

Saimaa University of Applied Sciences
Unit of Business Administration, Lappeenranta
Degree Programme in International Business
Specialization of International Business

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**INTERNATIONALIZATION AND EXPORTING
OPPORTUNITIES TO DENMARK:
CASE URJALAN KEINUKALUSTE KY**

Bachelor's Thesis 2012

Abstract

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Internationalization and exporting opportunities to Denmark: Case Urjalan Keinukaluste Ky, 151 pages, 9 appendices

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Instructor: Lecturer Riku Hytönen, Saimaa University of Applied Sciences

The purpose of the study was to provide a guideline to support the planning process of internationalization and exporting and examine Denmark as a target country. Furthermore, the purpose was to provide information about the Danish furniture industry, available internationalization services and financing opportunities. Also, the objective was to provide recommendations for the case company, concerning internationalization and initiating export activities. The work was commissioned by Urjalan Keinukaluste Ky, a Finnish furniture manufacturer interested in internationalization, exporting and Denmark as a possible target country.

This research was carried out as a case study and therefore qualitative research was chosen as the main methodology. The data for this thesis were collected from literature, internet sources and by conducting three semi-structured, theme-based interviews. Through expert interviews the objective was to acquire current, in-depth material to deepen and support the theory.

Based on the findings internationalization is a demanding process which requires careful planning and commitment. The results indicated that the Danish market is competitive, but a potential market for the case company to consider, however further market research is necessary. Market knowledge is extremely important and it is recommendable to work together with experts to ensure successful internationalization.

Keywords: internationalization, exporting, Denmark, internationalization services

Tiivistelmä

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Työn tavoitteena oli luoda käsitys siitä, mitä yritysten on otettava huomioon kansainvälistymisen ja viennin suunnittelussa ja tutkia, millaista apua on tarjolla tukemaan suomalaisten yritysten kansainvälistymistä. Työssä tutkittiin myös Tanskaa kohdemaana viennille, sekä Tanskan huonekalumarkkinoita. Tämän työn toimeksiantajana toimi suomalainen huonekaluvalmistaja, Urjalan Keinukaluste Ky, joka on kiinnostunut kansainvälistymisestä, viennistä, sekä Tanskasta mahdollisena kohdemaana.

Työ toteutettiin tapaustutkimuksena, ja siksi tutkimusmetodologiaksi valittiin kvalitatiivinen tutkimus. Työ koostuu teoria- ja empiriaosiosta. Tiedot tähän tutkimukseen kerättiin kirjallisuudesta, internetistä ja teemahaastatteluiden avulla. Teoriaosion tarkoituksena oli luoda pohja empirialle ja siksi luoda käsitys kansainvälistymisprosessista, sekä vientitoiminnasta ja kansainvälistymispalveluiden tarjonnasta.

Empirian tavoitteena oli syventää teoriaa ja siksi hankkia ajankohtaista tietoa asiantuntijahaastatteluiden avulla. Työtä varten haastateltiin kahta asiantuntijaa, sekä case-yrityksen johtoa vieraillemalla paikan päällä. Empiriassa tutkittiin myös Tanskaa kohdemaana. Tavoitteena oli luoda työ, joka toimisi apuna kansainvälistymisen ja viennin suunnittelussa, tarjoaisi yleiskuvan Tanskasta kohdemaana ja Tanskan huonekaluteollisuudesta. Työ myös antaa suosituksia case-yritykselle kansainvälistymisestä ja viennin aloittamisesta.

Tutkimustulosten perusteella kansainvälistyminen on vaativa prosessi, joka vaatii huolellista suunnittelua ja sitoutumista. Tutkimuksen tulokset antavat ymmärtää Tanskan markkinoiden olevan kilpailulliset, mutta myös potentiaaliset case-yrityksen kannalta. Lisätutkimus on kuitenkin tarpeellista. Markkinatieto ja -tuntemus on erittäin tärkeää kansainvälistymisprosessissa, ja siksi onkin suositeltavaa tehdä yhteistyötä asiantuntijoiden kanssa onnistuneen kansainvälistymisen varmistamiseksi.

Asiasanat: kansainvälistyminen, vienti, Tanska, kansainvälistymispalvelut

CONTENTS

1	INTRODUCTION	7
1.1	Thesis topic and background.....	7
1.2	Report objectives and delimitation.....	8
1.3	Theoretical framework, research problems and implementation	10
1.4	Report structure.....	12
2	INTERNATIONALIZATION – CHALLENGE & OPPORTUNITY	14
2.1	Towards global operating environment	14
2.2	<i>Why</i> expand internationally? Reasons, motives and triggers for internationalization	15
2.3	Which general requirements does internationalization pose?	19
2.3.1	Company-specific requirements	20
2.3.2	Product-specific requirements	22
2.3.3	Market-specific conditions.....	23
2.4	The decision on internationalization	26
2.5	<i>Where?</i> Analysis and selection of target markets.....	28
2.6	<i>How?</i> Choice of operation mode	33
2.7	Planning process of internationalization	35
2.7.1	Internal analysis - Company's own capabilities.....	37
2.7.2	External analysis - Market opportunities	40
2.8	SWOT analysis.....	43
2.9	Success factors and most significant problems within internationalization of Finnish companies	45
3	EXPORT OPERATIONS.....	47
3.1	Export entry modes	47
3.1.1	Indirect export	49
3.1.2	Direct export	51
3.1.3	Own export	52
3.1.4	Export partner groups	54
3.2	Acquisition of business connections.....	55
4	SUPPORT FOR INTERNATIONALIZATION	57
4.1	Internationalization services	57
4.2	Financing.....	58
5	EMPIRIC RESEARCH	60
5.1	Qualitative research	60
5.2	Data acquisition and research methods	61
5.3	Research implementation.....	63
5.4	Processing and analyzing the material.....	65
6	INTERNATIONALIZATION & EXPORTING – EXPERT VIEWS	66
6.1	Internationalization – Prerequisites and required resources.....	66
6.2	Considerations on target market selection	67
6.3	Export activities – Resources, prerequisites and risks	68
6.4	Export operations' planning process	70
7	DENMARK.....	72
7.1	Basic information.....	72
7.2	PESTEL analysis.....	73
7.2.1	Political and legal environment	73
7.2.2	Economic environment	77
7.2.3	Socio-cultural environment	80

7.2.4 Technological environment.....	83
7.2.5 Ecological environment.....	86
7.3 Danish furniture industry.....	87
7.3.1 Facts and figures	87
7.3.2 Expert remarks on the Danish furniture market	93
8 CASE COMPANY – URJALAN KEINUKALUSTE KY	95
8.1 Introduction.....	95
8.1.1 History.....	96
8.1.2 Production.....	98
8.1.3 Products and distribution	99
8.2 SWOT analysis for Urjalan Keinukaluste Ky.....	100
8.2.1 Strengths	101
8.2.2 Weaknesses	102
8.2.3 Opportunities	103
8.2.4 Threats.....	104
8.3 Export entry modes – SWOT analysis.....	105
8.3.1 Indirect export	107
8.3.2 Direct export	108
8.3.3 Own export	110
8.3.4 Export partner groups	112
8.3.5 Summary	114
9 INTERNATIONALIZATION SERVICES & FINANCING	117
9.1 Information, training and consulting services.....	117
9.1.1 Finpro ry.....	119
9.1.2 ELY Centres	121
9.2 Financial support.....	123
9.2.1 Ministry of employment and the economy.....	123
9.2.2 Tekes	125
9.2.3 ELY centres	125
9.3 Financing solutions.....	126
9.3.1 Banks.....	126
9.3.2 Finnvera Oyj	127
10 SUMMARY & DISCUSSION	131
10.1 Results and recommendations	132
10.2 Discussion	137
FIGURES.....	140
TABLES.....	141
REFERENCES	142

APPENDICES

Appendix 1	Intermediaries in indirect export
Appendix 2	Intermediaries in direct export
Appendix 3	Export process
Appendix 4	Export payment terms and methods
Appendix 5	List of internationalization service providers and useful websites

Appendix 6	Finpro's consulting services (for preparing the growth, planning the market entry and establishing the presence)
Appendix 7	Haastattelurunko 1: Finnvera (interview frame 1)
Appendix 8	Haastattelurunko 2: Urjalan Keinukaluste Ky (interview frame 2)
Appendix 9	Haastattelurunko 3: Finpro (interview frame 3)

1 INTRODUCTION

1.1 Thesis topic and background

Today, the operating environment of companies is becoming more and more global. Internationalization provides many opportunities for companies, but poses many threats as well. Acquiring necessary information to support decision making is crucial. Successful internationalization requires careful planning and therefore it is important for companies to consider and analyze both their own internal capabilities and the market-specific conditions as well. Internationalization becomes current for many companies at some point and personally the author finds it very interesting and current as a topic.

This thesis is made as an assignment for an intriguing, small Finnish company, which is interested in internationalization, export operations and shares the author's interest in Denmark as a possible target country. Urjalan Keinukaluste Ky manufactures high-quality furniture of solid Finnish wood. Resulting from the cost structure of manufacturing these products, the domestic market for the company's products is small. Therefore, export markets could provide new growth opportunities for the company. Although some of the company's products currently do end up abroad, the company has not yet initiated systematic export trade on continuous basis.

Therefore, this thesis gives an overview of internationalization and export operations as well as provides information about internationalization services and financing solutions, which are available to support the internationalization of Finnish companies. Furthermore, Denmark is examined as a possible target country. The objective of this examination is to provide an overview of Denmark as a target country and the furniture industry in specific. Based on this examination, the purpose is to evaluate whether Denmark would be attractive as a target country and specifically for Urjalan Keinukaluste Ky.

The instructor for this thesis was found through the search of companies, which would be willing to participate in the originally planned research. Due to the lack of interest and time of companies, the original content of this thesis had to be changed. However, with a tip from one Finnish design company, the case company was found and fortunately it was interested in the idea of this thesis right away.

1.2 Report objectives and delimitation

The main objective of this thesis is to give an overview of the issues that are to be considered when planning internationalization and exporting operations as well as examine exporting opportunities and Denmark as a target country, including the furniture industry in-specific, taking into account the case company's field of business. By means of SWOT analysis the purpose is to view the case company's prerequisites for internationalization and exporting and especially considering the Danish market. Also, by evaluating different export entry modes, the purpose is to conclude which of them would be noteworthy for the case company as the first step of internationalization, specifically considering the Danish market.

Furthermore, the purpose is to find out what kind of consulting services and financing solutions are available to support companies' internationalization and initiation of export operations. Ultimately, the purpose is to create a report which provides assistance and information to support the planning process of internationalization and export operations as well as an external view of the case company's prerequisites for internationalization and therefore provide recommendations concerning internationalization and initiation of export activities.

The topic of this thesis is very wide and therefore some exclusion is made. These delimitations are also made, because the purpose of this research is to provide assistance for the case company, which is interested in internationalization and export activities, but has not yet established systematic international operations. Therefore, these delimitations are relevant, as the objective is not to make

a complete plan how to implement internationalization and start export operations, but to provide a guideline to support the planning process.

Due to the delimitations, this research does not focus on strategies of internationalization. Instead, it discusses the reasons and motives for going international, general requirements of internationalization, the international business environment as well as analysis and selection of target markets. Theory about analyzing the micro environment is introduced briefly. However, this study focuses on analyzing the macro environmental factors and therefore analysis of the micro environment is not carried out in the empiric study.

This research is delimited to focus on Denmark as a target country. Also, it is made specifically for the needs of the case company and therefore brings up also aspects concerning the Danish furniture industry. Furthermore, the research is delimited to discuss only export entry modes in which the production takes place in Finland, as other, more demanding international operation modes are not relevant at initial stages of internationalization, especially for small companies. Moreover, the case company desires to keep its production as domestic. Therefore, this research does not discuss other international operation modes, such as direct investments, because they are not relevant options for the company at this point. Also, theory of the internationalization planning process is delimited to discuss only the first two stages and therefore strategy, resources and implementation phases are excluded.

Furthermore, this research does not focus on discussing logistic solutions and transportation modes profoundly. Also, discussion about legislation, customs procedures and taxation is very limited, because the subject is very wide. Taking into account that Denmark is a member of the EU, there should not be any major legal issues. However, legislative matters of the target country, taxation and customs procedures are somewhat discussed or mentioned within the analysis of Denmark in chapter 7.2. Discussion of internationalization services is delimited to focus specifically on services, which are relevant for companies at initial stages of internationalization. Also, discussion of financial support and financing solutions is delimited to focus specifically on solutions, which are

meant for companies at initial stages of internationalization and planning export operations. Therefore, only financing solutions related to exporting are discussed.

Theory about internationalization, export operations and internationalization services as well as financial support and financing solutions provides a general guideline for companies considering internationalization and exportation. The analysis of Denmark provides a general overview of Denmark as a target country. This analysis is also made specifically for the needs of the case company, as it has not yet carried out any research of the Danish market. In addition to the macro environmental analysis, also industry- specific information about the Danish furniture market is brought up, in order to produce useful information specifically for the case company.

The SWOT analysis is also made specifically for the case company, in order to provide an external view of the company's prerequisites for internationalization and exporting as well as an evaluation of potential opportunities and threats, especially considering the Danish market. The SWOT analysis of export entry modes includes evaluation of export entry modes which are relevant regarding specifically the case company's current situation and taking into account its internal factors and resources. Furthermore, information about internationalization services, financial support and financial solutions is gathered to provide assistance especially for the case company and taking into account its current situation.

1.3 Theoretical framework, research problems and implementation

The theoretical framework of this thesis consists of internationalization, export operations and internationalization services and financing. The theoretical part discusses issues that companies need to consider when planning internationalization and export operations. Theory about internationalization discusses reasons behind internationalization and general requirements that internationalization poses. Furthermore, the analysis and selection of target markets as well the choice of operation mode are discussed. The theory also describes the planning

process of internationalization and as a part of it; the analysis of a company's internal capabilities as well as external, market-specific conditions is discussed. Based on previous research, the success factors and most significant problems in internationalization of Finnish companies are introduced briefly.

Furthermore, theory about strategic environmental analysis (PESTEL, SWOT) is presented as they are important tools within the internationalization and export operations' planning process. The theoretical part also discusses export operations; though only export entry modes, which are relevant in the initial stage of internationalization. Moreover, acquisition of business connections is discussed as the first and important stage of the export process. Internationalization services are also discussed and this part covers available information- and consulting services as well as financing solutions, which support the internationalization of Finnish companies.

Based on the objectives of this report, the main research problem in this case is formed as follows: What are the issues that companies need to consider when planning internationalization and export operations? As sub-problems the next questions are discussed: Which general requirements does internationalization pose? How to analyze and select target markets? Which export entry modes could be suitable for the case company as the first step of internationalization? What is the Danish business environment like and is Denmark attractive as a target country for the case company? Which consulting services and financing solutions are available to support companies' internationalization and export operations?

This research is carried out as a case study and therefore qualitative research methodology is applied. In addition to a literary review and utilizing internet sources, data is acquired by conducting theme- based interviews, which are recorded. The acquired material is then transcribed, re-organized, clarified and finally analyzed. A more detailed explanation of data acquisition, research methods and implementation as well as processing and analysis of the material are presented in chapter five.

1.4 Report structure

The report consists of a theoretical as well as an empiric part, including ten chapters altogether. The data for the theoretical part were gathered from literature and internet sources. The theory creates basis for the empiric part of the work as it provides insight into companies' internationalization process and export entry modes. The first chapter consists of an introduction to the topic, report objectives, delimitation of the work and the research problems.

The second chapter discusses internationalization by addressing questions why, where and how. Therefore, reasons and motives for internationalization, analysis and selection of target markets as well as the operation mode selection process are discussed. Also, PESTEL analysis is introduced as a tool for analyzing the macro environment of possible target countries. Furthermore, the international business environment, general requirements of internationalization, SWOT analysis as well as the planning process of internationalization, including the evaluation of both internal and external prerequisites, are addressed here. Analysis of competitive environment and thus the micro-environmental factors is introduced briefly. In addition, the success factors and most significant problems in internationalization for Finnish companies are introduced briefly, according to the results of previous research.

The third chapter discusses export operations. This part covers only export entry modes, due to the aforementioned delimitations. Therefore, indirect, direct and own export entry modes as well as export partner groups are introduced here. In addition, as the first and important stage of the export process, acquisition of business connections is addressed. The fourth chapter consists of a brief introduction of internationalization services and financing opportunities that are available to support the internationalization of Finnish companies.

The empiric part of the work begins in chapter five, which includes an introduction of the chosen research methodology, data acquisition and research methods as well as an overview of how the research is carried out and how the acquired material is processed and analyzed. The material for the empiric part is

acquired partly by desk research and deepened by field research by conducting expert interviews. The material and results of the interviews are discussed and utilized in the following chapters, after the introduction of the research methods.

The sixth chapter introduces the results and acquired information from the expert interviews, concerning two of the central themes within the interviews. Therefore, expert views concerning matters of internationalization and exporting are discussed here. This part introduces views of the interviewed experts related to prerequisites of internationalization, required resources, target market selection, export operations' planning process and acquisition of market knowledge.

The seventh chapter discusses Denmark as a target country. This chapter consists of general information about the country and discusses its strengths and weaknesses from the perspective of business by means of PESTEL analysis, which analyses political, economic, sociocultural, technological and legal conditions of the Danish business environment. Furthermore, this part includes an introduction of the Danish furniture industry. Also, some expert remarks on the Danish furniture market are introduced, based on the results of the interview.

The eighth chapter consists of an introduction of the case company, a SWOT analysis for the company based on the author's perception as well as a SWOT analysis of the previously discussed export entry modes, with regard to the case company's internal factors and resources. The ninth chapter focuses more closely on available internationalization services and it consists of two parts: information, training and consulting services as well as financial support and financing solutions, which are offered for Finnish companies.

The tenth and final chapter of this report presents a summary of the key findings, discussion of the results and some recommendations, according to the objectives of this thesis. The reliability and validity of the work and also the overall thesis process is discussed here as well.

2 INTERNATIONALIZATION – CHALLENGE & OPPORTUNITY

On one hand, internationalization provides an opportunity for companies to expand their business and increase profitability. On the other hand, it is a challenge, because a large amount of risks is included. Therefore, identifying and efficiently controlling these risks is an essential skill for companies in order to succeed. (Karhu 2002, p. 3.)

2.1 Towards global operating environment

Internationalization is no longer regionally limited but it has become more and more of a worldwide phenomenon. Therefore, globalization is also a word for it. All companies are more or less becoming international, either actively or passively, as in today's globalized world the rate of change is fast. Integration of the world market and internationalization of business are moving forward at accelerating speed. Barriers for trade and investments are continuously decreasing especially through trade negotiations of the World Trade Organization (WTO). Foreign exchange and money markets of the world are integrating. Countries are more and more clearly dependent on the forces that prevail on the world market. Furthermore, regional integration is moving forward all over the world and the nearest example of this is the European Economic Area (EEA). (Äijö 2008, pp. 19–20.)

Globalization of economy and competition brings challenges but offers also many opportunities. This requires continuous development of international competitiveness, also when operating on domestic markets. Small and medium enterprises (SMEs) have a significant role in economic development and employment. As a small and open economy, Finland is dependent on exportation and internationalization of companies. Especially for small companies internationalization is a challenge, but being proactive, market- and strategic oriented as well as being active are keys to success. By making strategic choices companies can affect their performance and success significantly. (Vahvaselkä 2009, pp. 15–16.)

Consequently, internationalization can be defined as a group of strategic decisions that are made to adapt the company's operations to its environment in order to ensure competitive advantage or customer benefit and through this success in the long run. Even though, Äijö (2008, p. 41) emphasizes that it is important to recognize that internationalization is not only a group of strategic operations to be carried out, but it is also a comprehensive process of learning and change for companies. However, strategic orientation is highly necessary for a company's international growth and thus internationalization can be viewed as a growth strategy for companies. According to Penrose's (1959) theory of the growth, there is a clear connection between the size of a company and the efficiency of its production and marketing. Also, competent management has a key position when companies seek to internationalize within their internal qualifications and external opportunities or obstacles. (Vahvaselkä 2009, p. 19.)

Continuous adaptation to the changing environment is a law of nature in business. As the environment changes, companies have to be able to change accordingly. Along with the changes in the environment, knowledge and skills of the employees' are emphasized as a crucial company resource. Furthermore, as the competition tightens it is even more important to improve cost- efficiency, quality and innovation. Also, having the ability to examine one's strategic options flexibly and comprehensively becomes even more important for companies. To summarize, now even more clearly than before the level of strategic thinking and planning is a crucial factor of companies' success in global competition. In order to achieve all this it is necessary for companies to gradually adopt an international or a global perspective. (Äijö 2008, pp. 20–21.)

2.2 Why expand internationally? Reasons, motives and triggers for internationalization

Generally there are numerous reasons behind a company's internationalization. The decision to expand internationally should always be considered carefully, because there are major risks involved (Karhu 2002, p. 19). It is important for

each company to take the time to consider the reasons for internationalization as the decision of internationalization is affected by these reasons. Often internationalization is also a natural part of companies' growth and development strategy. The reasons and motives to expand internationally can be examined together as factors that overall influence the internationalization of companies. These factors are impulses that trigger export activities and therefore have an impact on the company's decision to initiate exporting and examination of exporting opportunities. (Vahvaselkä 2009, pp. 61–62.)

According to Vahvaselkä (2009, p. 63), factors that influence internationalization can be divided into internal and external ones. Furthermore, they can also be categorized as proactive and reactive reasons. Proactive reasons derive from companies' internal incentives but reactive reasons derive from changes in the environment, which companies' react to. Therefore, internationalization that results from proactive reasons indicates willingness of the company. On the contrary, when resulting from reactive reasons, internationalization can be inevitable for the company. Figure 1 below illustrates the internal factors and reasons that influence internationalization of companies.

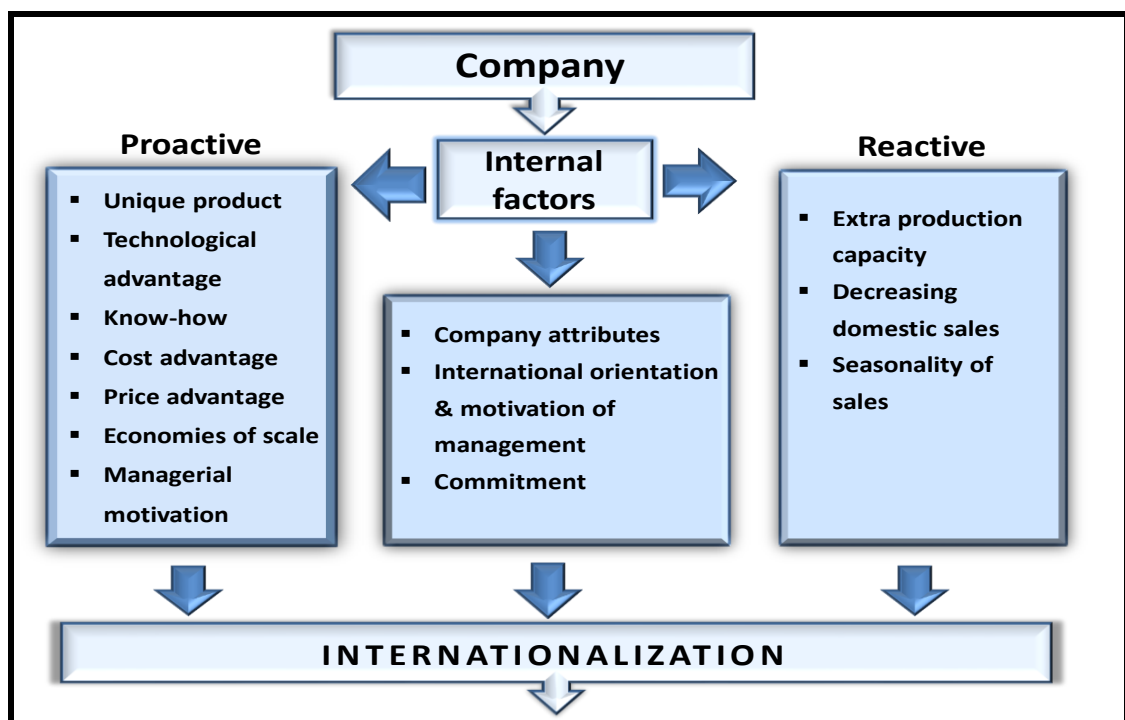


Figure 1 Internal factors of internationalization

Internal factors are such that derive from the company itself and refer to attributes of the company, such as age, size, field of business and for example family entrepreneurship. Furthermore, internal factors include managerial issues, such as the level of strategic and market orientation, international education, language skills and networks as well as matters concerning decision making. According to previous studies, an internationally oriented and motivated management with readiness to take on the challenges provided by international markets is a primary trigger for companies' internationalization. Ultimately, the decision on internationalization is made by the senior management of a company. Operations to be executed and the level of success are therefore highly dependent on the commitment of the chief executive. (Vahvaselkä 2009, p. 62.)

Proactive reasons are such that increase the activity of companies and act as triggers for internationalization. The most crucial proactive factors deriving from the company itself include the uniqueness of the product, technological advantage or other distinguished know-how, economies of scale, cost advantage as well as price advantage and the level of activity, motivation and ambition of the management. Production capacity or overproduction, seasonality of sales and decreasing domestic sales are also seen as reactive reasons deriving from the company itself. (Vahvaselkä 2009, p. 63.)

The external factors that influence internationalization derive from the operating environment of companies. These factors can evolve either from the domestic market or the foreign target market of a company. The conditions of the domestic market create pressure and therefore push the company towards international markets, whereas the conditions of the foreign target market attract and therefore pull the company towards internationalization. Figure 2 shows the external forces that affect the internationalization of companies. According to previous studies, small size, transparency and geographic location of domestic markets have had crucial impact as pressure factors on the internationalization of Finnish companies. Geographical location has had a negative impact on gaining market knowledge and recognizing market impulses quickly enough. (Vahvaselkä 2009, p. 62.)

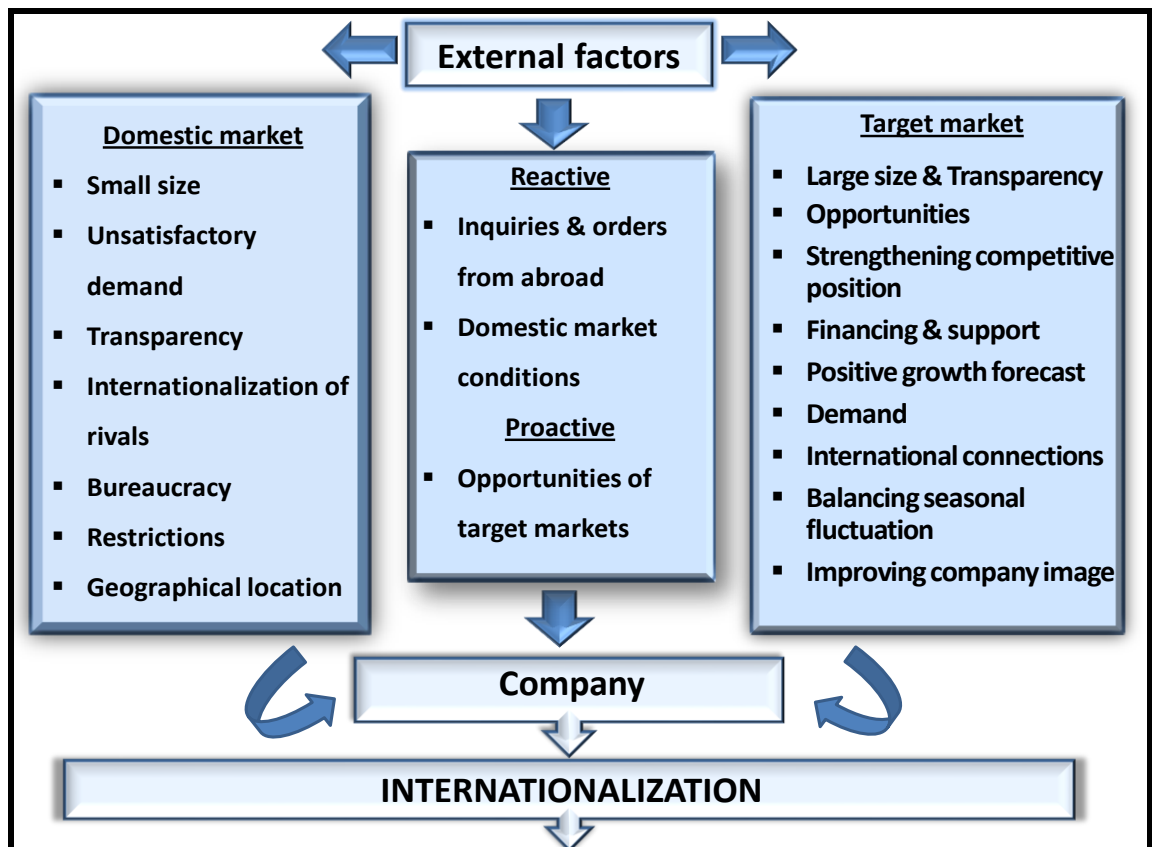


Figure 2 External factors of internationalization

Karhu (2002, p. 18) lists weak demand and restrictions of the domestic market as well as internationalization of competitors and avoiding domestic bureaucracy also as factors that create pressure and therefore push companies towards internationalization. At the same time, conditions of foreign target markets attract and therefore pull companies towards expanding internationally. Referring to Karhu (2002, p. 18) factors which make foreign target markets attractive are the opportunities derived by their large size and transparency as well as the opportunity for companies to gain financing and support, strengthen their competitive position and image of the company and also the opportunity to balance seasonal fluctuation. Also, arisen international connections and demand for the product are factors that attract companies abroad.

Vahvaselkä (2009, p. 62) also brings up positive GDP growth forecast of economies as one factor that provides opportunities and attracts companies towards internationalization. External factors which are seen as proactive ones are basi-

cally opportunities that foreign target markets provide whereas inquiries and orders from abroad as well as the excessively small size of domestic markets are included in reactive factors. In Finland the small size and transparency of domestic markets are the most significant pushing forces for companies at the early stage of internationalization. The pulling factors of foreign target markets start to affect subsequently when a company changes its policy from reactive to a proactive one. (Vahvaselkä 2009, pp. 62–63.)

Based on survey results from 2000s it can be summarized that the main reasons behind companies' urge to internationalize are firstly, the small size, scarce growth and harsh competition of domestic markets as pushing forces and the demand of international markets as well as their size and growth as pulling forces. Secondly, the results of the survey revealed that both skills and knowledge of the company as well as the urge of the management to expand internationally were among the main reasons. Thirdly, internationalization of customers was mentioned. As a conclusion it can be stated that in the long run all the reasons and motives for internationalization can be summarized into one central necessity: ensuring the growth and profits of a company. (Äijö, 2008, pp. 38–39.)

2.3 Which general requirements does internationalization pose?

When considering internationalization and rationalized reasons for it, companies also have to pay attention to the requirements that internationalization poses. As companies evaluate these requirements they must consider both internal factors that relate to the company itself and its products as well as external factors that relate to market conditions. Before making the final decision of internationalization and the choice of operation mode a company should be able to evaluate the requirements of internationalization critically. Criticality of this evaluation means to realistically weigh all relevant matters on objective basis. It is important to make this evaluation, because it limits the amount of operation modes that are considered applicable for the company as different operation modes pose quite different requirements. (Karhu 2002, p. 19.)

2.3.1 Company-specific requirements

Evaluation of company-specific requirements includes the examination of economic and functional resources.

Economic resources

Economic resources signify the economic condition of a company, which consists of profitability, financial solidity and liquidity. The most important criterion is profitability as it is the basis for liquidity and financial solidity of a company. Typically, to be able to ensure its competitiveness, a company should have at least one of these criteria in order. However, international competitiveness poses higher requirements for companies' economic resources. Therefore, successful internationalization requires solid economic conditions. Even at the early stages of internationalization, economic conditions of a company have an essential significance, because investments in fixed assets and personnel are somewhat required. (Karhu 2002, pp. 20, 22.)

Furthermore, investments in machinery and other necessary equipment may be required in order to develop the companies' production and delivery capacity into a necessary level. Personnel-specific investments include for example possible training in order to acquire the necessary international know-how into the company. Along with other investments, companies have to make significant investments in marketing as competition in international markets is harsh and therefore the requirements are higher in contrast to domestic marketing inputs. These investment needs may result in difficulties of continuously maintaining a necessary level of financial solidity and liquidity. Weak financial solidity and liquidity can easily become barriers of trade. Also, the established policy of long terms of payment within international trade can make maintaining liquidity difficult. If the economic resources of a company are limited, it is likely that internationalization is implemented for example as export trade. (Karhu 2002, pp. 22–23.)

Functional resources

Functional resources signify the production, administrative and marketing capacity of a company, as well as its psychological resources and adequacy of the personnel to work within international tasks and context. These abovementioned resources have a connection to the company's economic resources, because their adequacy is dependent on the attributes of the company, which in turn are evaluated by economic measures. In order to be able to manage large orders, an international company should have significant production capacity. (Karhu 2002, p. 25.)

It is also important to be able to convince the customers in advance about the company's delivery capability as it can be a crucial factor in receiving orders. The distances and difficulty of implementing market research as well as market communication in international markets set requirements for the marketing resources of a company, as for organizational leadership and management of money processes in a changing environment call for administrative capacity. However, the requirements targeted at the company's functional capacity vary according to the applied operation mode. (Karhu 2002, p. 25.)

