

Mortgage loans for non-resident property buyers in Finland
Case: Maxtrade Oy

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<p>Abstract</p> <p>The objective of the study is to find out whether it is possible for non-resident property buyers to obtain mortgage loans in Finnish banks. One intention is to investigate this possibility by conducting a field research among existing Finnish banks. Another intention is to see how this new information obtained from the study can be implemented in case company's business.</p> <p>The theoretical framework was mostly based on the information obtained from the Finnish government financial organizations, such as: Federation of Finnish Financial Services, Finnish Financial supervisor authority, Finnish competition and consumer agency, Bank of Finland and Housing Finance and Development Center of Finland. An inquiry concerning the research topic has been sent to all of these organizations to provide theoretical background for the study. Most of the responses that came back had a positive meaning regarding the subject. Ms. H from federation of Finnish financial services in particular has provided the most descriptive answer stating that there exists such a possibility for foreign property buyers to obtain housing loans in Finnish banks and it is not restrained by the Finnish legislation. However, according to Ms. H, important factors for the banks in such circumstance are to identify the customer and know where their money is coming from.</p> <p>The study was conducted in the form of case studies on the sample of three different Finnish banks. The choice for this research strategy was made due to the need to collect detailed and in-depth information from each case. Focused interviews were used as a data collection tool. The analytical approach was qualitative because it emphasized on analyzing words not number to gain a better and deeper understanding of research subject.</p> <p>The results revealed that provision of housing loans to non-resident property buyers is a delicate topic. Not all Finnish banks are willing to cooperate on this matter. Only three banks out of all contacted banks which were over at least a dozen, accepted the proposal to talk about this issue. All three of them have responded positively to being willing to cooperate with foreign customers on the subject of housing loans as long as their approval criteria was being met. Further test of these findings during the implementation stage which took place at Maxtrade Oy after the study has been conducted showed that only one bank, Handelsbanken in Tapiola has proven to be a reliable partner who would cooperate with foreign clients on reasonable terms. Since the completion of the study, couple of Maxtrade Oy clients have already successfully obtained mortgage loans from Handelsbanken in Tapiola in order to purchase their property in Finland.</p> <p>In conclusion, all of the four research questions have developed positive and satisfying answers that fulfilled the purpose of this study.</p>	
<p>Key words Finnish bank, mortgage, housing loan, non-resident, foreign, real estate, property buyer.</p>	

Table of Contents

1	Introduction	4
1.1	Background	4
1.2	Brief company presentation.....	5
1.3	Problem discussion	6
1.4	Purpose and research questions.....	8
1.5	Structure of the thesis.....	9
2	Practical setting.....	10
2.1	General information on housing loans in Finland:.....	10
2.2	Market situation.....	11
2.3	Approval criteria.....	11
3	Methodology	15
3.1	Research philosophy and research approach	15
3.1.1	Ontology	15
3.1.2	Epistemology.....	16
3.1.3	Axiology	17
3.1.4	Research approach	17
3.2	Research design	18
3.2.1	Research purpose.....	18
3.2.2	Research strategy	19
3.2.3	Research method	21
3.3	Data collection.....	22
3.3.1	Sources of evidence.....	23
3.3.2	Sample selection.....	27
3.4	Data analysis	28
3.5	Validity and reliability	30
3.6	Methodology figure of the research	33
4	Data Presentation	34
4.1	Nordea bank Finland.....	34
4.1.1	Bank services for foreign clients	35
4.1.2	Mortgage loan application process and approval criteria	35
4.1.3	People involved in the process	36
4.2	Handelsbanken	36

4.2.1	Bank services to foreign clients	37
4.2.2	Mortgage loan application process and approval criteria	37
4.2.3	People involved in the process	38
4.3	OP-Pohjola Group	38
4.3.1	Bank services to foreign clients	39
4.3.2	Mortgage application process	39
4.3.3	Approval criteria	40
5	Analysis	41
5.1	Research Question One: Can a foreign person obtain a mortgage loan in Finland?	41
5.1.1	Within-case analysis of case 1: Nordea Bank Finland.....	41
5.1.2	Within-case analysis of case 2: Handelsbanken.....	42
5.1.3	Within-case analysis of case 3: OP-Pohjola Group.....	42
5.1.4	Cross-case analysis of research question one	42
5.2	Research question two: which banks currently operating in Finland provide housing loans to foreign buyers?	43
5.2.1	Within-case analysis of case 1: Nordea Bank Finland.....	44
5.2.2	Within-case analysis of case 2: Handelsbanken.....	45
5.2.3	Within-case analysis of case 3: OP-Pohjola Group.....	45
5.2.4	Cross-case analysis of research question two	45
5.3	Research question three: Mortgage loan approval criteria	46
5.3.1	Within-case analysis of research question three: Nordea Bank Finland.....	46
5.3.2	Within-case analysis of case two: Handelsbanken	47
5.3.3	Within-case analysis of case three: OP-Pohjola Group	47
5.3.4	Cross-case analysis of research question three.....	48
6	Conclusions and implications	49
6.1	Housing loans for non-residents in Finland	49
6.2	Banks that offer mortgage loans to foreign clients	49
6.3	Approval criteria.....	50
6.4	Implications	51
6.4.1	Implications for the management	51
6.4.2	Implications for theory	52
6.4.3	Implication for future research.....	53
7	New Service Development	54
7.1	Literature review.....	54

7.1.1	Linear service-development models	55
7.1.2	Non-linear service-development models	57
7.1.3	Central themes in managing service innovation	59
7.2	New service development process at Maxtrade Oy.....	61
7.2.1	Planning	61
7.2.2	Developing	62
7.2.3	Market launch.....	63
7.3	Conclusions and implications.....	65
8	Research conclusions	67
9	Personal reflections	70
	Bibliography	72

1 Introduction

This chapter will start out by providing the reader with a background information on non-resident property buyers in Finland. It will then move on to present the case company of this study. From there the reader will learn about company and its services, which leads to research topic discussion. At the end of the chapter, the reader will be provided with the purpose and research questions of this thesis.

1.1 Background

In Finland, foreign citizens can freely purchase real estates and each year the number of foreign property owners in the country is steadily growing (National Land Survey of Finland). According to one of the main Finnish news channels YLE, Russians have bought 480 properties in Finland during 2011, half of which were in South Karelia. The tendency of Russians buying Finnish real estate began in 2005. The peak year was in 2008, when the amount of transactions crossed over 800 properties. Then the recession hit and the amount of transactions fell by half. Now the growth figures are going up again. Russians consider Finnish property market as a safe investment of their money. Finns consider these transactions as positive impact on their domestic economy. (YLE 2012)

In Finland, buying real estate property is rather a straightforward process. Knowledge and experience are the keys to successful real estate transactions. However, for a foreigner, who is most likely inexperienced and lacks the knowledge of a local market this process can turn out quite challenging, time consuming and exhausting. Luckily, there are companies who specialize in this field of economy and can offer their professional expertise to this type of clients. One such company is Maxtrade Oy. It specializes in providing a range of real estate services to mainly Russian clients in Finland.

