger, joint venture, associate company, or others. Usually, in this type of investment company, they do share not only capital but also technology, management, processes. (Borad 2019.)

FDI also has its advantage and disadvantage. Some customers of the host country prefer to buy the products made in their own country that helps the company to get more market. The purchase manager of the company prefers to buy the product from the home country rather than importing because of faster services, quality dependability, and better communication. It also has foreign exchange risks and political risks as other modes of international business. (Rao 2010, 62.)

2.2.3 Commercial loans and official flows

Commercial loans and official flows are two additional types of foreign investments. Generally, commercial loans are in the form of bank loans that are released by a local bank to the foreign countries or government of the foreign countries. The commercial loan was the most significant funds of foreign investment until the 1980s all over the developing countries. Following this period, FDI and FII increased substantially around the world. Official flow refers to the different forms of developmental funding that developed or developing nations are given by a domestic country. (Chen 2020a.)

2.3 Student-managed investment fund and its challenges

A student-managed investment fund (SMIF) is an investment organization. In many ways, it resembles a real investment firm, as it often serves the same purpose. For a SMIF that manages a mandate from the university’s endowment fund, the student-managed investment fund plays the same role as the other investment manager's endowment fund. SMIF is challenged to conduct its business by the standards agreed upon by the investment fund. Most SMIFs aim to enhance finance and investment education through practical, hands-on experience that comes with managing a real portfolio. Students outside of professional school can bring new perspectives and unique capabilities that contribute to both portfolio management and firm value. For example, engineering majors can make relevant contributions to research on materials or industrial companies. In contrast, biochemistry majors can have a valuable perspective for understanding aspects of biotechnology, pharmaceuticals, or other health care. The student's managed venture gives support to the learning environment in the same way as research facility tests. (Bruce and Greene 2013 63.)

A student managed investment fund could be a pool of genuine cash that is overseen by undergraduate or graduate students. The student should choose how the money has contributed in a few cases, and this duty covers all perspectives of the venture handle, counting resources assignment, security choice, execution and exchanging, and observing and announcing (Bruce and Greene 2013, 2.)

Students managed funds (SMFs), which are collected almost exclusively of common stock, offer unique educational opportunities for business students. In the typical SMF, students select stocks and manage a real portfolio, gaining practical money management experience. The popularity of SMFs is not amazing given that students benefit from this form of practical, experimental learning. Students in SMFs generally develop a solid understanding of the equities market and the techniques of fundamental common stock analysis. Another important benefit for students participating in the SMF is increased interaction with members of the advisory board who are typically affiliated with the local investment community (Krause 2006,365.)

Nowadays, we have seen that many financial institutions are providing mutual funds and equity savings for individuals and students. Mainly, the banks are offering them who would like to make savings and earn desired profits. For example, in Finland Nordea Bank, Danske Bank, OP banks are the financial institutions that provide these investment tools. Generally, the fund usually refers to saving and

investment products that consist of securities and fixed-income investments. A return on investments can be dividends, interest, and value rise and declines of the funds. (Thomas 2019.)

Establishing a fixed income student-managed fund is significantly more challenging than an equity fund for several reasons. The major explanation is purely financial, and it has been estimated that the threshold level for establishing a meaningful training program in fixed income management is costly. Creating a portfolio of individual bonds has other drawbacks including high trading expenses, limited diversification, increased management, recordkeeping costs and sophistication of the market (Krause 2006,365.)

3 INTERNATIONAL BUSINESS ENVIRONMENT

The international business environment refers to the elements that enclose the international business or the factors that affect the multinational corporation and transactional companies. (Rao 2010, 35). Business environment factors broadly divided into two key elements, i.e., internal environment factors and external environmental factors. Internal environment factors contain human resources management, trade unions, organization structure, financial management, marketing management, and production management. The external environment is further divided into two components: micro and macro elements. Micro external factors include competitors, buyers, suppliers, raw materials, financiers, shareholders, and other participants of the company while external macro-environmental factors consist of technological factors, socio-cultural factors, political factors, economic factors, natural factors, and international factors.

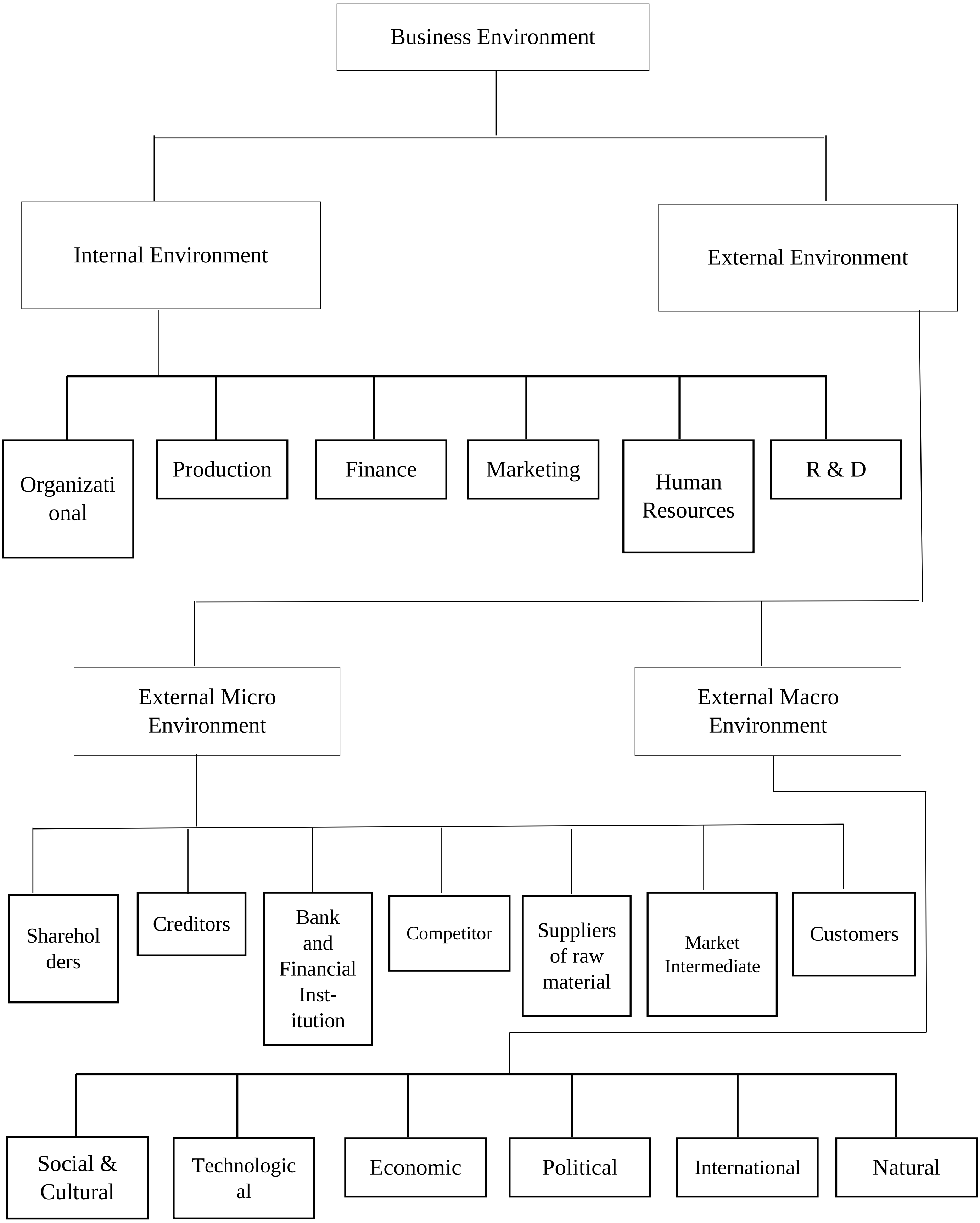

FIGURE 3. International business environment. (Adapted from Rao 2010, 36)

3.1 Social and cultural environment

Social and cultural factors incorporate an attitude of individuals to work, approach to wealth, religion, family, marriage, education, ethics, and human relations that influence the worldwide trade. Culture is the behavior of individuals who learn from their ancestors, customs, habits, beliefs, values, which connect them in the society. For example, drinking liquor is strictly forbidden within the Muslim and Hindu communities. Cultural negotiations to influence the business, social arrangement, and the trade. Religious beliefs may influence trade thus business need to produce goods after studying individual demands that imply human behavior impacts on trade. Communication too plays a noteworthy part in doing trade in a foreign nation. MNCs sell their products in a foreign nation to make profit and reach their financial goals. (Rao 2010, 38-53.)

An international company must be empathetic while doing business in foreign countries. Initially, the company should determine what business practices in a foreign country vary from those it is used to. Next management can decide what is necessary for the adjustments abroad. Most western countries possess individualistic cultures, while eastern countries like Japan, China have a collectivist culture. Motivation can generate enormous differences in influencing business, i.e. motivated workers are more productive than demotivated workers. High productivity reduces the cost of the product—likewise, individualism versus collectivism affects marketing and productivity as the degree of individualism and collectivism influences how employees interact with their colleagues. (Venkateswaran 2012, 47-52.)