Requirements related to the psychological resources of a company are targeted at the personnel's skills and knowledge in production, marketing and administration as well as the language skills, cultural knowledge and adaptability to various surroundings and cultures of the persons who work within these tasks. The greatest requirements are targeted at persons who are responsible for the daily sales work. However, skills and knowledge are required also from the management of a company, as the decisions they make have a significant effect on the company's prerequisites for success. If the economic resources of a company are limited it is likely not to implement internationalization through foreign investments such as establishing a subsidiary abroad. Even though, in some cases ensuring the delivery capability of a company might require setting up a unit abroad. (Karhu 2002, p. 25.)

2.3.2 Product-specific requirements

Product-specific requirements signify the suitability of the product for international markets. The possible export success of the product is affected by all levels of the product and therefore the core product, the additional services and benefits as well as the image of the actual product. A strong competitive advantage is a crucial factor that influences the international success of a company. The product's competitive advantage can be based on attributes of any level of the product. Practically, the superiority of the product has to be distinctly perceptible, because the lack of differentiation among competing products can easily result in failure in international markets. Therefore, it is not neither recommendable nor profitable to aim at international markets with a poorly distinguishable product, unless the company has a clear cost advantage in contrast to its rivals. (Karhu 2002, p. 26.)

The product might be suitable for international markets as it is or as somewhat modified, according to the specific target markets. For some target markets it is not necessary to make changes but in other markets totally different qualities are required from the product. The changes can be targeted at all levels of the product. The necessity to change the core product usually derives from the different regulations and standards within the target market, whereas the changes to be made to the outer levels of the product is a matter of creating and developing competitive advantage within marketing. (Karhu 2002, pp. 26–27.)

These product-specific requirements of internationalization may somewhat affect the company's choice of operation mode. In case the features of the outer levels of the product are an important competitive weapon for the company, it is usually most advantageous to market the product through a representative at the target market or the company's own unit located there. For some products the advantages provided by local presence are so important that it is not possible to market the product successfully from their home country. (Karhu 2002, pp. 26–27.)

2.3.3 Market-specific conditions

Market-specific conditions relate to demand, competition and environmental factors at the target market.

Demand factors

The volume of potential demand affects the choice of operation mode; as if it is probable that the demand will be scarce it is often more advantageous to start internationalization with export business than direct investments. At the same time, an own foreign unit might provide a good opportunity for generating demand at the target market. Furthermore, presence at the target market enables efficient data acquisition and therefore facilitates the company's decision making. Investments to the target market at an early stage of internationalization might enable gaining a significant competitive advantage for the company, especially in case the demand is estimated to increase strongly in the future. (Karhu 2002, pp. 27–28.)

Basically, the volume of demand is based on the quantity of potential customers as well as their ability and willingness to buy the company's products. The basis for potential demand is the quantity of reachable customers and therefore populous countries often provide the best opportunities for successful internationalization. However, many of the most populous countries in the world are quite poor and therefore the purchasing power of these markets is much weaker compared to smaller, industrialized western countries. Consequently, purchasing power which is based on the level of income and wealth of potential customers is an essential factor that limits the volume of demand. Another matter possibly limiting the volume of sales is the customers' willingness to purchase the product, which is influenced by their conceptions and attitudes towards the product. Influencing the customers' willingness to buy as well as diminishing the barriers to purchase are therefore important tasks within companies' marketing. (Karhu 2002, pp. 27–28.)

Competition factors

The level of competition at the target markets also affects the choice of operation mode, because in case the chosen market is highly competitive it probably leads to direct investments eventually, especially if the advantages of local presence are significant. The competitive situation at the market is relative to the quantity of competitors operating there as well as their competitive weapons. Nowadays competition is scarce everywhere, but most clearly it appears in markets with a high purchasing power and large size. The fact that the export price of the product is lower than its price in the domestic markets is often an indicator of this. However, the export price of the product should in fact be higher than the price in domestic markets, as export marketing results in higher costs than domestic marketing. In order to gain returns at least equivalent to the sales of the domestic market, a company should be able to get a good export price for its products. Nevertheless, the situation being the opposite it might be possible to increase profitability only through increased sales volume. (Karhu 2002, pp. 28–29.)

Environmental factors

Environmental factors at the target market influence the choice of operation mode, the competitive weapons in international marketing as well as the achievable results (Karhu 2002, p. 30). In the international operating environment several matters influencing business operations can be identified. These environmental factors influence the potential success of a business and they can be categorized into different sectors, which are: economical, financial, demographical, technological, political, legal, cultural and social factors of a specific business environment. These factors should be examined from both the national perspective of the target country and with an international perspective, too. It is essential to consider the international scope of the business environment especially as examining the economic, financial, political and legal environment. (Karhu 2002, pp. 12–13.)

In the economic environment the matters of taxation in the target country affect the company's decisions most clearly. Both direct and indirect taxation have its own influence. An exceptionally favorable direct taxation as well as indirect taxation influencing trade negatively both attract companies to internationalization through direct investments. The currency conditions of the target market are a part of the financial environment. If a country has unstable currency conditions it is not attractive for investments. Furthermore, the functionality of the finance markets also influences the choice of operation mode as well-developed finance markets attract companies to invest. Whereas developed and well-functioning money markets most clearly increase the attractiveness of traditional foreign trade. (Karhu 2002, p. 30.)

In the demographic environment the features of population and companies established in the target market influence the choice of operation mode. Technological environment in turn affects the viability of practical operations in the different operation modes. The use of outdated technology does not attract investments that aim at utilizing high-technology, because in this case the necessary know-how cannot be acquired from that particular target country. The technological environment also signifies the physical and natural environment of the target country and therefore its location, natural resources and the transport, communication and energy infrastructures are included. (Karhu 2002, pp. 30–31.)

All of these factors work either toward or against the conditions of adopting different operation modes. The political environment includes the political situation of the target country, the government's use of authority as well as the policies and bureaucracy matters. The legal environment consists of the legal system of the target country. A high level of technical legislation as well as its predictability and professional applicability are matters which generate trust towards the target market. (Karhu 2002, pp. 30–31.)

The socio-cultural environment consists of the social structure of a society and social well-being as well as both visible and invisible culture at the target market area. If the culture of the target country differs significantly from what is used to,

it is important to consider how to efficiently exploit the local cultural knowledge when deciding on the operation mode. In foreign trade practical and applicable alternatives are direct and indirect exportation as well as licensing and franchising by using a local partner or collaboration with a local company by exploiting their knowledge of local conditions. Direct investments can be successful even to markets with significant cultural differences, if the requirements set by cultural differences are respected. (Karhu 2002, pp. 31–32.)

The effects of these abovementioned environmental factors on business depend on the level of complexity of companies' international operations. When internationalization is implemented by own exportation, without using intermediaries, the environmental effects are greater than for example when direct and indirect export entry modes are used. Therefore, the less commitment to the target market area is expected from the company, the less impact the environmental factors have on its business. Consequently, the features of the business environment somewhat affect the company's choices and decision making, the same way as company and product-specific factors as well as competition and demand factors do. (Karhu 2002, pp. 13–14.)

The requirements of internationalization that were discussed above are somewhat generalized. In the real world the actual amount of factors which influence the decision on internationalization and along with it the overall decision making process of companies is various. The value and significance of each factor varies case by case and therefore a universal pattern of decision making, which regards all the environmental effects, cannot exist. Merely, it is important for companies to consider these environmental factors sufficiently enough and take into account the minor ones as well. (Karhu 2002, p. 32.)

2.4 The decision on internationalization

A company's rationalized decision to go international is based on the reasons behind internationalization, which were discussed previously. The next step for companies is to examine their motives as well as both the company and market-specific requirements and also matters which work towards and against in-

ternationalization. After examining all of these factors, based on the results of this examination the final decision on internationalization is made. (Vahvaselkä 2009, p. 61.)

Prior to making the decision to start internationalization a company has to consider many issues. The various reasons and motives for internationalization were discussed previously, but basically they can all be summarized to one basic question: do international markets provide better potential than domestic markets and is the company able to utilize this potential. In figure 3 the model of decision making in internationalization process, according to Äijö (2008, p. 41), is described. Whatever the impulse or motive for considering internationalization is, it is important to consider whether it is sufficient and how internationalization matches the company's overall goals and strategy.



Figure 3 Decision making in internationalization process (Äijö 2008, p. 41.)

Though, the impulse for internationalization might come from the external environment, the actual basic motive to start internationalization should be based on the company's internal goals and strategy. Therefore, it is important for the management of a company to go through a formal decision making process

along with supportive reviews of the current situation at this point. (Äijö 2008, p. 40.)

As mentioned before, prior to making the final decision on internationalization and the choice of operation mode a company should critically evaluate the requirements that internationalization poses. These threats and opportunities caused by the business environment along with the company's internal strengths, weaknesses and especially competitive advantage should be carefully analyzed before making final decisions. These analyses are important to carry out as they create basis for the company's decision making process, which basically starts and is based on the results of the analysis of the company's competitive advantage. (Karhu 2002, p. 14.)

Basically, these threats of the business environment can be analyzed by making a risk analysis. Risks can generally be divided into commercial and country-specific risks. Commercial risks signify risks that are caused by the actions of companies' customers and business partners. Country-specific risks signify the risks and uncertainty caused by different environmental factors, which were discussed in the previous chapter. These threats include risks caused by unstable conditions of the target market as well as political risks that are caused by societal conditions and decisions of the government. (Karhu 2002, pp. 14–16.)

These possible risks can be analyzed along with the analysis of the macro environment, which is discussed in the next sub-chapter as PESTEL analysis.

2.5 *Where?* Analysis and selection of target markets

As the requirements of internationalization have been examined and the decision on internationalization made, it is time to make decisions concerning market entry, including the choice of targets markets, operation mode as well as setting objectives for the chosen market. These are important decisions as especially for SME's the consequences of unsuccessful choices are far-reaching and they result in lost opportunities, additional costs and increasing risks. A systematic approach in target market selection signifies proceeding stage by stage.

Analysis of target markets starts by examining general information on macro level and continues to a more detailed examination on micro level, which includes analyzing the sales potential within specific target markets. After this the final choice of target markets is made. (Vahvaselkä 2009, p. 66.)

According to Root (1994) the selection process of target markets consists of four stages: preliminary analysis, evaluation of market potential, evaluation of sales potential and finally identifying desired segments (Vahvaselkä 2009, p. 66). As the company proceeds according to this model of the selection process, the necessary information sources convert from secondary into primary ones. Tailored, declarative information is not necessarily available before the company already operates in international markets. Root's (1994) model for selecting target markets is presented in figure 4 below.

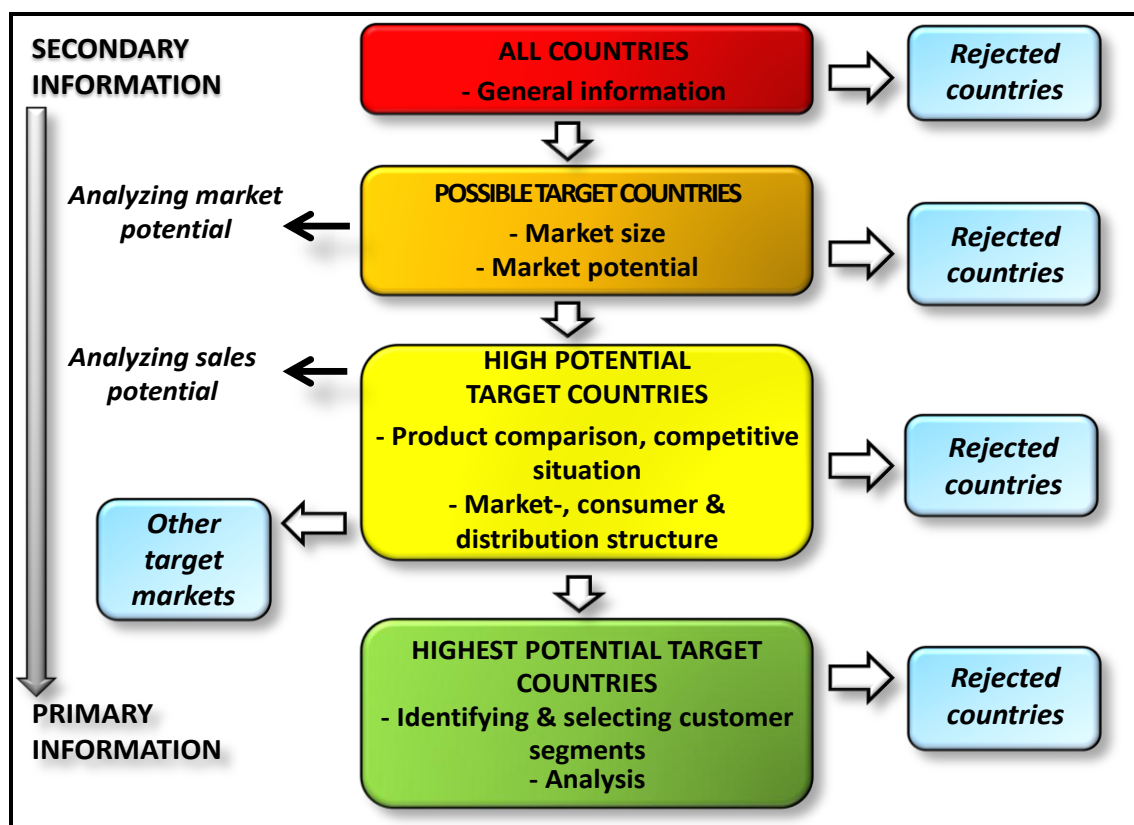


Figure 4 Model of target market selection process, after Root (Vahvaselkä 2009, p. 67.)

The first stage consists of a preliminary analysis, which is targeted at a small amount of potential target areas or countries. This preliminary analysis includes

general information of countries, for example population, purchasing power, GDP, market size, ease of market entry, level of competition and acceptability of products. After the preliminary analysis is made, the market potential of possible target countries is evaluated. Evaluation of market potential means estimating the current market size and also predicting the prospective size of the market. The overall market potential signifies the volume of potential sales. Therefore, this second stage focuses on analyzing countries, which according to the preliminary analysis could be possible target areas. A useful tool for comparing these possible target countries is the PESTEL analysis, which is used for analyzing the macro environment affecting all companies operating in a specific operational environment. (Vahvaselkä 2009, pp. 66–67.)

After the preliminary analysis and evaluation of market potential it is time to examine the company's sales potential in high potential target countries. Sales potential signifies the part of market potential, which the company can realistically expect to achieve in the long run. Then, the target market is selected according to these aforementioned stages and this is followed by a detailed segmentation and analysis of the target market. When making the final selection of target market(s), a company should have access to the following information about the specific target countries:

- Is there existing demand for the product/ service or how it can be created?
- What is a typical customer like?
- What is the current and prospective market size?
- What kind of adaptation is required for products and marketing activities?
- What are the estimated costs and profits/ revenues?
- Are there laws or regulations, which influence the company's operations?
- Does the public sector work toward or against the company's operations?
- Is there a tax allowance or company support available?
- Are there potential partners to be found?
- Is there necessary work force available (if needed) and what is the level of expertise?

- How can the company market its products in the media?
- What is the infrastructure like?
- Is the political and economic system stable?
- Is the country safe?

Ultimately, the choice of the target country is based on the company's own goals and resources. (Vahvaselkä 2009, p. 70.)

PESTEL analysis

PESTEL analysis consists of analyzing the political, economic, sociocultural, technological, ecological and legal factors of the macro environment. Here the grouping is slightly different compared to the environmental factors related to the requirements of internationalization, which were discussed before. Typically, it is not possible for companies to control these macro environmental factors directly and therefore they might even pose direct threats for the company's operations. At the same time, changes in these external factors can create new opportunities for companies. The physical environment of a country, such as its size and distance are also reckoned as macro environmental factors. Many of these factors of the macro environment are country-specific and therefore PESTEL analysis should be carried out individually for each country in question. (Vahvaselkä 2009, p. 68.)

Figure 5 below shows the different dimensions and gives some examples of the target areas included in the PESTEL analysis. Both the political and legal environment consists of two extents. The domestic political and legal environment includes all political and legal issues, which influence the international business of a company, such as the government's actions for export promotion. Whereas the political and legal environment of the target country consists of issues which concern the company as it operates in that specific market.

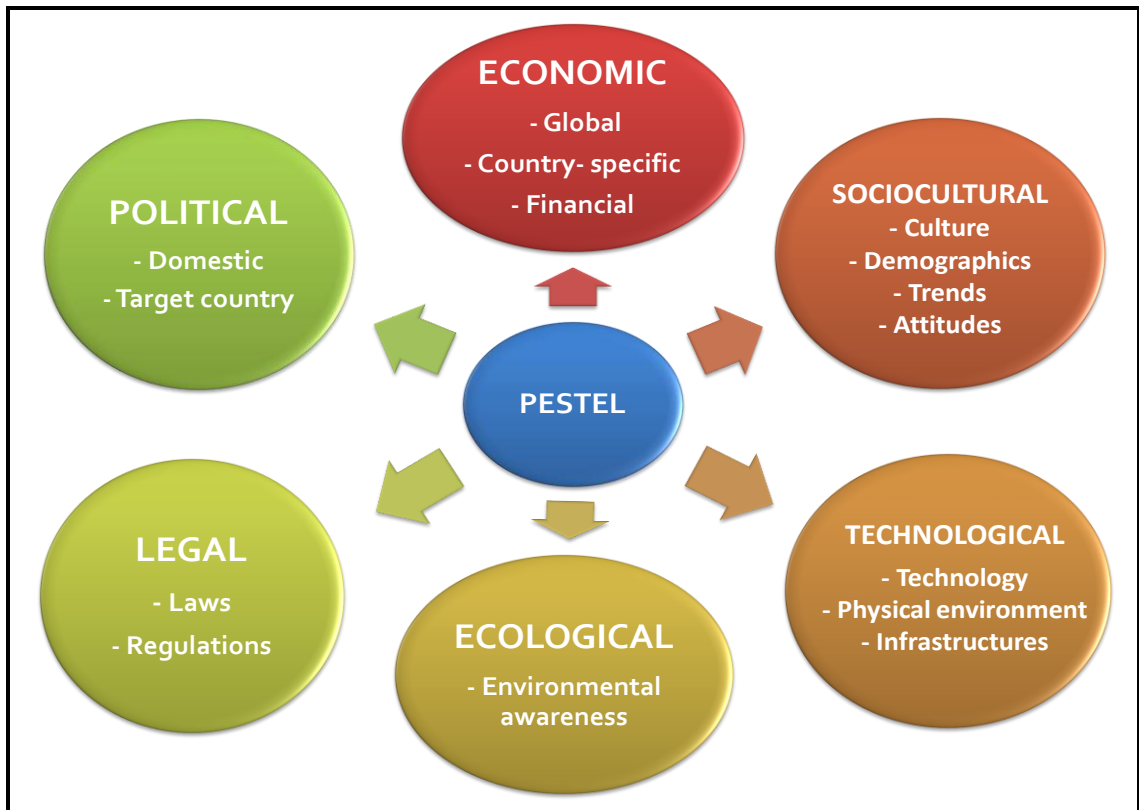


Figure 5 PESTEL analysis

The political and legal environment may pose certain risks for the company, for example operational and financial risks as well as risks caused by the government of the target country. These risks include for example import restrictions, market and price controls, and other laws and regulations concerning the company's products, taxation and workforce for example. (Vahvaselkä 2009, p. 68.)

The economic environment can also be divided into two extents: global, worldwide economy and individual, country-specific economies. The global economic environment consists of issues concerning world trade, governments' monetary policies and trade monitoring organizations like EU (European Union) and WTO (World trade organization), which aim at facilitating trade between different countries and maintaining economic well-being. Country-specific economic analysis should focus on the size and attributes of the target market. The state of an individual country or economy is usually determined by its growth rate, employment situation, price level, income level, availability of economic resources, the amount of money in circulation and interest rates. Financial operational environment is also included in the economic dimension and it includes all

the risks that are related to financing and foreign payments traffic within a company. These risks include commercial risk, political risk and foreign currency exchange risk. (Vahvaselkä 2009, pp. 68–69.)

Factors, which influence the company in the sociocultural environment, include the culture, demographic factors, trends and attitudes of consumers. It is important to take the cultural factors into account for example in marketing planning. The effects of culture can be evaluated on macro level, which includes the general attributes of the sociocultural environment and also on micro level, which includes for example attitudes toward foreign products. The technological operational environment consists of the technology included in the product and used in the production process as well as the technology which the management can utilize. These factors affect the competitiveness of a company. (Vahvaselkä 2009, p. 69.) The ecological dimension includes for example the weather, global climate change and for example local waste issues. The growing desire to protect the environment can have a significant impact on the companies' operations as well (Oxford University Press 2007a).

2.6 How? Choice of operation mode

After selecting target markets a company should choose an operation mode and standard of activity, which enables utilizing long-term competitive advantage. The choice of operation mode is connected to the selection of target markets and the objectives that are set for this chosen market, as the company should choose the kind of operation mode, which contributes to achieving these set objectives (Vahvaselkä 2009, p. 66). When deciding on the most appropriate operation mode for the chosen target market, the company determines to what extent it is willing to engage resources and how intensively it desires to be present at the target market. Furthermore, the company should consider the level of gross profit that is strived for as well as what kind of control possibilities it has; in other words how the company is able to make decisions and protect its interests. (Vahvaselkä 2009, p. 71.)

The selection of appropriate operation mode is influenced by many factors, which can be divided into internal and external ones. Internal company-specific factors include strategy, size, goals, long-term objectives, level of commitment, financial resources, human resources, experience, products and competitive advantage of the company. Furthermore, factors related to the product consist of its uniqueness, technology, maintenance issues, and price as well as intellectual property issues. External factors influencing this choice include domestic conditions, size of the target market, market potential, environmental factors on macro and micro level, usability and complexity of operation modes, risk level and also the easiness and quickness of market entry. (Vahvaselkä 2009, pp. 71–72.) The operation mode selection process is described in figure 6 below.

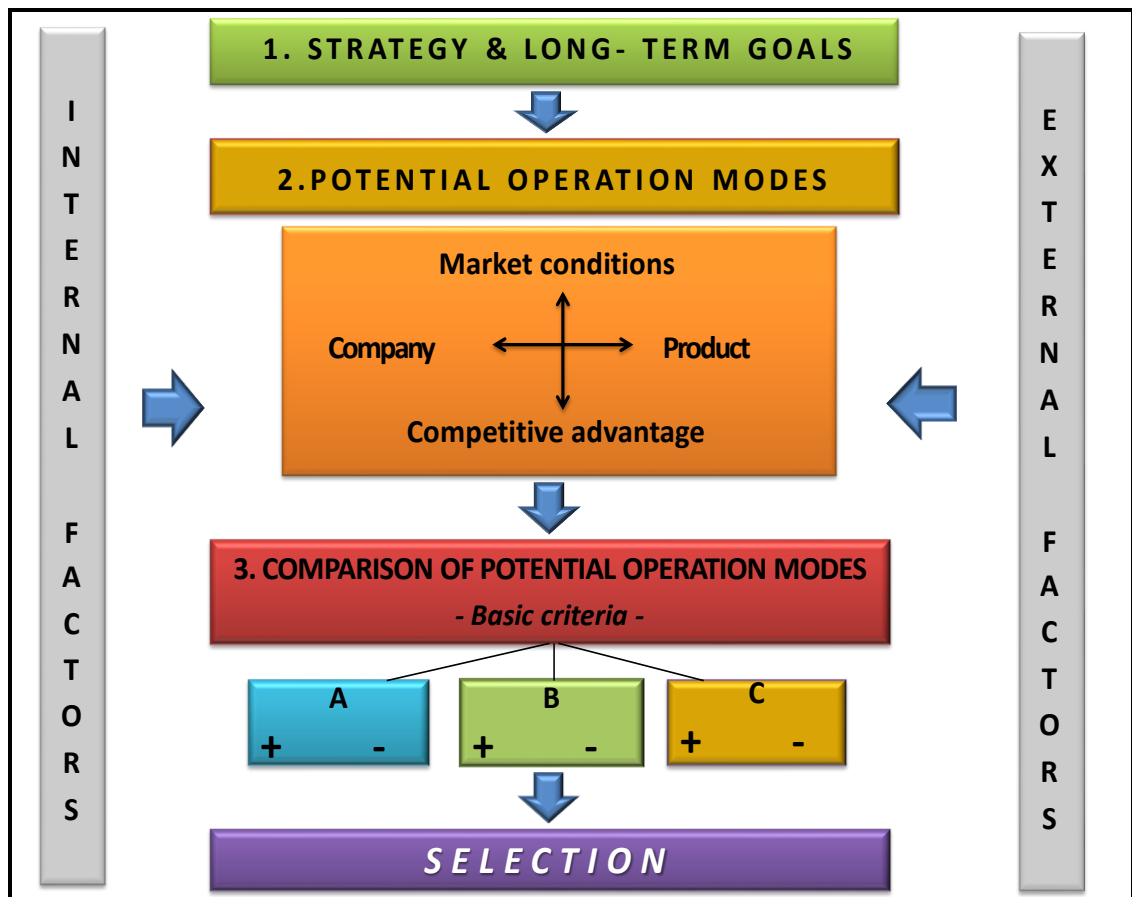


Figure 6 Operation Mode Selection Process

The selection process begins by clarifying the company's strategy and long-term objectives for internationalization along with the potential of achieving competitive advantage at the chosen target market. Next, the company consid-

ers which operation modes are possible and how competitive advantage could be gained through them. The special attributes of the company and the products, the prevailing market conditions as well as the specific competitive advantage of the company should be put in proportion to each other. Subsequently, a comparison between the possible operation modes is made by using basic criteria, which include the features, costs, risks, easiness, gross profit potential, quickness of market entry and the level of control as well as the possibility of gaining market knowledge and experience within each operation mode. Based on these criteria it is possible to summarize the advantages and disadvantages of each operation mode and select the one which is the most suitable for the company. The choice of operation mode makes a difference to the company's volume of activity, presence and visibility at the target market. (Vahvaselkä 2009, p. 72.)

2.7 Planning process of internationalization

As the idea of initializing internationalization has arisen, the next step is to examine the company's internal prerequisites as well as external, market-specific conditions and prerequisites for internationalization. This examination is carried out by means of a company analysis along with a market-specific analysis. However, Vahvaselkä (2009, p. 110) states that before the actual planning begins, the company should be assured that internationalization is determined as a strategic way of growth and that it is a part of the company's overall strategy. (Vahvaselkä 2009, p. 63.)

The planning process begins with examining the background of the company and its basis for internationalization. Company's history and its significant incidents, development of domestic business, essential successes and failures and also reasons behind them should be considered. The strategic alignments of a company including the vision, values, corporate culture, mission, strategic goals, means and focus areas as well as critical success factors, should also be clarified. (Vahvaselkä 2009, pp. 106–107.)

Figure 7 below describes a basic model which is used in the planning process. The first stage includes examining the back ground and starting point of the company, as well as its own capabilities for internationalization. After evaluating these internal factors, conclusions are made. The next step is to examine market opportunities. At this second stage the baseline for internationalization is updated and the depth of research and recommended actions are specified. At this stage an analysis of the chosen target market is made, according to the needs of the company and regarding the selected operation mode. In case establishing options are considered, for example establishing an own foreign unit, an in-depth market research is often needed in order to gain adequate information for making conclusions. (Vahvaselkä 2009, pp. 106, 112.)



Figure 7 Basic model for planning internationalization according to Teknologiaeollisuus ry (Vahvaselkä 2009, p. 107.)

The most advanced option of examining market opportunities is a market plan. After examining market opportunities conclusion are again made. At this point

the company should have adequate information for proceeding to the next stage, which is formulating a strategy. (Teknologiateollisuus ry, 2011.) After formulating necessary strategies, the company's current resources are examined and the need for additional resources is determined. Finally, a detailed implementation plan is made, along with the search of partners, execution of the plan and follow-up. (Vahvaselkä 2009, p. 107.)

The first two stages of the planning process are discussed further in the next paragraphs.

2.7.1 Internal analysis - Company's own capabilities

Referring to Vahvaselkä (2009, p. 107), the examination of internal prerequisites includes evaluating the company's basic capabilities, validity of products for exportation and marketing capabilities as well as the capabilities of personnel, production and technology.

Basic capabilities intend that the business plan of the company includes specification of the growth objectives, growth strategy and the opportunity for internationalization. It is important to recognize the possible need of having to change the business plan due to the decision to go international. These basic capabilities also include the financial and ownership structure of the company, at the moment and in the future. Also, the sufficiency of economic and production resources for internationalization are included here. Another important matter is the international orientation as well as the capabilities of the management for internationalization, which refer to education, experience, language skills, market knowledge, earlier connection networks, marketing skills, commitment and capabilities for both collaboration and networking. Utilizing information technology as well as information and communication systems is also categorized into the basic capabilities, but they often generate competitive advantage for internationalization, too. (Vahvaselkä 2009, pp. 106–107.)

The subject areas and targets of the internal analysis are described in figure 8 below. In addition to examining these aforementioned basic capabilities, the

level of products and marketing should also be examined in order to analyze their capabilities for international markets. Market communication, awareness within the key segments and marketing materials are also to be considered, as international marketing differs from domestic marketing. In order to access the market, distinctiveness of products as well as marketing capabilities are required.

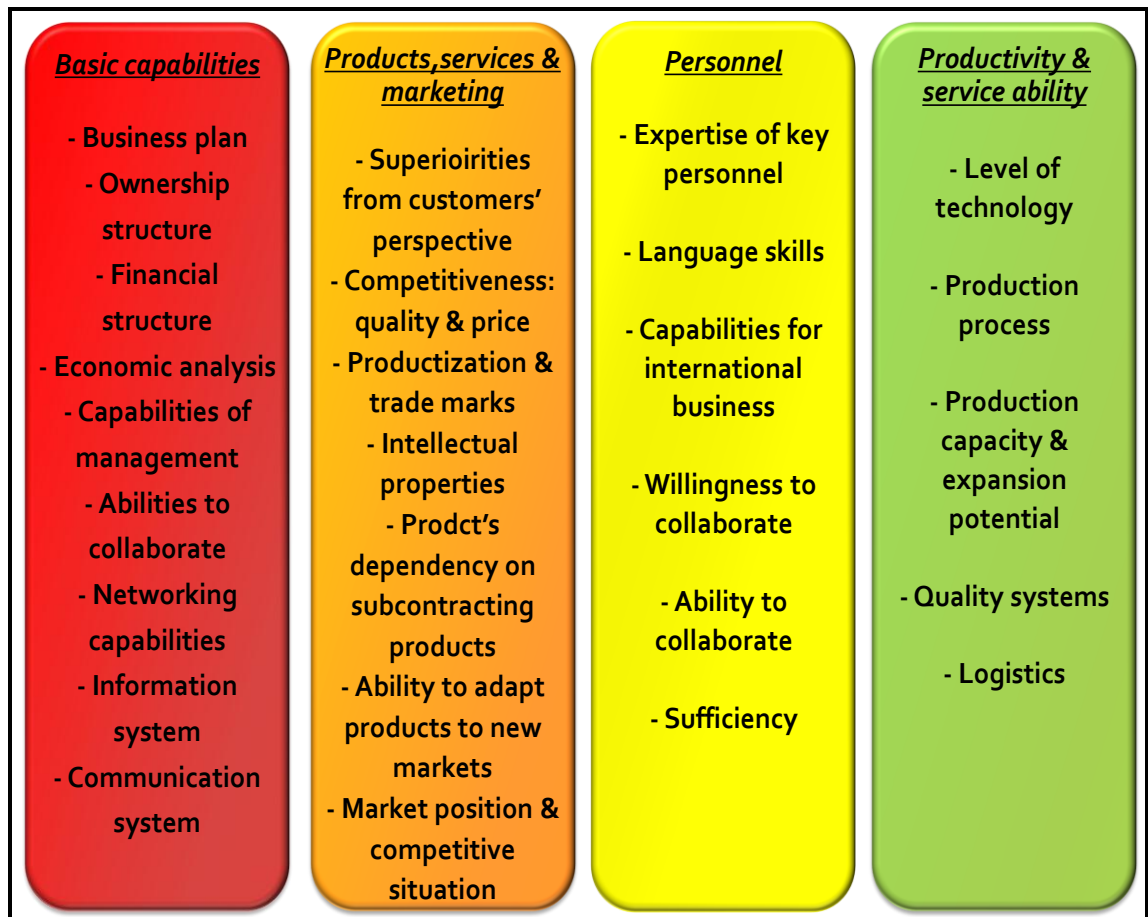


Figure 8 Subject areas & targets of internal analysis according to Teknologiaollisuus ry (2009). (Vahvaselkä 2009, p. 109.)

As considering the product's validity for exportation, the company should ponder certain matters from the perspective of the chosen customer segment(s). These matters include consideration of the following questions:

- What is the superior customer benefit provided for the desired/ chosen customer segments?

- Which are the attributes of the product that provide this benefit for customers?
- Which products are offered to each target markets?
- What is the need and level of adaptation in the target markets?