Unlike typical real estate agency in Finland that usually represents seller's interests, Maxtrade Oy focuses on the buyer's side. Normally, a real estate agent of a basic realtor company in Finland would be looking for clients who are selling their property. That agent would offer his professional knowledge and expertise to make a successful sale for that client. When the sale has successfully been fulfilled the Seller pays the agent his commission. Maxtrade Oy offers its professional services to the Buyers instead. Company clients are usually foreign property

buyers, mostly Russians. They want to invest into Finnish real estate but usually lack a good understanding of local market. That is why they are interested in getting a sound advice from a professional company that understands their demands, speaks their language and can provide real value for them. It could best be described that Maxtrade Oy offers sort of house hunting services to its' clients: looking for a best possible property options to invest in and providing a full support to the client along the way. Upon successful property transaction the company gets paid its commission from the Buyer.

1.2 Brief company presentation

Maxtrade Oy is a family business. It is a Finnish company, which was established in year 1995. The first projects were involved in forest industry. However, over the years company's operations have evolved into real estate sector. Today Maxtrade Oy operates on two markets: Finnish and Russian. Company's business operations are divided into two main lines of business:

1. Maxtrade Oy provides a range of real estate services to Russian clients in Finland.
2. Maxtrade Oy invests and develops real estate projects in Finland and in Russia.

Company's headquarters are located in the very city center of Helsinki, in the World Trade Center building. The business is owned and managed by three family members. They are responsible for different sort of tasks within a company to make sure that business is up and running. Maxtrade Oy outsources some of its business activities such as accounting and legal services to other companies or self-employed professionals. For its real estate development projects, the company fulfills the role of a main contractor while subcontracting different parts of the project to other companies. To deal with Russian real estate projects the company also has branch offices in Moscow and in Saint Petersburg. In total, Maxtrade Oy employs less than 10 full-time employees in its entire office network. Company's net sales in 2011 were slightly over EUR 1 million.

To understand the way in which Maxtrade Oy functions it would be best to describe it as network type of organizational structure. It is more of a network interaction rather than bureaucratic organization. The project teams are powerful, exciting and dynamic. Co-ordination is informal. There is frequent cross-fertilization of ideas and a regular exchange of

information. However, what is most fundamental is that Maxtrade Oy is constantly trying to find and create the new initiatives, ideas, systems and processes that will contribute to its success.

Maxtrade Oy has a vision for its future business. That vision is to become one of the international leaders in real estate industry balanced with sustainability for a complex future world. A sustainable world will not just happen by itself. It must be created and new real estate solutions need to be developed. This is where Maxtrade Oy will contribute and make a real difference.

1.3 Problem discussion

One of the company's business directions is a provision of real estate services to Russian clients. It is rather new field of business for Maxtrade Oy, which began couple of years ago with a few requests from business associates and from personal contacts to assist them in buying a lucrative real estate property in Finland. Since Maxtrade Oy was already involved in real estate development business in Finland for years, it had obtained a good market knowledge and expertise. Furthermore, the company has established a network of partnerships with professional companies in the field. Therefore, the management of the company decided that it could not only help those people with their requests but also start a new business of providing real estate services to the new clients.

Briefly, these services consist of helping the client to find a real estate property in Finland according to customer needs. Maxtrade Oy offers the clients its market knowledge and expertise to make a right investment decision and buy a property of a good value. The company guides the client through the entire process. It begins with finding attractive property options for the client. Once the client has chosen a few options, he goes together with a company's specialist to visit the place for a close inspection to find out as much information about it as possible. Company's agent also helps the client to inspect the documentation available for the property and provides a professional advice about the offer. Once the client has found a good option for his investment the company's expert helps him to negotiate a good deal with the seller. He also takes care of preparing the necessary set of documents and making the final arrangements on executing the deal.

Maxtrade Oy fulfills the role of a house hunter, helping its clients to find the right property and guide them through the process. However, one of the critical steps to making a real estate investment is figuring out how much the client can afford to spend. Nowadays, almost no one buys a home with cash. Instead, homebuyers get a loan called mortgage or also housing loan from a bank.

A mortgage loan (also commonly mentioned as a housing loan) refers to a credit granted for the acquisition of shares entitling to the holding of a flat or residential property or such a residential building that is located in an area held by virtue of usufruct of the residential property or for basic renovation of a flat, residential property or residential building for the security of which the shares, residential property or usufruct of the residential property entitling to the holding of the flat to be acquired or renovated or some other flat is given. (Nordea Bank 2012a)

One of the common questions that company's customers ask is a question of local financing. Many clients are interested to obtain housing loan from the Finnish bank. The reason for that is that local interest rates on this type of loans are much lower than in Russia. According to the Bank of Russia, the average rate of mortgage loans issued in Russian Federation in 2012 was 12.5%. In Finland, that same rate was as low as 1.72% in August 2012 according to the Bank of Finland. No wonder, there is such a high interest among the customers to explore the possibilities of acquiring local mortgage loan for buying real estate in Finland.

A quick pre-study revealed that there has been a number of cases of Russians obtaining housing loans in Finnish banks. According to Lappeenranta Uutiset (2012), there has been a growing demand for housing loans among Russian property buyers in the South Karjala region. As stated in the source, the South-Karjala's division of Osuuspankki has granted dozens of mortgage loans to the Russian property buyers who are not permanent residents in Finland.

Osuuspankki is not the only bank in Finland to cooperate with Russian clients. Nordea for example has a history in such cooperation as well. According to Nordea's Regional Director Hannele Haapio (2012), Nordea has also been granting loans to the Russian clients but they must have a clear link to Finland in order to be granted a mortgage loan, because of higher risk for the bank associated with foreign clients.

1.4 Purpose and research questions

If Maxtrade Oy was to find a way to cooperate with Finnish banks to provide housing loans to the Russian property buyers it would greatly benefit business of the company. Firstly, it will enable Russian clients to buy more expensive property in Finland through means of financial leverage. Since some of the company's turnover is generated from the commission of property sales, the more expensive the property the more commission is being paid to the company. Secondly, due to a favorable demand for local mortgage loans among Russian property buyers and the lack of widely available financing from Finnish banks, Maxtrade Oy can charge premium on this service. Considering these statements we arrive at the purpose of this study which is to gain a better understanding of how can a non-resident property buyer obtain mortgage loan from a local bank in Finland and how can that information be implemented into company's business?

In order to reach the purpose of this thesis, four research questions have been formulated:

1. Can a foreign person obtain a mortgage loan in Finland?
2. Which banks currently operating in Finland provide housing loans to non-resident property buyers?
3. Under what kind of terms and conditions are Finnish banks willing to provide mortgage loans to the foreign clients?
4. How can information obtained in this research be implemented into Maxtrade Oy business?

Despite its importance, the structure of mortgage loan acquisition process by the foreigners is practically unexplored field among both academia and the practitioners. My contribution to the existing knowledge is that I will be the first one to provide reliable evidence of how does this process work.