3.2 Technological environment

The technological environment plays significant role in international business as technology changes society, economy, and politics too. Technology influences the quality of life and the ways people interact. Most international companies invest a lot of budget for research and development. Innovation is a useful adaptation of science and technology. For example, Japan concentrates production of the automobile, steel, telecommunication, and microelectronics while Germany focuses on innovation in chemicals, pharmaceuticals, and medical instruments, and Italy concentrates on innovation in textiles and leathers. (Rao 2010, 54-57.)

International business activities moreover offer to transfer the technology from developed countries to the developing countries that influence the business as well. Multinational companies bring new

products, processes, and techniques to the host countries. Hence, the host nations welcome MNCs to bring innovative technology and products. While doing business in other countries, the multinational company must learn the technology adopted by the host countries. If the technology is not compatible, then the MNCs should select the appropriate technology, inclusive of taste and preference. Because of revolutionary technology, multinational companies produce large numbers of products at a reasonable cost. They need to consider an emerging market to sell their products. In this manner, technology is one of the significant factors of globalization. (Rao 2010, 58-59.)

3.3 Economic environment

The economic environment of different countries directly affects international business. The global economy has undergone a sea change after 1990. The establishment of WTO, development of global business houses, global competitors result revolution in international business. The economic system directly influences the business. There are broadly three types of economic policy, i.e., capitalism, communism, and mixed. (Rao 2010, 59-60.) In capitalism, the right of the customer to determine what to purchase and sovereignty for companies to run on the market. Demand and supply determine the prices. (Venkateswaran 2012, 61.)

Here in economic system, the government owns all the resources. The government sets an objective for every business enterprise, and the government decides how much, and for whom to produce. In a mixed economy, the significant component of the production and distribution are owned, controlled, and managed by the state. The World Bank categorized the countries into four groups as per capita GNP. They are as follows:

1. Low-income countries
2. Lower-middle-income countries
3. Upper–middle income countries
4. High-income countries

Those countries which come under different categories directly affect the business. Every state has varied per capita GNP. Before doing business in a foreign country, we must consider their purchasing power and their market. The multinational company should not invest money in such a country where there is a civil war, political instability, and economic deprivation. The population on top plays a

significant role in international business. Densely populated countries are suitable for more income generation and for selling more products. (Rao 2010, 62-66.)

3.4 Political environment

The political thinking and the country's government are unstable that leads many problems for international business or companies in the execution of proper steps for external markets. The countries like Iraq, Honduras, and Syria, where there is political unrest and civil war, those environments are unfavorable to the foreign company and their investments. Political ideology is the body of complex ideas, concepts, and objectives that constitute a socio-political system. Political philosophy within the same nation contrasts commonly due to the difference in culture, ethnics groups, tribal groups, religious groups, economic groups, and community groups. These contrasts may lead to divide numerous political parties which are extremely challenging to articulate the company's interest in multi-parties' political framework. The USA and Canada decentralize political power to the provincial government to attract international business. It is simple to deal with the countries where there is centralized political power like India, France, and Japan. (Rao 2010, 70-71.)

A country's political framework influences businesses that are conducted locally and globally. A significant challenge of the political system is to bring all together people of unique backgrounds, or ethnicities and permit them to work together and manage them (Venkateswaran 2012, 54). (Rao 2010, 72-74.)

4 RISK, OPPORTUNITY, AND CRISES INVOLVED IN INTERNATIONAL BUSINESS

International business entails more opportunities, but equally involves more significant risks. The fundamental meaning could be the possibility of loss because of any critical event in business operation. Every business has its risks and opportunities. Bankers, insurers, accountants, and lawyers should also be able to give knowledgeable advice about the threats that may face by global market.

4.1 Risks and opportunity in international business

Risk is like the chances of having unexpected action or activity that leads to loss of any type. Risk indicates uncertainties and unexpected events in the business which are beyond the control. Many companies reduce risk or uncertainty by insuring, although insuring against non-convertibility of funds is considered costly (Venkateswara 2012,245). Before following the techniques to control risk and perform risk management, it is essential to realize what chance is and what the threats are and what are the probable risk factors. The investments required in international business are subjected to unknown risks.

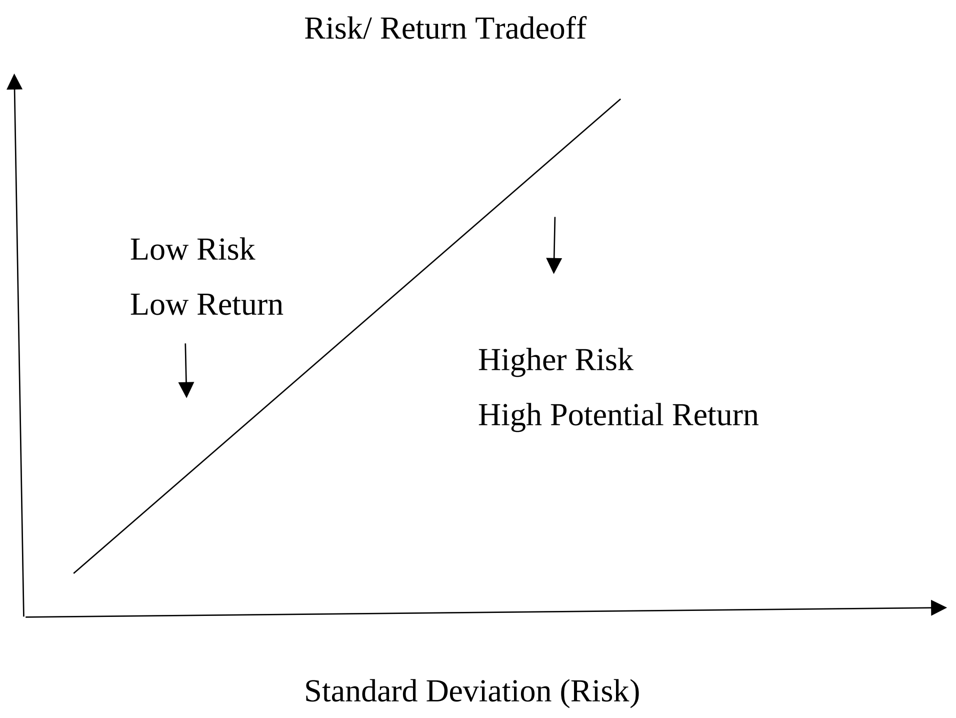

FIGURE 4. Risk or Return Tradeoff (Adapted from Investopedia 2020)

The above figure shows a visual representation of the risk or returns tradeoff for investing. A higher standard deviation means higher risks and higher returns. We should keep in mind that higher risks do not automatically compare to higher yields. The risk-return tradeoff merely signifies that higher risk investment has the chances of higher returns, but there is no assurance. (Chen 2020c.)

The risks involved in finance are discussed in the following subchapters.

4.1.1 Currency Volatility

The key problem for foreign investors is currency volatility. If investors are investing directly in the foreign market, they must exchange their local currency (Euro for European investors) at the current exchange rate to buy foreign stocks. If investors hold and sell foreign shares for one year, they must convert the foreign currency into Euros at the prevailing exchange rate after one year. Uncertainty about the future exchange rate scares many investors. Since the significant part of investors foreign stocks returns is affected by the currency returns, investors investing internationally should try to eradicate the risk. The only way to reduce the risk of this currency is simply hedge investor currency exposure. However, many foreign investors do not know how to hedge currency risks or the products they use. There are tools especially currency futures, options and forwards that can be used to hedge this risk, but these products are usually too complicated for the average investor. Alternatively, one of the easiest tools for the average investor to hedge currency exposures is the currency ETF. This is due to its excellent liquidity, accessibility, and relative simplicity (Nguyen 2018.)

4.1.2 Operational risk

When the company enters the operation mode, the risks associated with this phase are due to inadequate or failed procedures, systems or policies, employee errors, system failure, fraud or other criminal activity, or any event that disrupts business processes. Operational risk focuses on the task performed within the organization and not necessarily on the things that generated or inherent in the industry. Accordingly, a company must be conscious of the production costs not to waste time and money. These risks are often associated with the decision of the organization works and whether it prioritizes it. While the risks of failure, low productivity, or overall high prices are not guaranteed, they are viewed as high or low due to various internal management decisions. Furthermore, if the expenditures and costs

controlled, it would produce an efficient production and help the internationalization. Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems or policies, employee errors, system failure, fraud or other criminal activity, or any event that disrupts business processes. (Segal 2019.)

4.1.3 Political risk

The term political risk means the possibilities that political choices and occasions in a nation will influence the trade climate where the financial specialists will lose cash or not able to earn that much profit as they expected when the investment was considered (Venkateshwara 2012, 140). Once the organization or business has been set up in the international market, it is positively influenced by the government of that country. Therefore, global trade extremely depends on the government that governs the land. Accordingly, a company's reputation and standard can change if it operates in a country controlled by that government that is corrupt and biased. An unstable political situation involves a risk for multinational firms. Any unexpected political event can transform a country's situation and put a firm in an awkward position. Political chances are the likelihood that political forces will cause drastic changes in a country's business environment that hurt the profit and other goals of a business enterprise. (Filipe, Ferreira, Coelho & Moura 2012.)