These aforementioned matters are related to each other and therefore the product concept should be built around the needs of the target customers and the customer benefit, which in turn influences the attributes and the different levels of the product. The attributes of the product provide certain benefits, which signify the customer benefit. A product with many levels includes the physical core issues, additional services and image factors as well. The core issues such as attributes and quality of the product as well as adaptation symbolize for example durability, environmental friendliness and tailoring options for the customer. As for, the additional services include for example guarantee and other after sales services. The image factors signify the design, name, appearance and brand for example. The product should stand out from the competing products to its advantage. Proper segmentation is very important for companies in order to be able to position and differentiate the product at the target market. The life cycle and further development of the product should be planned in advance. (Vahvaselkä 2009, pp. 108–109.)

Evaluation of the company's psychological and physical resources is also important. The sufficiency of psychological resources is examined through the organizational structure of the company, capabilities and expertise of the personnel and also its willingness and ability to collaborate. The physical resources signify the productivity as well as the service ability of the company, which can be evaluated through examining the level of technology, production process, production capacity and expansion potential, quality of production, quality systems, logistics and also possible problems that are to be encountered. After evaluating the aforementioned internal capabilities, the company should examine its success factors at the domestic market and consider whether they can be success factors also at the chosen target market or alternatively how they could be developed. Based on this examination of internal prerequisites, con-

clusions of the company's internal capabilities for internationalization are made. (Vahvaselkä 2009, p. 110.)

2.7.2 External analysis - Market opportunities

Examination of external, market-specific conditions includes analyzing the product's competitiveness, legislative matters and requirements of the authorities at the target market. The company's product is compared to the competing products at the target market with the following criteria: quality, design, price, profit margin, environmental friendliness, quality certificates and competitive advantage. After examining the product's competitiveness, the company's opportunities at the target market and potential customers as well as their buying behavior is examined. Essential targets of this examination include the level of demand, competitive situation, potential customers, distribution, warehousing and transportation issues as well as marketing opportunities and possible restrictions. (Vahvaselkä 2009, pp. 64–65.)

Market research is carried out mainly by desk research and the additional information is acquired with field research from the target country (Vahvaselkä 2009, p. 65). When planning internationalization it is important to understand the importance of market knowledge in the overall internationalization process. As analyzing market-specific conditions and evaluating market potential it is recommendable to work together with experts. The first step of this second stage of the planning process is an information update. Here, the company updates the information concerning internationalization with an expert. There are many materials and links for this purpose and for example Finpro provides various information and consulting services. (Vahvaselkä 2009, p. 111.) These consulting services and available information sources are discussed further in chapters four and nine.

The next step is to make a detailed analysis of market opportunities at the chosen target market. This analysis can be carried out concisely or more extensively and there are three options: a basic analysis, an in-depth analysis and a market plan. A basic analysis includes general information about the target market

as well as competing products and their price level, expert assessments and views of the target country, industry-specific information and also possible product and country-specific requirements, restrictions, standards and recommendations. An in-depth analysis consists of the data from the basic analysis and in addition the following information is included:

- market size and potential
- comparison data of products, competitors and customers; market shares, strengths and weaknesses, possible customer segments
- information about the special features of the target market and products
- distribution channels.

The third option is the most advanced examination of market opportunities; a market plan, which is necessary for companies considering the most advanced operation modes and aiming at pervasive coverage at the target market. A market plan includes all the information from both the basic- and in depth analysis. In addition, it includes also the following:

- systematic evaluation of establishing options
- evaluation of marketing activities; considering the product, design, sales promotion, pricing matters
- concrete recommendations for accessing target markets and succeeding there. (Vahvaselkä 2009, pp. 112–113.)

Analysis of competitive environment

The micro-environmental factors affect the company's operations closely and they include competition, customers, attributes of the company and its management as well as resources. Actions of subcontractors, retailers, distributors and other close interest groups also affect the company's operations. Industry-specific data relates to a certain industry or a cluster and includes information about the structure, demand and supply, process of change, developing trends as well as legal regulations and restrictions of a specific industry. It is also important to clarify the state of rivalry at the target market. The quantity, size, qual-

ity and goals of the rivals in international markets impact the company's competitiveness. The competition that the company faces is categorized into the micro environmental factors. The analysis of competitive situation at the target market can be divided into three parts: competitive structure, competitors' actions and their capability to respond to competition. A useful tool for analyzing the micro environment and therefore the competitive forces prevailing at the market is the Porter's five force analysis. (Vahvaselkä 2009, pp. 112–113.)

The model for analyzing the competitive environment is described in figure 9 below.

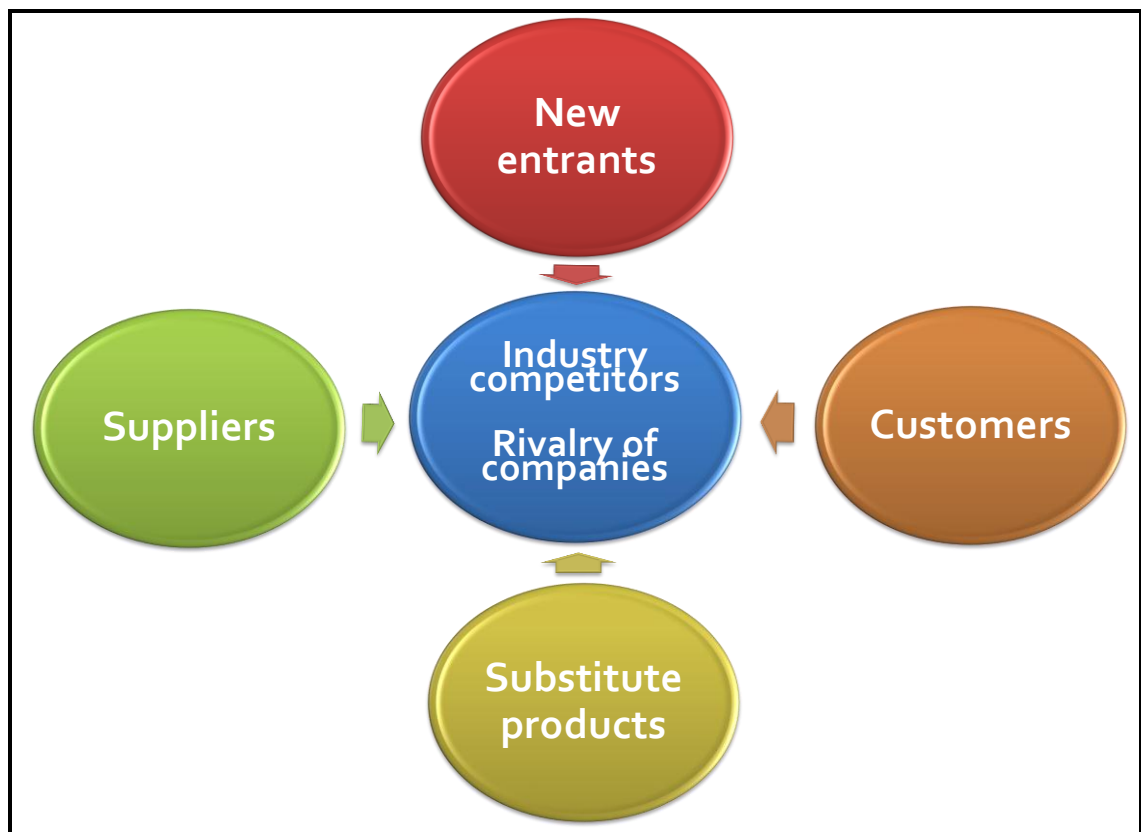


Figure 9 Porter's five forces; Model for analyzing the competitive environment according to Porter (1990, p. 17). (Vahvaselkä 2009, p. 114.)

Porter's five force model is used for analyzing the competitive structure and attractiveness of a specific industry by considering five forces within a market, which affect the companies' possibility to make profits. The threat of new entrants signifies the barriers to enter the market and the extent to which they exist. Customers in figure 9 signify the power of buyers whereas suppliers refer to

the power that suppliers possess. High power of buyers and suppliers affects the companies' ability to make profits negatively. The threat of substitute products is analyzed by considering how easy it is for buyers to switch to another, substitute product. Finally, the rivalry of companies refers to the degree of competition between existing companies at the market. (Oxford University Press 2007b.)

Prioritizing alternative target markets and making a country comparison can be made on a general level at first. Also, the critical information, which has the most importance as making decisions and comparing alternative target markets, is determined. This information can be related to demand and market conditions for example. The next step is to consider which information is necessary for example for making a marketing plan and therefore the need for additional data acquisition is determined. Subsequently, the company selects one or more target markets as a target for market research, however taking into account its size and resources. By making an evaluation of market-specific conditions the company gains sufficient market information and therefore creates a basis for making the decision of initializing the internationalization process and creating strategies. Based on information from this external analysis, conclusions about market-specific prerequisites for internationalization and the final selection of target markets can be made. Careful implementation of this phase ensures the proper allocation of resources and minimization of erroneous investments. (Vahvaselkä 2009, pp. 114–116.)

2.8 SWOT analysis

SWOT analysis (strengths, weaknesses, opportunities, threats) is a strategic tool and useful for supporting the decision making process. It can be seen as a summary which consists of conclusions of the company's internal strengths and weaknesses as well as the external opportunities and threats. Therefore, SWOT analysis discusses the strengths and weaknesses of a company in respect to the opportunities and threats deriving from its operating environment. (Karhu 2002, pp. 14–15; Vahvaselkä 2009, pp. 91, 114.)

The object of SWOT analysis may be the company's operations to its full extent, the position and competitive advantage of a certain product(s) or for example the operations as well as competitiveness of a rival. Figure 10 presents a template for SWOT analysis, consisting of two dimensions and four different fields, as Vahvaselkä (2009, p. 115), presents it.



Figure 10 SWOT analysis (Vahvaselkä 2009, p. 115.)

On the left side of this chart the positive issues are described and on the right side the negative ones. The internal factors of the organization are placed at the top and the external factors below. The results of the analysis of the company's internal factors are placed in the chart as strengths and weaknesses, whereas the results of the analysis of the company's external environment are placed as external opportunities and threats in the chart. (Vahvaselkä 2009, p. 114.)

By means of SWOT analysis it is possible to draw conclusions about the strengths within the company and how they can be utilized as well as the weak-

nesses the company has and how they can be turned into strengths. Furthermore, it can be concluded what kind of opportunities the operational environment provides and how these future opportunities can be utilized and also what kind of threats exist in the operational environment and how they can be avoided. As a result of SWOT analysis an action plan can be made to determine what has to be done to each issue, for example what kind of additional information is needed concerning the final choice of target markets when planning internationalization. (Vahvaselkä 2009, p. 114.)

2.9 Success factors and most significant problems within internationalization of Finnish companies

According to Äijö (2008, p. 48), the success of Finnish companies in international markets can be summarized into few crucial factors, according to previous studies. These studies were carried out by approaching companies and asking their views about which factors they have found to be their most significant strengths in international markets. The results of this research revealed three main factors, by descending order of importance: the level of technology, quality and overall superiority of products compared to competitors, customer-orientation and finally marketing skills, awareness, size, resources and cost level were rarely mentioned.

Also, research about most significant problems of Finnish companies in international markets have been made. The experienced weaknesses and difficulties can be summarized into four main factors, according to many research results. The first experienced difficulty was the lack of awareness of the company, signifying the competitors' more established and confidential relationships with the customers, which makes cooperation with customers more difficult for an unknown company at the market. Secondly, inadequate market knowledge, signifying the competitors' and local actors' better knowledge of the market, culture, competition and distribution, was mentioned. Also, the lack of resources, such as insufficient language skills, international experience, marketing skills and lack of financing were experienced as a significant weakness. Furthermore, general difficulties related to external factors, such as long distance to the mar-

ket, trade barriers, legislative obstacles and reactions of competitors' were mentioned as main difficulties. (Äijö 2008, p. 49.)

The results of these research results summarized above are supported by another study made in 2007, which examined Finnish companies' need for support in internationalization. This study focused on examining what kind of support Finnish companies have experienced as necessary to support their internationalization and the results can be summarized into three main factors. The most important necessity was to have hands-on support for business activities at the target market. Support was needed for finding customers, developing distribution and sales channels, building relationships with local actors, developing cooperation, communication and sales promotion as well as sales work and negotiations. The second most important necessity was to have support for developing the skills of the personnel and management, including actualization of strategies and development of strategic thinking and planning. The third main factor was the need for support in data acquisition, for example understanding the local business practices, market research, data collection and the choice of target markets as well as segmentation. (Äijö 2008, pp. 49–50.)

3 EXPORT OPERATIONS

The choice of operation mode depends on different factors, which were discussed before. Therefore, the selection of appropriate operation mode is influenced by internal, company and product-specific factors as well as external, market-specific conditions. International operation modes can generally be divided into three categories: export entry modes, contractual entry modes and investment entry modes. (Vahvaselkä 2009, pp. 71–73.) There are many different paths for internationalization, but most often international operations begin with exporting and as the operations are developed and expanded further, it is usually followed by other more demanding levels of internationalization (Selin 2004, p. 23).

Initiating and making export operations a part of the company's normal operations is a time-consuming process. The ability to make financial contributions to initiating export operations as well as overall perseverance and determination of the company's operations are essential matters, because in the beginning the costs resulting from exportation are higher than the income. This so called breakthrough time of companies usually lasts for about three years. Furthermore, careful evaluation of production capacity and sufficiency of production machinery is important. The start-up costs of exportation vary considerably, but at the initial stage of exporting companies can anticipate additional costs for example from market research, sales promotion materials, possible visits to buyers, trade fairs, advertising, marketing activities, protection of designs and patents and also costs resulting from the use of external expertise. (Selin 2004, p. 17 ; Vahvaselkä 2009, p. 64.)

3.1 Export entry modes

The most common way for starting international operations is exporting. Here, the production takes place in the company's home country and the products are exported abroad through different distribution channels; directly in own export or

alternatively by using intermediaries in indirect and direct export or export partner groups. (Vahvaselkä 2009, p. 73.)

The distribution channel signifies all the intermediaries through which the product reaches the end-customers. The selection of the distribution channel to be used is influenced by the objectives that are set for exporting, the company's own available resources, attributes of the product, market-specific requirements and perhaps as the most important influencer the customers and their quantity, quality, buying behavior and customs. The distribution channels of the above-mentioned export entry modes are presented in figure 11 below.

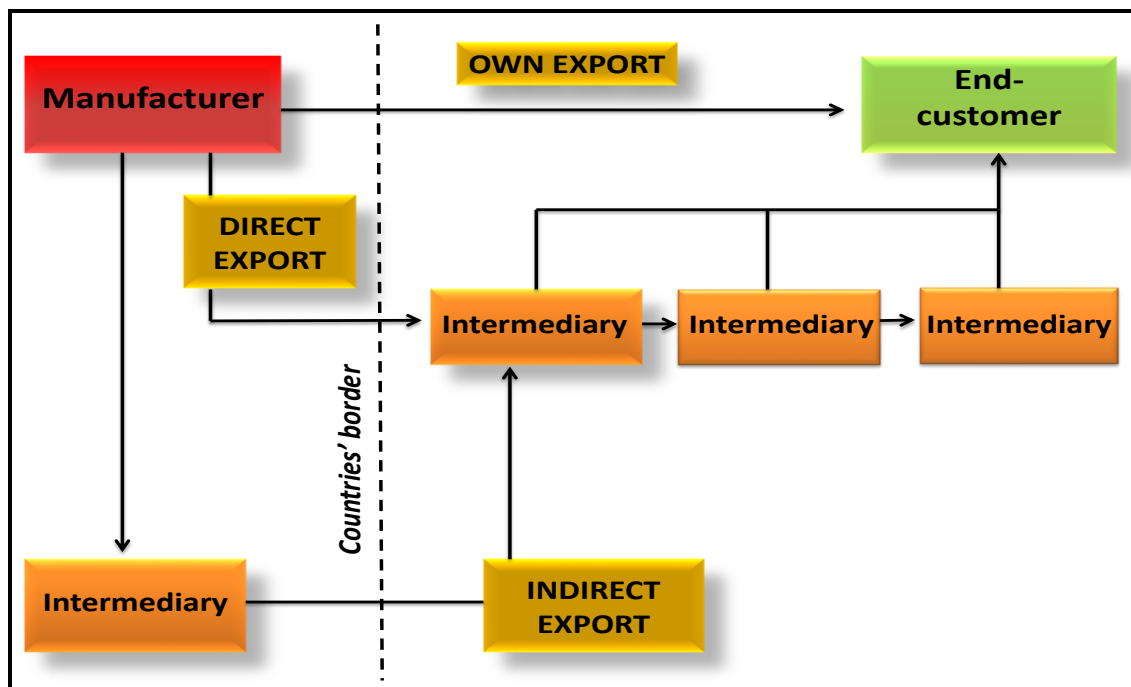


Figure 11 Export entry modes according to Luostarinen & Welch (1990). (Vahvaselkä 2009, p. 73.)

Referring to figure 11 and according to Luostarinen & Welch (1990), the company exports the products directly to the customer without using intermediaries in own export, whereas in indirect export an intermediary located in the company's home country or alternatively in direct export an intermediary located abroad is employed (Vahvaselkä 2009, p. 73). The functionality of the distribution channel has a significant relevance in the success of the company's export

activities and therefore the selection should be carried out carefully and with assistance of experts if necessary. (FINTRA 2003, p. 25.)

3.1.1 Indirect export

Indirect export is the most passive way of operating in international markets, but as an advantage the risks are low (Selin 2004, pp. 23, 64). In this export entry mode, the manufacturer delivers the merchandise to an intermediary operating in the domestic market, which from this point forward takes care of all the export activities in practice. These domestic intermediaries are discussed further and the exporter's relation to them is presented in figure 12 of appendix 1. The domestic intermediary delivers the merchandise further to its own foreign customers, which can be either other intermediaries or end-customers. From the manufacturer's perspective indirect export quadrates with domestic trade, because the connection to export activities is almost nonexistent. Therefore, only minor skills are required from the company and they are often targeted at packing and marking the merchandise as required in exporting. Furthermore, compared to other export entry modes, indirect export requires minor marketing efforts as the employed intermediary is responsible for the products' marketing efforts at the target market, either entirely or in some cases together with a foreign intermediary. (Karhu 2002, pp. 79–80.)

Indirect export offers the manufacturer four alternative ways for selling the products for exportation: as such and labeled with the manufacturer's own signature, with the employed intermediary's signature or alternatively as a part of a larger entity, as such or further modified. The selected approach affects the company's basis for subsequently starting direct or own export. As the products are labeled with the manufacturer's own signature/ trademark, the basis for starting own export are much preferable, compared to the circumstances in which the manufacturer's name has not become known abroad through its products. When the other three alternatives are used, it is considered domestic contract manufacturing or subcontracting. However, in these cases it is in fact a question of contractual entry modes instead of export entry modes. (Karhu 2002, pp. 81–82.)

According to Karhu (2002, pp. 82–83), especially small companies often have limited economic and functional resources and they have not always gained the necessary skills for exporting through education or experience. Therefore, for small companies, indirect export is an effortless way at early stages of internationalization as it requires only small investments from the company (Selin 2004, p. 23). Furthermore, leaving the exporting activities for an intermediary to take care of, gives an opportunity for the company to focus on its core competences. In case the manufacturing company's resources are scarce, it should strive for improving its economic and psychological resources, in order to implement indirect export merely in the initial stage of exportation, when prerequisites for other, more active export entry modes do exist. (Karhu 2002, pp. 82–83.)

Indirect export is also best applicable for exporting standardized products in bulk, which signifies undifferentiated, mass produced products. Therefore, indirect export is not very suitable for products, of which competitive advantage is based on product differentiation and either for high-tech or other complex products, which require product-specific knowledge. In case the manufacturer strives for new, unknown and distant markets or to such markets in which the culture and business practices are essentially different from what is previously used to, is indirect export often the best or at least recommendable export entry mode. Other market-specific conditions for implementing indirect export include the demand volume and competitive situation in the target market. In case the volume of demand remains scarce, for example due to the distinctiveness of the product, indirect export is often economically the most advantageous. Similarly, if the competitive situation in the target market is harsh, it is often worthwhile to give the responsibility of marketing efforts to those, who possess the best resources for it. (Karhu 2002, p. 84.)

According to Vahvaselkä (2009, p. 73), it is also possible to utilize export partner groups, which is established by many companies and takes care of all export activities. Export partner groups are discussed further in paragraph 3.1.4.

3.1.2 Direct export

In direct export mode the manufacturer sells the products through a foreign intermediary, which can be a retailer or a representative at the target market. There might be even many intermediaries between the manufacturer and the end-customer as presented in figure 11 previously. More than one intermediary can operate at the target market in case they have different sales areas and customer groups or if the market area is too massive for one intermediary to serve successfully. (Karhu 2002, p. 88.) Intermediaries in direct export are discussed further and the exporter's relation to a foreign intermediary is presented in figure 13 of appendix 2.

Compared to indirect export, direct export is much more demanding as an operation mode, as there are more requirements targeted at the company's economic and functional resources. As the company deals directly with a foreign buyer and does not use a domestic intermediary, more skills and expertise are required, including language skills, knowledge of culture and market conditions at the target market as well as knowledge of contracts and other export trade documents. Furthermore, it is important for companies to have knowledge of protecting themselves against risks and controlling for example exchange and interest rate risks. In direct export the company itself is responsible for carrying out the export activities in practice and this together with financial management and marketing activities engages the company's resources. In direct export there are also higher requirements targeted at the company's production and delivery capacity as well as economic resources, which is required for building up the necessary production and delivery capacity as well as coping with long terms of payment. (Karhu 2002, pp. 89–91.)

Furthermore, costs resulting from export marketing in direct export are considerable, especially at the early stages of exporting. Having to work at the target market, sales promotion by participating in trade fairs and public relations generate remarkable costs, too. In order to manage the requirements targeted at the economic resources, a company should have a good economic condition. Also, in order to be successful, direct export in its entirety should be on continu-

ous basis, determined and well-planned. Success requires full commitment to the sales and profitability objectives. A successful selection of the intermediary to be used is also crucial for later success of exportation. Direct export is often used in consumer goods trade and when the objective is to reach a wide customer group effectively. Referring to Vahvaselkä (2009, p. 74), direct export does call for more risk-taking, but has also advantages, as the distribution channel is shorter, distribution costs are smaller and the company has more direct contact with the end-customers. (Karhu 2002, pp. 88, 91.)

3.1.3 Own export

Own export requires the most resources from a company (Selin 2004, p. 65). In own export neither domestic or foreign intermediaries are employed, but the products are sold directly to the foreign end-customer, which is practically always a company or a corporation. Own export can be practiced from the exporter's home country or through a foreign sales office. In both cases, it is typical for the company to carry out all the export activities in practice by itself. Exporting directly to the end-customer is an applicable approach, in case continuous presence at the target market is not required, as for it is useful to export through a foreign sales office in case managing customer relationships requires accessibility and continuous presence at the target market. Likewise in direct export, significant requirements are targeted at the company's functional and economic resources. Excellent language skills, cultural knowledge and practical knowledge of international trade procedures are required, as the products are sold directly to the foreign end-customer. The company's business processes in their entirety should be advanced, in order to cope with requirements set by the international scope of the operations. (Karhu 2002, pp. 110–112.)

Own export is mainly a rationalized option when the company has only a few customers and the deliveries are of large quantity or of high value. In these cases it is typical that the price of an individual product is high. Own export as an operation mode has also been used in case the company is at initial stage of export operations, and wants to gain information about the market for the product, instead of immediately engaging in cooperation with a local retailer. How-

ever, as it requires significant resources and extensive know-how from the company, acquiring market information through own export is rarely used. As it is typical in own export to make large individual sales, the company should have sufficient production capacity accordingly. Maintaining sufficient functional resources requires also economic resources as building and maintaining a sufficient production capacity might require capital investments and increase costs. These costs increase the company's business risks and decrease its ability to make profits. The fact, that using borrowed capital for investments reduces the company's equity ratio, should also be taken into account. (Karhu 2002, pp. 110–112.)

Furthermore, own export requires significant marketing resources, as the requirements for marketing efforts are much higher compared to indirect and direct export. This is because the marketing activities in own export are targeted at the end-customers, as in other export entry modes they can be targeted at the intermediaries. In addition, travelling in the target country for customer meetings and actions related to public relations and sales promotion requires economic resources as well. (Karhu 2002, p. 112.)

Therefore, own export requires investing in efficient marketing and customer acquisition and thus, also determined planning of the company's operations in the target country. Even though own export as an operation mode requires significant resources, it also has advantages as it gives the opportunity for better control over the entire export activities. It also enables more effortless monitoring of marketing development and creating good and direct customer relationships in the target country. Although own export on one hand includes additional sales and marketing costs compared to the previously introduced export entry modes, on the other hand it does not include additional costs caused by the use of intermediaries. (Selin 2004, pp. 65–66.)

According to Karhu (2002, p. 113) and Selin (2004, p. 66) own export in its entirety is quite a productive operation mode and it might even be the most effective way to operate in international markets, considering the outcome. In own export, the company's knowledge of the target market and its customers in-

creases and marketing as well as the service is customer-oriented and flexible. However, it is also worthwhile to consider export cooperation with other Finnish companies, especially if the products complement each other and together comprise an appropriate product range. This cooperation can also be temporary or limited to certain occasions, such as participation in trade fairs or transportation cooperation. (Vahvaselkä 2009, p. 74.)

3.1.4 Export partner groups

According to Vahvaselkä (2009, p. 77), export partner groups are cooperative partnerships of many companies for export promotion. It provides an effective way to start exporting to new markets and this kind of option is provided for companies for example by Finpro, which provides a controlled and cost-effective opportunity for internationalization or starting operations in a new market area. The companies participating in the export partner group develop their capabilities for developing their business further and for successful internationalization. The objective of export partner group operation is the companies' independent and permanent operation at the target market after two or three years of activity. A skillful export manager operates as a leader of the export partner group.

Participation in this kind of export partner group provides many advantages for a company, such as finding new customer contacts and business opportunities, receiving external views, experience and an additional resource from an experienced export manager and also an opportunity to learn and gain experience. There is usually from four to six companies in one export partner group and they operate in the same industry, without competing with each other and with a mutual interest towards a specific market area. Export partner group operation is primarily intended for small and medium sized companies. (Vahvaselkä 2009, pp. 139–141.)

3.2 Acquisition of business connections

Successful exportation requires acquiring functional business connections and partners, which is the first and very important stage of the export process. The other stages of the export process are presented in figure 14 and discussed as well in appendix 3. As aiming for international markets the company establishes strategies and creates a plan for internationalization. When acquiring business connections it is crucial to consider the nature of the products and identification as well as location of potential customers. It is also worthwhile to utilize the company's own or other Finnish exporters' experiences or already existing networks. There are different ways for a company to acquire business connections. (Vahvaselkä 2009, p. 265.)

Internet acts as one channel, as the company can create an attractive and functional website with different language options and opportunity for contacting. Introduction materials, such as brochures to be used in sales negotiations can be produced in advance. Another option is to compile a prospect database for building customer relationships, to which the company collects contact information from data banks, directories and internet or utilizes lists of companies which are compiled from internet and different customer relationship management systems. Yet another option is to directly contact potential customers. The contact can be made by direct marketing followed by a contact by phone, advertising in industry journals, direct contacts by phone or alternatively utilizing business connection services, such as Finpro, for finding customers to contact. (Vahvaselkä 2009, p. 265.)

Furthermore, trips to trade fairs provide an opportunity to get acquainted with industry supply, competitive situation, marketing methods, search potential partners and establish initial contacts. It is also possible to get acquainted with the chosen target market through chambers of commerce, Finpro or Centre for economic development, transport and the environment. Visits there provide an opportunity to explore target markets, meet experts and create contacts with business partners. Participation as well as visits to trade fairs provides also a good opportunity for building cooperation networks, searching foreign repre-

sentatives and creating contacts. Trade fair participation can be carried out by the company's own initiative or by a collaborative participation organized for example by Finpro. (Vahvaselkä 2009, p. 266.)

Also, export promotion trips, campaigns and events organized by Finpro and Ministry for foreign affairs of Finland provide an opportunity for being introduced to customer and cooperative groups. Utilizing different support organizations, such as industry federations, chamber of commerce, banks and insurance departments is worthwhile as they create a noteworthy channel in acquiring business connections. Information about acquiring business connections in domestic markets is also available from regional business services' web portals, Finnish Customs, Statistics Finland, commercial representative offices, Fintra and in foreign markets Finpro's export centres and Finland's official foreign representative offices. (Vahvaselkä 2009, pp. 265–266.)

Related to the export process, generally used export payment terms and methods are presented in appendix 4.

4 SUPPORT FOR INTERNATIONALIZATION

Various organizations in Finland provide internationalization services for companies to utilize in different stages of internationalization. These organizations provide for example guidance, information services, consulting and business development services. Some of these services are free of charge and others chargeable and for some services it is possible to apply financial support. Also, different financing solutions are available, for example for covering the costs resulting from the initial stage of internationalization and risks of exportation as well as export financing. Many organizations provide internationalization services as a part of their other activities, but for Finpro and Finnvera it is their main function. (Vahvaselkä 2009, pp. 42–43; Selin 2004, p. 51.) A list of organizations providing internationalization services is presented in appendix 5.

4.1 Internationalization services

As planning to begin export operations it is worthwhile to contact the export commissioner in ELY Centre (Centre for economic development transport and the environment, former TE centre). *Regional ELY Centres* provide internationalization services for companies as their objective is to lower the threshold for internationalization, guide entrepreneurs to perceiving the opportunities as well as the requirements of exportation and decrease the risks of internationalization by guidance, training and financing. Furthermore, the *Ministry for foreign affairs of Finland* in cooperation with other parties carries out export and internationalization promotion. By promotional activities Finland's diplomatic missions abroad assist companies in creating contacts with local authorities, companies, consultants and legal advisers. Also, honorary consuls of Finland abroad can help companies in finding business connections. With information services the aim is to bring the expert knowledge of countries' political and economic development for companies to utilize. Moreover, affecting the external business environment by eliminating barriers of trade is also a part of the services provided by the Ministry for Foreign affairs of Finland. (Vahvaselkä 2009, pp. 44–45.)

The *chambers of commerce* provide information, guidance and business connection services for companies as well. Furthermore, *Fintra* assists Finnish SME's in responding to the increasing challenges of global business. It provides training solutions for developing international business, examining new target markets, sales and marketing, purchasing and procurement, practices in international trade, interpersonal skills and management.

Finpro's objective is to accelerate the internationalization of Finnish companies through a worldwide consultant network. *Finpro* provides guidance, information services free of charge, such as country and industry-specific reports and also consulting and business development, such as formulation of internationalization strategy, market research and search for contacts. Companies have an opportunity to apply for financial assistance for some of the chargeable services from the Ministry of employment and the economy.

Finpro's export centers in over 40 countries are Finland's official organizations for export promotion and internationalization. With active anticipation of the future, expertise in internationalization, competitive services and global network *Finpro* provides a good opportunity for Finnish companies for developing their business and competitiveness as well as speeding up their internationalization. *Finpro* was established in 1919 and nowadays it has about 550 Finnish companies as members, along with cooperation with other partners, such as ELY-Centres, Tekes and Ministry for foreign affairs of Finland. (Vahvaselkä 2009, pp. 42–43, 45–46; *Finpro* 2010c; *Finpro* 2010e.)

4.2 Financing

In addition to different financing solutions, there is some financial support available for companies at initial stages of internationalization and exporting as well.

Financial support

Tekes provides special financing for Finnish SME's aiming for internationalization. This initial financing is meant for making market analyses and research

related to competitors and legislation. The services of Tekes are provided through regional ELY Centres. As initializing export activities, a company can also apply for financial support from the local ELY Centre for covering some of the costs resulting from the startup of exporting. Acceptable costs include for example market research, making introduction materials, test marketing, trade fairs, use of an external expert or hiring key personnel for export operations. Furthermore, *Ministry of employment and the economy* complements the network of export promotion services, by granting industry-specific support for internationalization, which is granted for joint projects of companies, however by designated basis, for participation in exhibitions, market research trips, communication campaigns and export partner groups. (Selin 2004, pp. 51–52; Vahvaselkä 2009, pp. 43–44.)

Financing solutions

Initializing export operations creates additional costs and risks for the company. By different financing solutions it is possible to finance for example short-term receivables resulting from exporting or long-term financing needs resulting from the necessary investments to start exportation. Financing is available for necessities during manufacturing as well as after the delivery. Different financing solutions are provided by banks and other financing institutions. Yet another option for companies is provided by banks' guarantees as well as Finnvera's export credit guarantees, which improve the financing opportunities of export trade and protection against the risks related to exporting. Finnvera is the official export credit agency on Finland. (Selin 2004, pp. 51, 54; Vahvaselkä 2009, pp. 296, 299–300.)

5 EMPIRIC RESEARCH

The objective of the empiric part of this work is to complement the theoretical framework and to find more profound and current information to support the theory. Through the empiric research the objective is to find and create solutions to the research problems.

5.1 Qualitative research

This research was carried out as a case study, which according to Yin (1983), can be defined as empiric research, which studies a current incident by using information that is diverse and acquired in various ways (Metsämuuronen 2006, p. 90). Case study is a diverse research approach, which can also be described as a research strategy and therefore it is more of an approach rather than a method of data acquisition or analysis (Eriksson & Koistinen 2005, p. 4). A research strategy signifies the entirety of the methodological solutions of a research. Robson (1995) divides traditional research strategies in three categories: experimental research, survey and case study. Typical features of a case study include choosing a specific, individual case, situation or a group of cases, which is then examined with interest in processes and the objective of describing phenomena. (Hirsjärvi & Remes & Sajavaara 2009, pp. 132, 134–135.)