1.5 Structure of the thesis

The rest of the thesis is structured in a following way. It is divided into two main sections:

Section 1 contributes to answering the first three research questions by gaining a better understanding of how can a non-resident property buyer obtain mortgage loan from a local bank in Finland. Chapters 2 to 6 contribute to section 1. It begins by introducing a reader to a practical setting of this research, giving an overview of housing loan market in Finland and its features. Chapter 3 explains the method of investigation used for conducting a study on housing loans to non-resident property buyers in Finland. Chapter 4 consists of empirical data collected in that research. Chapter 5 provides the reader with an analysis of this empirical data. Chapter 6 finalizes the first section of this report with conclusions and implications for the company's management, theory and further research.

Section 2 consists of chapter 7 in which the answer to the final research question 4 is provided. Chapter 7 describes the process of implementation of data collected during the research into case company's business.

2 Practical setting

In this chapter, the reader is introduced to the subject relevant to understanding mortgage loans in Finland. It begins by providing a brief overview of housing loans in Finland. Later some of the important features of mortgage industry are also described.

2.1 General information on housing loans in Finland:

Households' borrowing, which mostly consists of housing loans, has expanded over the past decade in Finland and the rest of Europe. The increase in borrowing has been enabled by positive economic development, prolonged loan maturities, low interest rates and households increased income. In European comparison, the indebtedness of Finns is average, and those with high income take out proportionally the largest loans. (Salminen 2011, 4)

Interest Rates

The average interest rate on new housing loans in Finland was 1.75% in October 2012. The current trend is a slight but steady increase; in March 2013, the rate was 2.03%. (Bank of Finland 2013)

In Russia, the average interest rate for ruble-denominated loans increased to 12.9% in Q1 2013, up marginally from 12% in Q1 2012. In contrast, the average interest rate for foreign currency-denominated loans was slightly down at 9.7%, from 9.8% last year. (Global Property Guide 2013)

Tax benefits

Tax benefits on housing loans were reduced in the early 1990s, but remain an important subsidy for homeowners. At present, 28 per cent of the loan interest can be deducted from the income tax payable. First-time buyers are exempt from the property transfer tax, which is 2 per cent of the acquisition price in the case of housing company dwellings and four per cent in the case of single-family house. Additionally, first-time buyers can deduct mortgage interest payments from income tax at a higher percentage than others (29 per cent instead of 28 per cent). (ARA 2005, 30.)

2.2 Market situation

New housing loans were drawn until the autumn at the same pace as in the previous year, but from September onwards drawdowns of new housing loans began to lag the previous year's pace. Overall, more new housing loans were drawn in 2012 than in 2009–2010 but less than in 2011. Euribor rates have been the most popular reference rate for new housing loans since the latter half of 2008. In 2012, the proportion of Euribor rates increased further. The popularity of Euribor as a reference rate tends to increase at times of low market interest rates, and when they rise, other interest rates become increasingly common as reference rates. During the year, the 12-month Euribor was used increasingly as a reference rate. Margins on new housing loans expanded considerably in 2012. (Bank of Finland 2012, 6.)

2.3 Approval criteria

Finnish banks grant home loans for buying a home (or occupancy rights to a home) and for building or renovating a home. As is the case worldwide, the primary criterion for obtaining a home loan in Finland is the borrower's capacity to repay the debt. Having a temporary job is not necessarily an obstacle to obtaining a home loan, provided employment prospects in the industry are good. (KKV 2013)

A foreign property buyer can also be granted a positive decision concerning a housing loan in Finland. That decision is based on the same principle as for the local citizen and his sound ability to pay back the loan and have a collateral to guarantee a necessary share from the borrowing amount. There are no other special requirements in Finnish consumer law on provision of housing loan to foreign customers. The main issue with foreign clients is the difficulty for Finnish banks to identify and know their clients. (Ms. H 2013)

According to Finnish law, banks are required to comply with the customer due diligence standards, which means that banks must identify and know their customers. Besides personal details of the customer, the bank must have sufficient information on the customer's activities, financial position, banking practices, and purpose for which the services are used. In practice, banks must verify their customers' identity from an official identity document and find out

what kind of services the customer needs. Moreover, the law requires banks to ask where incoming money comes from and what the money is going to be used for. (FKL 2013, 2)

To find out the source of incoming money the bank may ask the customer for not only a written statement but also documents evidencing business operations, registration or any other proof (e.g. deed of sale or letter of reference from another bank) that may help the bank to verify the source of funds and the purpose for which the funds are used. (FKL 2013, 2)

Repayment Capacity

The crucial factor is that the loan applicant's income is regular and that loan repayments leave the applicant with enough money for other expenses and living. The applicant is required to disclose all income, expenses and debts. To avoid excessive indebtedness, it is necessary to include servicing costs on other loans in the expense calculation.

Any guarantees or pledges obtained by the borrower are also taken into account, as they may lead to further indebtedness if the borrower becomes liable to pay under the commitments. (Nordea, 2012b)

Repayment ability is estimated by calculating the following:

- Net disposable income per month
- less regularly recurring expenses
- less servicing costs for borrower's existing loans (from same bank and other banks, credit card facilities, hire-purchase agreements)
- less other spending reported by borrower (food, clothing, children's expenses, commuting, insurance premiums, health care, telephone, etc)

The remainder represents the customer's monthly resources to service the new loan. The bank will require a buffer to cover unexpected expenses.

Credit Check

Before accepting a loan application, the bank always checks credit information on the customer. If the customer has a default record, the bank may reject the application. A default is recorded if established by court order or by measures undertaken by enforcement

authorities. This usually applies to payments, which have remained unpaid for an average of 6 to 8 months, and the person has received several recovery notices. Once recorded, a default remains on file for 2 to 4 years. (Suomen Asiakastiето Oy 2013)

Collateral, Guarantees & Pledges

A home loan is usually secured by the property bought; the collateral value of a purchased home is usually 70% to 75% of the value of the property. If the need for finance exceeds this percentage, one can get a *state guarantee* for home purchase. The loan may also be secured by other assets such as deposits, securities or any other personal assets that can be easily converted to cash. Where required, additional collateral may be provided in the form of a *guarantee or pledge* from, for example, the borrower's parents.

State Guarantee

A state guarantee may be granted to anybody that buys a home or builds a house. While a mortgage is usually limited to 70% of the purchase price of a home, lenders will agree to raise their loan-to-value ratio to 85% in cases where the Housing Finance and Development Centre of Finland (ARA) undertakes to protect the financial institution against a portion of their mortgage default losses. A state guaranteed loan cannot exceed 85% of the purchase price or estimated construction costs of the dwelling. (ARA 2013, 28)

The state guarantee may be granted for an amount that accounts for up to 20% of the amount of an owner-occupied home loan, but not exceeding €50,000 of the loan amount (May, 2011). In instances where the prospective homeowner receives an interest subsidy, the loan guarantee is not subject to a charge. Otherwise, the loan applicant may obtain the guarantee against a 2.5% premium.