Furthermore, the incoming governments, after the elections, may change the contracts made by the previous governments. This may take place where there are allegations of corruption in the making of the arrangements. Political risk is higher in countries experiencing social unrest. When the political risk is high, there is a high probability that a change will occur in the country's political environment that will endanger foreign firms there. (Filipe, Ferreira, Coelho & Moura 2012.)

4.1.4 Market risk

Market risk is the possibility that an investor will suffer losses due to factors that affect the overall performance of the financial market. The most common types of market risk are interest risk, equity risk, currency risk and commodity risk. Market risk, also a systematic risk that diversification eliminates, although it can be protected in other ways. Example of market risks include political instability, interest rate changes, natural disasters, terrorist attacks and pandemics. Market risk is directly related to the

performance of a particular security and can be protected from diversifying investments. An example of an unsystematic risk is a company that registers for bankruptcy that makes the whole investment worthless. (Chen 2020d)

4.1.5 Inflation

Inflation is a continual increase in the general price level of the national economy, measured at either the retail or wholesale level. The rate of annual change in this price level, usually expressed as an index, is inflation. Natural disasters / Pandemic that severely affect the economy of the host country may pose a threat to international investment. Inflation also changes currency exchange rates and the global balance of payment accounts. Inequity in significant income through changes in demand can lead to transformations in commodity trade and foreign exchange, but these are not inflationary trends. People who have cash may not like inflation because it declines the value of the money they hold. Ideally, optimum level of inflation is required to increase spending to some extent, rather than saving, which will lead to economic growth. (Chen 2020b.)

4.2 Opportunity

Investors contribute their money to corporations in many terms to maximize their profits. They are in terms of equity, preferences and debenture shares, non-marketable financial assets, fixed deposit in companies, provident plans, bank deposits, real estate, business, money market instruments, saving and deposit, mutual fund, gold, currency market and so on, which are known as investment opportunities. (Hiriyappa 2008, 48.)

The strategy, which serve as the basis for companies to sell their products and services outside the domestic market, is called the international strategy. Organizations are trying to follow this international strategy because they can gain potential market opportunities. Operations in national and international markets maximize revenue and provides opportunities for international diversification to extend the product life cycle. Industries i.e. clothing, electronics, minerals, and energy have expanded their activities in foreign countries to reduce costs. For multiple industries, large investments are required to minimizing costs compared to meeting domestic demand. International businesses help to culture and familiar trends, so companies can gain a large market share and provides opportunities for global

communication. Factors unlike currency fluctuations forces companies to distribute their operations in various countries leads in minimization of risks associated with devaluation in one country. (Trivikram 2016.)

Global markets, both for ideas and outputs and financial resources, have brought several changes and challenges. Corporate management must adapt them to the new sources of fund flows and inter-linkages between markets, at the national and international levels. They must review their policies and undergo a profound conversion to experience the novel challenges and chances. They must come out of the defensive shells and experience the competition worldwide. (Avadhani 2010, 48.)

4.3 International business and the crises

International business is the key source that contributes to the economic growth and development of many countries. MNCs dominate foreign trade, even by employing a minority of the labour force. Usually, multinational companies are the driving force behind business investments in most of the countries. This signifies that amount of investment determines the economic development, increase in employment, advance technology, and modern economic infrastructure. In 2008 economic crisis, multinational companies were key factor by which the financial crisis became a generalized economic crisis. However, the way in which these kinds of mechanisms work is not the same due to changes that happened in the financial system annually. (Toporowski 2008, 132.)

Most of the business sectors and industries were affected by the global economic crisis which parallelly affected the international businesses as well. The economic condition was so poor that many multinational businesses put on hold the extension plan. Businesses cannot sustain on declining global trade if exports are falling and imports are replaced by the domestic utilization. Eventually, this resulted in the economies of the international businesses in threat. (Juneja 2015.)

The other aspect of the global economic crisis on business was because of mainly two reasons; many multinational businesses were having passive growth in the emerging markets, and another reason is their business in home countries was in a downward direction. This illustrates they could have covered the growth in home countries by expanding businesses in emerging markets. To achieve such business goal, the national economy must restrict imports by imposing more tariffs and replacing imports by

enhancing domestic products. This is the kind of economic strategy that counter the spirit of globalization. Eventually, this results into reducing multinational business activities. (Juneja 2015.)

To take control of these types of business issues, international businesses used reserved cash to buy local companies. This result in the control of international businesses over local economy directly. They had to apply different strategies because international businesses were not welcomed earlier in the emerging markets. Thus, international businesses bought stakes in home country businesses which leads to the return of value in the process. In such kind of business crises, having enough cash fund is the most important key to sustain. Thus, in recent years, it has been observed that those international businesses that focused on their core business values and sustained through business crises, they are making profit. However, those international businesses that pulled out from business crises, are continuously facing downward economic activities. Thus, businesses having solid fundamentals are the ones that would survive in such event of international business crises. (Juneja 2015.)

However, after the global business crisis, market experts and investors have come up with growth measurement of international business called Baltic Shipping Index. This measure is based on the shipping activity done by international businesses in the global trade market. This index gives information about international businesses status in the global economy. If the index is in the lower end of the scale, that means the international businesses are going through a tough economic situation. In addition to that, manufacturing, retail, and services activity are also on the lower level of economic activity. Thus, it indicated that investors are required to consider thoroughly to invest in the multinational businesses. (Juneja 2015.)

5 PORTFOLIO THEORIES

The main reason of the financial investing companies was enormously active to approach employees besides individuals to instruct the peoples for the advantages of investment. The American Association of Individual Investors (AAII) has suggested that if one is going investing, an individual wants to create or advance a cash reserve that will cover the low risk. Also, selecting a mutual reserve that matches the final strategy can help to think about what the minimum initial investment is. Once the initial investment has been fulfilled, build a portfolio by choosing a balanced fund for those that invest less aggressively, and choose a wider-based index for those that invest more aggressively. It should examine the extent and risk of commitment concerning each of the securities market segments to determine if the fund increases (Saleem press 2014, 12).

5.1 Modern portfolio theory

Modern portfolio theory (MPT) is a philosophy on how risk-bearing investors can construct portfolios to optimize the expected rate of return based on a given risky market, emphasizing that risk is an inherent a part of more significant reward (Investopedia). AAII believes MPT represents the standard approach to investment and portfolio management today for independent investors. The link between risk and return formulates the speculation of investment. However, modern portfolio theory combined the equation to determine the situation that can approach investment opportunities for the significant purpose of generating money (Saleem press 2014, 15).

MPT theory introduced by Harry Markowitz, an economist and professor in his paper ¨Portfolio Selection¨ published in 1952. It provides an opportunity for investors to use diversification to maximize the potential of the portfolio. Markowitz suggested that the investors should develop a portfolio based on the selection of securities that would offer them the best opportunity to achieve marginal profit. It can help the investors to adverse the risk. Thus, it suggests the investors should take a risk only after determining the level of risk with maximum possible expected return. MPT theory believes that the investor can construct a portfolio of multiple assets that will maximize returns for a given level of risk. This concept is equally applicable to individuals and corporations because it helps to determine how one can optimize portfolio as well as price which can be used for risky asset. According to the AAII, there are two parts of the approach, and they are:

- The best combination of the assets should be developed by analyzing the various components perform relative to each other.
- Many investors have been looking for the returns of underpricing securities. The market should be an efficient market in which it is difficult to add value by finding underprice securities, especially when it is expensive to do so. (Jewczyn 2013.)

The capital asset pricing model (CAPM) is the modern portfolio theory that helps in selection of investments for the portfolio. This model analyzes the risk and return rates expected for independent investors for market returns. With the support of CAPM, the risky stock connected so that the portfolio is less dangerous than any of its components. (Jewczyn 2013.)

5.2 Post-modern portfol io theory

Although there are many advantages of modern portfolio theory in the financing world, also there are some limitations. According to the economist Rom and Ferguson, "MPT define measures of risk and return and that do not consistently represent the realities of the investment markets". The investment market is vast and difficult to understand. Hence, there has been a paradigm shift that expands on the risk-return formula. The new model considered the (PMPT) post-modern portfolio theory (Saleem publication 2014, 16).

In 2008, MPT operated amidst a sustained period of artificially low-interest rates and high equity volatility. PMPT presents a primitive method of asset allocation that optimizes the collection, which has based on returns versus downside risk instead of mean-variance optimization. PMPT found that the standard deviation is an inferior proxy for how people experience risk. The downside risk comprises the combination of three variables, which are pitfall frequented, downside means deviation and downside magnitude. Each of these variable measures has explained concerning the minimum adequate return of investment. (Swisher and Kasten 2005.)

PMPT theory focus on improved science of investing that incorporates not only DRO but also behavioral finance and any other innovation that leads to better outcomes. PMPT with portfolio management is to be more than adequate to reality. It possesses intense power in representing economic reality. The MPT believes the return of the portfolio has been distributed, but in the real world, the distribution of profits

in only exceptional cases. Likewise, PMPT does not include any restrictions related to the delivery. The only universal limitation executed by both theories represents the continuity of the distribution function. (Jianu 2013.)

In conclusion, there are many developments seen in PMPT. In comparison with MPT, one had remained the main elements as the probability of return, rate of return and risk, the evolutions of theory generate steps forward in obtaining more information from applying PMPT. (Galloppo 2010.)