According to Eriksson & Koistinen (2005, p. 4), qualitative material is typical for a case study. In this case qualitative research was chosen as the main methodology. Referring to Metsämuuronen (2006, p. 92), case study can be understood as a central strategy of data acquisition in qualitative research methodology. Qualitative research strives for studying the object as comprehensively as possible. Preferring a person as an instrument for data acquisition is typical for qualitative research. Furthermore, methods which enable bringing up the views and opinions of the examinees' are preferred in data acquisition. In qualitative research the object of research is chosen appropriately instead of a random sample. (Hirsjärvi et al. 2009, pp. 161, 164.)

5.2 Data acquisition and research methods

The research data were acquired by both desk research and field research, however with emphasis on acquiring new and current information by field research. Desk research was used to acquire some of the information concerning Denmark, internationalization services and advantages and disadvantages of different export entry modes for the SWOT analysis. This information was acquired from literature and internet sources. As mentioned, the research data was acquired also with field research by conducting expert interviews.

According to Hirsjärvi et al. (2009, p. 205), interviews have been a main method in qualitative research. A great advantage of interviews compared to other methods of data acquisition is the possibility of flexibly controlling the acquisition of material in a way required by the interview situation (Hirsjärvi et al. 2009, p. 205). The purpose of the research was to acquire profound, diverse and current information of the subject. Interviews were chosen as a method, because according to Hirsjärvi & Hurme (2001, p. 28), qualitative methods enable getting closer to the meanings which people give to phenomena and incidents and therefore bringing out the views of the examinees'.

Semi-structured interview

The interviews were carried out as semi-structured, which is also referred as theme interview. This type of interview was used, because it is more flexible than a structured interview but more focused than an unstructured interview. Therefore, a semi-structured interview gives the opportunity to acquire more in-depth material and the focus on certain themes enables acquiring desired information. One of the most important tasks in the planning phase of theme interviews is the planning of themes to be used. As compiling the framework for the interview, certain themes, to which the questions are then targeted at, are comprised. (Hirsjärvi & Hurme 2001, p. 66.) An unstructured interview was not an appropriate method to use in this case, because the interviews were planned as based on certain themes, according to the theoretical framework of the thesis, which has specific delimitations.

The theoretical part of the thesis creates basis for the empiric part and therefore it was important to build the interviews around certain themes in order to acquire desired information. At the same time, an entirely structured interview would not have been effective in this case, because according to Metsämuuronen (2006, p. 114), it is more suitable when there are many interviewees and in this case the amount of interviewees was small. Furthermore, as according to Robson (1995), the form of questions and arguments in a structured interview is completely pre-determined, there is a risk that the chosen concepts and alternatives reflect more the perspective of the researcher than the interviewee (Hirsjärvi & Hurme 2001, pp. 44–45).

It is typical for semi-structured interviews that some points of view are pre-determined, but not all. However, only one definition of this interview type does not exist. For example, Fielding (1993, p. 136) states that the form of questions is the same for all interviewees, but the order of questions can be varied by the interviewer. Whereas, according to Eskola & Suoranta (1998), the questions are the same for all interviewees, but the answers are not tied to pre-determined alternatives. Robson's (1995) view is that the questions are pre-determined, but the phrasing can be varied by the interviewer. (Hirsjärvi & Hurme 2001, p. 47.)

Therefore, the type of an interview which was used in this case could be seen as a mixture of semi-structured, theme interview and unstructured interview, as the answers were not tied to pre-determined alternatives, the interviews were built on certain themes and mainly open-ended questions were used. However, the questions were not exactly the same for all interviewees as the emphasis was on different matters and the interviewees were approached from different points of view, according to their area of expertise. The interview situation was flexible, allowing specified questions and bringing up the views and opinions of the interviewees.

The instructor for this thesis was found through the search of companies, which would be willing to participate in the originally planned research. Due to the lack of interest and time of companies, the original content of this thesis had to be

changed. However, with a tip from one Finnish design company, the case company was found and it was interested in the idea of this thesis right away. After some research it was clear from where to start searching for expert knowledge. After being in touch with a contact person in Finpro by e-mail, an expert of the Danish market to be interviewed was finally found. When considering who to interview concerning financing opportunities, Finnvera was contacted. A finance manager from the Lappeenranta regional office, who was willing to give an interview, was found.

The interviews included brief background information about the interviewees and authorization matters concerning the usage of names in the report and also permissions to record the interviews. Furthermore, the interviews were built on three central themes, which were internationalization, exporting and Denmark. The perspective in each interview was slightly different and the focus varied according to the expertise of the interviewees. The interview with the case company differed from the other interviews as the role of background information was more important, in order to gain understanding of the company's operations, products and current position. The interview frames are presented within the appendices of the work.

5.3 Research implementation

The research was carried out by conducting three semi-structured, theme-based interviews. The interviews were conducted during the end of October and November 2011. The first interview was carried out as an individual interview with a finance manager from Finnvera at Lappeenranta regional office. The second interview was conducted in Urjala, Finland, at the case company's premises. The company invited the author for a personal visit and therefore she travelled to Urjala for a day to conduct the interview and get acquainted with the company's operations. A tour around the factory was very interesting and broadening experience and helped me to understand the origin and production process of the company's products better. This interview was carried out as a pair interview, as the entrepreneur couple was interviewed together. Pair interview belongs to the category of group interviews, which enables fast data ac-

quisition simultaneously from more than one respondent (Hirsjärvi & Hurme 2001, pp. 61, 63).

This type of interview was chosen due to the distance of the case company, in order to implement the interview during one day. Furthermore, both interviewees were in a key position in the company and shared a history of running the company together. The third interview was conducted with an analyst from Finpro's Scandinavian office. According to Hirsjärvi & Hurme (2001, p. 64), phone interviews are more suitable for quite structured interviews than qualitative interviews, because of the lack of visible cues of discussion. Although, this interview was carried out via phone, because of practicality, as the interviewee's location at the time was Denmark.

A typical part of theme interviews is recording them, because this enables getting the interviews to go along quickly and without breaks. Also, when an interview is recorded, it is possible to capture relevant matters from the communication situation. (Hirsjärvi & Hurme 2001, p. 92.) All of the interviewees agreed to the recording of the interviews, which was found very necessary. The interviews were recorded with a dictation machine, which was purchased to this purpose, because in my opinion, processing and analyzing the material effectively required recording the interviews and afterwards transcribing the gathered material.

Usually the duration of theme and unstructured interviews varies from one hour to two hours (Hirsjärvi et al. 2009, p. 211). The duration of the interviews in this case varied from 50 minutes to 80 minutes and it was longer than was expected. However, diverse, rich and interesting material was gathered and all the interviewees were able to find the time necessary for carrying out the interviews. There was some skepticism about the skills of the interviewer, functionality of the recording equipment and the sound quality of the recordings, due to the lack of experience of the interviewer, especially concerning the phone interview. However, there were no problems with these matters at all. Furthermore, it was surprising how naturally the interview situations went along.

5.4 Processing and analyzing the material

In most cases, it is appropriate to transcribe recorded qualitative material. Transcribing the material first is more common than making conclusions based on the recordings. (Hirsjärvi et al. 2009, p. 222.) According to Hirsjärvi & Hurme (2001, p. 135), processing and analyzing the material should begin soon after the acquisition, because then the material is still fresh and inspiring for the researcher and it is also easier to complement or clarify some parts of the interview if necessary. Therefore, the interviews were transcribed soon after they took place, as then the interview situation was still fresh in mind and personally, the author was very inspired from the interview results. Furthermore, it is recommendable to transcribe the material on a computer as was done in this case, because according to Hirsjärvi & Hurme (2001, pp. 139–140); it diversifies the opportunities of analyzing the material.

It is common that the material gathered by theme interviews is plentiful, which makes the analysis phase interesting and challenging but at the same time problematic and laborious. The analysis phase of the interview material was one of the most laborious, yet interesting tasks of this thesis. For the analysis phase an approach described by Hirsjärvi & Hurme (2001, p. 137) was chosen. Firstly, the material was transcribed and re-organized as it was necessary, because the material was plentiful. Secondly, the material was clarified, which signifies eliminating irrelevant parts and for example unnecessary recursion. Next, the actual analysis was carried out, which signifies summarizing the meanings that the interviews brought up, as well as thematizing and interpreting the material. Thematizing signifies examining such aspects from the research material, which are common for the interviewees. These aspects might be based on the pre-determined themes of the interviews and it is expected that these themes come up in this phase. (Hirsjärvi & Hurme 2001, pp. 135, 173.)

6 INTERNATIONALIZATION & EXPORTING – EXPERT VIEWS

The theoretical part already introduced general requirements of internationalization and exporting. This chapter presents the results of the interviews, concerning two of the central themes which were internationalization and exporting. Conducting expert interviews enabled acquiring more in-depth and current information about the subject and utilizing the expert knowledge and experience of the interviewees.

6.1 Internationalization – Prerequisites and required resources

Prior to internationalization it is important for companies to take the time to consider their reasons and motives for going international and therefore clarify whether there are reasonable arguments for it. The requirements of internationalization should also be considered and with respect to these requirements, companies should be able to critically evaluate their own resources. Therefore, it should be considered whether the domestic market is managed well enough and whether relevant experience and resources to expand internationally exist within the company. Furthermore, networking is important especially at initial stages of internationalization. It is also recommendable to utilize professional assistance during this process, in case the necessary skills and experience do not exist in the company. (Aagaard 2011.)

According to Aagaard (2011), the required resources vary according to the industry which the company operates in and whether it is a service or a manufacturing company. Generally, it requires having mutual commitment to the whole internationalization process within the company. Also, having the ability to properly manage the acquired customer relationships is very important. Moreover, it is important to have clear arguments on the choice of target markets and therefore considering the reasons behind these choices is significant. Prior to internationalization companies should also clarify their internal goals and consider whether there are rationalized reasons for going international.

Furthermore, implementing a totally new mindset within all levels of the organization is required. Another very important matter in internationalization is marketing, because too often the marketing materials are only translated into the language of the target country, which however is not sufficient. It is essential for companies to specifically come to know the mindset of their target group and the customers' reactions to marketing. In a way it is important to know the overall value chain of the product before entering new market areas. (Aagaard 2011.)

If a company strives for international markets, it needs to have a quality product, which also has something personal or unique in order to be distinguished. Quality is an important criterion; however the product should also differ in a positive way, either by its attributes or design. Also, price is always an important matter and therefore pricing should be considered regarding the market-specific price level. However, for high-end products and products targeted at smaller customer segments and market niches, the price is not as important as it is for mass products. Within this kind of context, the quality, uniqueness and differentiation of the product in particular are more important matters. (Aagaard 2011.)

6.2 Considerations on target market selection

As selecting target markets, companies need to consider whether their product or service matches this particular market in terms of culture, too. Possible target markets for Finnish design products could be the Nordic countries in particular and possibly some larger export countries. The product should have some kind of significance and value within the chosen target market and it should be recognizable as well. Even though the product has novelty value as a new product on the market, cultural suitability is very important. The product should be familiar as a concept within the chosen market and among the consumers. (Aagaard 2011.)

Furthermore, sufficient market potential, purchasing power, appropriate sales channels as well as suitable partners are important matters within the target market. These criteria are important to consider in the target market selection

process, because when they are in order, issues concerning logistics, administration and legislation are easier to manage. Merely assuming that there might be demand for the company's products in some particular country is not enough. It is also essential to consider how to design the product as well as how to plan the marketing to specifically match the particular market and customers in question. Therefore, who the customers are is also an important consideration when examining possible target markets. Moreover, already at this point it is worthwhile to consider the logistic matters and how to get the products to their destination and to the customers. All matters of this kind should be taken into account already when selecting target markets, in order to avoid surprises and consequently possible difficulties. (Aagaard 2011.)

As companies have decided to enter a specific market, it is extremely important to know what kind of marketing appeals to the customers and retailers in that particular country. A marketing plan should always be made individually for each target market, because regarding the culture of the target country is very important. Therefore, both cultural and linguistic translation of marketing messages is essential. (Aagaard 2011.)

6.3 Export activities – Resources, prerequisites and risks

When considering the necessary resources for internationalization and for example export operations, it of course depends on how the term exporting is defined. Many small companies begin their export operations and take the first step of internationalization based on reactive reasons, when they have received inquiries from abroad. Some companies refer to exporting, when they have regular customers from Russia for example. This kind of operation does not require many resources, but the situation is much different when the operations become more organized. Therefore, establishing a sales office abroad or otherwise systematically building export activities requires much more resources from the company, such as psychological resources and time, and maybe even more of these than financial resources. (Liira 2011.)

One important prerequisite for exporting is being systematic. Also, as companies strive for initiating export operations, it requires having existing and well-functioning business activities with sufficient cash flow in the domestic market, which enables launching export operations. It is important to keep in mind that testing the products at the domestic markets is much more economical, rather than trying it out by exporting. Furthermore, it is important to clarify the specific needs and demands of the customers' and evaluate how the company's products are able to meet these demands. It should also be considered how to manage the prevailing competition at the target market. Quite often companies assume that if something has worked out in the domestic market it will automatically work out also in the target country. Unfortunately, this is not always the case, as the culture, business practices and overall the value chain might be totally different from the domestic market. This kind of matters should always be clarified in advance and it is often recommendable to utilize professional assistance for market research purposes. (Liira 2011.)

Prerequisites for successful exporting include having a quality product, realistic expectations and a realistic view of the company's own resources. On one hand it is important not to take too wide a leap, but on the other hand having a forward enough approach and adequate commitment to the export operations is essential. It is quite common that the actual work load of initiating export activities comes as a surprise for companies. There are many matters that require changes within the organization, such as logistics, sales coordination and the allocation of new responsibilities. It is important to be well-prepared and have realistic expectations, because these kind of practical matters always take time as well as resources. Of course changes take their time, but quite often initiating export activities is laborious for the organization and it requires a lot of additional work. However, for companies that are well-prepared and have a forward enough approach, it might be easier. Nevertheless, it is essential to carry out the groundwork carefully and consider all relevant matters from many points of view. It is not rational to solely go after quick sales, because in exporting there are always some costs included and resources required. (Aagaard 2011.)

Contractual risks are one major issue within export business. Even though there might be a major sale on the way, the possibility of risks should be understood. The importance of verifying the buyer's solvency and willingness to pay is easily forgotten. Also, the buyer might have for example such quality requirements, which have not emerged during negotiations, but create a conflict after the delivery of the merchandise. All matters related to payment terms and policies should be paid attention to and it should be examined whether there are risks included and what kind of risks. (Liira 2011.)

It is important for companies to consider what kind of risks they are willing to take. Companies should be prepared to take risks and the risk taking should be methodical. Effective risk management requires careful planning and therefore taking the time to properly plan the operations before taking action is important. Also, ensuring the functionality of domestic business and the stability of cash flow in the domestic market is important, as initiating export operations is always a major effort for companies. Utilizing external assistance, for example consulting services or acquiring necessary skills and experience by hiring new workforce, is also an important consideration when it comes to managing and minimizing risks. It is a very good idea for companies to consider hiring a key person in the company, who has experience from export trade or possibly from the specific target market to which the company is aiming at. Having experience from the chosen target market within the company is a factor which strengthens the organization internally. (Aagaard 2011.)

6.4 Export operations' planning process

When planning export operations it is very important to clarify the value chain for the company's products, competitive situation and possible sales channels in the specific target country to which the company is aiming at. Also, knowing how these sales channels function, who the buyers are and who to contact or arrange meetings with are important matters. It is much easier for companies to initiate exporting if they have knowledge about the target market: how it functions and what kinds of criteria exist within the market. There are many kinds of assistance available for companies, but a traditional market study for finding out

how the market functions is a good basis. Overall, in the export process it is important to know where the company is heading towards and why the market functions as it does. Having more information about the market makes decision making easier within the company. (Aagaard 2011.)

Clarifying the abovementioned matters first, rather than directly contacting potential partners and searching possible sales channels is a good idea, as otherwise the company might only waste both time and money. Of course it is possible to find the right contacts at once, but it might also turn out the other way round. In this case, the more the company has knowledge about the market, the easier it is to sharpen its focus. The company might even realize that its products will not be sold through the same channels as in domestic markets or what was imagined. Especially for interior products, it is not possible to know this for certain in advance. It depends a lot on the customs, traditions, trends and matters of taste at the target country. Therefore, it is recommendable to utilize the available internationalization services and especially such with local expertise for finding the right sales channels in the target country. Even though market research has costs, it is economical for the company, because it is able to save money and resources by avoiding and minimizing unnecessary travelling and error estimates. Furthermore, having the necessary and sufficient information about the target market enables overall more rationalized and justifiable decision making. (Aagaard 2011.)

When considering the neighboring markets, a good method for acquiring market knowledge is through the industry trade fairs, for example. The more a company knows people within its own industry, competing products and potential partners as well as sales channels, the easier it is to start building export operations within that specific market. Furthermore, events organized by industry associations are also a channel for acquiring market knowledge. Therefore, it is worthwhile to explore the home pages of these industry associations in order to find the appropriate events. (Aagaard 2011.)

7 DENMARK

7.1 Basic information

Denmark is located in Northern Europe, bordering the North Sea as well as the Baltic Sea. With the area of 43.098 square kilometers, of which 66% is agricultural land and 12% forests, Denmark is the smallest of the Scandinavian countries. The Kingdom of Denmark has two autonomous provinces, which are the Faroe Islands with area of 1 399 square kilometers and Greenland with area of 2 166 086 square kilometers. Population of Denmark is 5.564.219 (2011) with a population density of 126, 4 per square kilometer. Ethnic distribution of the Denmark constitutes from 93% being Danes and immigrants from Scandinavia, EU countries, Turkey, former Yugoslavia and Pakistan constituting 7% of the population. Capital of Denmark is Copenhagen with 1.702.388 inhabitants. Other major cities include Århus with 311.235 inhabitants, Aalborg with 199.437 inhabitants and Odense with 190.448 inhabitants (2011).

Major religion in Denmark is Evangelical Lutheran, which 95% of the population represents. Other religions include 3% of Protestants, Roman Catholics and others and also 2% of Muslims. The official language is Danish and the predominant second language is English. English proficiency is among the world's top three (Ministry of Foreign Affairs of Denmark 2011e). Danes are known as the happiest people in the world. Furthermore, Denmark is well known as a strong welfare state and mixed market capitalist economy as well as being among the most egalitarian societies in the world. Denmark is a member of the European Union, United Nations, NATO, OECD (Organization for Economic Co-operation and Development), WTO (World Trade Organization), IMF (International Monetary fund) and Nordic Council. Denmark has also been a member of the European Economic Community since 1973. Although, Denmark meets the EU's economic criteria for membership, it has not introduced the Euro currency (EU-business Ltd. 2011). (Antell 2010; Central Intelligence Agency 2011; Ministry of Foreign Affairs of Denmark 2011a & 2011b.)

7.2 PESTEL analysis

7.2.1 Political and legal environment

Denmark is a constitutional monarchy and the oldest one in Europe. The political system is based on a democratic multi-party structure. The head of the state since 1972 has been the Queen Margrethe II. According to the constitution the head of state together with the parliament possess legislative power while the Queen has executive power. Denmark's political life can be characterized as democratic and orderly. The political methods and attitudes are generally moderate and changes occur gradually through consensus. (Ulkoasiainministeriö 2006a; Bureau of European and Eurasian Affairs 2011.)

According to different sources Denmark has been characterized as an excellent place for doing business. Referring to the results of a major international analysis of global business climate by EIU (Economist Intelligence Unit), Denmark was ranked as the best place in the world to conduct business as it took the first place in seven out of ten categories, which included infrastructure, macro-economic stability and political initiatives that benefit entrepreneurs. Political stability and the special "flexicurity" model of the labor market were emphasized in the analysis, which was based on the feedback from 650 analysts and is therefore considered as the most in-depth analysis of its kind. (Copenhagen Capacity 2011a.)

Denmark has also been placed among the most competitive economies worldwide, as it was ranked eighth in the global competitiveness report 2011- 2012 which was composed by the World Economic Forum's Centre for Global Competitiveness and Performance. According to the report Denmark benefits from one of the best functioning as well as most transparent institutional framework, excellent transport infrastructure and first class higher education and training system. The Danish workforce is highly educated, skilled of languages and internationally oriented (Antell 2010). Denmark has also been recognized as a global leader when it comes to inflation policy and ethical behavior of companies. Due to the high flexibility, the Danish labor market is one of the most effi-

cient ones internationally as it ranked on sixth place globally. (Copenhagen Capacity 2011c.)

Furthermore, Denmark has been ranked as the easiest place to do business in Europe in 2012 by the World Bank, which placed the country at fifth place in “doing business index” among 183 nations. This index was based on a comparison of business regulations in the nations involved and opinions of 9000 local experts. Among others, the report included factors related to ease of starting a business, level of taxes and employing workforce. Denmark was placed among top ten in planning permission, resolving solvency and trading across borders. Compared to many other European countries, the customs procedures in Denmark facilitate the efficient transit of goods to a higher extent (Ministry of Foreign Affairs of Denmark 2011d). (Copenhagen Capacity 2011b.)

Establishing a company and operating in Denmark is effortless. Denmark provides very good “invest in Denmark”- services. Invest in Denmark is a government agency situated within the Ministry of Foreign Affairs and provides detailed information to potential investors. They provide assistance if a company wishes to invest in Denmark, for establishing a subsidiary or a small sales organization and hiring personnel. Compared to other Nordic countries establishing a business in Denmark is tax efficient. Also, establishing a company, rather than a branch, is simple, fast and cost-efficient and the registration process can be done within a few hours. What comes to exporting, Denmark is also an attractive target country for companies, because as a Nordic country and a member of the EU (European Union), there are no export barriers. The political conditions are stable and the business environment is good. The political atmosphere in Denmark is very good and entrepreneurship, exporting as well as overall trading is enhanced. (Aagaard 2011; Ministry of Foreign Affairs of Denmark 2011i.)

The lack of complicated bureaucracy as establishing businesses, practically unknown bribery and an extremely low level of corruption make Denmark an attractive location for business activities. Moreover, the labor costs are relatively low and there are practically no social contribution costs for employees. The

lack of obligatory labor costs, such as pension payments collected from the employers, sets the total labor costs on average European level. (Antell 2010; Ministry of Foreign Affairs of Denmark 2011e.) The Danish tax system is characterized by a high income tax level as well as a medium income tax level and low social cost level for companies, in comparison with European standards (Inwema A/S 2011b).

The rates of social contribution are low, as the high income taxes are used to finance a large part of the State Budget and the social welfare benefits and also, to a large extent, pension savings in Denmark is a private matter instead of being a public one (Inwema A/S 2011a). High cost level and high income tax level might be considered as negative attributes of Denmark. With income tax rate of 42.9- 63%, which is one of the highest in the world, the large public sector of Denmark is financed. Denmark has a moderate company tax rate, which is 25% at the highest. Value added tax (VAT) in Denmark is 25%. (Finpro 2010f.) Although the overall tax burden is high in Denmark, it enables maintaining a well- educated workforce, quality transport and communications infrastructure as well as a high standard of public services (Finfacts.com 2009).

Denmark's labor market policy has been a great success and therefore it has been copied by many other European countries (Copenhagen Capacity 2011a). Due to the Danish "flexicurity" model Denmark offers a flexible environment for companies and employers (Aagaard 2011). Referring to the Ministry of foreign Affairs of Denmark (2011c), this flexicurity model successfully manages the challenges of globalization as well as secures steady economic growth and employment. The labor market functions according to clearly defined structure, which is based on extensive collective agreements and arbitration system (Antell 2010). The flexibility of Danish labor regulations compared to some other European countries is outstanding (Ministry of Foreign Affairs of Denmark 2011d).

The legal environment, legal system and business infrastructure in Denmark are characterized as predictable and transparent (A.M. Best Company Inc. 2011). Denmark is among the world leaders when it comes to business freedom, prop-

erty rights, and freedom from corruption. The overall regulatory and legal environment of the country encourages entrepreneurial activity and represents transparency and effectiveness. Moreover, the independent and free of corruption judicial system of Denmark provides strong protection of intellectual property rights, recognition and enforcement of secured interests in property and consistent appliance of commercial and bankruptcy laws. As a member of the EU, Denmark has been a leading opponent of trade barriers. Due to Denmark's regulatory environment, the process of business formation as well as operation is among the most efficient and dynamic in the world. The business framework in Denmark is highly supportive to innovation and productivity growth. (The Heritage Foundation 2011a.)

In the Transparency International's Corruption Perceptions Index for 2009 Denmark was ranked in the second place, among 180 other countries. Denmark has also signed the Anti-Bribery Convention of the OECD. (The Heritage Foundation 2011a.) Overall, with regard to health, environment, safety and labor laws, Denmark applies to high standards and these policies are universally applied, without intention of confounding foreign investment. Generally, the corporate law in Denmark is in conformity with current EU legislation. (EUbusiness Ltd. 2011.) When considering the issues of transparency and corruption, the commercial risk in Denmark is low. Denmark is also categorized into the lowest risk category of Finnvera's eight country classifications, which signifies that it is an advanced economy with a very low level of risks (Finnvera 2011b). This also means that acquiring credit references of possible buyers is quick and easy (Liira 2011).

Increasing international security and stability, ensuring greatest possible economic progress and prosperity, promoting human rights, democracy and good governance are essential goals of the Danish foreign policy. The development assistance per capita of Denmark is among the highest in the world. Furthermore, the cornerstone of Denmark's international engagement is its active and constructive participation through international organizations such as the EU, the UN, NATO and WTO. (Ministry of Foreign Affairs of Denmark 2009).

7.2.2 Economic environment

The private sector in Denmark is characterized by many small and medium-sized companies. As a small, open and industrialized market economy, Denmark depends heavily on imported raw materials and foreign trade. (Bureau of European and Eurasian Affairs 2011; The Heritage Foundation 2011.) Due to advantageous geographical location, traditions in fishery and the lack of own raw materials and few natural resources; Denmark has become a very active country in foreign trade. The portion of foreign trade is two thirds from the GDP of the country. The most important trading partners for Denmark are Sweden and Germany. (Antell 2010.)

As a member of the EU, Denmark advocates a liberal trade policy. With a GDP per capita of \$58,500 (2010), Denmark was the 18th richest country in the world and its standard of living is among the highest in the world. (Bureau of European and Eurasian Affairs 2011.) The average quarterly GDP growth in Denmark has been 0.41% from 1991 until 2011, reaching an historical high of 3.57% in 2005 and a record low of -2.59% in 2008 (Trading Economics 2011d.)

The worldwide financial crisis has considerably afflicted Denmark and statistics revealed that it was still officially under recession in the summer 2011 (Ulkoasiainministeriö 2006b). Due to the financial crisis the economy of Denmark fell into a more profound economic downturn than many other European countries. As a small and open economy Denmark suffered a lot from the collapse of the world trade and during 2009 the country's GDP decreased by 4.9%. Denmark has managed to have a budget surplus since 1997, but due to the economic downturn it has decreased and shifted as deficient in 2009. However, Denmark is recovering slowly and the economy grew by 2.1% in 2010, 2% in 2011 and is expected to grow by 2% in 2012 (A.M. Best Company Inc. 2011). Future growth is sought from green economy and development of welfare technology (Ulkoasiainministeriö 2006b).

Danish exports is also slowly recovering from the downturn which begun in 2008. In the beginning of 2011 exports increased by 4.8%, due to especially the

increase in machinery and industrial product exports to Germany and Sweden. During spring 2011 also exporting to Finland has increased by 9%, along with increased exports to Italy, Norway and China. (Ulkoasiainministeriö 2006b.) The popularity of investing in Denmark will maintain in a high level. The value of direct investments made in Denmark in 2009 was 7.7 billion US dollars. The portion of direct investments in Denmark's GDP of Denmark was 2.5%. Foreign companies are generally provided the same treatment as Danish companies. (Antell 2010.)

The financial crisis followed by recession has affected also the employment figures in Denmark (Antell 2010). Unemployment rate averaged 6.0% in 2010 increasing from 2.7% in 2008. It is expected to average 6.2% in 2011. (Bureau of European and Eurasian Affairs 2011.) At the moment, the retail sector in Denmark is still recovering from the economic standstill, but politically the effects of the financial crisis are taken very seriously and the government strives to facilitate the situation (Aagaard 2011).

Furthermore, the financial crisis has also caused the collapse of several small and medium-sized banks during last couple of years. In response, legislation calling for a financing programme by private banks and the government in cooperation was passed by the parliament. Relatively cautious lending within a sound regulatory framework has enabled Denmark to pull through the crisis with persistence. (The Heritage Foundation 2011.) Therefore, the most significant short-term acts of the Danish government are ensuring the stability of financial institutions and minimizing the aftermath of the financial crisis by means of tax cuts, increasing public expenditure, especially investing in infrastructure and supporting Danish banks. (Antell 2010.) Monetary stability in Denmark is well maintained, with inflationary pressures under control (The Heritage Foundation 2011).

Because of the constant economic growth in the past and successful economic policy, Denmark has good basis for rejecting the financial crisis. The public economy of Denmark is still on a relatively healthy basis compared to many other EU countries. (Antell 2010.) The economic risk for Denmark is low. The

economy is well balanced, wealthy and globally competitive. The political risk for Denmark is very low. The Danish government intends to tighten its fiscal policy (A.M. Best Company Inc. 2011). Since the 1980s Denmark has maintained a stable currency policy (Bureau of European and Eurasian Affairs 2011). Denmark is not a member of the EMU (European Monetary Union), however the Danish kroner is linked to euro through ERM II system (Antell 2010). The Danish Kroner has a fluctuation band of +/- 2.25 % of the central rate of DKK 746.038 per 100 Euro. Danish policies are to facilitate the free flow of capital as well as support the flow of resources in the product and services markets. Foreign exchange flows have been fully liberalized. Furthermore, credit is allocated on market terms and it is freely available. (EUbusiness Ltd. 2011.)

Denmark's economy is open to global trade and investment and therefore the country is among the world leaders when it comes to investment and financial freedom. Foreign direct investments are not restricted or prescreened with only a few exceptions. The legal and regulatory procedures as well as investment code is relatively transparent. Regulation and supervision are based on EU legislation. The financial system in Denmark is competitive, no banks are state-owned and the central bank is independent. The bond market in Denmark is one of the largest in the world and also the securities market is highly developed. (The Heritage Foundation 2011.)

Furthermore, Denmark has a sophisticated financial system regulation with deep capital markets. The Danish Financial Supervisory Authority, under the responsibility of the Minister for Economic and Business Affairs, regulates the financial sector in Denmark. The banking sector has improved since 2009 and it benefits from government stabilization and recapitalization efforts. The financial system risk in Denmark is very low. (A.M. Best Company, Inc. 2011.)

The income level in Denmark is quite high, although there is major fluctuation regionally and also within different industries. Inflation rate forecast for 2011 was 1.8% and it is likely that it will maintain on a higher level in Denmark compared to the euro zone, due to the increase in income levels. The income level is expected to maintain high. (Antell 2010). The price level in Denmark is quite

similar compared to the Finnish market. However, compared to other central-European countries the price level is high, due to the 25% VAT and both high income level and high standards of living (Antell 2010; Pentikäinen 2010). Despite the economic standstill Denmark is still a country with high purchasing power. Compared to Finnish people, the Danes have a different stand towards consumption and generally consume more. (Aagaard 2011.)

7.2.3 Socio-cultural environment

The Danish society is characterized by coalition and conformity. Danes are very easy going, communicative and friendly by nature. Due to embracing a multilingual system, Denmark has established excellence in the field of communications. Similar to the citizens of other Nordic countries, Danes are highly skilled in languages, as 88% of Danes report having the ability of communicating with one, 66% with two and 30% with three foreign languages. Furthermore, 86% of Danes speak English, 58% speak German and 12% knows the French language. From the total population of Denmark, 87% of inhabitants live in urban areas. The age structure is Denmark is typical for western countries; 17,6% of inhabitants are 0-14 years old, 65,3% are 15- 64 years old and 65 years and over inhabitants represent a portion of 17.1% of the population.

The population growth in Denmark is slow, as the estimated population growth rate in 2011 was 0.251%, which is placed 173th within the country comparison to the world. Denmark is facing demographic challenges due to the projected decline of working- age population, which is estimated to result as labor supply shortage by 2015. Shortage of labor supply is a major risk, due to the high level of labor participation and tendency for early retirement. (Ulkoasiainministeriö 2006c; Finfacts.com 2009; Finpro. 2010f; Bureau of European and Eurasian Affairs 2011; Central Intelligence Agency 2011.)

Most Danes are modest what comes to their accomplishments. The Danish society is characterized by egalitarianism, which also reflects in their language, as gender-neutral words are employed. The domestic chores are divided similarly to other developed countries; however men are more actively involved in child-

rearing activities in Denmark, compared to many other countries. Moreover, Denmark has a very family friendly environment as the well-developed system supports parental care and maternity as well as paternity leave provisions are generous. Most families in Denmark are small and as the center of the social structure is the nuclear family. The center of the social life is family and friends, which is greatly emphasized. According to Aagaard (2011), Danish people consume a lot and they particularly invest in their homes, interior decoration and their children. (Communicaid Group Ltd 2009; Itim International; Kwintessential Ltd 2010.)