All you need to do to get the state guarantee is inform the lender; there are no earnings caps or application formalities involved.

Other Guarantees and Pledges

If a person issues a guarantee to secure a loan, that person is usually responsible for the loan as though it were his or her own. The guarantee is often unconditional, which means that the bank is entitled to require payment direct from the guarantor without first requiring payment from the debtor. As a result, the state guarantee scheme was adopted to secure home loans partly to ensure that it would not be necessary to use personal guarantees for home loans. Pledging, instead, is an arrangement where the pledger is responsible for the loan only up to the amount of the property or assets they have pledged. (Finnish Financial Supervisor Authority 2012)

3 Methodology

According to Guba and Lincoln (1994, 105) questions of research methods are of secondary importance to questions of which paradigm is applicable to the research. Thus, this chapter is divided into two parts and will begin with an explanation of research philosophy and research approach. Next, it will formulate research design, which will cover research purpose, strategy and method.

3.1 Research philosophy and research approach

Ontology and epistemology are central terms to all forms of the research. Ontology is the starting point of all research, after which one's epistemological and methodological positions logically follow. Furthermore, it is important to mention roles of researcher values that play in his research choices. This process is known as axiology and is discussed later in this subchapter. The use of theory in the research project is defined by either inductive or deductive approach method. The last subchapter explains the differences between these two approaches and researcher explains his choice of approach.

3.1.1 Ontology

Blaikie (1993) describes the root definition of ontology as “the science or study of being” and develops this description for the social sciences to encompass “claims about what exists, what it looks like, what units make it up and how these units interact with each other”. In short, ontology describes our view on the nature of reality, and specifically, is this an objective reality that really exists, or only a subjective reality, created in our minds.

There are two aspects of thought in the subject of ontology: objectivism and subjectivism. The first, objectivism, portrays the position in which social entities exist in reality external to social actors concerned with their existence. The second aspect, subjectivism, holds that social phenomena are created from the perceptions and consequent actions of those social actors concerned with their existence. (Saunders, Lewis and Thornhill 2009)

This study relates more to the subjectivism aspect of ontology, as its goal is to understand the meanings that individuals attach to social phenomena. The researcher will study the

representatives of Finnish banks to seek to understand the subjective reality of their decision making process concerning provision of housing loans to the foreign property buyers in order to be able to make sense of and understand their motives, actions and intentions in a way that is meaningful.

3.1.2 Epistemology

If ontology is about what we may know, then epistemology is about how we come to know what we know. Epistemology considers views about the most appropriate ways of enquiring into the nature of the world (Easterby-Smith, Thorpe and Jackson 2008) and “what is knowledge and what are the sources and limits of knowledge” (Eriksson and Kovalainen 2008). Questions of epistemology begin to consider the research method, and Eriksson and Kovalainen go on to discuss how epistemology defines how knowledge can be produced and argued for.

Epistemology can be further branched out into three other sub-philosophies: positivism, realism and interpretivism. Positivism can be best compared to the philosophical stance of natural scientist. It is like working with an observable social reality and that the end product of such research can be law-like generalizations similar to those produced by the physical natural scientists. Realism is similar to positivism in that it assumes a scientific approach to the development of knowledge. The essence of realism is that what the senses show us as reality is the truth: that objects have an existence independent of the human mind. Interpretivism on the other hand is quite opposite to the positivist tradition and argues that the social world of business and management is far too complex to lend itself to theorizing by definite “laws” in the same way as physical sciences. Interpretivism advocates that it is necessary for the researcher to understand differences between humans in our role as social actors. Crucial to the interpretivist philosophy is that the researcher has to adopt an empathetic stance. The challenge here is to enter the social world of our research subjects and understand their world from their point of view. (Saunders, Lewis and Thornhill 2009)

In this study the focus of the researcher is to understand how non-resident property buyers can obtain a mortgage loan in Finnish banks through the meanings and interpretations of those banks’ representatives and to understand their world from their point of view. This process is highly contextual and hence not widely generalizable. This leads to adopting

interpretivism research paradigm of the epistemology. According to Eriksson and Kovalainen (2008) the nature of this paradigm corresponds to the subjective aspect of ontology, which has been previously chosen. Furthermore, it is associated with the qualitative approach to the data gathering. The close nature of the researcher and the researched in this paradigm, and the risk that any interpretation is framed within the mind of the researcher means that steps must be introduced to avoid bias. The use of self-reflection is advised (Eriksson and Kovalainen 2008). When considering the phenomena under study here, this position seems to provide the most appropriate frame.

3.1.3 Axiology

This section will consider how the individual values of the researcher play their role in each stage of the Research Process. Saunders, Lewis and Thornhill (2009) cite Heron, who argues that our values are the guiding reason for our action. Further, articulating their values as a basis for making judgments about the research topic and research approach are a demonstration of axiological skill.

This study will bring a direct value not only for a sponsor company but for a researcher as well. Since Maxtrade Oy is a family business and the researcher is a part of that family he has a bigger obligation rather than a normal employee to push and develop the business into a higher realm. This fact plays an important role in creating values for this research. Thus, it is in all intent of the researcher to conduct a truthful and valid study with high importance and relevance to the business development of the sponsor company.

3.1.4 Research approach

Every research project involves the use of theory. That theory may or may not be made explicit in design of the research, although it will usually be made explicit in the presentation of the findings and conclusions. The extent to which theory should be covered at the beginning of the research is defined by the method of approach chosen for conducting the research. There are two types of approaches commonly used in research projects. The first method is deductive approach in which a researcher develops a theory and hypothesis and designs a research strategy to test the hypothesis. The second method is inductive approach,

in which the researcher collects data and develops theory as a result of his data analysis. (Saunders, Lewis and Thornhill 2009)

This study will be inductive, rather than deductive and theory building, rather than theory testing. This is also due to the interpretivism philosophy of the research. The literature is going to be used to inform the study since it is not based on the existence of universal laws or causal models. Furthermore, this study doesn't set out to test pre-existing theory, for example through the use of hypothesis or experiments and will rely instead upon collected data.

3.2 Research design

In this subchapter the research design will be created. It will begin by formulating the purpose of this research and examining its classification. Next, it will identify the main research strategies and explain why they should be thought of as mutually exclusive. Finally, it will discuss the difference between quantitative and qualitative research methods and define which one is more suitable for this study.

3.2.1 Research purpose

According to Yin (1994) there are three general purposes of carrying out research:

1. Exploratory
2. Descriptive
3. Explanatory

An exploratory study is a valuable means of finding out “what is happening; to seek new insights; to ask questions and to assess phenomena in a new light” (Robson 2002, 59). It is particularly useful if the researcher wishes to clarify his or her understanding of a problem, such as if he or she is unsure of the precise nature of the problem (Saunders, Thornhill & Lewis 2009).