6 THE ACTORS IN THE FIELD OF FOREIGN INVESTMENT

In the past, foreign investments were affected by a particular number of individual or groups of small and big company associates to make a profit. It has been seen that foreign direct investment (FDI) decisions constantly involve the emergence of a political negotiating relationship between a multinational company and a recipient country. This connection has an important role both in terms of the multinational enterprise, MNEs' entry decisions, and post-entry activities (Skippari & Pajunen 2014). It has been confirmed that most of the law on state duties for grievances to non-native developed to protect such businesspeople who are engaged in foreign countries. Many financings take place abroad by the decision of multinational corporations. Unlikely, previous foreign investments were carried out, which provide short-term profit. But with the change in time, alternative theories invented the creative investments made by single individuals and multinational corporations which intended for long-lasting. The concept of law is varied from protecting the unique or groups of individuals to the defense of the method of investment made by multinational companies. (Sornarajah 2004, 65.)

The funding structures for the individuals' optimal funding mix are in practice based on a variety of elements i.e. savings mobilization, growth of the loan portfolio and external factors. There should be a change in the role of the foreign private-sector investment from providing loans to MFIs through structured debt instruments or funds towards increasing investing in MFIs domestic bonds and shares. (Siddiqui 2019.) Likewise, the specific law on foreign investment is a technique that enables the nation to allow continuous control on investments.

International institutions mainly come to support one or other sets of views. Therefore, the task of OECD, the International Monetary Fund, and the World Bank have been to promote economic liberalization around the world. NGOs also plays a vital role in international trade investment. Most of the organizations have come with the maxim regarding environmental depletion and human rights abuses attributed to multinational companies. Private chambers of commerce are the fundamental role of an investment, which encourages multinational corporations. (Sornarajah 2004, 71.)

6.1 The multinational corporations

In a general sense, multinational companies are firms that are conducting business in multiple countries to earn a profit. MNC’s are also known as Transnational Corporation (TNC’s). Some excellent example of multinational companies is Coca-Cola, Amazon, and Neste. These companies perform an independent function in every country where they have their own office, employees, and management. The products produced as per the country to match the local tastes and preferences, for example, the flavor of Kit Kat produced in Japan is different from Kit Kat produced in India. A multinational company can customize the product's character. (Borad 2019.)

The objectives of MNCs are to expand the business beyond the boundaries of the home country which helps to establish an international corporate image. Most of the MNCs use the advanced level of technology that enables them to compete in the global market. MNCs produce the products on a large scale that directly helps to lower the per-unit fixed costs. This situation is very important for capital-intensive and steel industries, petrol, chemicals, and automobiles. Many MNCs purchase the raw materials in bulk at lower price. They also can shift production of foreign country where the labor cost is more economical. Many MNCs set up factories in countries, for example in India, China, and Mexico, where the price of manufacturing is low. Many MNCs lower production costs by utilizing raw materials overseas. They supply the technology to extract or refine the raw materials. Because of high volume production, distribution and promotion cost are lower for MNCs (Ajami, Cool & Goddard Khambata 2006, 12-14).

As MNCs conduct business in different countries, the fluctuation in the exchange rate can wipe out the entire profit of the enterprise. The host country's rules involve another risk for MNCs as the rules and regulations are dynamic. Sometimes the host nation restricts the import of some raw materials, limits the availability of bank credit that can cause severe effects on MNCs. Because of the different legal systems in various countries, first, they need to know the host countries legal system. Multinational companies have an emergent change in international trade and investment as it has been an engine of global economic development and technological transfer. Under international law on foreign investment, MNCs have both rights and responsibilities, and the tendency to make them responsible for certain types of conduct. It has been alleged the acknowledgment of the multinational company as a single entity and its responsibility for violating international norms is expanding. Multinational corporations use significant power to outline the law on foreign investment for their benefits. (Sornarajah 2004, 66.)

6.2 State corporation

The outlook of the state corporation as an actor with prior interests that govern and explain its actions to get a significant orienting device. State corporations describe the principal agencies by which communist states engaged in international trade. According to the developing nations, entities represent a profitable sector of the economy functioned by the country that helps to control the profits from outgoing into the state treasury to benefit the people. (Sornarajah 2004, 69.)

The natural resources sectors had attracted multinational corporations, controlled by the state corporation. The prevailing trend is, the state must retain control over its domestic economy and foreign trade relations. It has been seen a proper instrument for protecting the national interest in the age of globalization when developing and developed countries fail to benefit from the global market. There is always a conflict between the multinational company and state entities about the motives in the joint ventures. Multinational firms are mainly seeking the need for instant profits. State corporations have long terms of economic objectives of development to pursue corporations' aspirations through joint ventures with multinational companies. (Sornarajah 2004, 69.)

6.3 International institutions

The International Monetary Fund and the World Bank are the financial institutions that overview the financial matters involving risks, the flow of funds, and forming developing goals. The World Bank has played an essential role in global investment to encourage economic development. The World Bank has organized a Multilateral Investment Guarantee Agency (MIGA) to offer a scheme of insurance against political risk in developing nations. The general agreement on trade in services (GATS) is directly nvolved with global investment since its main aim is to liberalize international trade. In doing so, they have subscribed to economic models that suit the business. (Sornarajha 2004, 71.)

6.4 Non-governmental organizations

The role played by the NGOs within the global scene disclosed the ability to regulate against the recognition of the multilateral assertion on speculation. It has been seen NGOs will have an important role in the growth of international law of foreign investment. NGOs already involved in shifting the law

from defense of multinational companies to the consideration of their responsibility for misconduct. The challenge against the conduct of speculation code is they emphasize the guarantee of the multinational organization without at the same time considering the natural degradation and the human rights mishandle that they are off. (Allard & Martinez 2008.)

6.5 Individuals

An individual major concern within the buy of securities is the minimizing of hazards, compared to an individual ready to acknowledge a calculated threat hoping to make higher to regular benefits, and who is prepared to require a more profit. An individual makes a venture to create a better advantage. The financial specialist performs for the sake of others, such as, agents, or shared support organizers or managers to make a venture for others. Moreover, individuals can make a venture for their claim account through numerous exchanging stages. (Hiriyappa 2008, 23.)

For instance, many behavioral financial matters expect that people or organizations receiving non-conventional approaches to make, established in the entire world choice-making parameters, make judicious and keen choices (Baker &Ricciardi 2014, 44). Most of the individuals use simple, common-sense approaches that have been making them money for years. Each contains a straightforward, efficient plan that have been taken for a long time. In truth, their methods of insight and speculation styles may astonish unused risk-takers.

.

7 CASE STUDY: FOREIGN INVESTMENTS IN FINLAND

Foreign direct investment in Finland defined as the capital that foreign investors have invested directly in Finland under their control and influence. According to the survey by Ernst and Young in 2018, Finland attracted more foreign investment than other Nordics countries. The most popular investment areas were IT sector, social and health services, business, and expert services. Finland has held the first position for FDI target in the Nordic countries for the seven consecutive years. However, the statistics of investments in every one of the Nordics countries declined compared to 2019. (Heiskanen 2019.)

Finland managed its position by increasing its investment by 2 percent to 194 projects in the year 2018. The number of projects in Sweden was 73 (decreased 32%), in Denmark 56 (decreased 56%), and in Norway 17 (decreased 35%). According to the CEO of Ernst and Young (EY) in Finland, Mikko Äijälä, Finland's total investment in Europe also raised to 3.1% from 2.9% from the last year. The most successful project in Finland was a software project i.e. 53 projects. Likewise, the second most popular project in Finland was the provision of social and health services with 22 investment projects. Corporate & expert services and machinery industries both have 17 investment projects each. (Heiskanen 2019.)

7.1 Finland flows of Foreign Direct Investment

Finland's foreign direct investment fell by 279.3 USD million in Feb 2020 which dropped by 176.5 USD million in January. The highest FDI increased by 8.5 USD billion in January 2017, and the lowest FDI record low of -14.7 USD billion in August 2009. Statistics Finland provides the data in EUR, and CEIC converts monthly FDI into USD. Based on the latest report, the present account recorded a deficit of 473.5 USD million in February 2020. (CEIC 2020.)