Danes are good team players. Working culture in Denmark is cooperation oriented and group success is more valuable than individual achievements. Equality, solidarity and quality are valued in working life. As an individualistic and feminine society, in Denmark lenient social framework is preferred and keeping life and work in balance is important. The atmosphere at workplaces is very open and informal, with direct and involving communication style. Openness and honesty is preferred without the intention of being arrogant. Managers rely on the experience of their employees and power in organizations is decentralized. Respect is earned by hands-on expertise. (Communicaid Group Ltd 2009; Finpro 2010f.)

Furthermore, working without many strict rules is preferred and roles as well as responsibilities of different levels are respected. The Danish people believe in independency, equal rights, accessible managers and a facilitating and empowering management style. Consensus is an important value. Effective managers are supportive to their employees and strive for consensus and involvement in decision making. Long discussions until consensus is reached are common. In Denmark all relationships are valued and the difference between sexes is less notable. Conflicts are preferred to be resolved by comparison and negotiation. (Communicaid Group Ltd 2009; Finpro 2010f.)

As a highly individualistic and curious nation, Denmark has a reputation within innovation and design. Humor, heavy consumerism for new and innovative products as well as thriving in highly creative industries such as advertising and

marketing are also characteristics of the Danish society. Danish people are generally very interested in their work and they are considered motivated and committed as employees. In Denmark competence development is highly prioritized and Danes take pride of their educational system. Therefore, the chance of continuing education is offered for employees by most workplaces. This together with values of equality, efficiency and a high standard of living, have enabled achieving an important position in international trade. Focus in business life is on current issues and therefore priority is given to abstract rationality and analytical thinking. (Finpro 2010f; Itim International.)

Moreover, unpredictability is a natural part of the Danish working life. Doing business with Danes is relatively easy as creating a relationship first is not required. In business negotiations English is preferred as the language of communication and meetings comply with a pre-determined agenda. At first, Danes might be cautious and proceed slowly, but once basic trust has been created between business partners, loyalty is expected. Analyzing information is done in a thorough way. Propositions, as written contracts, are considered as serious matter and therefore they should include a lot of written information. Being factual, well-organized and prepared is expected.(Finpro 2010f; Itim International.)

Vague statements and too much diplomacy are disliked within business negotiations as they might only confuse and give an impression of insincerity. Therefore, sharing opinions, concerns and feelings is rather open in business culture. Letters and e-mails as forms of communication are also given importance to and here too a straightforward manner is applied. Danes also expect trust and respect in return as they have a win-win approach towards commercial deals. Despite the friendly approach, the Danes can also turn out to be hard bargainers and they are usually very clear about their ambitions. It is very important to pay attention to cultural aspects and know the business culture as well as the Danish business practices when doing business. Danes operate with a concept of open agreement, which signifies that nothing is final until the contract is written and signed. Therefore, introducing written terms and conditions as well as presenting written offers during negotiations may be an effective approach. (Finpro 2010f; Aagaard 2011.)

Denmark is known for its architecture and design (Ulkoasiainministeriö 2006c). The Danish lifestyle is such that a lot is invested in design, furnishing and overall people's homes. In terms of culture, Denmark is quite similar to Finland and from the Nordic countries Finland and Denmark are the most alike. Broadly, within fundamental matters Denmark and Finland are quite similar, which signifies that for example basic norms, values and moral issues are shared. However, there are differences when it comes to business negotiations, corporate culture and sales culture, but these differences are manageable. Overall, Finnish products have a good reputation in Denmark and they are considered interesting and exotic. Finland is a subject of interest in Denmark and Finnish products have good visibility in the Danish media. (Aagaard 2011.)

The role of the Danish media is very active and driving discussion and the conversational culture in Denmark is lively (Ulkoasiainministeriö 2006c). Especially interior decoration magazines and women's magazines are a very good channel for Finnish products to gain visibility within the Danish market. Quality is valued by Danish consumers and therefore they understand the value of it and are willing to pay for it. Furthermore, an increasing trend in Denmark is that consumers place more and more demands on environmentally friendly products. Therefore, the better the environmental effects of the product are documented, the preferable. Environmental friendliness of a product is definitely an important and positive matter in the Danish market and it brings much added value to the product. Danish traditions within furniture industry and design are strong. Danish people are very proud of their own design and products, but they also purchase a lot of other than domestic products. However, design and quality criteria are an important matter in purchase decisions. (Aagaard 2011.)

7.2.4 Technological environment

The level of technology in Denmark is high and the infrastructure in the country is highly developed (Aagaard 2011). High quality and ground-breaking research and development have made Denmark known worldwide. Within areas related to biotech, wireless and mobile technology, software development and acous-

tics, the Danish research institutions are among the most well-known. Furthermore, Denmark has primacy within areas of clean-tech and renewable energy such as electrical vehicles and wind power. Denmark provides an opportunity to create new technologies in cooperation with private companies, research and development institutions and manufacturers. (Ministry of Foreign Affairs of Denmark 2011f.)

The results of various surveys reveal that Danish consumers are the world's fastest in adopting new products and technologies. Therefore, companies have the opportunity of improving and adjusting their products or technologies before entering mass markets. As one of the most advanced information societies worldwide, the Danish people are also some of the most innovative, critical and motivated consumers worldwide as well as being independent, well-educated, open towards risks and change and also frequent users of new media. As a fast-adopting market, Denmark is an ideal test market for new products according to US Commercial Service:

“The Danish market is, in many ways, a perfect test market. It is relatively small, and all corners of Denmark can be reached within four hours from Copenhagen. The population is very homogeneous, and the Danes are receptive to new products and features. The purchasing power among consumers is substantial, and the demand for quality and design is equally high.”

(Ministry of Foreign Affairs of Denmark 2011g.)

In Denmark, the power of the internet is unlimited and unlike other media, websites have the potential of reaching anyone with online access. Quite often, internet is the place for people to find information about a company and therefore careful planning of online marketing as well as a good company website are important matters in giving a good impression for potential customers. There are 4,750,500 internet users in Denmark (2010), which signifies over 85% of the total population (Miniwatts Marketing Group 2001- 2011.) Denmark's information and communications technology (ICT) has been ranked as a world leader by many institutions and it is also an essential contributor to the economic development and growth of the country. Denmark has also taken the initiative of investing in advancements in applications of nanotechnology and was the first

European country to make an investment of this kind. Future growth is sought for example from the development of welfare technology as the objective of the growth plan introduced by Danish government is to become a world leader in exporting healthcare solutions (Ulkoasiainministeriö 2006b). (Finpro 2010f; The Prysm Group 2010.)

Furthermore, Denmark was ranked first in the Networked Readiness Index 2008- 2009, made by the World Economic Forum, which examined the economic progress within 134 economies worldwide. Countries were examined and judged based on their integration of technology in business, the available infrastructure, whether government policy is favorable for fostering a culture of innovation as well as progress and leadership in promoting the usage of the latest information technology tools. Denmark was given recognition for its efficient market environment, conduciveness to availability of venture capital and sophistication of its financial markets. Therefore, in terms of technological advancement, Denmark is regarded as a world leader. According to a senior economist at the World Economic Forum:

"Denmark, in particular, has benefited from the very effective government e-leadership, reflected in early liberalization of the telecommunications sector, a first-rate regulatory environment and large availability of e-government services."

(BBC 2007; World Economic Forum 2009.)

Operating in Denmark is cost-efficient, due to the lowest office rental and corporate tax rates, extremely low social contribution costs for employees and competitive salary levels. Strong productivity growth, currency adjustments as well as increased competition enables Denmark to offer a competitive cost-structure, among EU countries. Also, labor costs are very competitive. High level of education and competence of Danish workforce are often cited as advantages in Denmark by foreign companies as well. (EUROLAW 2005; Ministry of Foreign Affairs of Denmark 2011e.)

Denmark is located very centrally in Europe with an advanced infrastructure. The Danish rail and road networks are well- developed with toll-free highways and national roads and connecting Denmark to Europe and the Nordic countries. These extensive road and rail networks together with a well-developed air traffic infrastructure comprise an advanced and well-functioning system. There are seven operating airports in Denmark. Two main airports, Copenhagen and Billund, are the center of the Danish distribution hub, with some of the fastest clearing times within Europe. Copenhagen airport was named as the most efficient in Europe in 2011. Also, the port system in Denmark is comprehensive and well-developed. Denmark's excellent port access infrastructure was ranked on the third place, after USA and Singapore. Moreover, air cargo transportation is promoted by free airspace, lack of night curfew as well as the fastest customs clearance and shortest transfer time in Europe. Many companies have located their distribution hubs in Denmark in order to decrease costs and increase profits. (Finpro 2010f; Ministry of Foreign Affairs of Denmark 2011h.)

7.2.5 Ecological environment

Environmental factors are becoming more and more a significant issue for companies to consider because of the global warming and therefore increasing environmental awareness. Demand patterns are affected by the general move towards more environmentally friendly products. The Danish lifestyle is green and modern. Danish consumers are placing more demands on environmental-friendliness of products. In Denmark many people pursue creating a better environment and this shows for example in development of new and green ways of living, greener transportation and town planning. (Oxford University Press 2007a; Ministry of Foreign Affairs of Denmark 2011j.)

Furthermore, Denmark is well-known for wind mill production and wind power provided 20% of Danish electricity consumption in 2006. Wind power industry provides great benefits for exports and employment and it has become a prominent industrial sector in Denmark. Denmark is also known for its biking culture and according to the Cycling Embassy of Denmark (2010), 36% of all adults in

Denmark go to work by bicycle daily or at least once a week. (RenewableEnergyWorld 2006; Cycling Embassy of Denmark 2010.)

One of the greatest sources of pollution is the industry and therefore in Denmark industrial production is closely monitored and certain limits are set for manufacturers. Reducing pollution from industries and therefore ensuring that the best available technology is used is an important objective. Moreover, efforts towards reducing the amount of waste and re-using are important goals. Denmark also seeks for future growth from green economy. The Danish government has introduced a strategy, of which purpose is to drive Denmark to being totally independent from oil, charcoal and gas by 2050. The use of renewable natural resources, wind power, biomass and biogas will be strongly enhanced during the forthcoming years. (Ulkoasiainministeriö 2006b; Danish Ministry of the Environment 2009, 6.)

7.3 Danish furniture industry

This chapter provides an overview of the Danish furniture industry by presenting facts and figures about the furniture production and exports, distribution as well as key figures of the Danish furniture market from the last few years and information about the Association of Danish Furniture + Interior. Furthermore, based on the interview material, expert remarks of the Danish furniture market are introduced.

7.3.1 Facts and figures

Within the European furniture industry, Denmark has a significant role and design has had a key position in the development of Danish furniture industry. Figure 15 below presents the furniture production in Denmark by production groups in 2010 and reveals that the largest production groups include kitchen- and seating furniture as well as other furniture, mattresses and bedroom furniture.

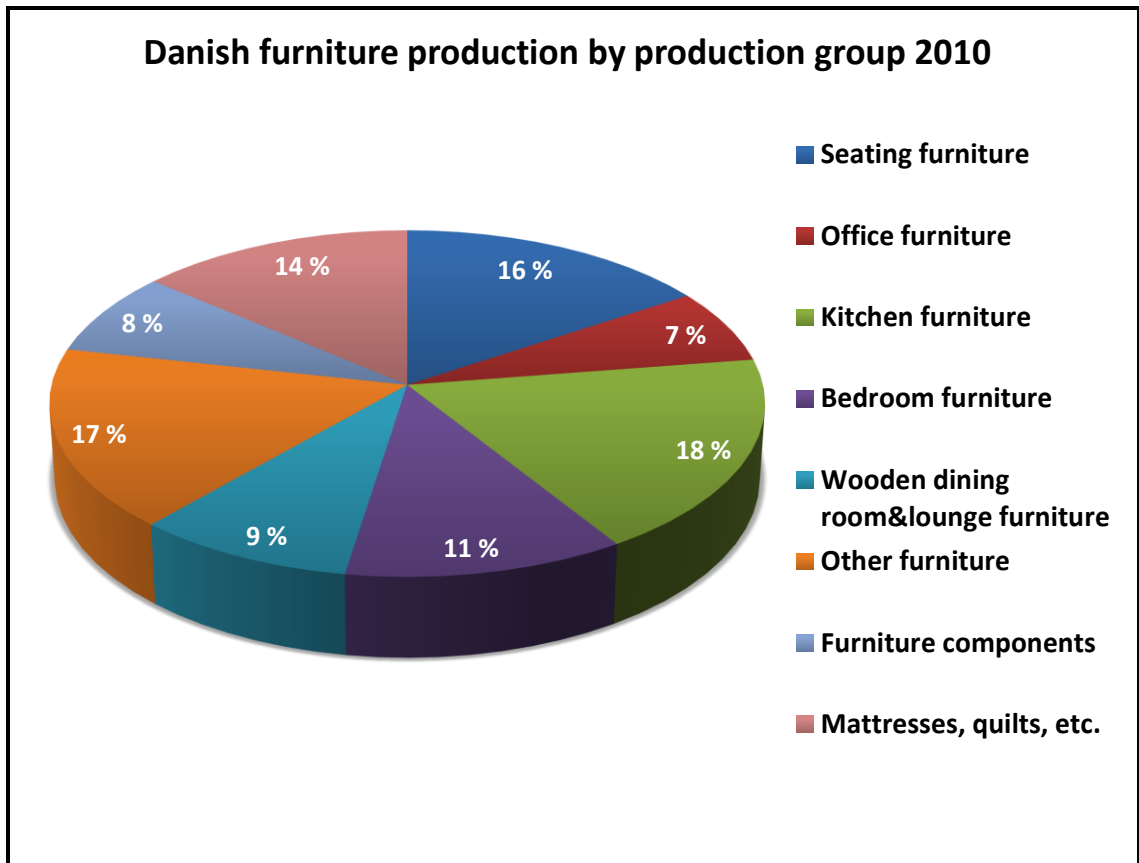


Figure 15 Danish furniture production by production groups 2010. (Association of Danish Furniture 2011e.)

The total production of Danish furniture industry in 2010 was worth almost DKK 12.5 billion, of which kitchen furniture contributed 2.3 billion, other furniture 2.1 billion and seating furniture close to 2 billion DKK. The industry consists of approximately 400 companies, which together employ about 15,000 people. High professional expertise and advanced technology result in high productivity within the industry. Consumption of home furniture in Denmark is worth EUR 2.1 billion. (Worldfurnitureonline by CSIL 2011a; Worldfurnitureonline by CSIL 2011b; Association of Danish Furniture 2011d; Association of Danish Furniture 2011e.)

Danish manufacturers have distinguished themselves in producing high value-added furniture, and therefore utilizing the strong design tradition of Denmark. Furthermore, emphasizing the use of design-driven, green products has become a central principle for Danish designers in recent years and today it is considered to be an important matter within the industry. The Danish furniture

market is highly export-oriented. Figure 16 shows the division of Danish furniture exports in 2010.

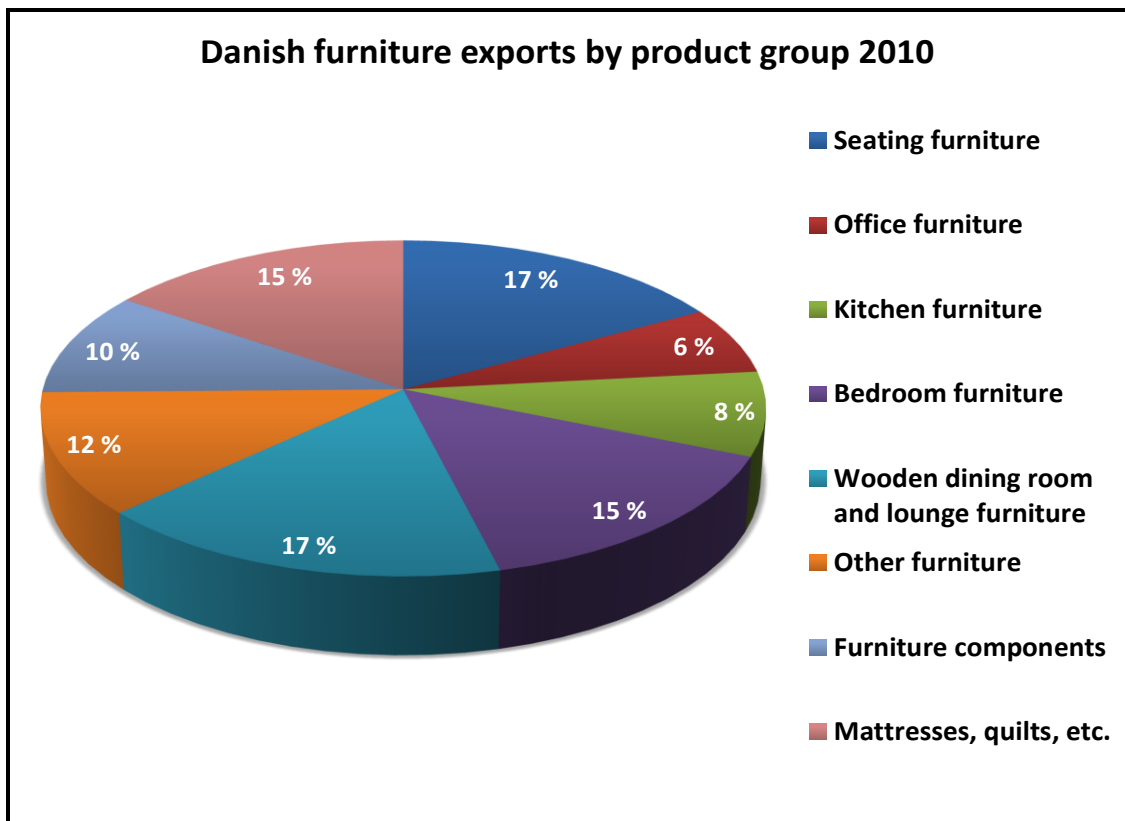


Figure 16 Danish furniture exports by product group 2010. (Association of Danish Furniture 2011e.)

With 16,8% portions each from the total furniture exports, both seating furniture as well as wooden dining room and lounge furniture were within the largest product groups, followed by mattresses, quilts etc. with a share of 15,3% and bedroom furniture with a 14,8% share. As 84% of the produced furniture is exported, the furniture industry is the fifth largest of export industries in Denmark. Among the most important export markets for Danish furniture are Norway, Germany and Sweden. (Association of Danish Furniture 2011d; Association of Danish Furniture 2011e; Worldfurnitureonline by CSIL 2011a.)

The exports of Danish furniture have decreased significantly within the last three years. However, in respect of the total population of Denmark, the country is a world leader both in production and exports of furniture. Table 1 presents

the key figures of the Danish furniture market from 2006 until 2010. In addition to high export orientation, also many components as well as ready-made furniture are bought from abroad. The value of furniture imports in 2010 was about DKK 8.2 million.

Table 1 The Danish furniture market. (Association of Danish Furniture 2011e.)

DKK millions	2006	2007	2008	2009	2010
Danish production	19,437	19,533	17,776	13,578	12,482
- exports	15,953	15,895	13,997	11,360	11,427
Production for the domestic market	3,484	3,638	3,779	2,218	1,055
+ imports	8,164	9,161	9,094	7,215	8,237
The Danish market	11,648	12,799	12,873	9,433	9,292

The effects of the economic downturn on Danish market are clear and therefore, in addition to the fall in exports the overall value of the market has decreased and furniture imports have started to increase. The total value of the Danish furniture market in 2010 was DKK 9.3 million. (Association of Danish Furniture 2011d.)

Since the 1950's, designer furniture has distinguished Denmark as a leading nation within international furniture markets and this position is renewed and maintained by classic designs by famous architects and new innovative furniture designers. The majority of Danish furniture production consists of domestic furniture. Furniture for young people's rooms, children, bedrooms, dining rooms and home offices are within the specialty areas of Danish furniture production. Furthermore, veneered furniture is another area of expertise and solid wood furniture from beech, ash, teak and pine are among the best worldwide. Also, there is demand for Danish contract and office furniture for furnishing workplac-

es, institutions and public areas, around the world. Parts of Danish furniture production have been outsourced to sub-suppliers and own production sites in lower labor cost countries in recent years. (Association of Danish Furniture 2011d.)

Danish furniture is sold through many different channels, which include chains of buyers and shops, individual furniture dealers, agents, contract sales for furnishing projects and retail sales through franchise shops for example. The distribution system is dominated by buying groups, such as Dan Bo, Garant Møbler and Ide Møbler. Independent furniture chains act as the second most important distribution channel and among others; also IKEA is a major player within the distribution channels. (Association of Danish Furniture 2011d; World-furnitureonline by CSIL 2011b.)

Association of Danish Furniture + Interior

The Association of Danish furniture and Interior is an independent organization, which together with its members, who represent approximately 90% of the Danish furniture production, has shared interests of promoting the sale of furniture and interior products. As primary members to the organization, Association of Danish Furniture + Interior accepts: 1. Companies producing furniture and interior products, which are registered in Denmark or the rest of Scandinavia. 2. Companies designing furniture and interior products with a view of producing or selling them into their own account. 3. Sales companies dealing furniture and interior products produced or designed in Scandinavia and into their own account. Through membership, companies have the opportunity to strengthen their competitiveness by utilizing the many provided advantages such as, regularly updated market information, access to a market library, legal assistance, the trade magazine Møbel+Interiør, participation in industry seminars, the opportunity to participate in trade fairs as well as marketing campaigns in Denmark and abroad. (Association of Danish Furniture 2011f.)

Furthermore, the Association of Danish Furniture+Interior publishes a trade magazine by the name of Møbel+Interiør, which editorial objectives are to in-

form the interior and furniture industry about significant matters and increase the knowledge of Danish furniture industry. The magazine is distributed to furniture manufacturers, furniture agencies, designers and all Danish Furniture retailers, in a circulation of 3,054 copies. The reader division of Møbel+Interiør is illustrated in figure 17 below.

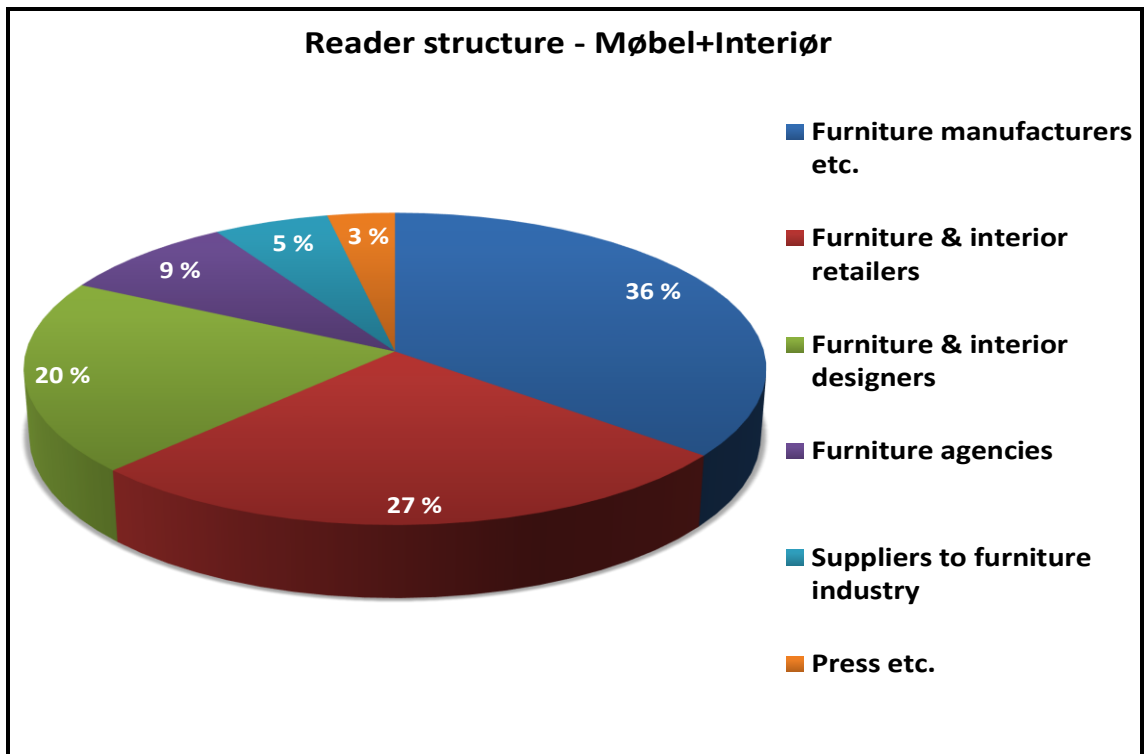


Figure 17 Reader structure - Møbel+Interiør. (Association of Danish Furniture 2011c.)

Major reader groups of the Møbel+Interiør trade magazine are clearly furniture manufacturers by 36% and furniture and interior retailers by 27% as well as designers by 20%. The prices for black and white advertisements in Møbel+Interiør in 2012 vary from above EUR 100 to about EUR 900. All the prices are available at <http://www.danishfurniture.dk/Default.aspx?ID=42>. (Association of Danish Furniture 2011a; Association of Danish Furniture 2011b; Association of Danish Furniture 2011c.) The aforementioned matters taken into account, Møbel+Interiør might be a very good channel for reaching different actors within the Danish furniture market.

7.3.2 Expert remarks on the Danish furniture market

In Denmark there are many small and medium-sized companies. Due to the high level of competition at the furniture market, it is even more important and especially for small companies to plan their activities carefully and make the decision concerning market entry meticulously. Denmark is a good operating environment for companies and though the rivalry is intense, it is a potential market as well. The strong tradition within design on one hand makes the Danish market more competitive, but on the other hand it means that quality as well as environmental values are appreciated and the cost and value of quality are understood. (Aagaard 2011.)

According to Aagaard (2011), issues concerning marketing and customer relationship management have been the most common difficulties that Finnish companies exporting to Denmark have faced. Therefore, it is important to be intensive enough within negotiations and managing customer relationships. Also, there have been some difficulties with contracts, due to the Danish concept of open agreement and therefore it is important to ensure that all matters related to contracts are in place

In Denmark, it is very important to pay attention to cultural aspects and know the business culture as well as the Danish business practices. Also, having contacts within the industry is considered extremely important and therefore the value of networking is crucial. Knowing the market and the way to operate there is considered essential as well. Furthermore, as Danes have established excellence in the area of marketing, they expect this also from others. Therefore, efficient marketing is unquestionably one prerequisite for success in the Danish market, which signifies regarding cultural aspects, a strong brand and an explicit approach through overall marketing. As the significance of marketing is major, it should also be taken into account that Denmark is a multicultural country with a lenient culture. That is why over-traditional marketing is probably not an efficient approach. Furthermore, humanity, tolerance, values of nature and environmental friendliness are important matters in marketing. (Aagaard 2011.)

Denmark is an attractive market for Finnish furniture industry, due to a shared tradition, which signifies the love for design and interior decoration as well as the value of functionality. Danish people are interested in Finnish products. However, as the Danish design and furniture industry is strong, there are many different products on the market and therefore, the rivalry is challenging. At the same time, there is not necessarily that much of rocking chairs on the market and therefore it could be a successful product in Denmark. There are some rocking chairs on the Danish market and they are quite similar to the Finnish traditional rocking chairs. However, also modern designs are part of the current supply on the market. Nevertheless, it is extremely important to carefully consider who will sell the products and also to whom they are sold and marketed to. Decisions concerning the distributors as well as target groups are therefore very important when considering the Danish furniture market. (Aagaard 2011.)

Generally, Finnish companies have managed well in Denmark and Finnish products have a good reputation at the market. "Finnishness" is considered exotic and exciting. Faced challenges are related specifically to marketing and introduction of the products at the market. Despite having an excellent product, marketing should still be invested in. In Denmark, as well in other Nordic countries and worldwide, the value of good marketing is emphasized. However, particularly in Denmark it is very important how the product is presented at the market, concerning the marketing materials and overall sales work as well. (Aagaard 2011.)

Direct export and own export modes might be considerable options for the Danish market. Direct export has the advantage of cooperating with a local actor with strong market knowledge as for in own export the company is forced to learn and therefore gain strong knowledge of the market. Selling products via the internet is also a possible option as it is quite popular in Denmark and also furniture is purchased online. However, internet sales require significant marketing efforts and finding the right channels is significant. Furthermore, at initial stage of exporting and when products are introduced to new markets, internet sales is not the best option to begin with and therefore the role of traditional selling is very important. (Aagaard 2011.)

8 CASE COMPANY – URJALAN KEINUKALUSTE KY

8.1 Introduction

Urjalan Keinukaluste Ky is a traditional carpenter workshop and a small family business established in 1979, with ten regular employees including the family and a turnover of about EUR 0.5 million today. The company manufactures high quality furniture with respect to the environment and its long Finnish history. Urjalan Keinukaluste produces domestic furniture, mainly rocking chairs and other rocking furniture, already in third generation. The interest in making high-quality wooden products has been passed on in the family and therefore the company has a goal of continuing the former generation's work within Finnish wood processing. A fundamental principle within the company is that each produced rocking chair is a well-done and unique individual which serves its final owner for decades to come. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

In addition to wood processing, the entrepreneur couple takes care of everything such as marketing activities and sales promotion work. The organizational structure of Urjalan Keinukaluste is quite a traditional one within Finnish SME's and it is presented in figure 18 below.

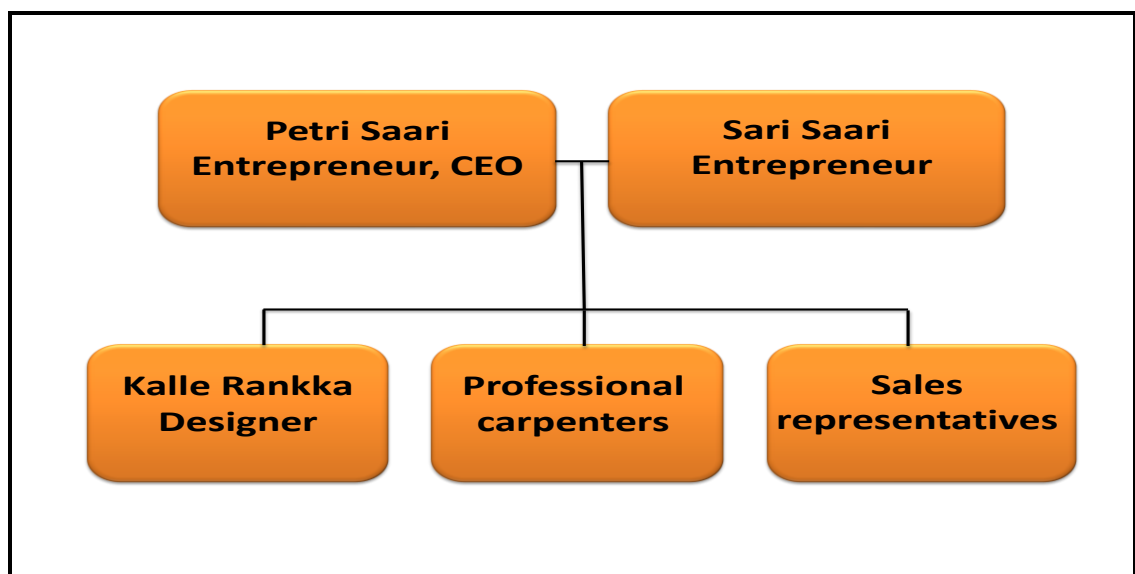


Figure 18 Organizational structure of Urjalan Keinukaluste Ky

As the CEO of the company Petri Saari is responsible for overall management as well as production and financial management, procurement and he participates in woodwork as well. Petri's wife Sari Saari takes care of all the marketing activities and sales promotion work. The company has also two sales representatives, who circle the Finnish market and are responsible for the personal sales work. Kalle Rankka works as a designer at Urjalan Keinukaluste. The professional carpenters are responsible for the many working stages in production, assembling, finishing and quality inspection of the products. Some of the carpenters have over 30 years' history of working within the company and therefore they share their valuable woodworking knowledge with their younger colleagues. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

Participation to selected trade fairs has been an important part of the company's sales promotion and marketing activities as well as increasing the awareness of the company. All the presentation materials such as fabric samples, wood color samples, brochures and product files are produced at the factory. Advertising in newspapers and on the renewed company website are also a part of the company's marketing activities. The company's website is also available in English and therefore enables the many inquiries from abroad. Recently, the company has increased its awareness within the internet through social media marketing and a Google campaign. (Saari P&S 2011.)

Urjalan Keinukaluste is interested in seeking growth from internationalization in the future and therefore establishing export operations. Resulting from the cost structure of production, the domestic market for the company's products is small and decreasing. Furthermore, the company strives for increasing the awareness and visibility of Finnish wood as refined products abroad. The company's products have already been on display internationally, for example in France at an ecological trade fair. (Saari P&S 2011.)

8.1.1 History

The history of Urjalan Keinukaluste extends to the years after the Second World War when Olavi Saari established a woodwork shop in Urjala, which produced

doors and windows. Later he started preparing many different products such as long-case clocks, sculptures of faces, large wooden paintings with stories from the Kalevala and Finnish people as well as decorative bridal mirrors, trousseau chests, cradles, clocks and later also rocking chairs, which all reflected individuality, skill and sophistication. The son of Olavi Saari continued his tradition of woodworking and the first Urjala rocking chairs were delivered to furniture stores in 1975. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

The company was changed to its current company form and renamed as Urjalan Keinukaluste in 1979. The product range was extended within the next years and the workshop was developed towards a modern center of woodworking and the quality of the products was maintained on a high level. The company's growth was significant within 1980's until the recession in 1990's, which still partly affects the Finnish furniture industry even today. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

Urjalan Keinukaluste changed ownership in 2004, when the current CEO Petri Saari bought the company from his parents. The production and products remained as before and the reputation of producing durable, high-quality and Finnish handmade products is still maintained within the company. The traditional methods which have passed on within the Saari family are still used in the production and even today the rocking chairs are mainly handmade. (Saari P&S 2011.)