The object of *Descriptive* research is to portray an accurate profile of persons, events or situations (Robson 2002, 59). This may be an extension of, or a forerunner to, a piece of exploratory research or, more often, a piece of explanatory research. It is necessary to have a

clear picture of the phenomena on which researcher wishes to collect data prior to the collection of data. (Saunders, Thornhill & Lewis 2009)

Explanatory research may be termed as studies that establish causal relationships between variables. The emphasis here is on studying a situation or a problem in order to explain the relationships between variables. (Saunders, Thornhill & Lewis 2009)

The research purpose of this study will be mainly descriptive. This is due to the fact that it was stated in the research purpose that this study wants to gain a better understanding of how non-resident property buyers can obtain housing loans from Finnish banks? In this study number of variables connected to this issue will therefore be described. However, this study will also be somewhat exploratory. This is due to the fact that this study does not set out to test pre-existing theory, for example through the use of hypothesis or experiments. The researcher has not been able to find previous studies within the same company that focus on the exact same problem as he has chosen to do in this study. In the end of the research it is planned to present own conclusions by answering the research questions that form an explanation to the issues described. Thus, it makes this study descriptive with somewhat explanatory and exploratory touch.

3.2.2 Research strategy

There are a number of different ways in which one may conduct social science research. Yin (1994) lists five primary research strategies: Experiments, surveys, histories, analysis of archival information and case studies. Each of these strategies has certain advantages and disadvantages. However, these advantages and disadvantages depend upon three conditions:

- 1) the type of research questions asked
- 2) the control an investigator has over actual behavioral events
- 3) the focus on contemporary as opposed to historical phenomena

Table 1 displays these three conditions, in each of three columns, and shows how each condition is related to five major research strategies within the social sciences. Below the table the different research strategies will be further explained.

Table 1: Conditions for Research Strategies. (According to Yin 1994, 6).

RESEARCH STRATEGY	Form of Research Questions	Requires control over behavioral Events?	Focuses on Contemporary Events
Experiment	How, why	YES	YES
Survey	Who, what, where, how many, How much	NO	YES
Archival analysis (e.g., economic study)	Who, what, where, how many, How much	NO	YES/NO
History	How, why	NO	NO
Case Study	How, why	NO	YES

The purpose of this study is to investigate how non-resident property buyers can obtain mortgage loans in Finnish banks. Due to this, we do not require the control over behavioral events, which rules out *experiments* as a research strategy. Furthermore we want to focus on recent developments within the chosen area, which rules out the *historical* strategy. This strategy is also ruled out due to the fact that Yin (1994) states that this method is suitable only when no relevant persons are alive to report. Yin (1994) writes that *surveys* or the *analysis of archival records* are quantitative in nature, they are furthermore advantageous when the research goal is to describe the incidence or prevalence of a phenomenon or when it is to be predictive about certain outcomes. This leaves us with only one research strategy, *the case study*.

In general, case studies are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context says Yin (1994). Further, Yin (1994) states that the characteristics of a case study is that it provides a realistic description and it makes it possible to investigate many different variables. Yin (1994) further states that the case study is used when investigating contemporary events and the relevant behaviors cannot be manipulated. Using a case study as the selected research strategy means that the researchers investigate a few numbers of objects, like industries and companies, in many dimensions (Saunders, Thornhill & Lewis 2009).

Yin (1994) adds that case study research may be carried out as either single- or multiple case studies. Multiple case studies give the researchers the opportunity to compare, however, less time can be spent on each case. Saunders, Thornhill & Lewis (2009) state that case studies provide detailed knowledge about the problem but it might be difficult to generalize from the conclusions that are drawn.

According to Miles and Huberman (1994) the use of multiple case sampling will add to the confidence of the findings. From investigating similar and contrasting cases the researcher is able to understand the findings from a single case and specify how and where and maybe also why it has this behavior. Multiple case sampling also adds to the validity, precision and the stability of the findings. (Miles & Huberman 1994)

For this study it was found that the most suitable research strategy would be the multiple, contrasting, case study strategy. This is due to the fact that the research questions posed are of “how” character and that the research questions provide the researcher with relatively many variables. A multiple case study needs to be conducted since this would make the findings more robust and it would also make it possible to detect possible similarities and/or differences. In addition, the intention is to investigate a limited number of cases in different dimensions, this in order to receive as detailed and in-depth information as possible from each case regarding area of research. It has now been stated that this research will be a multiple case study, which takes this study to the next step, the data collection.

3.2.3 Research method

There are two types of data collection methods to choose from when conducting research in social science: qualitative or quantitative method (Yin 1993). The most important difference between these two approaches is the use of numbers and statistics in the quantitative approach while the qualitative approach focuses on words. The choice of approach depends on the problem definition as well as on what kind of information that is needed. However, these two approaches can also be combined. (Saunders, Thornhill & Lewis 2009)

Quantitative research is often formalized and structured. It treats the research problem in a broad perspective and aims to make generalizations. The results from quantitative research are assumed to be measurable and presentable in figures. Quantitative research is very much

controlled by the researcher and statistical methods have a central role in the analysis of quantitative information. In a quantitative approach, few variables are studied but on a large number of entities. (Saunders, Thornhill & Lewis 2009)

Qualitative research is used when the purpose of the study is to reach a deeper understanding of the research problem. Qualitative research means gathering, analyzing and interpreting data that cannot be quantified. Central in qualitative research is to reach a deeper and more complete understanding of the data collected and the problem studied. In qualitative research the conclusions are based on data, which are not quantified, such as attitudes and values. Qualitative research is furthermore characterized by a great closeness to the respondents or to the source that the data is being collected from. (Saunders, Thornhill & Lewis 2009)

According to Denzin and Lincoln (1994) qualitative researchers stress the socially constructed nature of reality, the intimate relationship between the researcher and what is being studied, and the situational constraints that shape inquiry. Lincoln (1994) concludes that in qualitative research the answers to questions that stress how social experience is created and given meaning are sought after.

This study will be of a qualitative approach character since the research purpose requires that the phenomenon be studied in depth. This approach is suitable due to the fact that researcher wants to gain a better and deeper understanding of how local mortgage loans can be obtained by non-resident property buyers. The research also demands detailed answers regarding the interviewed organizations on how complicated it is for a non-resident property buyer to qualify for a loan approval.

3.3 Data collection

This section presents the plan of data collection for the research. The first section of this chapter starts out by choosing appropriate sources of evidence for conducting case studies research. The researcher then defines the use of primary and secondary data for the chosen sources. In the second section, the researcher discusses and justifies his selection of an appropriate sampling technique for case studies scenario. He also presents a preliminary list of the representatives of the respondents and provides arguments for their selection.