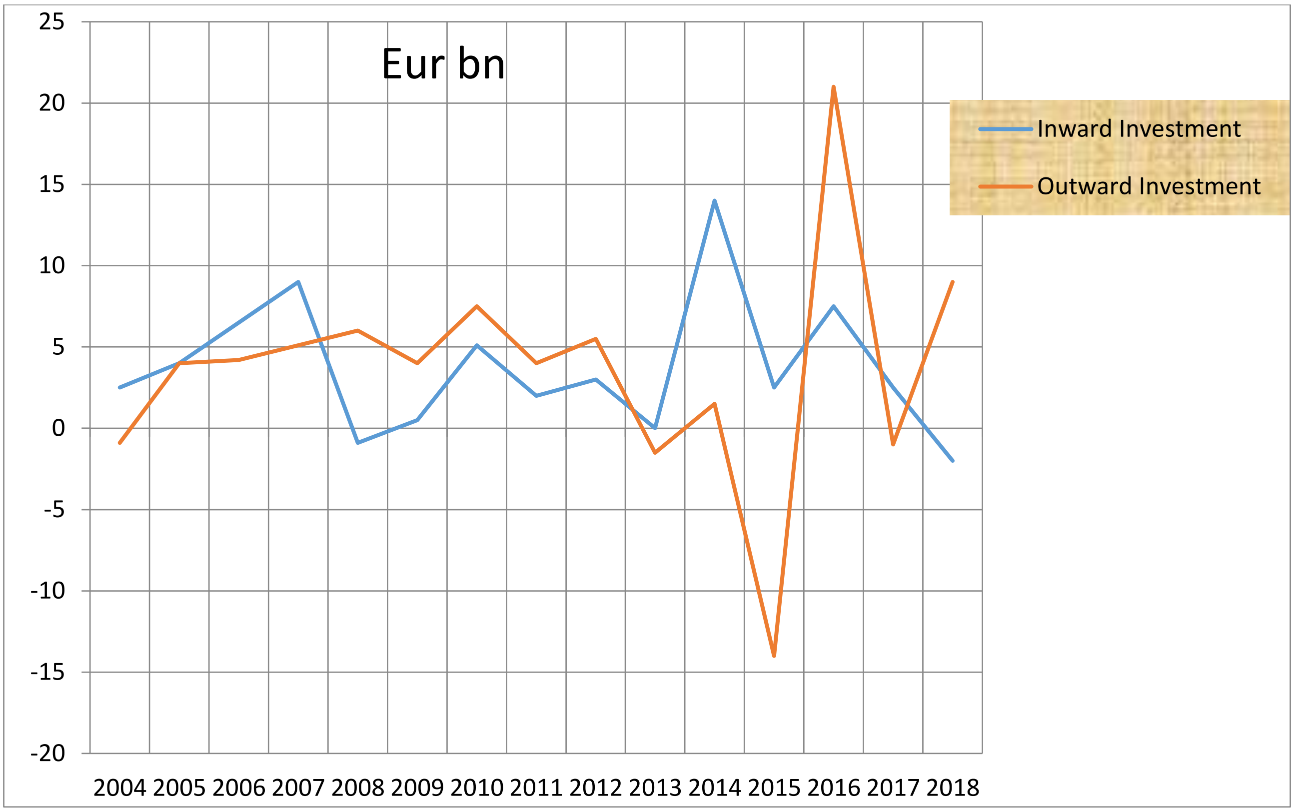

FIGURE 5. Flows of FDI in 2004 to 2018 (Adapted from Statistics Finland 2019)

7.2 Finland inward foreign direct investment

Investments in equity-based items were EUR -4.0 billion, along with reinvestment earning and EUR 1.9 billion in debt-based concepts in 2018.Negative equity-based investment is negatively influenced by reinvestment , which emphasize the contrast between returns earned and paid. In 2018, the return paid to the owner of the Finnish internal FDI is higher than the cumulative earnings of 1.4 euros. At the end of 2018, FDI amounted to 62.4 billion. FDI represented 56.7 billion euros in value capital and debt capital of 5.7. The value of capital stock recognized at market value and other companies at book value for recorded companies. During 2018, the amount of FDI decreased by 12.6 billion euros, while the stock of debt-based goods increased by 1.8 million euros. (Statistics Finland 2019.)

	Total	Equity	Debt
Stock of investment 31 Dec 2017	75,0	71,1	3,9
Financial transection excluding re-investment earnings	-0,7	-2,6	1,9
Re-invested Earning	-1,4	-1,4	0,0
Changes in the Exchange rates	0,0	0,0	0,0
Other valuation Adjustments	-10,5	-10,5	-0,1
Stock of Investment 31 Dec 2018	62,4	56,7	5,7

TABLE 1. Finland's inward FDI, EUR billion (Adapted from Statistics Finland 2019)

From the above table, the foreign investment has been made to Finland from Sweden (32% of the investment stock), Luxembourg (19%), the Netherlands (17%), Denmark (5%), and Germany (4%). Investment in Finland mostly comes from the EU area, in which the collective share of the investment stock was 90 % in 2018. The portion of the euro area states was 50 % of the investment portfolio.

7.3 Investment according to the ultimate investing country

Ultimate investors refer to the enterprise that has control over the investment decision. The ultimate investors discontinue control over by another entity, and it can be a domestic unit.

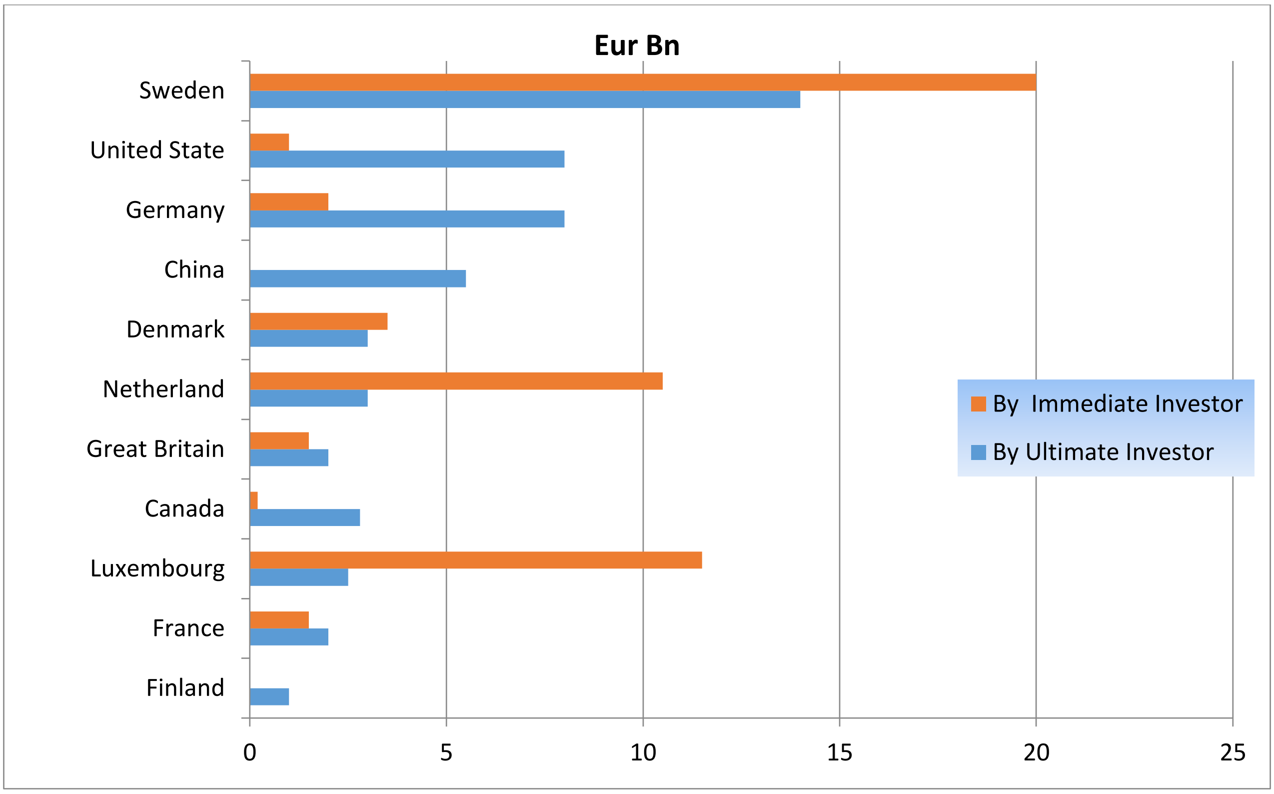

Figure 6. FDI to Finland based on immediate and ultimate investing country (Adapted from Statistics Finland 2019)

In the above picture, the investment in Finland has been made from Sweden, the Netherlands, and Luxembourg, the investment is viewed based on immediate investor country than when the investment is observed based on the ultimate investing country. This indicates that these investments have been managed through an enterprise situated in these countries, although the real investor is somewhere else. In Finland, the ultimate investors invest more money than the immediate investor in Finland.

7.4 Reasons for investment in Finland

There are lots of reasons for investments in Finland. The business environment is one of the most significant reasons for investment. The Finnish operation environment is stable. The corporate tax rate is only 20 % in Finland, and Finland uses Euro for the business transaction. International businesses can retrieve the same benefits and contributions as a local Finnish company. According to the World Economic Forum's the Europe 2020, Finland is the most competitive country as per competitiveness index places. (Business Finland 2018a.)

Finland provides a competitive workforce that is used to working in a multicultural environment. More than 90 % of Finns age under 30 speak English. Swedish is the second language in Finland. Finland has the best human capital index in the world in terms of education, well-being, and employment. Based on The World Bank ranked, Finland in the 15th best business environment and 3rd in Europe. Finland is the least corrupt country in the world and is mirrored in the business life. The Finnish startup scene seems to be another reason for investment in Finland. Finland is the best in the world in innovation. An absolute commitment to innovation and research and development (R&D) by all the sectors has played a significant role in Finland's development into one of the leading knowledge-based economy in the world. Approximately 3% of all employed people in the country are working in R&D function in Finland. The experience transfer between the enterprise and university is the crucial aspect of Finland’s economy and innovation policy. (Business Finland 2018a.)