However, the company's production as well as the work shop is constantly being developed towards a modern center of wood processing, in order to face new challenges and competition. During the last seven years as the current owners have been running the company, a lot of investments have been made in product development and developing the machinery of the workshop as well. The recession of Finnish furniture industry has afflicted the company, however the objective and an important principle within the company is still to keep the production as domestic. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

8.1.2 Production

Durable, beautiful and domestic rocking chairs are made from good raw materials. At the moment, the refinement process of the company's products is 100% domestic. One important objective of the company is to increase the awareness of Finnish refined solid wood products abroad and focus on processing only solid wood also in the future. Domestic, high-quality products from solid wood as well as design are the fundamental values within the company's production. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

Furthermore, quality is considered in all stages of the production process and environmental friendliness is also a significant value within the company's production. All the wood for production is harvested from the nearby forests around Urjala where the company is located. These forests are certified and therefore the origin of the raw materials is well-known. Every tree is carefully monitored and nurtured by the company to ensure the highest possible quality of the raw materials, protection of the environment and enhancing sustainable development. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

Majority of the company's products are produced 100% by the company itself. Only the upholstery for the furniture is procured from a sub-contractor, which is also a domestic company and therefore all the fabrics used are domestic as well. Otherwise, the company is not dependent on subcontracting products. Furthermore, as environmental friendliness is an important value, the company does not produce consumable goods, but instead it produces durable products, which are designed to last from father to son and from one generation to another. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

Moreover, the company processes wood mainly from deciduous trees and at the moment, any chemically preserved wood is not used in the production. Ecology is taken into account within the woodworking stages and also in the factory's environment, as the wood trash goes directly from the factory to a heating plant where it is utilized as bio fuel. The produced energy is used to heat up the entire factory as well as two houses. Environmental friendliness is

also highlighted in the logistics of the company, as the raw materials are procured and arrive from the neighboring woods. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

8.1.3 Products and distribution

Urjalan Keinukaluste wants to produce distinguishable products and also encourage other Finnish furniture manufacturers to maintaining a high level of quality. The products of Urjalan Keinukaluste are made with high attention to every detail. They are designed to last from one generation to another and therefore the quality of the products is ensured to match their value. Design is also greatly invested in and therefore the products are comfortable to sit in; they support the sitters back and shoulders and give the feeling of being embraced by the chair. The product range includes about 14 different models of rocking chairs, which are made to fulfill different customer needs. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

Urjalan Keinukaluste focuses on tailoring the existing products and also developing new products, according to different needs of the customers. Therefore, also a modern collection of rocking chairs is being created to the side of traditional rocking chairs. The company strives for bringing more and more of challenging woodwork and innovation into the development of new products. The whole product range of Urjalan Keinukaluste includes traditional rocking chairs, modern rocking chairs for contemporary homes, rocking chairs for outdoor use for example for balcony and terrace, a hammock style rocking chair, the North Star dining table and chair as well as a varying range of children's products such as rocking horses and swings, which are available seasonally. (Saari P&S 2011; Urjalan Keinukaluste Ky 2011.)

Rocking chairs are also known for their various health effects and research about this has been made. Rocking chairs have been used for example in hospitals for a long time for facilitating women's' labour pains as well as pains of patients with neck and back illnesses. Swinging is also used for improving blood circulation and making breathing easier for asthma patients. Urjalan

Keinukaluste delivers rocking chairs also to retirement homes as well as sheltered homes for relaxation and as training equipment. (Urjalan Keinukaluste Ky 2011.)

Majority, which is 98% of the company's production, is distributed through a nationwide retail network in Finland. The domestic distribution network consists of about 150 individual furniture dealers and in addition one chain of furniture shops. Urjalan Keinukaluste operates nationwide in Finland and therefore the products are available all around Finland. Urjalan Keinukaluste also handles a varying amount of individual sales abroad each year. Currently, individual products are shipped abroad every month and some rocking chairs are exported to a Swedish customer on regular basis. However, the company has not yet established systematic larger scale export operations. There has been some export operations in the company's history as in the 90's rocking chairs were exported to Russia. Furthermore, in the beginning of 2000's a container full of rocking chairs was shipped to Japan, but unfortunately it did not result in continuous export operations. (Saari P&S 2011.)

8.2 SWOT analysis for Urjalan Keinukaluste Ky

The following SWOT analysis, made for Urjalan Keinukaluste Ky, is based on the author's evaluation and perception of the company's current internal strengths and weaknesses from the perspective of internationalization and especially exporting as well as the Danish market. Evaluation of future opportunities and threats is based on analysis of the company's external environment. This analysis emphasizes the findings of the PESTEL analysis and attributes of the Danish furniture industry, which were presented before, and therefore is carried out by considering specifically the Danish market. The data acquired from the interviews is utilized here as well. Overall, this analysis is based on data acquired from the interviews and findings of the analysis on Denmark and the Danish furniture industry, which were presented in chapter seven.

The SWOT analysis is presented in figure 19 below and discussed after.

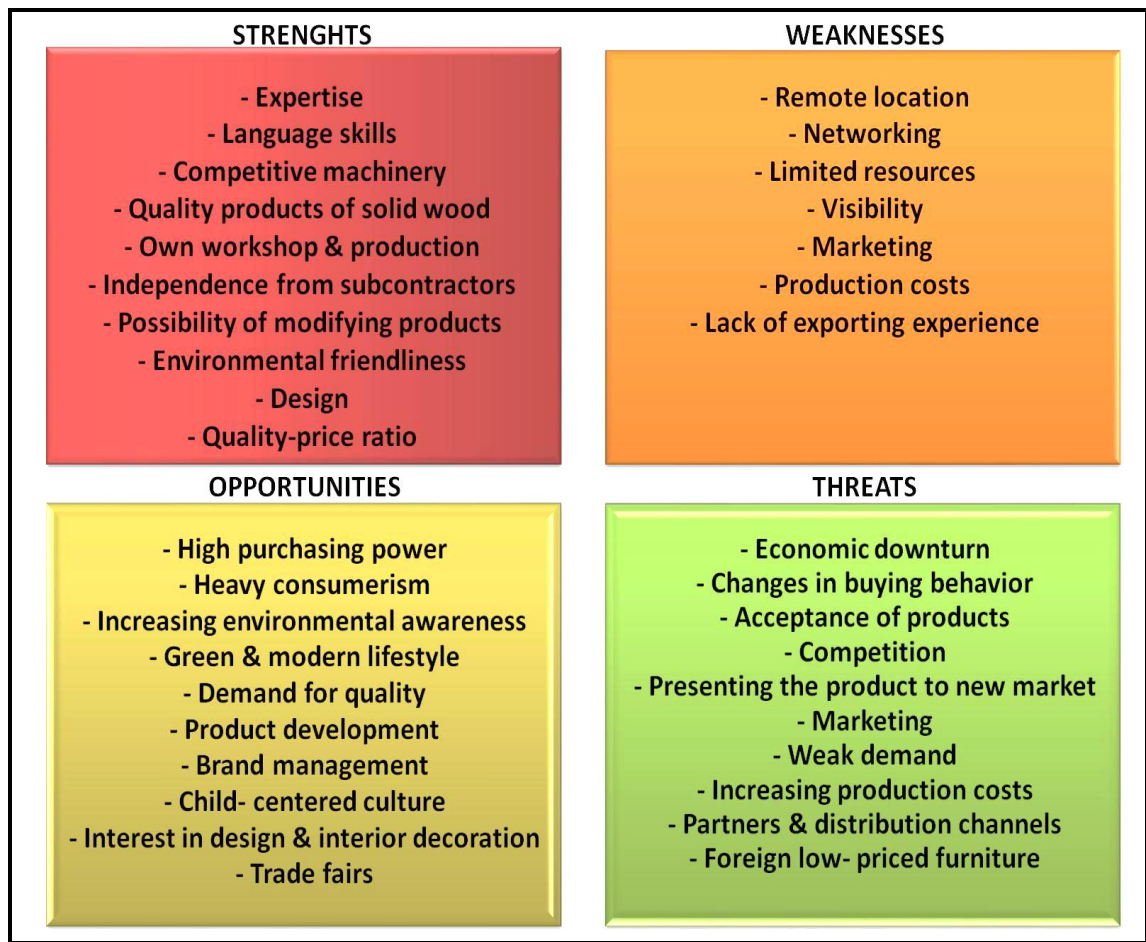


Figure 19 SWOT analysis for Urjalan Keinukaluste Ky

8.2.1 Strengths

Long traditions in woodwork and professional expertise in wood processing are major strengths within Urjalan Keinukaluste. The company has invested in developing the workshop towards a modern center of wood processing and therefore their production machinery is very competitive, which enables also complicated woodwork and also subcontracting to some extent. The high level of expertise combined with up-to-date machinery enable the production of individual, quality products with high attention to details and design. All the products are made from solid wood, which also contributes to high quality and durability of the products as well as distinguishes the company from other domestic manufacturers. The quality-price ratio of the products is good and the price might actually be low in respect of other similar products with the same level of quality.

Furthermore, having its own workshop and production is an advantage for the company, as it enables treasuring quality within all stages of the production process. Therefore, the company has the advantage of being able to ensure the high quality of used raw materials and control the monitoring of the production process as well as quality inspection of the products. In addition, the company is able to easily modify the products if necessary. Own production also minimizes the risks resulting from the performance of subcontractors and therefore for example the reliability of deliveries is not affected by their actions.

As an advantage, the company is almost fully independent from subcontracting products, because only the upholstery is procured from a subcontractor, with which the company has established a long and trustful relationship. Environmental friendliness is also a major strength for Urjalan Keinukaluste, as today environmental concerns are increasingly highlighted and especially as considering the Danish market. Sufficient language skills are also an advantage as considering capabilities for international operations.

8.2.2 Weaknesses

Utilizing others' experience and existing networks could provide advantages for the company in planning and initial stages of exporting. Therefore, remote location can be considered as one weakness within the company as it has affected negatively in the company's ability of networking within the Finnish market. As a small company, Urjalan Keinukaluste has limited resources. The owners' active participation in woodworking among other responsibilities in the past has also partly limited the possibility of actively creating contacts and awareness, acquiring customers and promoting the company.

Moreover, reviving and developing the company within the last seven years has required a lot of investments from the owners, both time and money, which has partly affected negatively in the company's visibility within the market and efficiency of marketing activities. Both visibility and marketing are areas in which the competitors have been more active and therefore these factors are important to focus on in the future, especially as considering export operations.

High production costs are also a weakness, which has to some extent resulted in insufficient investment in marketing and advertising activities. It also makes competing with price more difficult. Domestic production is an important competitive advantage for the company within the Finnish market, but it can also be considered as a weakness, because there amount of imported low-price products is increasing, which can make competing more difficult in export markets as well. Also, the lack of strong and solid export experience could be a weakness, as considering export operations, though the skills required depend on the chosen export entry mode and the target country.

8.2.3 Opportunities

Economic and political stability, efficient infrastructure and predictable as well as transparent legal environment make Denmark an attractive and low risk target country. Denmark is a potential market for Urjalan Keinukaluste with high purchasing power and the culture of heavy consumerism. Also, ecologic thinking, increasing environmental awareness and overall green lifestyle of the Danish consumers is a major opportunity for the case company, because environmental friendliness is also an important value within its production as well. Environmental friendliness is a major competitive advantage and it creates significant additional value for the products, especially within the Danish market (Aagaard 2011).

The modern lifestyle of Danish people and demand for quality are also opportunities for Urjalan Keinukaluste, as the company invests in design and delivering high quality. Furthermore, as the company has the possibility of adapting and tailoring its products, product development can provide major opportunities, too. Effective brand management provides opportunities as well. According to Aagaard (2011), a strong brand and good presentation of products are very important matters and can be crucial for success as well as create competitive advantage for the company, especially within the Danish market. As mentioned before, in Denmark, the culture as well as the prevailing trend is being child-centered and families expend considerably into children's clothing, carrycots

and overall into their children, which also creates opportunities for Urjalan Keinukaluste. Therefore, products for new parents, for example a rocking chair for mothers and babies, might be an interesting product for the Danish market. (Aagaard 2011.) Consequently, as considering the company's products, there seems to be potential customer segments within the Danish market, however referring to Aagaard (2011), good segmentation and targeting is extremely important.

Furthermore, Denmark has a culture with interest and love for design and interior decoration, which is also a positive attribute within the market, considering the case company's products. Moreover, in Denmark networking is considered very important and trade fairs have an important role in this. Therefore, trade fairs provide a good opportunity for networking, creating contacts within the industry and visibility within the market. As considering exporting to Denmark, it would be a good idea to invest in a well-selected, specific trade fair, because participation gives the opportunity to create visibility for the company and receive feedback as well as observe the reactions of potential buyers and possible distributors towards the product. (Aagaard 2011).

8.2.4 Threats

The economic downturn can be considered a threat as it effects the consumption and therefore might have a negative effect on demand of high-end products, which are not a necessity. Also, changes in buying behavior, consumer taste and acceptance of the company's products within a new market can be considered as threats. Competition within the furniture market and the increasing amount of imported and low-priced furniture as well as outsourced production into low-wage countries, pose a threat as well, as it might affect the company's competitiveness negatively. Insufficient or ineffective marketing and failure in presenting the product within the new market are relevant threats as well, because marketing has an important role when entering new markets. Furthermore, as mentioned before especially within the Danish market the significance of good and right kind of marketing as well as presentation of products is major.

Increasing production costs are also a threat for the company's operations, because the export price of the products should be higher than domestic prices and major price escalation might affect the demand of the products negatively if the products become over-priced compared to the market prices. On the other hand, too low a trade price affects profitability. Therefore, careful planning and market knowledge are essential, because especially for small companies, consequences of error estimates are far-reaching.

Furthermore, not finding good partners and the right distribution channels, which match the company values, image, goals and target groups is a potential threat to be considered. However, this threat is possible to be minimized by utilizing professional consulting services for finding the right distributors for example. Reliability and suitability of the chosen partners as well as functionality and applicability of the distribution channels are also essential matters and therefore problems related to these issues pose a threat as well.

8.3 Export entry modes – SWOT analysis

This chapter introduces a comparison of export entry modes, which were discussed previously in the theoretical part. This comparison summarizes the advantages and disadvantages of indirect, direct and own export entry modes as well as export partner groups by means of SWOT analysis. Data of this SWOT analysis is based on the previous discussion of export entry modes in the third chapter of the theoretical part.

This comparison is made with respect to the case company's internal factors and therefore introduces the author's perception and evaluation of the suitability of each export entry mode for the case company, taking into account its current situation and resources. This analysis also brings up aspects concerning exporting to Denmark in specific and therefore also utilizes the interview results which were presented before. The SWOT analysis of export entry modes is presented in figure 20 below and discussed further in the following sub-chapters.

	Strengths	Weaknesses	Opportunities	Threats
In-direct export	<ul style="list-style-type: none"> - low risks & initial investment - low operating & marketing costs - no export formalities - short terms of payment - effortless - minor skills required 	<ul style="list-style-type: none"> - low trade price - increased costs & price for end- customer - difficult to monitor marketing & SP - no connection to export activity 	<ul style="list-style-type: none"> - utilizing resources and experience of intermediary - possibility for “easy deals” 	<ul style="list-style-type: none"> - no contact to end-customer or market - reliability of intermediary - visibility of company - limited communication
Direct export	<ul style="list-style-type: none"> - shorter distribution channel → smaller costs & better profitability - gaining practical experience - local knowledge 	<ul style="list-style-type: none"> - long terms of payment - requires more skills & resources - marketing costs 	<ul style="list-style-type: none"> - more direct contact with end- customer - monitoring buying behavior - efficient communication - ready customer network 	<ul style="list-style-type: none"> - higher risks - unsuccessful choice of intermediary
Own export	<ul style="list-style-type: none"> - no costs from using intermediaries - better overall control - creating good & direct customer relationships 	<ul style="list-style-type: none"> - sales & marketing costs - requires extensive know-how - travelling costs 	<ul style="list-style-type: none"> - direct contact with end- customer - monitoring market & marketing development - experience from foreign markets 	<ul style="list-style-type: none"> - marketing & customer acquisition - high risks - lack of representative with local knowledge
Export partner groups	<ul style="list-style-type: none"> - effective way for new markets - gaining experience & learning - valuable expertise - shared risks - primarily for SME's 	<ul style="list-style-type: none"> - dependency on export manager - suitability of other companies involved - inter-dependence 	<ul style="list-style-type: none"> - cost- effectiveness - developing capabilities & business - new customer contacts & business opportunities - internationalization grant 	<ul style="list-style-type: none"> - functionality of cooperation - commitment of companies involved

Figure 20 SWOT analysis of export entry modes

8.3.1 Indirect export

Indirect export is an effortless way to begin export operations because only small investments are required, which is an advantage especially for a small company with limited resources and therefore the case company as well. The risks are low for the manufacturing company, because the products are sold to a domestic intermediary, which takes care of export formalities, delivery as well as marketing efforts at the target market, which enables the company itself to focus on its core competences. Also, short terms of payment are usual in indirect export mode, which can also be considered as an advantage, because even though the ability to grant credit for the buyer can be a competitive advantage, it also weakens the seller's liquidity. Furthermore, as an advantage only minor skills are required from the company and they are mainly targeted at packaging and labeling the products.

However, using a domestic intermediary has also disadvantages, as it signifies increased costs as well as low trade price for the company and therefore increased price for the end-customer, due to price escalation. Price escalation is a disadvantage if the products' prices are desired to be kept affordable and reasonable, as within the case company. Also, indirect export mode does not provide the possibility for the company to get acquainted with export formalities and therefore gain valuable exporting experience and know-how. This is a disadvantage as it does not contribute to initiating for example own export later on. Furthermore, it is difficult for the company itself to practice sales promotion and monitor the sufficiency and quality of marketing at the target market, which is a major disadvantage as marketing activities have a very important role when the products are first introduced and presented in a new market.

Indirect export mode provides an opportunity for easy deals as the company deals directly with a domestic intermediary. Also, as the company has the opportunity to utilize the intermediary's resources, experience and knowledge of the target market. However, having no contact to end-customers and the target market is a significant threat for the company, because as the cooperation with the intermediary ends, the company has no contacts with its customers and

therefore also lack of awareness and visibility at the target market are significant threats. Furthermore, the reliability and performance of the used intermediary has a significant effect on success. Also, as a disadvantage in indirect export, communication between the manufacturer and the end-customer can be very limited and this can result in difficulties as well.

In addition to the abovementioned disadvantages, indirect export mode is best suitable for exporting standardized products in mass and therefore it is not applicable for exporting products, of which competitive advantage is based on product differentiation. Therefore, it would not be the best option for Urjalan Keinukaluste. Also, as indirect export is applicable when exporting to distant markets with significantly different culture and business practices, it would not be an appropriate choice for the Danish market in that matter. Indirect export might be the most economical option for the company if the demand for the product remains scarce on the target market, but otherwise it should be considered only as an option for the initial stage of exporting, while improving the company's economic and psychological resources.

If the selected intermediary has strong knowledge of the market and existing, well-functioning sales channels there are no barriers to use one. However, who will sell the product is an important consideration and might create some restrictions. Therefore, in indirect export it is important for the company to actively monitor who sells its products and where they are sold. (Aagaard 2011).

8.3.2 Direct export

Compared to indirect export, an advantage of using direct export mode is a shorter distribution channel, which signifies smaller distribution costs, increased potential profitability, an opportunity for a better trade price for the manufacturer and a lower price for the end-customer as well as for the consumers. Even though direct export mode requires more skills and resources, which can be considered as a disadvantage, it also provides an opportunity for the company itself to gain practical experience and knowledge of exporting formalities and therefore the company does not have to pay for an intermediary to take care of

this. This is an advantage as it decreases costs and increases valuable experience within the company and therefore strengthens its psychological resources. Furthermore, as an advantage the company can utilize the knowledge of a local intermediary and therefore increase its own knowledge of the target market.

The commonness of long terms of payment in direct export might be a disadvantage as it creates higher requirements for the company's economic resources and can weaken the company's liquidity. However, as mentioned before, it can also bring competitive advantage for the company if it is able to grant credit for the buyer. As a disadvantage for a company which does not have extensive know-how and exporting experience, direct export mode requires much more skills and resources, as the company deals directly with a foreign buyer. On the other hand, it saves time to deal directly with a retailer or a representative at the target market.

Direct export requires language skills, cultural knowledge and knowledge of market conditions as well as knowledge of export activities, contracts and export trade documents. Also, higher requirements are targeted at the company's production and delivery capacity. Moreover, in direct export the costs of marketing are higher, especially within the early stages of exporting. Also, sales promotion activities and having to work at the target market create additional costs, which can be considered as a disadvantage.

However, direct export provides many opportunities for the company. A major advantage for the company is having more direct contact with its end-customers. Having more direct customer relationships also contributes to more efficient communication which signifies better access to market information as well as more efficient monitoring of buying behavior. Furthermore, the company has an opportunity to utilize the retailer's ready established customer networks and market knowledge. This is a major advantage, as especially in Denmark the contacts one has and who one knows is considered very important.

Direct export requires more risk-taking compared to indirect export. As it requires more investments and resources the risks for the company are higher

and thus ineffective risk management is a potential threat. Therefore, knowledge of potential risks and protection against them is very important. Furthermore, successful selection of the intermediary to be used is crucial for later success of export activities. Consequently, functionality of the relationship as well as reliability and solvency of the intermediary to be used are essential matters. Also, as mentioned before, especially within the Danish market it is important to find the “right” distributors for the product and therefore who will sell the product is an important consideration.

In direct export it is extremely important to find the right partner, as trust and overall functionality of the relationship is crucial. Of course establishing and building a new business relationship is a process which takes time. As in indirect export, also in direct export it is important to actively monitor who sells the company’s products and where they are sold. This enables maintaining ownership and control over the company’s products. Having a clear view of who has sold the products, how they have been marketed and to which target groups at the target market is particularly important, if the objective is to initiate own exporting later on. Therefore, appropriate marketing, communicating the brand and creating the right kind of image for the product are important matters to consider if using an intermediary before initiating own export operations. (Aagaard 2011).

Direct export mode would provide better opportunities for Urjalan Keinukaluste compared to indirect export, however it requires more resources and includes more risks and therefore it would be a more challenging alternative. Nevertheless, if an appropriate local partner is found at the target market, it is a good opportunity for initiating export activities.

8.3.3 Own export

As an advantage, in own export mode there are no additional costs resulting from the use of intermediaries, as the products are sold directly to the foreign end-customer, such as a retailer. Not using intermediaries also benefits the company by providing a better overall control on the overall export activities. As

a major advantage, own export enables creating direct and therefore better customer relationships, contacts, networks and practicing more intense customer relationship management as well as more flexible marketing and overall customer service.

Compared to other export entry modes, own export requires extensive know-how and resources from the company, which is a disadvantage for an inexperienced company with limited resources. Own export requires language skills, cultural knowledge and practical knowledge of international trade. Furthermore, in own export there are increased costs for sales and marketing as well as travelling, as the company takes care of everything by itself.

Having direct contact with the end-customers provides a better opportunity to monitor market development as well as marketing development and efficiency at the target market. Moreover, the company has an opportunity to gain valuable experience and knowledge of foreign markets, which improves the company's resources significantly. Own export sets high requirements for marketing activities as well, because they are targeted at the end-customer instead of an intermediary. In addition, customer meetings and sales promotion at the target market as well as activities related to public relations create additional costs.

Own export requires efficient customer acquisition as well as marketing and sets high requirements on both the company's economic and functional resources. Therefore, it is very important to be prepared and able to manage this cost burden. Furthermore, as in own export the company itself carries all the risks, effective risk management is crucial. Also, lack of having a local representative and therefore the opportunity of utilizing its market knowledge is a threat as the role of market knowledge is significant when entering new markets.

Within own export, finding the right and good contacts through which the company can start building its export operations is extremely important. As own export requires more resources it can be challenging for a small company. Furthermore, own export requires a lot of initiative from the company itself in order

to find the right contacts as well as organize the sales and overall operations at the target market. Therefore, it should carefully be considered whether it is possible to take care of everything without establishing some kind of a sales organization at the target market. Compared to other export entry modes, overall careful planning of operations is even more important in own export entry mode. (Aagaard 2011).

Own export provides major advantages, but taking into account that it includes high risks, requires extensive know-how and does not provide the opportunity to utilize local knowledge of an intermediary, it might not be the best option for Urjalan Keinukaluste as the first step of internationalization. However, it depends on what kind of risks the company is willing to take. Especially within own export, utilizing expert assistance in initiating export activities at new markets would be very important for an inexperienced company. Nevertheless, initiating own export eventually is a desirable objective.

8.3.4 Export partner groups

Export cooperation is one way of promoting the internationalization of Finnish SME's and export partner group operation is an established form of this kind of cooperation between companies in Finland (Nummela & Pukkinen 2004, p. 132). Export partner group operation is primarily intended for small and medium-sized companies and therefore it would be one option to consider for Urjalan Keinukaluste. As an advantage, export partner group operation provides an effective way to start exporting to new markets, an opportunity to learn and gain valuable experience as well as the possibility to utilize the expertise of an experienced export manager, which is a valuable resource for inexperienced companies and thus decreases the risks. As another advantage, the risks are shared between the participating companies. According to a previous research, export partner groups had succeeded particularly well in increasing the orderliness of export operations and sharing the risks as well as costs and the set objectives considering these matters had mainly been achieved (Nummela & Pukkinen 2004, p. 72).

In some cases, the dependency on the export manager can be seen as a disadvantage in export partner group operation. According to Nummela & Pukkinen (2004, p. 79), choosing an appropriate person as the export manager has been crucial for the success of the export partner group's operation and therefore it is important that the export manager is committed, operates efficiently and has knowledge of the target market, the participating companies' field of business as well as their products. Also, interdependence and compatibility of the participating companies can be a disadvantage. Research results have revealed that good team spirit and commitment to the shared objectives from each company involved as well as succeeding in gathering together a compatible group of companies have been experienced as important matters.

Furthermore, the participating companies within export partner groups have considered not having competitors within the group as very important. On the other hand, it has been experienced important that the companies involved are not too far from each other. Having companies from too different industries or with overly different target groups within the export partner group has disturbed the synergy between the companies, which has been experienced as an important matter as well. Therefore, lack of commitment from other companies involved and dysfunctional cooperation are potential threats. (Nummela & Pukkinen 2004, p. 79.)

Export partner groups provide an opportunity for finding new customer contacts and business opportunities. Moreover, it provides an opportunity for cost-effective internationalization. According to Nummela & Pukkinen (2004, p. 111), a previous research has revealed that participating companies experienced export partner groups as a functional way to reach international markets. Furthermore, the costs were considered reasonable and the possibility to share risks was appreciated. Also, the opportunity of utilizing valuable expertise was considered even more important than the reasonableness of the costs. According to one company which participated in the research, a major strength of export partner group operation was receiving practical, useful and affordable market information for example about customers, potential partners, representatives,

agents and local manufacturers. This could definitely be an advantage for the case company as well.

Export partner groups also provide an opportunity for companies to develop their capabilities for successful internationalization as well as their business. Referring to Nummela & Pukkinen (2004, p. 68), research has revealed that export partner groups with; duration of three years, set up from companies which business activities complete each other and with common product or target group, have had the greatest effect on the development of both the know-how and volume of international trade within the participating companies. Furthermore, in export partner groups controlled by Finpro, an internationalization grant for the project is applied from the Ministry of employment and the economy (Finpro 2010g), which assists the participating companies financially.

The purpose of export partner groups is that after the support period the participating companies are capable of independently continuing their business activities at the target market. Therefore, export partner group operation is applicable for companies, which need temporary support in order to initiate permanent business activities at the target market. (Nummela & Pukkinen 2004, p. 136).

8.3.5 Summary

As a conclusion, even though indirect export has the advantage of being both a low-risk and low-cost option, it would not be an attractive alternative for Urjalan Keinukaluste, due to having no contact to end customers or export activities and therefore not having the opportunity to gain market knowledge and experience. Furthermore, poor visibility at the target market, increased price for the end-customers and also limited possibility to controlling the operations make indirect export unattractive. Also, it is not best applicable for exporting products, of which competitive advantage is based on product differentiation as within the case company.

Direct export and own export require more skills and resources and include higher risks. At the same time, these export entry modes might be considerable

options for Urjalan Keinukaluste and for the Danish market, as they better contribute to acquiring strong market knowledge and gaining experience, which is very important as considering the future success of the company's export operations. Moreover, within these export entry modes the distribution channel is shorter, which decreases the costs and the company would have a more direct contact with its customers.

Own export would be an ideal option as it would provide the opportunity for creating good and direct customer relationships, having better overall control and gaining experience of export activities and knowledge of the target market. However, it should be considered whether it is possible to manage the operations and customer relationships effectively without establishing a foreign sales office. Otherwise it would require significant investments, which might not be an attractive alternative at initial stage of exporting. Also, both direct and own export would contribute to better visibility at the target market.

Considering the company's limited resources and lack of solid exporting experience, own export would be very risky as the first step of internationalization. However, it is definitely worth striving for in the future. Direct export might provide a good opportunity to begin export operations with, if a good partner is found. This way the company would have an opportunity to gain market knowledge as well as exporting experience and the opportunity of utilizing local knowledge and possibly ready customer networks.

Export partner groups or some other kind of export cooperation is definitely an option worth looking into for the case company. Export partner group operations is a good opportunity especially for small companies, because it would provide the opportunity of sharing the risks as well as costs, gaining valuable experience, utilizing external experience and resources, receiving practical and affordable market information and also the possibility to develop their capabilities for successful internationalization as well as prerequisites for operating independently after the support period. Export partner group operation would provide a great opportunity for cost-effective internationalization; however it would

be important to find suitable companies to the group and also a person with the right kind of skills and knowledge as the export manager.

In direct export and own export entry modes it is recommendable to utilize external assistance and expertise in case the company does not have experience and knowledge of the chosen target market. Expert assistance is recommendable to consider for example for finding the right partners and thus sales channels at the target country or for example for acquiring targeted market feedback for the products before making significant investments, in order to start the operations cost-effectively and by successful cooperation from the very beginning. Industry-specific expertise and local knowledge are very important as initializing export operations and therefore providers of internationalization services with expertise of the chosen target market can provide valuable assistance for companies.

9 INTERNATIONALIZATION SERVICES & FINANCING

Finland provides a very good support system for companies to initiate export operations and therefore it is definitely recommendable to utilize this advantage. Regional ELY centres are extremely good partners for companies considering export activities. Providers of internationalization services provide confidential service as well as view and experience in respect of specific industries and customer segments. Therefore they can provide valuable assistance for companies aiming at international markets. (Aagaard 2011.) Furthermore, there are different kinds of financial support as well as financing solutions available.

9.1 Information, training and consulting services

Ministry of employment and the economy is responsible for Finland's economic development policy and as a part of this policy; promoting the internationalization of Finnish companies. Companies, especially growth-seeking SME's, are encouraged to internationalize their business or strengthen their already existing international activity by public business services as well as grants. This service entirely under the administration of the Ministry of employment and the economy includes guidance, training, development and financing services. Companies can find comprehensive information about public business services from an online service, yrityssuomi.fi, in which among others, the ELY- centres, Finnvera, Finpro, Tekes, National Board of Patents and registration of Finland, Finnish Customs, Finnish Tax Administration and Ministry for Foreign affairs of Finland are involved in. (Työ- ja elinkeinoministeriö 2012b.)

Many different organizations provide information services related to internationalization and exporting for companies to utilize. A list of useful websites with versatile information is presented in appendix 5, together with providers of internationalization services. Free of charge guidance service regarding internationalization and possible problem situations are provided for companies by regional ELY centres as well as by Finpro ry. The most important provider of information services in Finland is Finpro, which provides a comprehensive range

of country profiles as well as industry-specific reports and therefore enables an easy way for companies to monitor the markets and business opportunities of various countries. Finpro also maintains different databases through which companies are able to search for customers and foreign partners for example. In addition, Finpro provides a manual including information of 190 countries, concerning for example legalization of documents, import restrictions, required documents, packaging and marking regulations and other special requirements. (Järvelin & Laiho & Larjovuori & Talonen 2003, p. 21; Finpro 2010e.)

In addition, there are different training services and guidance available for companies to utilize. The purpose of these services is to increase the knowledge of international trade, market conditions of the target country as well as new business opportunities among the key personnel within the company. For example, regional ELY centres organize many different events, seminars, trade fairs and training programmes. Also, Finpro organizes numerous seminars annually as well, providing information supporting the companies' internationalization objectives. Many of these seminars are free of charge and further details of current and upcoming events are found from the organizations' websites. (Järvelin et al. 2003, p. 22; Työ- ja elinkeinoministeriö 2012a.)

Moreover, different training solutions are provided for companies by Fintra, which is the leading trainer of international trade in Finland and has trained Finnish companies towards international success since 1962. Training programmes of Fintra cover all sectors of international trade and in addition it has become well-known as the training expert of leadership, interpersonal skills as well as international sales and marketing. Research results from 2007 reveal the good quality of Fintra's services and overall satisfaction of companies with the received training (Laiho & Larjovuori 2007). (Fintra Oy 2012.)