3.3.1 Sources of evidence

The data collection process for case studies is more complex than those used in other research strategies. If the researcher chooses to conduct a case study he or she needs to maintain, what Yin (1994) refers to as, a methodological versatility. This versatility is not necessarily required when using other strategies. The researcher further needs to follow certain formal procedures to assure quality control during the data collection process. Data for case studies may be collected through six different sources. Yin (1994) proposes that no single source of evidence has a complete advantage over the others. Instead the sources displayed in table 2 complement each other with its individual strengths and weaknesses. Yin (1994) further states that “a major strength of case study data collection is the opportunity to use many different sources of evidence” (1994, 91). The six different sources that are suggested by Yin (1994) will be presented below in table 2 along with the strengths and weaknesses of the respective sources. (Yin 1994)

Due to the fact that this research is a qualitative and not a quantitative case study the researcher is not going to utilize *archival records* as a source of evidence. *Direct observations* and *participant observations* are also ruled out as possible sources of evidence for this case study, due to limitations regarding time and financial resources. Furthermore the researcher does not need insights into cultural features and technical operations, which rules out *physical artifacts* as a source of evidence. This leaves this study with two sources of evidence, *interviews* and *documentation*.

Data may also be divided up into primary and secondary data. Primary data consists of data collected by the researcher and is collected especially to address the specific research objective (Saunders, Thornhill & Lewis 2009). Secondary data is already available since it was collected for another purpose than the present problem by someone else (Aaker & Day 1990). For this research secondary data in the form of documentation and primary data in the form of interviews will be used.

Table 2: Six Sources of Evidence: Strengths and Weaknesses. (According to Yin 1994, 80).

SOURCE OF EVIDENCE	STRENGTHS	WEAKNESSES
DOCUMENTATION	<ul style="list-style-type: none"> ◆ <i>Stable</i>: can be reviewed repeatedly ◆ <i>Unobtrusive</i>: not created as a result of the case ◆ <i>Exact</i>: contains exact names, references and details of an event ◆ <i>Broad coverage</i>: long span of time, many events and many settings 	<ul style="list-style-type: none"> ♣ <i>Retrievability</i>: can be low ♣ <i>Biased selectivity</i>: if collection is incomplete ♣ <i>Reporting bias</i>: reflects (unknown) bias of author ♣ <i>Access</i>: may be deliberately blocked
ARCHIVAL RECORDS	<ul style="list-style-type: none"> ◆ (Same as above for documentation) ◆ Precise and quantitative 	<ul style="list-style-type: none"> ♣ (Same as above for documentation) ♣ Accessibility due to privacy reasons
INTERVIEWS	<ul style="list-style-type: none"> ◆ <i>Targeted</i>: focuses directly on case study topic ◆ <i>Insightful</i>: provides perceived causal inferences 	<ul style="list-style-type: none"> ♣ Bias due to poorly constructed questionnaires ♣ Response bias ♣ Inaccuracies due to poor recall ♣ <i>Reflexivity</i>: interviewee gives what interviewer wants to hear
DIRECT OBSERVATIONS	<ul style="list-style-type: none"> ◆ <i>Reality</i>: covers events in real time ◆ <i>Contextual</i>: covers context of event 	<ul style="list-style-type: none"> ♣ Time consuming ♣ <i>Selectivity</i>: unless broad coverage ♣ <i>Reflexivity</i>: event may proceed differently because it is being observed ♣ <i>Cost</i>: hours needed by human observers
PARTICIPANT OBSERVATIONS	<ul style="list-style-type: none"> ◆ (Same as for direct observations) ◆ Insightful into interpersonal behavior and motives 	<ul style="list-style-type: none"> ♣ (Same as for direct observations) ♣ Bias due to investigator's manipulation of events
PHYSICAL ARTIFACTS	<ul style="list-style-type: none"> ◆ Insightful into cultural features ◆ Insightful into technical operations 	<ul style="list-style-type: none"> ♣ <i>Selectivity</i> ♣ <i>Availability</i>

According to Yin (1989) one of the most important sources of case study information is the *interview*. Saunders, Thornhill & Lewis (2009) state that interviews allow flexibility and closeness to the respondent, which is important in qualitative studies. An interview also allows for in depth information and for the interviewer to follow up the questions (ibid). According to Yin (1994) there are three different types of interviews, these are:

- Open-ended
- Focused
- Survey

Most commonly, case study interviews are of an *open-ended nature*, in which an investigator can ask key respondents for the facts of a matter as well as for the respondents' opinions about events. In some situations, the investigator may even ask the respondent to propose his or her own insights into certain occurrences and may use such propositions as the basis for further inquiry. (Yin 1994)

In a *focused* interview the respondent is interviewed for a short period of time. In such cases, the interviews may still remain open-ended and assume a conversational manner, but the interviewer is more likely to be following a certain set of questions derived from the case study protocol. (Yin 1994)

The third type of interview entails more structured questions, along the lines of a formal *survey*. Such a survey can be designed as a part of a case study. (Yin 1989)

Yin (1994) concludes that overall, interviews are an essential source of case study evidence, because most case studies are about human affairs. These human affairs should be reported and interpreted through the eyes of specific interviewees, and well-informed respondents can provide important insights into a certain issue. Saunders, Thornhill & Lewis (2009) state that interviews can be conducted either in person or by telephone.

For this study interviews are chosen as the main source of evidence. The type of interview that researcher thinks to be the most appropriate is a focused interview. This due to the fact that only limited amount of time with the interviewees will be allowed and that the researchers wants to carry out the interview with questions that had been derived from already existing research on the topics that were found to be of interest. For the interviews an interview guide, which had been derived from the conceptual framework will be used. The questions to be asked though will be of an open-ended nature. For the cases of this study this means that before asking for details, the researchers wants to know what the respondents feel regarding the main topics. More specifically the research questions will be asked primarily and then the researcher will move on by asking about the subtopics.

According to Yin (1994) *documentary* information is likely to be relevant to every case study topic. This type of information can take many forms and should be the object of explicit data collection plans. The different types of documentation are:

- Letters, memoranda
- Agendas, announcements and other written reports of events
- Administrative documents
- Formal studies
- News-clippings and other articles appearing in the media

For case studies, the most important use of documents is to confirm and augment evidence from other sources (Yin 1994). As mentioned above Yin (1994) discusses the importance of maintaining a methodological versatility in order to gain a better quality of the case study. Yin (1994) further states that one of the major strengths of the case study is that it enables the researchers to use multiple sources. Yin (1994) writes that an important clue is to ask the same question to different sources of evidence; if all sources point to the same answer the researcher has successfully triangulated his data. Consequently Yin (1994) calls the use of multiple sources, when conducting a case study, for *triangulation*.

In order to, as suggested by Yin (1994), triangulate evidence for this study; documentation will be used along side with interviews. The documentation to be used will be in the form of written materials.

3.3.2 Sample selection

Saunders, Thornhill & Lewis (2009) argue that selective sampling is used in qualitative case studies and that it involves purposive sampling. Purposive or judgmental sampling enables the researcher to use his own judgment to select cases that will best enable him to answer his research questions and to meet his objectives. This form of sample is often used when working with very small samples such as in case study research and when one wishes to select cases that particularly informative.

On multiple-case sampling, Miles and Huberman (1994) state that by looking at a range of similar and contrasting cases, one can understand a single-case finding, grounding it by specifying how and where and, if possible, why it carries on as it does. Miles and Huberman (1994) further state that by using multiple cases the researcher can strengthen the precision, the validity, and the stability of the “finding”.