Finland is between the East and West; thus, it serves as an excellent gateway between the east and west. In Finland, business is assisted by an extensive network of highways and railways, and by vast network of waterways, canal, and sea lanes. This advanced transport infrastructure and logistics obtain the key strengths to trade with the Nordic, the Baltics, the EU, and Asia. Reliable infrastructure is also a significant factor for the motivation to invest in Finland. Finland has attracted vital data center investments from companies, the Telecity Group, Google, and Yandex. Finland has consistent power supply to run the business with maximum efficiency. Finland is one of the best in the world in the sustainable use of natural resources. Currently, 39 % of the energy has been produced by renewable sources in Finland. According to several studies, Finland is the best in macroeconomic stability, the financial system in Europe, the destination in EU for international business expansion, in the best country index, stable country, a free state and governed nation in the world and best in many more titles. (Business Finland 2018a.)

7.5 Business opportunities in Finland

There are several sectors that investors can invest in Finland. Some industries are ICT and digitalization, health, and well-being, cleantech, bioeconomic, datacenter, travel, and tourism, food retailer, chemical. Finland enjoys a stable economy and has good purchasing power. Finnish companies are seeking a sustainable partnership with excellent opportunities for international investors and partners in Finland. There is also the opportunity to invest in the food and retail and chemical industry. For instance, 25 % of food and agricultural products are imported to Finland and about 25% of exports chemical products.

Petroleum products, biofuel, pharmaceuticals, fertilizer, and plastics products has been maintained stable growth. There is moreover a massive opportunity in the logistics business because of the considerable distances between the cities in Finland. (InnoConnections 2019.)

ICT and digitalization are one of the profitable sectors to invest in Finland. The achievement of Nokia encouraged the extension of the software and electronics cluster in Finland. There are many innovations in Finland regarding the 5G test network, cybersecurity, and games. Google has announced an investment of EUR 600 million to construct a recent data center in Finland. This company had invested EUR 1.4 billion in Finland till 2019. The data center will run on sustainable power that Google has already registered with 3 Finnish wind power parks in 2018. (Business Finland 2018b.)

Investors can also invest their capital in health and well-being sectors. The Finnish public health system is one of the most advanced health care systems in the world. Finland has five university hospitals and these hospitals work with some health care companies to test and innovate technology for treatment, care, and solutions. The rapid aging of the population in Europe will establish a massive market of health care. Finland is expected to have 26 % of its population over 65 years of age by 2030. With the advancement of technology, Finland is exporting bulky medical equipment in the international market. (Business Finland 2018b.)

Cleantech is another field where investors can invest in Finland. Being rich in natural resources like forests, lakes, and minerals and skilled cleantech professionals supports for sustainable development .On 4th March 2020, the Finnish Minister of Economics Affairs Mika Lintilä and Administration of Michigan Gretchen Whitmer approved a memorandum of understanding on clean technology development, particularly of intelligent transport, sustainable bioeconomy, and battery technology. (Business Finland 2020.)

Finland is the epicenter of the bioeconomy revolution in the world with renewing the solid industry cluster, world-class expertise, ingenious technology, long-tern strategies, and several growth opportunities. The forest industry covered half of Finland’s bioeconomy. About 86 % of the land has been covered with forest in Finland. Finland’s flourishing bioeconomy offers excellent business and partnering opportunities for international companies. Partnership with global companies can produce significant value-added services and goods i.e. biochemicals and advanced biofuels and materials because of additional expertise and resources. The consumption of transport biofuels is rapidly expanding in Finland that is developed by significant energy and enterprises. According to the report,

Finland will expand its share of renewable energy to 50% and share renewable traffic fuel to 30% by 2030. For instance, Neste is a global leader in generating sustainable diesel produced merely from garbage and residue. (Business Finland 2018b.)

Finland is an ideally suitable location for data centers because of its cold climate. Investors can save more than 50 % of energy costs as compared to other EU countries as data centers also can sell the energy produced from the heat of server units to the energy enterprises and had lowered their energy costs by up to 20%. Finland has excellent connectivity with ultra-fast optic cable to Germany. The reasonable operational cost in Finland for investing is the datacenter. Over fifty investment-ready locations and co-location available in Finland which operators are competitive.
(Business Finland 2018b.)

Finland is the safe place for the travel and tourism business. There are thousands of reasons to fall in love with Finland since it is known for a very high quality of life, quality of living, and wellbeing. Traveling in Finland has been a growing annual rate of around 10% for several years. The travel industry has a bright future, yet it has the room and opportunities to develop. (Business Finland 2018b.)

7.6 Weaknesses for investment in Finland

There are lots of opportunities to invest in Finland, but it equally has some weaknesses. The market of Finland is tiny, distant, and modestly rising demand. The market outside the Helsinki region is partially inefficient because of the lack of global competition in certain areas. The ineffectiveness of Finland is considered due lack of interests of public servants to help the global companies to enter some regions. High price level and personnel taxation, enormous household debts, aging population, fragility of the banking sectors, and deterioration of the current account are viewed as a weakness for investment in Finland. (Nordea trade 2020).

7.7 Conclusion

In conclusion, Finland is a stable economy with high standards of living. There are many reasons for investment in Finland, however, a favorable business environment, the competitive workforce, political stability, reliable infrastructures, and open and green society of the country leads to the encouragements

for investors. Different key sectors such as ICT and digitalization, health and wellbeing, cleantech, bioeconomy, data centers and travel and tourism provides business opportunities in Finland. Finland has various problems i.e. aging population, geographical vulnerability, small market, decrease in opportunities industrial competitiveness and large household debts, needs to be tackle which will be strength for the country in development process where it lacks. Therefore, Finland could offer various opportunities for foreign companies.

8 CASE STUDY: HMD GLOBAL

With the goal of revitalizing Europe’s most famous phone brand, HMD Global was founded in Finland in 2016. HMD Global oversees, the design, marketing, and promotion of Nokia-branded devices. But its partner FIH Mobile (Part of Foxconn) is in charge of HMDs production and R&D. HMD Global has raised more than USD 100 million from many investors to boost business operations and funds of the company in its following year's growth. HMD Global secured strategic investments to expand its rapid growing business. In 2018, the company planned to aggressively expand its Nokia smartphone portfolio and double the reach of channels in strategic markets while continuing to deliver innovations where it is relevant to consumers. (HMD Global 2020.)

The disappearance of the Nokia as the world's leading the business management courses. Researchers have identified several critical factors, threats, information suppression, over-reliance, poor technical ability to manage, and competitive product line.

8.1 Introduction

According to a survey by researchers Huy and Vuori in 2015, there are three main reasons, Nokia failed. The study involved interviewing and in-depth investigation of 76 Nokia's top and middle managers, engineers, and external experts. The three main reasons are: Nokia technology was inferior to Apple, conflicts between top-level managers, and lack of vision. (Brand Minds 2018.)

Nokia was suffering from organizational fear: a fear in a culture of enthusiastic leaders and middle managers. The middle management was nervous, to confess, because of being fired. Top-level managers were fearful of the external environment and did not achieve their quarterly goals. The executive officer was worried about publicly recognized the inferiority of Nokia’s operating system. They have the idea that it would take years to develop a better operating system that could compete with Apple IOS. The chief executive would be insecure of losing investors, suppliers, and customers if anyone knew their technical inferiority to Apple. Senior heads intimidated middle managers by accusing them of not being ambitious enough to achieve their goals. Senior managers lacked technical capability, which impacted how they could assess technical constraints in goal setting. Nokia management developed new phone devices for short-term market requirements as a new operating system. (Brand Minds 2018.)

8.2 Background

Nokia was a passive follower of the competitive landscape after the rise of smartphones. Its critical strategic decisions by the end of the period of analysis forced the situation worse and intensified the company's image. Considering its technical and organizational design options, the authors examine how and why Nokia failed to protect its strong market leadership in the mobile phone between 2007 and 2013. Thus, our experimental focus is on technology choices and organizational design decisions. In terms of technology options, we seek the following questions; why did Nokia invest so much in its own old Symbian software platform after the major rival smartphone iOS and Android in 2005-2007? (Lamberg, Lubinaite, Ojala & Tikkanen 2019.)

Nokia was inactive in the mobile communications and telecommunications business in its early years. It was founded in 1865 by Frederick Idestam as a paper mill on Tammerkoski Rapids in Southwestern Finland. In 1918, the Finnish Rubber works gained Nokia, and in 1922 the Finnish cable works came from a newly established group. Nokia corporation was officially founded in 1967 and focused primarily on four markets: paper, electronics, rubber, and cables. Gradually, in 1979, Nokia teamed up with Salora, a leading Scandinavian colour television producer, to produce the Mobira Eye radiotelephone. A few years later, Nokia launched the world's first international cellular system. In 1984, Nokia gained Salora and renamed its telecommunications unit to Nokia-Mobira Oy. (Goenka 2017.)

Identically, in 1987 the company launched its first compact phone, the Mobira Cityman 900, which was also the world's first portable phone. In 1989, this was the period when Nokia-Mobira turned to Nokia phones. The last decade of the 20th century and the initial years of the 21st century is demand period time for the company, with many popular phones like Nokia 1100, Nokia 1250, Nokia N-series, E-series, and many models were in the market which Nokia the leader of the world market. (Goenka 2017.)