Finpro is the largest provider of consulting services related to internationalization in Finland and in addition to free of charge services it provides a diverse selection of expert service packages for different stages of internationalization (Järvelin et al. 2003, p. 21). The services provided by Finpro and regional ELY centres are discussed further in the next sub-chapters.

9.1.1 Finpro ry

Finpro provides a unique network for companies to utilize, which is a combination of expertise in Finnish business and different industries as well as local markets. Finpro represents a worldwide organization with over 350 experts, which work in 66 outlets altogether in 45 different countries and according to Finpro's mission enhance the international success of Finnish companies. Finpro serves companies by assisting them in being at the right markets at the right time and with competitive products, services and concepts. Finpro is a reliable partner for companies planning to go international, striving for international growth or strengthening their international competitiveness and therefore it provides services for all stages of internationalization. Companies interested in growth and internationalization can apply membership in Finpro and as members utilize many advantages. Detailed information of these advantages as well as membership fees is found on Finpro's website. (Finpro 2010a–2010d.)

The basis for Finpro's services is to understand different industries as well as its customers' business. Finpro cooperates with companies aiming at different international markets and which are at different stages of the industry-specific value chain as well as their internationalization process. Over the years Finpro has built a strong view on the development of different industries and their challenges as well as special characteristics. This knowledge is utilized to contribute to profitable international growth of Finpro's customers. (Finpro 2010h)

Finpro Navigator – Consulting services

For companies at initial stages of internationalization Finpro provides consulting services for preparing the growth, planning the market entry and establishing presence at the target market. For preparing the growth there are three different services available: an international growth plan, test drive and finding the right markets. The international growth plan creates a good basis for the company's internationalization as it contributes to identifying the prerequisites, competitive advantage as well as customer segments of the company and therefore ena-

bles appropriate allocation of resources and a better opportunity to succeed. The test drive-service can be used for acquiring targeted market feedback from the company's existing products in a new target market, before making significant investments or sales expansion. The right markets-service helps in selecting the most appropriate market areas, understanding the market differences and therefore enables companies to begin their operations within the most promising markets. (Finpro 2010i–2010k & Finpro 2010q.)

Firstly, planning the market entry includes entry options-service, which contributes to selecting the most appropriate operation mode from the available options as well as understanding the business culture at the target market, identifying opportunities and choosing the market entry option which best suits the company's situation. Secondly, the sales channel development-service signifies preparing to make a good impression on the preferred partner candidates as well as finding the most suitable ones for successful cooperation. This service helps companies in succeeding within the negotiations and therefore saving time and money. (Finpro 2010l & 2010m.)

For companies that are in the stage of establishing presence at a new market area, Finpro provides for example the partner search-service, which enables choosing the best partner candidates and planning a successful model of cooperation. This service contributes to finding the guideline for successful cooperation and appropriate future phases as well as controlling the risks and avoiding delays in initiating the cooperation. Launching export activities requires local knowledge and also a network to support the companies' business operations. Consequently, for companies considering exporting, export partner groups-service is also a very noteworthy option, as it provides the opportunity of starting export activities quickly as well as utilizing the expertise of a skillful export manager with local market knowledge. Furthermore, export partner groups enable sharing the risks and therefore also reducing and controlling them. (Finpro 2010n & 2010o.)

More detailed information about Finpro's aforementioned services is presented in appendix 6.

Projects & Programmes

In addition to other services, Finpro arranges several projects and programmes each year, which are targeted at one or more industries and their objective is to promote Finnish companies' international business. The activities within these projects and programmes are aimed to meet the needs of groups of companies and they are carried out in cooperation with Finpro's different partner organizations. Central elements of these service packages include different market analyses, examination of market entry options, communication and marketing under a common brand, media contacts and also meetings with possible partners and customers. Furthermore, Finpro's projects and programmes provide an excellent mutual platform for networking for the participating companies. The content of each project is always formed according to the project-specific objectives. Within these projects, Finpro's tailored consulting services for individual companies are possible to be utilized as well. (Finpro 2010p.)

9.1.2 ELY Centres

Regional ELY centres assist companies in developing their internationalization and provide a variety of services for companies to utilize. According to the needs of the company, a professional team of experts is gathered and financing opportunities are examined. These services for companies initializing export activities include guidance in matters related to internationalization and exporting as well as formulating internationalization plans, evaluation of exporting capabilities, developing capabilities for internationalization within companies and their personnel, financial guidance and support, creating export cooperation networks between companies (export partner groups) and also guiding companies to different sources of information as well as towards the services provided by ELY centres' cooperation partners. (TE- keskus 2011a.)

ELY centres' own as well as the national expert network for promoting exporting and internationalization is available for companies to utilize. In addition to guidance by ELY centres' own experts, also Finpro's services are offered for companies. Furthermore, it is possible to receive services of private experts which

are specialized in specific field of internationalization, industry or market area. (TE- keskus 2011a.)

***Globaali* – Internationalization programme for SME's**

It is important to evaluate the sufficiency of companies' capabilities for international markets before starting any activities. Therefore, in addition to free of charge guidance services, ELY centres also provide an internationalization programme for companies, with which companies' capabilities for international activities is evaluated and a development programme is formulated. *Globaali* internationalization programme is targeted at companies initiating international activities. This programme includes getting acquainted with different components of the internationalization process with assistance of an expert and after this; an individual programme for developing the company's capabilities for internationalization is formulated. (Elinkeino-, liikenne- ja ympäristökeskus 2011.)

Furthermore, the companies' market-specific competitive advantages are evaluated and specified. The quality of *Globaali* programme has been ensured by selecting experienced experts specialized in internationalization for its implementation. As result of the programme, companies will have a development plan, which helps in improving their capabilities for internationalization as well as strengthening their operations. The price of *Globaali* programme for small companies is 760 euros (excl. VAT) and additional consulting is available for 300 euros per day. (Elinkeino-, liikenne- ja ympäristökeskus 2011.)

Globaali includes analyzing the current state of the company, reasons for internationalization, prerequisites, visions and evaluating the company's international competitiveness as well as market-specific competitive advantage. As an outcome of the programme, companies receive a concrete and written expert view; a report, which summarizes the results and analysis of the aforementioned matters. The objective of this report is to summarize the focus areas as well as development necessities for the company's internationalization and present functional development recommendations. According to previous research and evaluation of *Globaali*, the service process as well as the quality of the pro-

gramme was considered good among the participating companies. The price-quality ratio of the programme is good and the price of the program was considered optimal, downright inexpensive within the participants. Also, the report as an outcome was considered as a clear and functioning entirety from the perspective of participating companies. (Niinikoski & Pekkala & Virtanen 2005, 11, pp. 27–29.)

Furthermore, ELY centres organize different seminars, training programmes and events related to internationalization. The provided internationalization training is practical, affordable for entrepreneurs and aimed especially at SME's. The trainers are experienced experts of internationalization and each training programme is planned according to the needs of the participants. Moreover, ELY centres organize lengthy, market-specific exporting and internationalization programmes, which are business development programmes through which companies receive information concerning the markets, business culture as well as business practices in the target country. Dates and more details of current and upcoming events, training and market-specific programmes are found on the homepages of regional ELY centres. (TE- keskus 2011b & 2011c.)

The common aim of internationalization service providers is by cooperating together to provide the best possible assistance for companies. The services are tailored according to the needs of each company. As considering internationalization and exporting, it is worthwhile to contact the local ELY centre to begin with. Alternatively, companies can also contact Finpro directly and receive guidance on how to proceed and information about suitable assistance which is provided by the ELY centre. (Aagaard 2011.)

9.2 Financial support

9.2.1 Ministry of employment and the economy

Grants for joint internationalization projects of companies can be applied from the Ministry of employment and the economy. These joint projects must have at least four participating companies. The grants can be used for making Finnish

export supply as well as expertise known in new markets, extending market shares and also for joint export promotion events of Finnish export companies, which support the internationalization of companies. Therefore, financial aid can be granted for:

- exhibition participation
- organizing seminars, product demonstration and other similar events for increasing the awareness of Finland
- market surveys, strategic analyses and purchasing consulting services, which purpose is to improve the company's exporting facilities
- market survey trips including fact finding trips for companies at initial stage of exporting
- jointly implemented visits of foreign buyers, experts or journalists to Finland
- TV or press advertising of general nature or other information dissemination abroad
- preparing joint brochures, videos, internet advertising and other material for Finnish exporters
- organizing common training events for improving the export facilities of Finnish companies
- labor costs of a joint export manager or marketing personnel, which are jointly recruited (i.e. operating in export partner groups or other exporting networks)
- large communication campaigns and programmes, including material acquisition as well as planning and research related to their initiation and implementation
- at the discretion of the Ministry, for other activities promoting marketing and internationalization of Finnish companies abroad.

This financial aid can usually be granted up to 50 % of the aforementioned acceptable costs. It is also possible to individualize the grant, so that SME's participating in the project receive a larger aid than the large companies. (Työ- ja elinkeinoministeriö 2012c.)

9.2.2 Tekes

Tekes promotes research, development and innovation and provides funding, expertise and opportunities for networking. Customers of Tekes consist of companies, research organizations and providers of public services. The most important target group of Tekes consists of SME's which seek growth from internationalization. Tekes' programmes are entires of funding and expert services, which are aimed at companies as well as public research departments. In addition to financing, the participants also benefit from the programmes by having the opportunity of networking as well as receiving new and current information about their field of business. (Tekes 2011a & b.)

About half of Tekes' financing is channeled through its programmes. Tekes' international programmes provide an opportunity for international research and development cooperation. Part of these international programmes provide also funding and for some of them companies can apply funding from Tekes. According to Vahvaselkä (2009, p. 43), Tekes funding for research and development covers internationalization and market research costs which are included in the projects. The extent of Tekes' financing varies according to the nature of the project, size of the company and the form of financing as well. However, it is between 15 % and 70 % of the project's acceptable costs (Vahvaselkä 2009, p. 301). (Tekes 2011c.)

9.2.3 ELY centres

ELY centres grant discretionary preparatory financing for preparing challenging research and development projects. This special financing is targeted at projects, which promote for example initiating new and innovative business activities, or internationalization of SME's. The financed operations are typically short-term research and include purchased services from external, independent experts. This preparation financing is an aid, which is granted utmost 70% of the projects' acceptable costs, however EUR 15 000 at the most. The preparation financing cannot be granted for large companies or for projects which receive some other public financing. (TE- keskus 2010.)

Primary basis for this financing include, for example, the applicant's commitment to the pursued business activity; resources and know-how; financial resources and stable economic state and also the competitive advantage and target markets of the business idea. This particular financing is not granted for advertising, marketing, selling or other corresponding sales promotion activities, export activities or export marketing. Costs resulting from the use of external services and experts as well as labor costs resulting from recruitment of a new key person to the company can be approved as acceptable costs, however with certain terms. Applications for the grant can be filed continuously. It is recommended to negotiate with an expert from the ELY centre before applying the grant. (TE- keskus 2010.)

9.3 Financing solutions

Good export management includes careful planning of export financing, which means calculating the short and long-term needs for financial resources, examining possible financing sources and opportunities, making liquidity plans and overall necessary preparations well in advance. The sufficiency of funds is ensured by making financing plans for expenditure and financing sources. Precise cash flow statements should be made in order to secure the sufficiency of funds and liquidity. (Vahvaselkä 2009, pp. 295–296.)

9.3.1 Banks

Among other providers, financing solutions for foreign trade are provided by banks. For example, OP Pohjola Group provides opportunities for export financing both during the manufacturing and after delivery. As alternatives to consider, the bank offers, for example, forfaiting, which enables providing a short or medium term financing for the buyer and financing claims founded on export letters of credit, which signifies providing the buyer a credit period, however receiving the payments in cash. As an advantage, these aforementioned financing alternatives in fact improve the company's competitive ability. Another financing alternative is export factoring, which means that as using this solution long pay-

ment deadlines will not affect the company's liquidity. In addition to financing, export factoring provides a versatile service package and completed reports for monitoring as well as accounting. (OP Pohjola Group 2011.)

Also, foreign bank guarantees are provided by banks. A bank guarantee is a convenient way for managing the company's possible needs for issuing guarantees for a foreign buyer. For the company's contracting party a bank guarantee is effortless to accept and manage. Bank guarantees can be issued for guaranteeing the fulfillment of delivery, payment of the trade price, warranty period or other obligation within the contract. (OP Pohjola Ryhmä 2012.)

9.3.2 Finnvera Oyj

Finnvera is a specialized financier owned by the State of Finland and acts as the country's official export credit agency (ECA) as well. Finnvera promotes the internationalization of SME's. For companies already practicing export operations it provides for example different guarantees. Therefore, Finnvera provides financing for start-up, growth and internationalization of companies as well as for covering the risks of exportation. As a state-owned financier, Finnvera complements the finance market and promotes the development of entrepreneurship, different regions and exportation. The financing opportunities for Finnish companies are improved and diversified, and their operating potential as well as competitiveness is strengthened by providing loans, domestic guarantees, capital investments and export credit guarantees. (Vahvaselkä 2009, p. 43; Finnvera 2011a.)

Finnvera's operations are controlled by a specific legislation as well as industrial and ownership policy goals set by the State of Finland. The objectives of Finnvera's operations include increasing the amount of starting businesses, enabling financing for changes which SME's confront as well as promoting the growth, internationalization and exportation of companies. The funds needed in granting credits for SME's are acquired from the financial market and the European Investment Bank is a significant creditor as well. The State of Finland participates in covering some of the credit- and guarantee losses and therefore

Finnvera is able to take higher risks and share these risks with other financiers. The State of Finland is responsible for the guarantees provided for export financing by Finnvera. (Finnvera 2011a.)

Finnvera's financing solutions

Initiating or expanding export activities as well as aiming at new markets increase the risks of business and the need for financing. Finnvera provides internationally competitive solutions for covering export and project risks both for exporters and export financiers. In the domestic market Finnvera has a complementary role and it acts as a financier together with banks. Together with other financiers Finnvera negotiates financing packages in order to actualize companies' rationalized projects. However, as a requirement, prerequisites for profitable operation must exist within the financed company. Export financing of Finnvera is more of insurance type of financing, which signifies decreasing the risks related to exporting and export deliveries for example. Finnvera's role is more of a complementary financier instead of being the main financier for companies. (Finnvera 2009; Liira 2011.)

Finnvera's financing solutions related to exporting are presented in the next paragraphs.

Export guarantees

Export guarantees contribute to the exporters' financing opportunities. Increased need for working capital is typical in export trade. If having difficulties in receiving financing or arranging appropriate guarantees, one solution for SME's is Finnvera's export guarantees. In situations when a company needs additional working capital, it can acquire pre-delivery or post-delivery financing from a bank, by means of an export guarantee, which is a guarantee for a credit granted by a Finnish bank, insurance or financing company. An export guarantee can also be used in case a guarantee is required by the export contract and therefore it can act as counter-security for a bank. Often the buyers may issue advance payments, which is quite a common way of pre-delivery financing in ex-

port trade. However, usually a guarantee is required for the payment. An advance payment guarantee represents pre-delivery financing for the exporter and a guarantee for the buyer (Selin 2004, p. 54). The guarantee is arranged by a bank, and in these cases a common service from Finnvera is issuing a counter-security for the bank. As a requirement for issuing export guarantees, the project in question must serve a Finnish interest, which signifies that for example the products are sufficiently refined in Finland. Finnvera's export guarantee can cover at the most 80% of the guaranteed loan or other financial commitment. (Finnvera 2009; Finnvera 2011c; Liira 2011.)

Export credit guarantees

Export credit guarantees signify minimizing risks instead of direct financing for the exporter. Finnvera provides export credit guarantees for covering political or commercial risks related to export financing. Realization of an export transaction might require arranging financing for a foreign buyer and thus in export trade, the seller's ability to arrange financing for the upcoming deal is often an important competitive advantage. However, for small companies and companies initiating export activities this might create challenges due to limited financial resources. (Finnvera 2009; Liira 2011.)

Credit for a foreign buyer is granted by a bank and a *buyer credit guarantee* is a security for the creditor. In this case, Finnvera can issue a buyer credit guarantee for the bank and therefore share the possible credit risks resulting from the foreign buyer itself or the buyer's country. This means that the exporter receives the payment of the goods sold on credit in cash and the credit risk is transferred to the creditor and further to Finnvera. A buyer credit guarantee can be used for both medium and long-term credit arrangements as well as short-term exports. The guarantee is assignable for both domestic and foreign financial institutions. Buyer credit guarantees are commonly used within large deliveries with high value. (Finnvera 2009.)

A *credit risk guarantee* is risk insurance for the exporter. With this guarantee the exporter is able to insure its export transactions for credit loss. A credit risk

guarantee covers risks prior to the delivery as well as possible credit risks resulting from the buyer or the buyer's country. This guarantee can be used in short-term as well as medium and long-term credit periods and granted for continuous deliveries and for individual export transactions as well. By means of *an export receivables guarantee*, the exporter can insure its foreign receivables against credit losses. This guarantee is a lighter version of the credit risk guarantee and covers commercial risks resulting from the buyer and political risks resulting from the buyer's country. Export receivables guarantee is intended for short-term exports and for countries with political risks. (Finnvera 2009.)

The cover percentage of these guarantees varies from 50 % to 90% and for political risks it is usually 100 %. Guarantees with a risk period of less than two years cannot be granted for example to the Danish market and other EU countries or western industrialized countries. Also within export credit guarantees, the requirement of serving a Finnish interest exists. The Finnish interest signifies examining the export project's significance for the Finnish economy. The most important individual criterion continues to be the Finnish content, signifying the portion of Finnish work within the production of the exported products. (Finnvera 2009.)

The pricing of Finnvera's export and export credit guarantees is determined case by case. The price is affected by the risk period, the risks to be covered as well as the credit standing of the buyer, the debtor and the target country for example. (Finnvera 2009; Liira 2011.)

10 SUMMARY & DISCUSSION

The main objective of this thesis was to clarify and give an overall view of matters which companies need to consider as planning internationalization and export activities. Furthermore, Denmark was examined as a target country, including attributes of the Danish furniture industry in specific. The objective of this examination was to evaluate whether Denmark would be an attractive target market for the case company. A comparison of export entry modes was carried out in order to draw conclusions about which of them could be appropriate for the case company and specifically as considering the Danish market.

The instructor of this thesis was Urjalan Keinukaluste Ky. The company manufactures domestic high-quality furniture, mainly different rocking chairs. Producing domestic, high-quality products from solid Finnish wood as well as design and environmental friendliness are the fundamental values within the company's production. Currently, the products are distributed through a nationwide retail network and some of them also end up abroad. However, the company has not yet initiated systematic larger scale export activities.

The author gained insight into the case company's operations and products through an interview and a personal visit to the company. Moreover, the author was initially interested in examining Denmark as a target country and found this intriguing company as the instructor, which was interested in seeking growth from internationalization in the future, export activities and Denmark as a possible target country. Therefore, this thesis was made to provide a guideline for companies considering internationalization and initiation of export operations. The work also provides information about available internationalization services and financing solutions as well as an overview of Denmark and the Danish furniture industry. In addition, for the case company in specific, this study provides an external view of its prerequisites for internationalization and exporting as well as an evaluation of the suitability of different export entry modes.

The objective of the empiric research was to complement the theoretical framework and find answers to the research problems. Qualitative research was chosen as the research methodology as it enabled studying the object as comprehensively as possible. The overall goal of the research was to acquire profound, diverse and current information of the subject, by conducting three theme based interviews. Semi-structured interviews were chosen as a method of data acquisition, because it enabled bringing out the views of the examinees' and acquiring more in-depth material as well as the desired kind of information. Overall, the interviews were successful. The acquired material was as desired; rich and inspiring and turned out to support the theory but brought up new aspects as well, as intended.

10.1 Results and recommendations

Globalization of economy and competition brings challenges but also offers many opportunities. Therefore, internationalization provides an opportunity for companies but poses many threats as well. Internationalization is not only a group of strategic decisions, but also a comprehensive process of learning and change for companies. Successful internationalization and effective risk management requires careful planning and commitment. Utilizing external assistance is an important consideration in managing and minimizing risks. It is very important for companies to critically consider and analyze their motives, resources, own internal capabilities and the market-specific conditions as well. Especially for small companies internationalization is a challenge, but being proactive, market and strategic oriented as well as being active are keys to success. Whatever the impulse is, internationalization should match the company's overall goals and strategies.

Analysis and choice of targets markets as well as the appropriate operation mode are important decisions as especially for SME's the consequences of unsuccessful choices are far-reaching and they result in lost opportunities, additional costs and increasing risks. Hence, having clear arguments on the choice of target markets is important. Acquiring necessary information to support decision making and thus understanding the importance of market knowledge in the

overall internationalization process is crucial. As analyzing market-specific conditions and evaluating market potential it is recommendable to work together with experts. A range of different internationalization services is available and it is recommendable to utilize professional assistance, if the necessary skills and experience do not exist within the company. Altogether carrying out the groundwork well before initiating international operations is essential. Even though market research results in additional costs, it ultimately saves money and resources by providing the opportunity to avoid and minimize any error estimates.

Prerequisites for successful exporting include a differentiated quality product, realistic expectations and also a realistic view on the company's own resources. It should be considered whether the products are suitable for international markets as such or if modification is necessary, whether potential demand for the products exist and whether the product matches the chosen market in terms of culture as well. Also, the state of rivalry at the target market should be clarified. Initiating export operations is a time-consuming process and therefore perseverance and determination of operations are essential.

The start-up costs of exporting vary considerably according to the chosen operation mode, but generally initiating export activities requires investments and the results are not visible overnight. Along with other investments, companies have to make significant investments in marketing as competition in international markets is harsh. Overall, the international scope of marketing activities sets higher requirements for companies. Furthermore, financial matters should be clarified and the sufficiency of economic resources evaluated carefully in advance in order to avoid difficulties. Ignorance of the target market, culture and business practices as well as not finding the right partners might result in difficulties, too. Moreover, as there are many risks involved, it is important for companies to consider what kind of risks they are willing to take and the risk taking should be at least methodical.

The research results revealed that Denmark is a good business environment and overall a low-risk target country. Also, as considering especially the case

company's industry, many positive attributes were found. The Danish culture signifies heavy consumerism, green and modern lifestyle, interest in design, furnishing and overall investing in homes and one's children. Also, an increasing trend in Denmark is consumers placing more and more demands on products being environmentally friendly. Based on these findings, Denmark would be an attractive target market for the case company to consider. Moreover, Danish consumers value quality as well as design and they are known as the world's fastest in adopting new products and technologies. Overall, Finnish products do have a good reputation in Denmark.

According to the research results, the Danish market seems to be attractive for the Finnish furniture industry, due to the shared tradition, which signifies the love for design and interior decoration as well as valuing functionality. Though the rivalry is intense, Denmark represents a potential market as well. The strong tradition within design on one hand makes the Danish market more competitive, but on the other hand it means that quality as well as environmental values are appreciated and the cost and value of quality are understood. These matters definitely increase the attractiveness of Denmark from the case company's perspective.

However, the Danish market also poses some challenges. In Denmark it is very important how the product is presented at the market and knowing the market, the ways to operate there and having good contacts is considered essential as well. These matters in turn might create challenges for companies that do not have experience of systematic exporting or operating in Denmark. Moreover, efficient marketing seems unquestionably to be one important prerequisite for success in the Danish market, which might create challenges for companies and therefore it is important to focus on. Nevertheless, these challenges are possible to overcome by careful planning, overall preparation and utilizing external local expertise.

Furthermore, the EU membership of Denmark contributes to facilitating export trade. The research results revealed that there have not been major difficulties in exporting to Denmark and the problems that Finnish companies have faced

are mainly related to marketing, customer relationship management and ignorance of business practices. This indicates that the faced difficulties are possible to overcome by strengthening the companies' internal prerequisites and market knowledge. Overall, Denmark seems to be quite an attractive target country for exporting and the cultural differences compared to Finland are not significant.

Based on the research results, the author's perception of internationalization being a challenging process was strengthened. However, commitment, careful planning, perseverance and determination of operations contribute to successful internationalization. As strengths, Urjalan Keinukaluste Ky has long traditions, professional expertise, competitive machinery, high-quality products and the possibility of modifying the products. Also, environmental friendliness brings significant additional value for the case company's products, especially as considering the Danish market. What might increase the challenge of internationalization is that the company does not have solid experience of systematic and continuous international activities, yet. Also, export marketing could create challenges for the company, as both visibility and marketing are areas in which the competitors have been more active in the past.

As the case company has not yet initiated large scale export operations on continuous basis and therefore has limited experience of international trade, it is recommendable to contact the regional ELY centre before initiating international operations. ELY centres provide a wide selection of services and therefore valuable assistance for companies beginning export activities. As considering internationalization it is a good idea to begin by contacting the regional ELY centre or alternatively Finpro, as they can provide guidance and information about internationalization services as well as financial support, which is available to support the company's internationalization process. All free of charge guidance is definitely recommendable to be utilized, because it provides the opportunity to review the company's basis for internationalization and receive information about available support and guidance on how to proceed.

Denmark would be an attractive option as a possible target market for the case company; however, additional market research is necessary to acquire comparison data of competing products and their price level as well as competitors and potential customers and distributors. Therefore, analysis of the competitive situation at the market should be made, as it was not possible to carry out within this research. Moreover, a profound internal analysis of the company's own capabilities and resources should be made. It is important to consider the current situation within the company and whether there is enough willingness, time and resources for planning and initiating export activities.

Based on the made analysis, direct export and own export entry modes might be considerable options for the Danish market, as they contribute to acquiring strong market knowledge and gaining valuable experience, which both contribute to successful and independent export operations in the long run. However, with high risks and required resources, own export might not be the best option as the first step of internationalization. Export partner group operation or other kind of export cooperation is definitely an opportunity worth looking into. Especially for small companies this kind of cooperation is an opportunity as it provides the opportunity of sharing the risks as well as costs and also gaining valuable experience, utilizing external experience and resources, receiving practical market information and developing prerequisites for successful internationalization.

Despite some perceived weaknesses, the author's overall perception of the case company's prerequisites and basis for export operations is good. Moreover, the company has already received inquiries and generated interest towards its products from abroad. The company could improve its opportunities for successful export operations by further investments in marketing and focusing on effective market communication especially considering the Danish market as well as by strengthening its internal resources, acquiring strong market knowledge, actively networking and finding the appropriate partners and channels at the chosen target market. As considering export operations, knowledge of export contracts, documents and overall international trade procedures is important to acquire, however the significance of market knowledge seems to

be even more important. Thus, acquiring all necessary information concerning the target markets to support the company's decision making in the planning process is essential.

The research results also revealed that Finland provides a very good support system for companies to initiating export operations. Especially for small companies this network for export promotion provides important advantages and it is recommendable to be utilized. It is also possible to apply financial assistance for example to cover some of the costs resulting from the use of external services or experts. In addition, this financing can be granted for covering the costs resulting from recruiting a new key person to the company, which improves its internal resources, however with certain terms. Overall, providers of internationalization services provide confidential service as well as view and experience in respect of specific industries and customer segments. Therefore they can provide valuable assistance for companies aiming at international markets. Furthermore, there are financial support and different financing solutions related to internationalization and exporting available for Finnish companies.

10.2 Discussion

Despite some difficulties along the way, the overall thesis process was successful. Though the original idea of the thesis had to be changed, the author sees that the actualized idea turned out to be better and more focused compared to the original one. Furthermore, the use of time was underestimated and therefore completing this thesis according to the made schedule was not achieved. However, despite the scheduling of the report was unsuccessful the author is satisfied with the outcome. Making this report was a comprehensive learning process and it provided the author a great opportunity to combine together all the different areas of her previous studies and thus create a deeper understanding of the internationalization process as a whole and the Danish business environment. Especially in the beginning of the thesis process there were some difficulties in perceiving the expectations and the work as a whole, due to not having had to carry out similar projects before. However, as proceeding step by step, it became more and more clear.

The overall objective of this thesis was to create a report, which would act as a guideline to support the planning process of internationalization and exporting and moreover provide an overview and evaluation of Denmark as a possible target country and also the furniture industry in specific. The author thinks that this objective was achieved quite well. However, the topic of internationalization and exporting is very wide and therefore; taxation, customs procedures, logistic solutions, transportation modes, internationalization strategies and international operation modes, other than export entry modes, were excluded from the report, which partially affects the reliability of the results. However, the purpose was to provide a guideline, instead of a complete plan of how to start internationalization and exporting. Therefore, the work does provide a fairly good guideline as a whole, according to its purpose.

The research results can be perceived as quite reliable. Arguments for the reliability of the results are the quality of data acquisition and processing the material as well as the reliability of the interview material. The interviews were well-planned and thought was given to what kind of information was desirable and how to deepen the different themes within the interviews. Also, the interview situations were flexible. Moreover, the author had a fairly good general view of the thesis topic and research objectives as conducting the interviews, which was provided by getting acquainted with the topic as writing the theoretical part of the work before conducting the research. This also enabled sharpening the focus on certain issues, instead of acquiring too general kind of information.

Furthermore, conducting the interview with the case company first enabled planning the next interview in a way to be able to acquire useful information from the case company's perspective. The interview material was transcribed soon after the interviews, the recordings were successful and processing of the material was made in a consistent way, which all contributes to the reliability of the results. However, the inexperience of the author as a researcher may affect the reliability of the results partially and it is probable that a more experienced researcher would have gotten even more reliable results.

As considering the validity of the work, it can be concluded that the research did produce at least somewhat useful information for companies in general and especially for the case company to utilize in its internationalization planning process. Also, the research about Denmark as a target country produced valuable information for the case company, as it has not yet made any research about the Danish market. Also, the research implementation was explained in detail within an individual chapter, which purpose was to present the different phases of the research profoundly and therefore improve the validity of the results.

Furthermore, the reliability of the information sources also contributed to the validity of the results. What comes to the interviewees, the author experienced they were very reliable information sources as being experts in their fields. The purpose of the interviews was to acquire deep and current information on the research topics. The chosen method turned out as an efficient one for this purpose and the objective was achieved well, as the author was able to acquire the desired kind of information, which also contributes to the validity of the results.

Overall, this study provides a good general guideline for companies considering internationalization and export activities as well as an overview of Denmark as a target country and the Danish furniture industry. Moreover, important and useful information about available internationalization services, financial support and financing solutions related to initiating export activities is provided.

FIGURES

Figure 1 Internal factors of internationalization, p. 16

Figure 2 External factors of internationalization, p. 18

Figure 3 Decision making in internationalization process (Äijö 2008, 41.), p. 27

Figure 4 Model of target market selection process after Root (Vahvaselkä 2009, 67.), p. 29

Figure 5 PESTEL analysis, p. 32

Figure 6 Operation mode selection process, p. 34

Figure 7 Basic model for planning internationalization, according to Teknolögiateollisuus ry (Vahvaselkä 2009, 107.), p. 36

Figure 8 Subject areas & targets of internal analysis according to Teknolögiateollisuus ry (2009). (Vahvaselkä 2009, 109.), p. 38

Figure 9 Porter's 5 forces; Model for analyzing the competitive environment according to Porter (1990, 17). (Vahvaselkä 2009, 114.), p. 42

Figure 10 SWOT Analysis (Vahvaselkä 2009, 115.), p. 44

Figure 11 Export entry modes according to Luostarinen & Welch (1990). (Vahvaselkä 2009, 73.), p. 48

Figure 12 Exporter's relation to domestic export agent, commission merchant or export firm. (Karhu 2002, 86–87.), appendix 1, p. 1

Figure 13 Exporter's relation to foreign retailer or representative e.g. an agent. (Karhu 2002, 94, 102.), appendix 2, p. 1

Figure 14 Export process. (Vahvaselkä 2009, 264.), appendix 3, p.1

Figure 15 Danish furniture production by production group 2010. (Association of Danish Furniture 2011e.), p. 88

Figure 16 Danish furniture exports by product group 2010. (Association of Danish Furniture 2011e.), p. 89

Figure 17 Reader structure - Møbel+Interiør. (Association of Danish Furniture 2011c.), p. 92

Figure 18 Organizational structure of Urjalan Keinukaluste Ky, p. 95

Figure 19 SWOT analysis for Urjalan Keinukaluste Ky, p. 101

Figure 20 SWOT analysis of export entry modes, p. 106

TABLES

Table 1 The Danish furniture market. (Association of Danish Furniture 2011e.), p. 90

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Intermediaries in indirect export

In indirect export mode, the manufacturer can use an export agent, commission merchant, export firm, joint export organization or possibly another industrial company as the domestic intermediary. The exporter's relation with an export agent, commission merchant and an export firm is presented in figure 12 below. An export agent operates in the name of the manufacturer, finds customers and acquires orders from these foreign buyers on behalf of the manufacturer and therefore receives a commission fee from the forwarded deals. As for, a commission merchant operates in its own name, but likewise trades on behalf of the manufacturer. The legal status of a commission merchant is such that the obligations which result from the sales contract are targeted at him or her instead of the manufacturer, but the ownership of the merchandise is transferred directly from the exporter to the buyer.