Regarding generalization Miles and Huberman (1994) state that the researcher is generalizing from one case to the next on the basis of a match to the underlying theory, not to a larger universe. However if a finding holds in one setting and, given its profile, also holds in a comparable setting but does not in a contrasting case, the finding are more robust. Miles and Huberman (1994) state that how many cases a multiple case study should consist of depends how rich and complex the within case sampling is. For this study the research questions and conceptualization provide the researcher with a rather high complexity for each case. In order to focus effectively and to fulfill the exploratory, descriptive and, the somewhat, explanatory purpose of the research, it is planned that minimum of three cases would be included in the sample.

The sampling of the case studies involves four phases. They are:

- The selection of region(s)
- The selection of industry
- The selection of company
- The selection of appropriate persons to interview

For this study it is believed to be suitable to carry out research in *a single region*. That region is the capital area of Finland, Helsinki. This is due to the fact that sponsor company's headquarters are located in Helsinki and it is the main area of its business operations. Another fact is that company's clients are also mostly interested in the purchasing real estate within the capital area of Finland.

Mortgage industry has been chosen due to the fact that industry deals with the main point of interest of this research – mortgage loans. Within this industry a number of banks has been chosen based on their share of loans given to the public:

Table 3: Finnish banks ranking on mortgage loan shares. (Source: FKL 2011, 3).

1. OP-Pohjola Group – 32.9%
2. Nordea Bank Finland Plc Group – 30.6%
3. Sampo Bank Group – 11.8%
4. Handelsbanken Group – 4.8%
5. Aktia Bank Group – 3.9%
6. Savings Banks (Säästö Pankki) – 3.1%
7. Pop Bank Group – 1.9%
8. Alandsbanken Abp – 1.2%
9. Tapiola Bank Ltd – 0.8%

According to Saunders, Thornhill & Lewis (2009) selecting respondents with the right knowledge about the research area is crucial for qualitative research. The most suitable people to interview for this study will be banks' mortgage loan officers preferably with experience of working with international clients.

3.4 Data analysis

Yin (1994) writes that the ultimate goal of analyzing data is to treat the evidence fairly, to produce compelling analytic conclusions and to rule out alternative interpretations. Yin (1994) writes that before data may actually be analyzed, a researcher using case studies may choose from two general analytical strategies, relying on theoretical propositions and developing a case description. These will be further described below.

Relying on theoretical propositions is according to Yin (1994) the most common strategy. This means that the researcher derives his research questions from previous studies. The data collected is then compared to the findings of previous studies. This strategy helps the researcher to focus on relevant data and to ignore other, not relevant, data.

Developing a case description is according to Yin (1994) less preferable than the use of theoretical propositions. This strategy may serve as an alternative to theoretical propositions when little previous research has been done. (Yin 1994)

This study will rely on theoretical propositions. This is due to the fact that it is desirable, and possible, to derive research questions from previous research and studies. Furthermore it is desirable to compare the data to the findings of previous studies.

When writing about qualitative data analysis, Miles and Huberman (1994) state that the focus is on data in the form of words. These words require, according to the authors, some sort of processing. This processing is itself a form of analysis. Miles and Huberman (1994, 10) have defined data analysis “as consisting of three concurrent flows of activity”.

Miles and Huberman (1994) explain these three stages as follows:

Data reduction: This should not be considered to be separate from analysis, but as a part of it. This reduction of the data is analysis that helps to sharpen, sort, focus, discard and organize the data in a way that allows for “final” conclusions to be drawn and verified. The two authors add that data can be reduced and transformed through such means as selection, summary, paraphrasing or through being subsumed in a larger pattern.

Data display: This stage includes taking the reduced data and displaying it in an organized and compressed way so that conclusion can be more easily drawn. Miles and Huberman (1994) state that good displays are a major avenue to valid qualitative analysis.

Conclusion drawing and verification: In this stage the researcher starts to decide what the different findings means. Noting regularities, patterns, explanations, possible configurations, causal flows and propositions does this. However, Miles and Huberman (1994) also add that the

competent researcher should hold such conclusions lightly, while maintaining both openness and a degree of skepticism.

It is planned to follow three steps suggested by Miles and Huberman (1994) for analyzing data of this study. For each research question data will be reduced via a within-case analysis by comparing empirical findings to the relevant theories. Thereafter data will be further reduced and displayed in cross case analysis by comparing the findings, and detecting possible similarities and differences of the different cases to each other. This will allow to draw certain conclusions and as suggested by Miles and Huberman (1994) to decide what the different findings of the research mean. This will be done by restating each research question and then answering that question based on the findings of this study.

3.5 Validity and reliability

Due to the fact that a research design is supposed to represent a logical set of statements, one can also judge the quality of any given design according to certain logical tests (Yin 1994). According to Yin (1994, 33-35) four tests exist when judging the quality of the design of a research.

These four tests are:

- Construct validity
- Internal validity
- External validity
- Reliability

Construct validity includes the establishment of correct operational measures for the concepts being studied. Yin (1994) writes that there are three tactics available in order to increase construct validity. The first is to use *multiple sources of evidence* during the data collection. The second tactic is to *establish a chain of evidence*. This should also be done during the data collection. The third and final tactic is, according to Yin (1994), to *construct a case study report*, which is reviewed by the key-informants.

For this study, interviews have been chosen as sources of evidence. To establish a chain of evidence is, according to Yin “to allow an external observer-the reader of the case study, for

example to follow the derivation of any evidence from initial research questions to ultimate case study conclusions” (Yin 1994, 98). Throughout this research, citations, to all the sources will be used, will be made. It is also planned to produce a draft report first to be reviewed by a supervisor as well as by fellow academic students before printing final version.

Regarding the most suitable and knowledgeable persons to interview it is planned to establish contact with mortgage loan officers of different Finnish banks. It is also planned to use a tape recorder during the interviews, in order to double-check the answers after the interviews, thus to reduce the risk of wrongly interpreting the answers.

The interviews will be conducted mostly in English language, unless some of the interviewed individuals speak fluent Russian. The researcher is fluent in both English and Russian, which significantly reduces the risk of misunderstanding and translation errors.

Internal validity is used for establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from false relationships. It should be noted that internal validity is a concern only for causal or explanatory studies, where an investigator is trying to determine whether event x led to event y. (Yin 1994) Due to the fact that this study is mainly descriptive, no further consideration has been taken to internal validity.