Nokia's keypad-based hardware and the externally developed Symbian operating system were no match. The company struggled to compete with iPhone sales, 12 million in 2008, 20 million in 2009, 40 million in 2010. To make matters worse, google began licensing its Android system to Apple´s competitors in 2008. As of June 2011, Nokia's smartphone market share (though not its total mobile phone share) has fallen from 50 percent to 15 percent in four years. Two years later, it sold its phone business to Microsoft for about $57.5 billion. (Connor 2017.)

8.3 The downfall of Nokia

The tendency to change Nokia’s organizational structure brings uncertainty to employees, as staff members need to apply for creative jobs and undergo interviews, increasing the level of risk. Nokia culture has shown the aggressiveness of top management, which has resulted in the middle management losing status, reputation, and employment. Unpleasant middle management has since been abandoned or demodulated. (Brand Minds 2018.)

Similarly, mid-level management tended to provide excessively optimistic reports and to conceal the information displayed to the opponent, as senior management punished middle-level management with differing views or information. It led to the fact that senior management has been blinded by false information confirming their beliefs since it was reported, top management directly lies. Nokia’s state culture has led to an atmosphere of shared fear, which has influenced employees’ interaction. The human element included economic and structural factors, and together they caused a state of “temporary myopia” that hampered Nokia’s innovative potential. (Brand Minds 2018.)

The senior management had low technical qualifications and, therefore, could not determine the genuine state of development. When the medium level team showed them the current expansion, they did not comprehend the urgent situation. Nokia was unready for a drastic change in the required hardware and software competition. Nokia’s strengths were in radio technology hardware, while smartphones lacked expertise in computers and software, the ability to touch the screen interface, and user experience design. Nokia launches dozens of phones every year. Nokia’s groups compete for resources, forced to fix, and update the old Symbian operating system but also it failed to compete with other smartphones. (Bindra 2018.)

8.4 The comeback of Nokia

Nokia has a lengthy history of developing high-quality phones that integrated with customer needs. However, the cult brand missed the trend for touchscreen smartphones, which later led to a decline in the Nokia brand. The attempt to revive the brand in a new Microsoft windows operating system was also unsuccessful. However, after the acquisition by HMD, we saw the return of the Nokia brand in the smartphone and feature phone categories. (Naiya 2018.)

Nokia HMD period was successful. It took over the old Nokia feature phone business that Microsoft stopped investing in and has been gradually declining. It also acquired some 10 million units of inventory. While there is a trend towards smartphones, many feature phone users are not ready to upgrade to smartphones or have particularly low-end performance. The return of Nokia branded feature phones has considered the latent demand for high-quality feature phones. Foxconn's manufacturing capabilities helped Nokia maintain quality, which has always been recognized as this brand. (Naiya 2018.)

Nokia's return is required to increase sales in most markets in the UK, Russia, Vietnam, India, and the Middle East. It entered the top five in all these markets and, for the first time in the quarter, adopted the third position in the UK. According to research firm Counterpoint, mobile sold 4.4 million smartphones in the fourth quarter of 2017 and occupied 1% of the global market. Nokia mobile retailed 8.7 m devices in 2017, the first full year since its birth as part of HMD Global in mid-2016. It is an unbelievable start to the market compared to the iPhone and Nokia Lumia, which traded 1.7 m and 2.9 m phones, respectively, in the first year of sales. (Leo 2018.)

HMD has established branches in 70 markets within a year. More than 600 direct operators and sales partners handle the device at 250,000 sales outlets worldwide. HMD Global saw devices sold in 170 markets in 2017. The first sales channels that have developed for the sale of functional telephones established a secure foundation for the purchase of smartphones. (Naiya 2018.) HMD Global, the company responsible for Nokia's return, has announced several new budgets and mid-range phones. The original product line has Nokia 8.3s 5G support camera system that includes other flagships, and the humble Nokia 5310, another blast from the past designed to revitalize nostalgia. (Matthews 2020.)

8.5 Conclusion

The downfall of Nokia is a classic example of how other industries can learn and respond to innovation from outside. Even the top market dominated firms were surprisingly vulnerable, falling from top to bottom in less than five years. Investigating these factors, equating them to any company and the industry, and responding to the necessary improvements are the first step in making a private association more sustainable. Company culture should not be taken lightly as its culture is a crucial factor contributing to a company's ability to expand, compete, and succeed. In a world where the digital transformation has dominated, leaders need to understand that doing business with the old mindset does

not help entrepreneurs cope with changing attitudes and new types. Nokia has proven to remain an excellent subject to discuss the risk associated with business, market conditions, and the wrong decision-making process.

HMD Global could bring Nokia back to its previous position in the market. The authors say after the formation of the company, HMD Global rolled out its first 11 smartphones to customers, which received enormously excellent reviews. Their innovative strategy conveys each investor a tolerant attitude to trust in their work.

9 CONCLUSIONS AND DISCUSSION

The core aim of the thesis was to find out the investment techniques, methods, and the most effective way for engaging in international business - this thesis is based on qualitative research and purposes to study the impact of FDI on economic growth. In the present study, several variables were studied based on the objectives. Three variables should have been considered, mainly the growth rate of GDP, exports, and employment, to determine whether FDI has affected the country's economic growth. The authors aimed to identify how an individual and business organization can enter the global market by investing money or capital.

The authors tried to find out the pros and cons of each investment product, type, and features. The authors also aimed to analyse how an individual or business organization can involve directly or indirectly in business activities. The authors planned to research something on risks, prospects, and crises that involved in international business. The writers also proposed to investigate what are the actors that can be included in the field of foreign investment precisely. The authors planned to do a case study on one of the large Finnish corporations involved in foreign investment and another case study on foreign direct investment in Finland.

The discussions also elevated the importance of the presence of other companies with foreign investment and accumulated foreign direct investment. The presence of other companies and supporting industries operating in similar fields of activity for the potential development of partnerships was mentioned as an essential factor that companies consider when making investment decisions. As a critical feature of globalization, international investment has grown extraordinarily and faster than global production and trade. The first chapter of the article provides a theoretical introduction to the components of international finance that are equities, foreign direct investment, bonds, real estate, in conjunction with greenfield investments, mergers, and acquisitions.

Firstly, the authors studied in the earlier sections to find out an individual, and an organization involved in foreign investment by buying stocks, bonds, mutual funds, and direct or indirect foreign investment. The stockholder acquires ownership in the company, and they get dividends or the parts of the company’s profit. Merely ordinary stockholders possess voting rights, but preferred shareholders do not have voting right. A bondholder merely acquires the interest that promised to pay with the principle

amount at the maturity date. The interest paid by the company is called a coupon. Mutual funds have exclusive characters that are an investment as well as a company itself.

Second, the authors identified several environmental factors that had affected the international business. The environmental factors may be internal or external. The external macro-economic factors are socio and cultural, technological, economic, political, and natural factors. Before commencing international business, we must analyse the socio-cultural elements of foreign countries. The manager performs a significant role in the overseas market to supply its products. Innovative technology can reduce the cost of production so they can compete in the market. In addition, an international business organization must study the economic environment of the country before expanding their market internationally. In underdeveloped countries, people cannot afford the most expensive products or services. The political environment also affects international investment. It is not worthy to invest capital into an unstable political state.

Thirdly, the international business does not only provide opportunities but equally involves risk. Some of the risks that arise in international business are a risk due to faulty planning, operational error, political situation, market situation, and foreign exchange risk, the author concluded from the research. The role of bankers, insurers, accountants, and lawyers plays a significant role as they suggest the danger that may face in the global market. The international business allows lots of opportunities for organizations as well as the government of the country. Foreign investment activities help to increase the revenue of the country by exporting the products or services and brings in foreign currencies. The multinational corporation, state corporation, international institution, NGOs, and individuals are the five-principle group of actors that produce a significant impact on international law on foreign investment. This thesis includes some limitations. A qualitative research method was used to dive deeper into the problems. The authors encountered difficulties with acquiring the most recent information on several topics.

The international business has a significant role in the economic development of the country. It is perceived that FDI provides some benefits to the national economy by contributing to GDP and gross stable capital formation. It is a significant component of economic development. It can affect the host country through different channels. After the case study of HMD Global, the authors conclude company culture is a crucial factor in growing competition and success in the worldwide market. It is imperative for international organizations to invest a massive amount in research and development to introduce a new product. It is significant to have political stability in a country to encourage foreign direct investment from the international level.

REFERENCES

Allard, G. & Martinez, C. 2008. The influence of government policy and NGOs on capturing private investment. Available: https://www.oecd.org/investment/globalforum/40400836.pdf . Accessed 28 March 2008.

Ajami, R.A., Cool, K., Goddard, G.J. & Khambata, D. 2006. International Business. 2nd Edition. New York: M.E. Sharpe, Inc

Avadhani, V.A. 2009. International Financial Management. 2nd Edition. New Delhi: Himalaya Publishing House PVT. LTD.

Baker, H.K. & Ricciardi, V.2014. Investor Behavior.1st Edition. New Jersey: John Wiley and Sons Inc.

Borad, S. B. 2019. International Business. Available: https://efinancemanagement.com/international-financial-management/international-business. Accessed 5 April 2019.