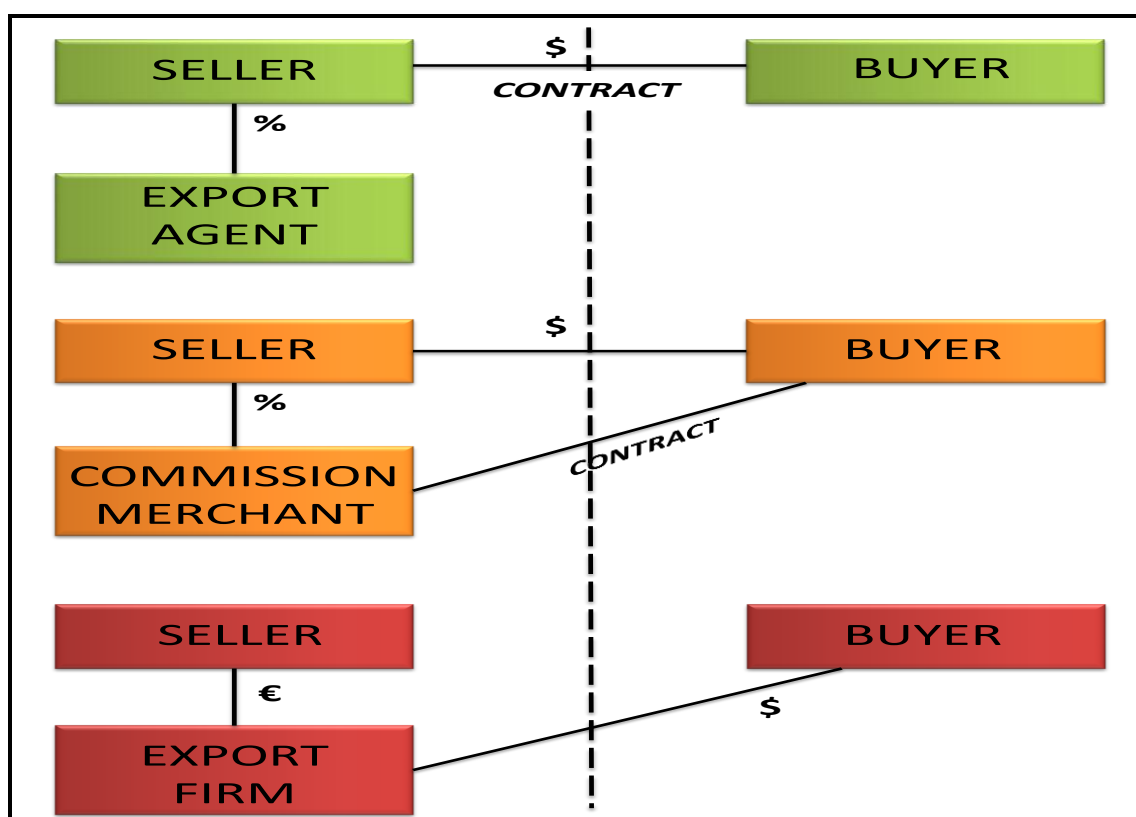


Figure 12 Exporter's relation to domestic export agent, commission merchant or export firm. (Karhu 2002, pp. 86–87.)

An export firm or a trading house can also act as a domestic intermediary. It operates in its own name and on its behalf, as it buys the products from the manufacturer and sells them to its foreign customers with its own terms. An export firm is responsible for all the export activities and therefore for the commercial risk of exporting, too. Basically, these export firms are specialized in specific markets or products and they usually operate in distant market areas. When using an export firm the price of the product for end-users becomes higher as a result from price escalation as if an export agent or a commission merchant is used.

A joint export organization is a cooperative export organization established together by manufacturers, which carries out export activities regionally, industry-specifically or specialized in specific customer segments. As an advantage for a small company is the democratic decision making as hence, larger companies are not able to pursue their own interests at the expense of the smaller companies. Another industrial company can also act as a domestic intermediary and buy products from the manufacturer to then sell them to its own foreign customers in its own name and with its own terms, as a part or in addition to its own products. (Karhu 2002, pp. 84–86.)

Intermediaries in direct export

Retailer as a foreign intermediary is an independent company, which buys the products from the manufacturer in its own name and sells them forward with its own terms. The relation between the exporter and a retailer or a representative, such as an agent is presented in figure 13 below.

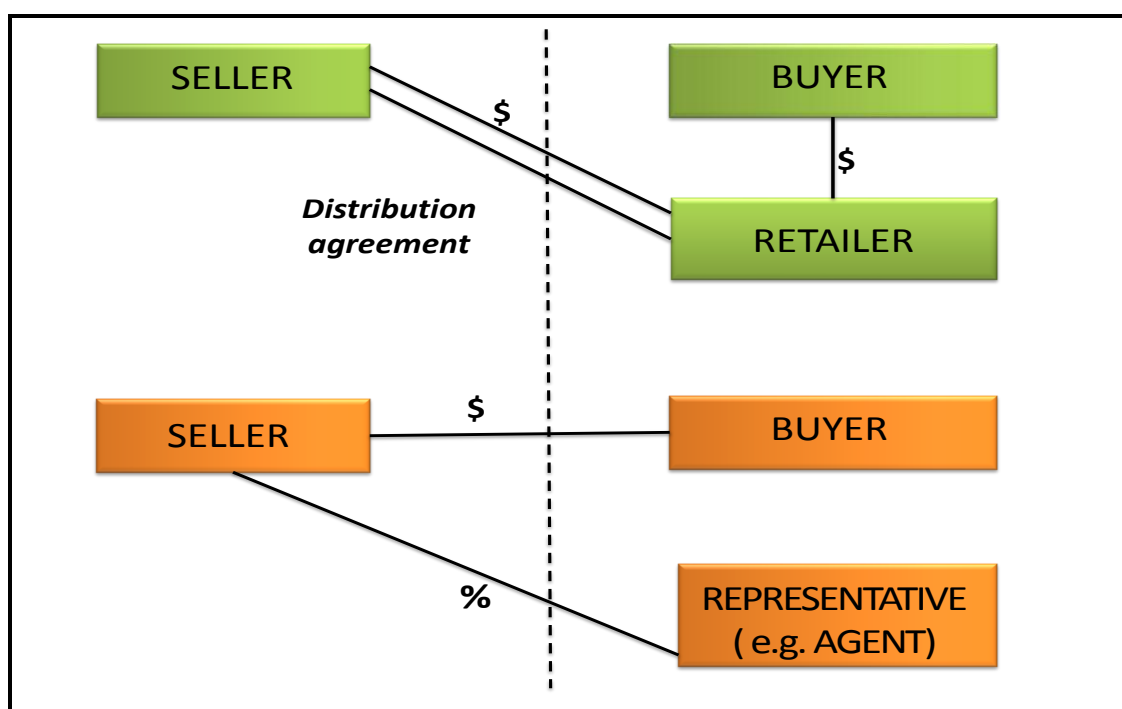


Figure 13 Exporter's relation to foreign retailer or representative e.g. an agent. (Karhu 2002, pp. 94, 102.)

The manufacturer and retailer make a distribution agreement. The retailer takes care of warehousing, possible after sales services and distribution as well, at its own risk. Instead of a retailer, the manufacturing company can also use a foreign representative, such as an agent, commission merchant or broker, which all act as independent representatives instead of trade partners. An agent operates likewise a domestic export agent. Commission merchant quadrates with an agent, and is usually an independent company responsible for the sales in a specific sales area. As for, a broker's job description includes in addition to an agent's responsibilities, all the sales and promotion work, invoicing, warehousing and advertising for the manufacturer. (Karhu 2002, pp. 93, 97, 102, 107.)

Export process

Export transactions consist of six different stages, which are presented in figure 14 below. In addition to acquisition of business connections, which was discussed in the text, also quotation, ordering, preparation of delivery, delivery and post deliver- stage are an important part of the export process.

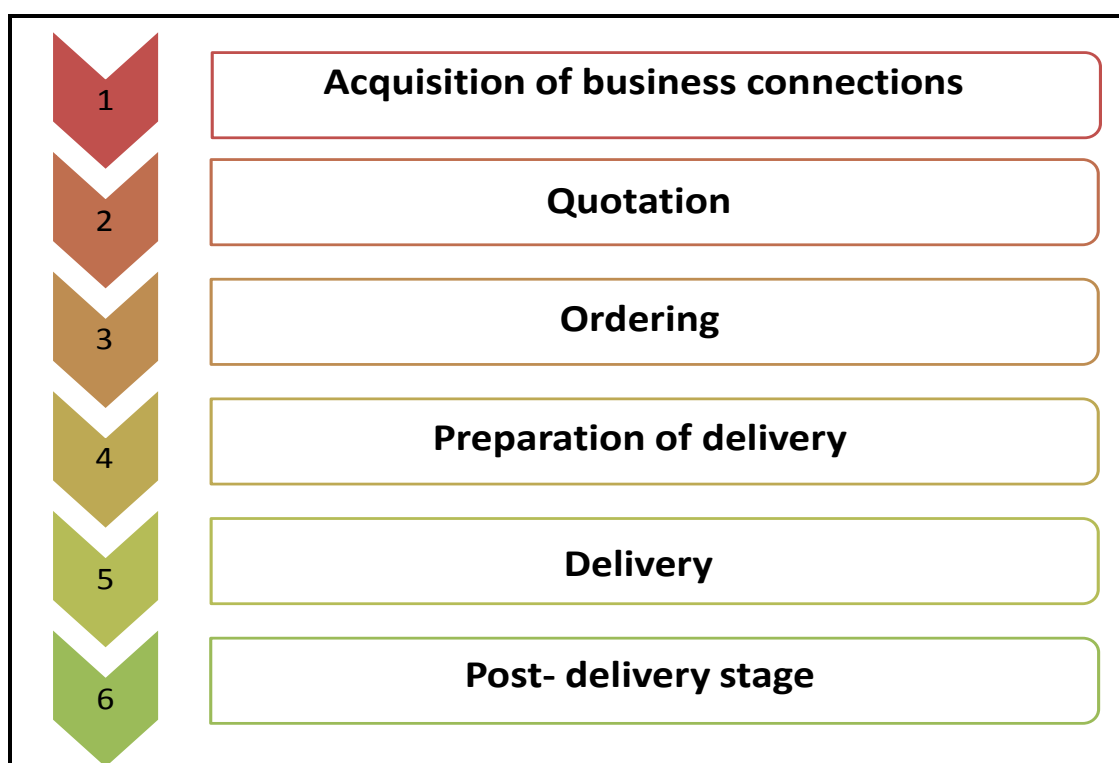


Figure 14 Export process. (Vahvaselkä 2009, p. 264.)

At the second stage, especially the contents and legal effects of quotations should be paid attention to. In order to limit the rights and responsibilities of the author of the quote as well as prevent possible misunderstandings, the quotation should be unambiguous. Regardless of the target country, making an offer always has legal effects. Mainly, an obligatory contract has been arisen between the seller and the buyer, when the buyer accepts the offer. At the next stage, after receiving an order, it is important to go it through carefully and make a written verification to the buyer, including terms of delivery and payment. Information about generally used export payment terms and methods is presented in appendix 4. It is also important to pay attention to the contents of the sales

contract and if necessary utilize the expertise of a lawyer who is specialized in international agreements. Mainly, the contracting parties are free to define the contents of the contract/ agreement, yet within the national laws and regulations of EU countries. The delivery is prepared based on the verified order, according to the terms of delivery and payment. Incoterms are used to define the operational responsibilities of the contracting parties as well as responsibilities concerning the merchandise and responsibilities of payment in transportation costs. (Vahvaselkä 2009, pp. 267, 270–271, 276.)

Important steps in the delivery stage are packing, transportation, forwarding, insuring the shipment, preparing necessary documents and actions related to financing, payment methods and payments traffic. Transportation and packing are an essential part of the delivery as they ensure that the products remain in good condition all the way to the buyer. Labeling must also be paid attention to. As planning appropriate packing, the regulations of Incoterms 2000, related to packaging, should also be taken into account. As for, a central criteria in the selection of transportation method is the service level of the customer, which is affected by the size, quality and value of the shipment as well as the urgency and reliability of the delivery and transport time. Using a freight forwarder decreases the risks and makes the delivery more efficient. A freight forwarder acts in the name of the manufacturer and takes care of transporting the merchandise, possible warehousing, customs clearance, possible unloading and loading along the way as well as assists in managing export documentation, advices with transport and distribution matters, takes care of local distribution if agreed and upon request also insures the merchandise. (Vahvaselkä 2009, pp. 271–273.)

Export shipments are insured in case of risks that occur during transport or warehousing. Incoterms are used to define how the insurance is taken care of; who has the responsibility for risks and which party takes the insurance. The post-delivery stage includes ensuring the arrival of goods to the buyer, controlling the delivery and payment, checking incoming invoices, post-processing and comparison as well as post-marketing. The exporter takes care of the post-

processing of the delivery and therefore collects all payments related to the delivery, such as freight bills, insurance charges and makes a summary of the total costs and compares it to the calculations from the quotation stage and corresponding deliveries. Thus, the actual profitability of the delivery can be discovered. Post-delivery marketing is also an important phase. After the delivery the seller can contact the buyer to inquire contentment in the delivery as well as the merchandise. (Vahvaselkä 2009, pp. 273, 275).

The incoterms were renewed in 2010 and the new rules are valid from 1 of January 2011. The incoterms-rule collection facilitates the delivery of merchandise and clarifies the responsibilities of the seller and the buyer and risk sharing. By incoterms 2010 the seller and the buyer are able to agree on the delivery, including freight, insurance, customs clearance and transfer of risk. Nearly all Finnish export and import companies use incoterms as a part of their international trade contracts. Correct usage of the new Incoterms 2010 enhances the trade logistics, decreases risks and brings cost savings for companies. (Keskuskauppakamari 2010).

A brief summary of Incoterms 2010 made by International Chamber of Commerce is available at:

http://www.i-b-t.net/PDFs/Incoterms_2010_chart.pdf (InterMart, Inc. 2011.)

Export payment terms and methods

A well-prepared sales contract includes also payment terms, which are affected by the credit standing and previous payment behavior of the buyer, duration of the trade relation, established trading practices as well as different currency- and license-related regulations. Furthermore, risks, including political and economic risk, should also be taken into account as agreeing on the payment terms with the buyer. Agreed terms of payment include the currency, amount, date and place of payment, possible discounts, late-payment penalties, method of payment and agreement on paying bank charges. Methods of payment include payment in advance, cash payment and payment on credit. Payment methods in international trade are categorized in direct payments; check and payment order, which are based on trust between the seller and the buyer and in document payments; documentary collection and letter of credit (L/C) or documentary credit (D/C). (Vahvaselkä 2009, pp. 289–290, 292.)

Documentary collection is a traditional payment method used in export trade. Here, the seller sends the commercial documents through its bank to the buyer's bank for collecting the payment. The banks monitor the delivery of the documents and the payment, but they are not responsible for the payment. Documentary collection is suitable for situations, in which there is no reason for suspecting the solvency of the buyer, but the seller wants to ensure that the buyer does not get possession of the merchandise, until it is paid for or until the buyer accepts the bill of exchange and commits to paying it on the due date. Therefore the method of payment is D/P, documents against payment or D/A, documents against acceptance. Utilization of documentary collection is based on the consolidated code of collections, by ICC. (Vahvaselkä 2009, pp. 290–291.)

The greatest risks for the exporter are credit risk, such as the buyer's insolvency and unwillingness to pay as well as risks deriving from the operational environment of the buyer. These problems are highlighted as the trade relation is new and the geographical or cultural distance between the trade partners is high. This problem of risks being high can be solved by selecting letter of credit as

the payment method, which signifies that the buyer's bank gives a written commitment of paying the contract price to the seller. Letter of credit is always conditional, signifying that the seller receives the payment after delivering the merchandise and presenting the required documents to the bank. A letter of credit should be irrevocable and it has to be determined whether it is available by payment at sight (immediately) or if it is deferred. If the payment is agreed as deferred and payment time is granted for the buyer, the payment deadline should be unambiguously determined and stated in the transport documents. Handling of letters of credit complies with the consolidated code of letters of credit by ICC. (Vahvaselkä 2009, pp. 292–294.)

List of internationalization service providers and useful websites

Enterprise Finland

<http://www.yrityssuomi.fi/web/guest/kehittyminen-kansainvalisesti>

Finnvera

<http://www.finnvera.fi/>

Finpro

<http://www.finpro.fi/>

Fintra

<http://www.fintra.fi/fi/etusivu/>

Ministry for foreign affairs of Finland

<http://formin.finland.fi/public/default.aspx?culture=fi-Fi&contentlan=1>

Ministry of employment and the economy

<http://www.tem.fi/index.phtml?s=2067>

National board of patents and registration of Finland

http://www.prh.fi/fi/prh_palvelut_ja_tietoa_prhsta/pk-yrityksille.html

Nopef

<http://www.nopef.com/pages/fi/etusivu.php?>

Pirkanmaa ELY centre

<http://www.ely-keskus.fi/fi/ELYkeskukset/pirkanmaanely/Sivut/default.aspx>

The Federation of Finnish technology industries

<http://teknologiateollisuus.fi/fi/palvelut/kansainvalistaminen.html>

Tampere Chamber of commerce

<http://www.tampere.chamber.fi/>

Tekes

<http://www.tekes.fi/fi/community/Etusivu/307/Etusivu/381>

Viexpo

<http://www.viexpo.fi/fi/home>

Finpro's consulting services (for preparing the growth, planning the market entry and establishing the presence)*International growth plan*

International growth plan service helps in creating good basis for internationalization and therefore recognizing one's prerequisites, competitive advantage and customer segments, which enables proper allocation of resources and improving the opportunities for success. Usually, internationalization is a slow process if it is initialized based only on the experience from randomly acquired customers. Often identifying suitable customer segments and competitive advantage remain inadequate and also the way of communicating might be incorrect. Too often companies try to reach wrong customers with unclear messages. It is very essential to communicate the offered added customer value in an understandable way, identify one's target segments, identify the actual competitive advantage and find a suitable and effective way of communicating.

This consulting service includes working through the following stages together with the customer company:

- creating a clear view of the company's initial situation and prerequisites
- identifying the company's significant competitive advantages within the target market and the added value within the customer segments
- developing the ability to communicate the company's offering to the right customers in a right way
- outlining how the company's internationalization could proceed quickly and cost- effectively as possible. (Finpro. 2010i.)

Test Drive

The test drive-service enables acquiring actual market feedback for the company's products or idea, before significant investments. Therefore, it helps in avoiding error estimates and maximizing commercial potential. This service is

suitable for testing new products in international markets but also for acquiring targeted market feedback for an existing product before expanding sales overseas.

This consulting service includes working through the following stages together with the customer company:

- Clarifying the way to produce the company's product or idea in order it to have commercial potential for example from the perspective of foreign customer segments, competitive advantage, pricing principles and distribution channels. (Finpro. 2010j.)

Right markets

This consulting service helps in selecting appropriate target markets which are suitable for the company's business, understanding the market differences and starting with the most promising market. It is very important to start internationalization within such markets, where clear demand for the company's products exists. Rarely there is time to wait for a market to open up as it is selected based only on assumptions or take a risk and then discover that there is no real demand for the company's products. Starting internationalization operations with the most promising country enables correct allocation of actions and saving time.

This consulting service includes working through the following stages together with the customer company:

- Evaluating market potential in agreed market areas.
- Comparing and prioritizing potential target markets from the perspective of their suitability and the company's business.
- Creating a country-specific strategy. (Finpro. 2010k.)

Market entry options

This consulting service contributes to selecting the most suitable operation mode from the available options, understanding the business practices and how the market functions as well as the company's opportunities at the target market and therefore selecting the entry option which suits the company's current situation. Investments for opening up a new market vary significantly depending on the chosen operation mode and therefore it is important to find the one which matches the requirements of the company and the chosen market as well. This ensures on one hand not investing too much but on the other hand not failing because of investing too little or in a wrong way. Selecting the correct operation mode enables initializing operations in a controlled way and decreasing the risk of error investments.

This consulting service includes working through the following stages together with the customer company:

- Clarifying the special attributes of the chosen target market and the requirements set by local conditions.
- Analyzing applicable operation modes and providing assistance in selecting the one that best suits the company. (Finpro. 2010l.)

Sales channel development

With the help of this consulting service it is possible to save time and money, find the suitable partner candidates and succeed in negotiations. Making a good impression on the partner candidates is essential, as it is not desirable to lose the opportunity of creating a relationship which is suitable for the company's business and significant for future success. Having selected sales channel mode as a way of operating, the company needs a partner which sells the products in a right way and if necessary is able to produce added value for the customers by providing additional services which reinforce the company's core competence. Overall, careful preparation ultimately saves time and money.

This consulting service includes working through the following stages together with the customer company:

- Clarifying the customers' expectations for new entrants at the target market and the way to differentiate from the competitors.
- Determining what kind of a partner is most suitable for the company, how the responsibilities should be shared and how to present your company convincingly to potential partners.
- Creating a detailed plan of initiating operations stage by stage. (Finpro 2010m.)

Partner search

This consulting service provides assistance in finding the appropriate partner candidates and creating a successful model of cooperation, which contributes to controlling risks and avoiding unpleasant surprises and delays in initiating the cooperation. It is essential to find partner candidates which are suitable for the company's business and convince them of cooperation with mutual benefits. It is not desirable to discover later on that the choice of partners was unsuccessful and the cooperation begins slowly.

This consulting service includes working through the following stages together with the customer company:

- Identifying and analyzing the best partner candidates at the target markets and providing assistance in comparing and selecting the most suitable ones.
- Arranging interviews of the candidates and further negotiations according to the company's wishes.

Planning the combined offering and following stages to ensure successful cooperation with the chosen partner. (Finpro 2010n.)

Export partner groups

This consulting service provides the opportunity for initiating export operations quickly, utilizing local knowledge and decreasing the risks of internationalization. Initiating export operations requires local market knowledge and a network which supports the company's business operations as it is desirable to initiate operations effectively and control the risks.

This consulting service includes working through the following stages together with the customer company:

- Building an export partner group by gathering together exporters which support the company's core competence or otherwise complement its business activities. In addition, verifying the level of commitment within the participants.
- Appointing a skillful export manager with local knowledge from the target markets as the leader of the group.
- Organizing funding if necessary, handling financial transactions and financial reporting to the financier. (Finpro 2010o.)

HAASTATTELURUNKO 1 - FINNVERA

TEEMA 1 TAUSTAKYSYMYKSET JA LUVAT

Nimi?

Organisaatio ja asema?

Saako haastattelun tallentaa?

Saako nimeänne ja organisaationne nimeä käyttää opinnäytetyössäni?

TEEMA 2 KANSAINVÄLISTYMINEN

Mitä resursseja kansainvälistyminen yleisesti vaatii ja erityisesti pienyritykseltä?
Mitkä ovat mielestäsi tärkeimpiä yritys-, tuote ja markkinakohtaisia edellytyksiä kansainvälistymiselle?

Kansainvälistymisen suunnittelu: mitä asioita on otettava huomioon?

Mitä asioita on erityisesti otettava huomioon silloin kun aikaisempaa vientikokemusta ei ole?

TEEMA 3 VIENTI

Mitä resursseja viennin aloitus vaatii, tärkeimmät edellytykset?

Mitä asioita yrityksen on otettava huomioon viennin suunnittelussa?

Viennistä aiheutuvat riskit? Riskien hallinta, erityisesti pienyrityksissä?

Mitkä ovat yleisimmin käytettyjä viennin rahoitusmuotoja/ lähteitä?

Mihin tarkoitukseen rahoitusta voi saada?

Mitä yritykseltä edellytetään, jotta rahoitusta voi hakea/ saada?

Miten/vaikuttaako viennin kohdemaahan rahoituksen saamiseen?

Miten/ vaikuttaako vientimuodon valinta rahoituksen saamiseen/ rahoitusmahdollisuuksiin? Vaikuttaako vietävä tuote?

Onko muita asioita, jotka vaikuttavat rahoitusmahdollisuuksiin?

Ovatko viennissä vakiintuneita pitkät maksuajat?

TEEMA 4 TANSKA KOHDEMAANA

Kohdemaana Tanska, rahoitusmahdollisuudet? Riskit?

Yleiset maksuehdot ja -tavat Tanskan viennissä?

Yleisimmin käytetyt rahoitusmuodot Tanskan viennissä?

Mistä lähteä liikkeelle kun mietitään viennin aloitusta Tanskaan?

TEEMA 5 ORGANISAATIONNE

Mikä on Finnveran toiminta- ajatus?

Miten viennin rahoitus käytännössä toimii?

Miten yritykset hyötyvät käytännössä Finnveran tarjoamista palveluista?

Millaisia rahoitusratkaisuja Finnvera tarjoaa viennin rahoitukseen?

Rahoitus tuotteiden hinnoittelu, mihin perustuu/ miten hinta muodostuu?

Finnveran vientitakauksien ja -takuiden etuja ja haittoja? Mahdolliset/ yleisimmät ongelmat?

Rahoituksen hakeminen käytännössä, miten ja missä vaiheessa?

HAASTATTELURUNKO 2 – URJALAN KEINUKALUSTE KY

TEEMA 1 TAUSTAKYSYMYKSET JA LUVAT

Yrityksenne nimi?

Nimenne ja asemanne yrityksessä?

Saako haastattelun tallentaa?

Saako nimeänne ja organisaationne nimeä käyttää opinnäytetyössän?

TEEMA 2 KANSAINVÄLISTYMINEN

Miksi kansainvälistyminen kiinnostaa, syyt/ motiivit?

Kokemukset/ ajatukset kansainvälistymisestä?

Mitä mahdollisuuksia näette kansainvälistymisen tarjoavan yrityksellenne?

Millaisena näette yrityksenne edellytykset kansainvälisille markkinoille?

Tuotannolliset resurssit ja niiden riittävyys; tuotanto/hallinnollinen/markkinointi kapasiteetti, henkiset resurssit, osaaminen, kielitaito?

Tuotteiden soveltuvuus kansainvälisille markkinoille; kilpailuetu, erottuvuus, markkinoinnin merkitys kilpailukeinona?

Onko yrityksenne osallistunut aikaisemmin esimerkiksi kansainvälisille messuille tms?

Onko ulkomaisilla asiakkaila (ollut) kiinnostusta yritystänne/ tuotteitanne kohtaan?

TEEMA 3 VIENTI

Onko yrityksellä aikaisempaa kokemusta viennistä/ vientiosaamista? Miten aiotte hankkia tarvittavaa osaamista jos sitä ei ole?

Oletteko tutustuneet vientitoimintaan/ riskeihin /edellytyksiin?

Oletteko tehneet aikaisempia selvityksiä mahdollisista kohdemarkkinoista?

Miten paljon resursseja olisitte valmiita sitomaan kohdemarkkinoille?

Kuinka näkyvillä/ läsnä haluaisitte olla kohdemarkkinoilla?

Onko myynnin ja asiakassuhteiden hoitamisen kannalta tärkeää olla läsnä kohdemarkkinoilla?

Markkinoinnin tärkeys? Onko välttämätöntä markkinoida tuotetta paikanpäällä?

Oletteko tutustuneet jo eri vientimuotoihin/ mahdollisuuksiin?

Millaisina näette yrityksenne omat valmiudet viennin aloitukseen?

TEEMA 4 TANSKA KOHDEMAANA

Onko teillä omakohtaista kokemusta/ tietoa Tanskasta?

Millainen kuva teillä on Tanskasta ja miksi se kiinnostaa kohdemaana?

TEEMA 5 YRITYKSENNE

Koko; henkilöstö, liikevaihto? Millainen organisaatorakenne on?

Yrityksenne missio; visio ja arvot? Yrityksenne historia ja toiminta?

Tilanne kotimarkkinoilla/ tulevaisuuden näkymät?

Tuote; tärkeimmät ominaisuudet ja asiakashyöty, mitä tuotteet "antavat" asiakkaille, tuotteiden imago, onko itse tuote tärkeä kilpailukeino?

Hinnoittelu; tuotteiden hinta verrattuna yleiseen hintatasoon markkinoilla, onko hinta tärkeä kilpailukeino?

Jakelukanavat; mitä kautta tuotteet myydään/ kenelle, jälleenmyyjät, tuotteiden saatavuus?

Markkinointi; yrityksen näkyvyys, markkinoinnin tärkeys/rooli kilpailukeinona?

Markkinoinnin kohderyhmät? Mainonta, myynninedistäminen, suhdetoiminta?

Resurssit; taloudelliset ja toiminnalliset resurssit ja niiden riittävyys kotimarkkinoilla, kokemus ja erityisosaaminen?

Kilpailuetu?

Mitkä asiat näette yrityksenne vahvuuksina?

Mitkä asiat näette ns. heikkouksina eli mitä asioita haluaisitte kehittää?

HAASTATTELURUNKO 3 - FINPRO

TEEMA 1 TAUSTAKYSYMYKSET JA LUVAT

Nimi?

Organisaatio ja asema?

Saako haastattelun tallentaa?

Saako nimeänne ja organisaationne nimeä käyttää opinnäytetyössän?

TEEMA 2 KANSAINVÄLISTYMINEN

Mitä resursseja kansainvälistyminen yleisesti vaatii ja erityisesti pienyritykseltä?
Mitkä ovat mielestäsi tärkeimpiä yritys-, tuote ja markkinakohtaisia edellytyksiä kansainvälistymiselle?

Kansainvälistymisen suunnittelu: mitä asioita on otettava huomioon ja mistä lähteä liikkeelle?

Mitä asioita on erityisesti otettava huomioon silloin kun aikaisempaa vientikokemusta ei ole?

TEEMA 3 VIENTI

Mitä viennin aloitus vaatii yritykseltä, erityisesti pienyritykset?

Onko yrityksillä yleensä realistinen kuva omista resursseistaan?

Mitä asioita yrityksen on otettava huomioon viennin suunnittelussa?

Menestyksekkään viennin edellytykset?

Kohdemarkkinoiden valinta, tärkeimmät kriteerit?

Markkinatutkimuksen merkitys?

Markkinatiedon hankinta, miten? Mistä yritys voi itse hankkia tietoa?

Vientimuodon valinta, mitä asioita on otettava huomioon?

Vientimuotojen edut ja haitat? (epäsuora-, suora-, oma vienti)

Oma vienti vientimuotona, onnistumisen edellytykset, mitä resursseja vaatii verrattuna muihin vientimuotoihin, erityisesti pienyritykseltä?

Yleiset ongelmat ja haasteet viennissä?

Millaiset edellytykset yrityksellä on oman viennin harjoittamiseen jos aikaisempaa vientikokemusta ei ole?

Jälleenmyyjien löytäminen ja liikesuhteiden solmiminen uusilla markkinoilla, miten? Mitä kautta lähteä liikkeelle?

Vientirenkaat?

Viennistä aiheutuvat riskit ja niiden hallinta, erityisesti pienyrityksissä?

Viennin rahoitus (avustukset ja itse vientitoiminnan rahoitus)?

TEEMA 4 TANSKA KOHDEMAANA

Millainen Tanska on liiketoimintaympäristönä, viennin näkökulmasta?

Tanskan viennin onnistuminen, mitä se vaatii, erityisesti pienyritykset?

Tanskan vahvuudet ja heikkoudet liiketoiminnan (viennin) kannalta?

Miten suomalaisyritykset ovat menestyneet Tanskan markkinoilla ja mitkä ovat suurimpia haasteita joita ne ovat kohdanneet?

Onko Tanska houkutteleva kohdema suomalaiselle huonekaluteollisuudelle?
Miksi/ miksi ei?

Millainen on Tanskan toimintaympäristö, erityispiirteet? (Poliittinen toimintaympäristö, taloudellinen toimintaympäristö, sosiokulttuurinen toimintaympäristö, teknologinen toimintaympäristö, ekologinen toimintaympäristö, juridinen toimintaympäristö)

Tanskan huonekalualan erityispiirteet? Toimintaympäristön tekijät, jotka vaikuttavat erityisesti huonekalualan yrityksiin ja viejiin?

Tuotteiden ympäristöystävällisyyden merkitys?

Kilpailutilanne Tanskan huonekalumarkkinoilla

Toimiiko markkinoilla muita keinutuolin valmistajia ja onko markkinoilla paljon tuontikeinuja?

Kysyntä tekijät? (asenteet ulkomaisia tuotteita kohtaan, mitä asiakkaat arvostavat, ostovoima, onko tuotteille kysyntää)

Menestystekijät, mitä vaaditaan yritykseltä, jotta se voi menestyä ja vastata kilpailuun? Onko pienyrityksen vaikea päästä markkinoille/ menestyä/ vastata kilpailuun?

Yleisimmät ongelmat Tanskan viennissä (suomalaisyrityksillä?)

Onko viennin aloittaminen juuri Tanskaan ongelmallista/vaikeaa?

Markkinoinnin merkitys Tanskan viennissä ja markkinointia koskevat lait tai rajoitukset?

Verkostoitumisen/ hyvien liikesuhteiden merkitys Tanskan viennissä?

Mikä olisi suositeltava vientimuoto Tanskan ollessa kohdemaana ja miksi?

Onko Tanskan viennissä vientimuotojen toteutettavuudella suuria eroja?

TEEMA 5 ORGANISAATIONNE

Mikä on Finpro: n toiminta-ajatus?

Mitä palveluja Finpro tarjoaa yrityksille, kansainvälistymisen ja viennin suunnitteluvaiheessa (maksuttomat & maksulliset)?

Tanskan viennistä ja omasta viennistä vientimuotona kiinnostunut pienyritys, jolla ei aikaisempaa vientikokemusta; miten voi hyödyntää Finpron palveluja, mistä lähteä liikkeelle?

Yritysten kokemuksia Finpro: n palveluista?

Miten palvelut hinnoitellaan, kustannukset yrityksille?

Voivatko yritykset saada rahallista tukea maksullisiin palveluihin?