Brand Minds. 2018. Why did Nokia fail and what can you learn from it? Available: https://medium.com/multiplier-magazine/why-did-nokia-fail-81110d981787. Accessed 24 July 2018.

Bruce, B. and Greene, J. 2014. Trading and Money Management. 1st Edition. Kidlington: Elsevier, Inc.

Business Finland. 2018a. Why invest in Finland? Available: https://www.businessfinland.fi/en/do-business-with-finland/invest-in-finland/why-invest-in-finland/why-invest-in-finland-short/. Accessed 5 October 2018.

Business Finland. 2018b. Business opportunities. Available: https://www.businessfinland.fi/en/do-business-with-finland/invest-in-finland/business-opportunities/business-opportunities/ . Accessed 5 October 2018.

Business Finland. 2020. Finland and Michigan lead the way in the transition towards a cleaner economy. Available: https://www.businessfinland.fi/en/whats-new/news/2020/finland-and-michigan-lead-the-way-in-the-transition-towards-a-cleaner-economy/. Accessed 16 April 2020.

CEIC. 2020. Finland's foreign direct investment. Available: https://www.ceicdata.com/en/indicator/finland/foreign-direct-investment. Accessed 13 May 2020.

Chen, J. 2020a. Foreign Investment. Available: https://www.investopedia.com/terms/f/fdi.asp.Accessed 24 February 2020.

Chen, J. 2020b. Inflation. Available : https://www.investopedia.com/terms/i/inflation.asp. Accessed 26 March 2020.

Chen, J. 2020c. Risk. Available : https://www.investopedia.com/terms/r/risk.asp . Accessed 27 March 2020.

Chen, J. 2020d. Market risk: https://www.investopedia.com/terms/m/marketrisk.asp . Accessed 31 January 2020.

Connor, T. 2017. Was collective fear the reason for Nokia´s downfall? Available: https://www.intheblack.com/articles/2017/03/01/nokia-outsmarted-collective-fear. Accessed 1 March 2017.

Filipe, J., Ferreira, M., Coelho, M. & Moura, D. 2012. FDI political risk: The new international context. Available: https://repositorio.iscte-iul.pt/bitstream/10071/5600/1/Ferreira%202012%20Int.%20J%20Latest%20Trends%20Fin.%20Eco.%20Sc.%202%282%29117.pdf . Accessed 2 June 2012, VOL 2.

Galloppo, G. 2010. A comparison of pre- and post-Modern portfolio theory using Resampling. Global Journal of Business Research 2010.vol 4.

Georgieva, K. 2020. we have entered recession. The Economic Times. Available : https://economictimes.indiatimes.com/news/international/business/imf-chief-kristalina-georgieva-we-have-entered-recession/articleshow/74852225.cms . Accessed 28 March 2020.

Goenka, S. 2017. The Rise and Demise of Nokia. Available: https://www.slideshare.net/Shubhamgoenka1/case-study-nokia-76722838. Accessed 7 June 2017.

Hayas, A. 2019. Mutual funds. Available : https://www.investopedia.com/terms/m/mutualfund.asp#what-is-a-mutual-fund. Accessed 4 December 2019.

Heiskanen, M. 2019. For the 7th consecutive year, Finland is the number one foreign direct investment target in the Nordic countries. Available: https://www.nbforum.com/nbreport/for-the-7th-consecutive-year-finland-is-the-number-one-foreign-direct-investment-target-in-the-nordic-countries/. Accessed 11 October 2019.

Hiriyappa, B. 2008. Investment Management. 1st Edition. New Delhi: New Age International (P) Limited.

HMD Global. 2018. HMD Global raises USD 100 million to fuel its next phases of growth. Available: https://www.hmdglobal.com/press-releases/hmd-global-raises-usd-100-million-to-fuel-its-next-phase-of-growth. Accessed 21 May 2018.

How and why Nokia failed. (Dr, Vivek Bindra: Motivational Speaker). 2017. Video on YouTube. Available: https://www.youtube.com/watch?v=e-Cpg_KR_z4. Accessed 17 December 2017.

InnoConnections. 2019. Opportunities. Available: http://www.innoconnections.com/opportunities.html. Accessed 14 October 2019.

Jewczyn, N. 2013. Modern Portfolio Theory, APT, and the CAPM: The Years 1952 to 1986.Available: https://www.researchgate.net/publication/258312187_Modern_Portfolio_Thory_APT_and_the_CAPM_The_Years_1952_to_1986 . Accessed October 2013.

Johnson, D & Turner, C. 2003. International Business. 2nd Edition. New York: Routledge.

Juneja, P. 2015. Impact of Global economic crisis on international businesses. Available: https://www.managementstudyguide.com/impact-of-economic-crisis-on-international-businesses.htm. Accessed 4th June 2015.

Kirpalani, V. H. 2013. International Business Handbook.1st Edition. New York: Routledge.

Krause, D. 2006. overcoming the challenges of establishing a student-managed fixed managed fund. Journal of business and Leadership 2006. Vol 2. 365-373.

Lamberg, J. A., Lubinaite, S., Ojala, J. and Tikkanen, H. 2019. The curse of Agility:The Nokia Corporation and the loss of market dominance in mobile Phones, 2003-2013. Available: https://www.tandfonline.com/doi/full/10.1080/00076791.2019.1593964. Accessed 6 June 2019.

Matthews, D. 2020. The new Nokia 8.3 is 5G-enabled, sports camera array that could rival flagships. Available:https://www.techspot.com/news/84468-hmd-global-announces-plethora-budget-mid-range-nokia.html. Accessed 19 March 2020.

Marinova, S. 2015. International impacts on firm internationalization. Available: https://www.researchgate.net/publication/270558684_Institutional_Impacts_on_Firm_Internationalization . Accessed January 2015.

Miller, M. 2020. What are stocks? Available: https://www.valuepenguin.com/investing/what-are-stocks#buy-stocks. Accessed 1 January 2020.

Naiya, P. 2018. Nokia-Regaining the crown? - A Detailed Brand Comeback Analysis. Available:https://www.counterpointresearch.com/nokia-regaining-crown-detailed-brand-recovery-analysis/.Accessed 8 March 2018.

Nordea trade. 2020. Foreign direct investment (FDI) in Finland. Available: https://www.nordeatrade.com/en/explore-new-market/finland/investment. Accessed April 2020.

Nguyen, J. 2018. The 3 Biggest Risk faced by international investors. Available: https://www.investopedia.com/articles/basics/11/biggest-risks-international-investing.asp . Accessed 7 May 2018.

Parker, D. 2011. Global Real Estate Investment Trusts. 1st Edition. New York: John Wiley and Sons, Inc.

Parmeswaran, S. 2011. Fundamental of Financial Instruments. First Edition. Singapore: John Wiley and sons.

Poniachek, H.A. 2013. International Corporate Finance. 2nd Edition. London and New York: Routledge Taylor and Francis Group.

Rao, P.S. 2010. International Business Environment. 2nd Edition. Mumbai: Himalayan Publishing House.

Segal, T. 2019. Operational risk. Available: https://www.investopedia.com/terms/o/operational_risk.asp. Accessed 30 August 2019.

Siddhiqui, M S. 2019. Socially Responsible Investment and MFI. Available : https://issuu.com/mssiddiqui4/docs/socially_responsible_investment_and. Accessed 1 June 2019.

Simplilearn. 2020. Financial risks and its types. Available: https://www.simplilearn.com/financial-risk-and-types-rar131-article. Accessed 21 January 2020.

Skippari, M. & Pajunen, K. 2010. MNE-NGO-host government relationships in the escalation of an FDI conflict. Available:https://www.researchgate.net/publication/249705413_MNE-NGO-host_government_relationships_in_the_escalation_of_an_FDI_conflict. Accessed November 2010.

Sornarajah, M. 2004. The International Law on Foreign Investment. 2nd Edition. Cambridge: Cambridge University Press.

Statistics Finland. 2019. Foreign direct investment in 2018. Available: http://www.stat.fi/til/ssij/2018/ssij_2018_2019-09-30_kat_001_en.html. Accessed 30 September 2019.

Sun, L. 2018. Nokia makes a surprising comeback in smartphones. Available : https://www.fool.com/investing/2018/02/21/nokia-makes-a-surprising-comeback-in-smartphones.aspx. Accessed 21 February 2018.

Swisher, P. and Kasten, G.W. 2005. Post-Modern Portfolio Theory. Journal of Financial Planning, 74.

The Salem Press. 2014. Investment and International Finance. 1st Edition. Massachusetts: Salem Press.

Thomas, B. 2019. Finnish equity savings accounts will be launched in 2020: the race is on. Available: http://blog.thomasbrand.xyz/2019/05/23/esa-2020-equity-savings-accounts/. Accessed 23 May 2019.

Toporowski, J. 2010. Why the world economy needs a financial crash and other critical essays on finance and financial economics. 1st Edition. London: Anthem Press.

Trivikram, S. 2016. Business opportunities in the international markets. Available: https://myventurepad.com/business-opportunities-international-markets/ . Accessed 29 October 2016.

Venkateswaran, N. 2012. International Business Management. 2nd Edition. New Delhi: New Age International (P) Limited.

Wheatley, J. 2020. Global investors dump $42bn of EM assets since start of outbreak. The Financial Times.