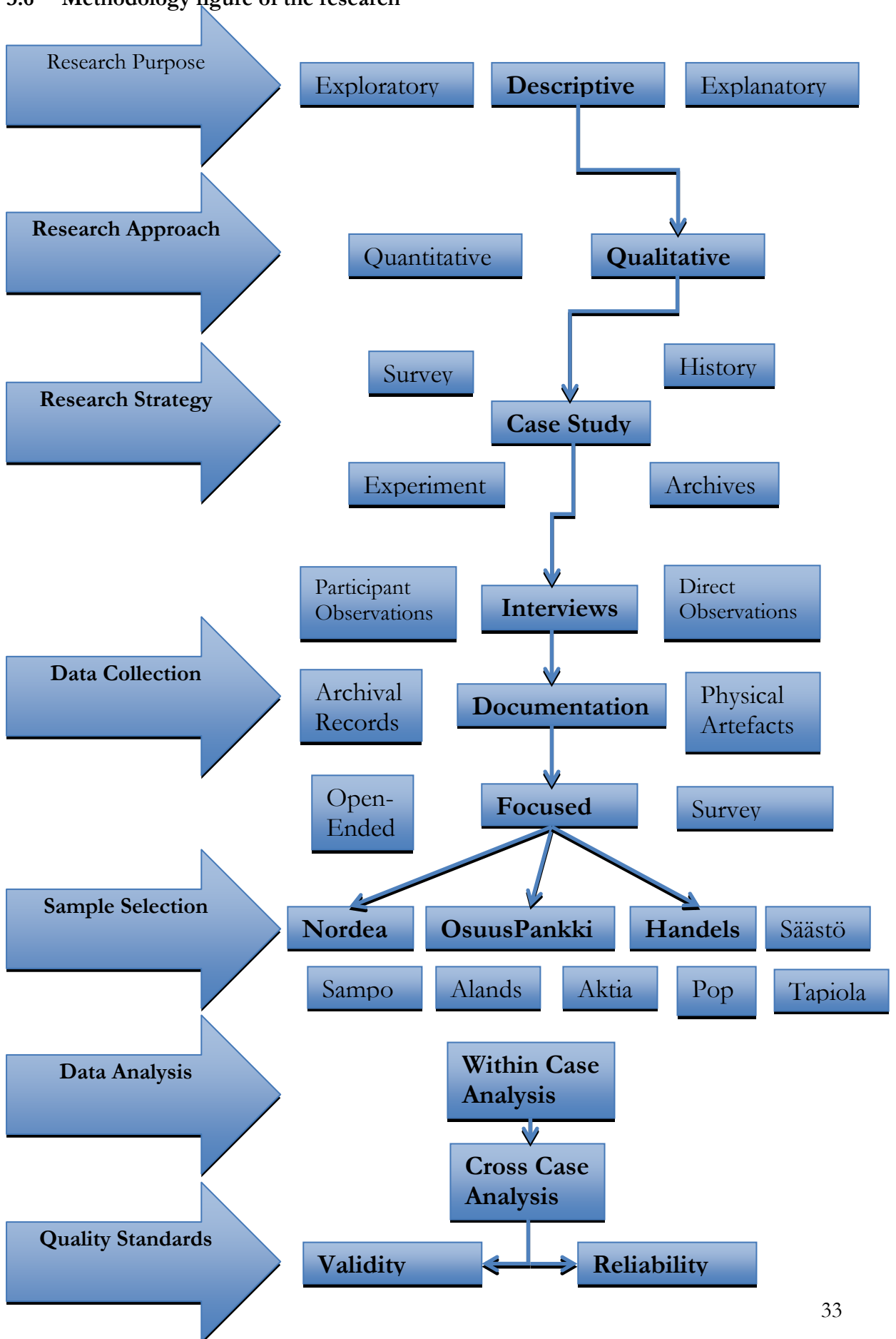
To increase *external validity*, Yin (1994) emphasizes the importance of using replication logic in multiple-case studies. He further states that a theory must be tested through replication of the findings in similar surroundings, where the theory has specified that the same results should occur. Once such replication has been made, the findings can be generalized to a greater number of surroundings. In this research the findings will be tested by the relevant theories.

To conclude the discussion regarding validity it should be noted that Saunders, Thornhill & Lewis (2009) state that validity is defined as a measurement instrument’s ability to measure what it is intended to measure. They further state that a good methodology affects the validity in a positive direction.

Yin (1994) states that *reliability* demonstrates that the operations of a study - such as the data collection procedures - can be repeated. Yin (1994) further states that the objective should be to make sure that, if a later investigator followed exactly the same procedures as described by an earlier investigator and conducted the same case study all over again, the later investigator should arrive at the same findings and conclusions. It is concluded by Yin (1994) that the goal of reliability is to minimize the errors and biases in a study.

In this study the researcher will explain all the procedures taken to conduct the research. It is planned to create an interview guide, which will show how the research questions are conceptualized. It will be used for all of the interviews. The data collected for each of the cases as well as the structure of the study will be made in a way so that following researchers or readers can retrieve any desired material. However, when conducting interviews, personal biases may to some extent be present although an effort will be made to formulate relevant questions that would neither lead nor influence the respondent in any way.

3.6 Methodology figure of the research



4 Data Presentation

In this section the empirical data that has been collected for this thesis will be presented. As discussed in Chapter 3 an attempt has been made to conduct interviews on the topic of this research with at least one branch office of each of the listed banks in table 3 of the same chapter. However, only three out of all contacted banks came forward to help with the subject. The rest didn't even desire to discuss the issue. Those three were: Nordea Bank Finland Plc Group, OP-Pohjola Group, Handelsbanken Group. Each section in this chapter will start out by providing the reader with a short description of an organization that interviewed person works for and his or her responsibilities inside the company. It will then move on to provide the description of the collected data according to the questions on the interview guide. The information on some of those questions has been combined together with answers on the other questions due to provision of short comments by the respondents and to avoid repetition.

4.1 Nordea bank Finland

This section will provide the gathered data on the Nordea bank case. The data presented here is based on the interviews conducted with Ms. M who is responsible for international client relations at Nordea's International branch office on Mannerheimintie 7, Helsinki.

Nordea is the largest financial services group in Northern Europe with a market capitalisation of approximately EUR 35bn, total assets of EUR 622bn and a core tier 1 capital ratio of 14.0%. Nordea has leading positions within corporate merchant banking as well as retail banking and private banking. It is also the leading provider of life and pensions products in the Nordic countries. (Nordea bank 2013)

With approximately 900 branches, call centres in all Nordic countries and a highly competitive e-bank, Nordea has the largest distribution network in the Nordic and Baltic Sea region. Nordea has the largest customer base of any financial services group in the Nordic region with approximately 11 million customers including new European markets, of which 10 million are household customers in customer programmes and 0.6 million are corporate customers. (Nordea bank 2013)

4.1.1 Bank services for foreign clients

According to Ms. M the International branch office of Nordea in Helsinki specializes in dealing with foreign companies and individuals. It is a special group of clients and according to Nordea's management, there should be a specialized department responsible for handling these type of customers. It is difficult for a normal bank representative to deal with foreign clients, as they require special attention. Nordea's international department team has the knowledge and expertise to serve these type of clients with full range of bank's products and services, including mortgage loans. Ms. M also stated that besides their bank's international department in Helsinki there are also other Nordea's branch offices in other regions of the country that can serve foreign clients. In fact, each branch office can make their own independent decisions on their clients as long as they fit into company's main policy.

In the reference to the Finnish law on provision of banking services to the foreign clients Ms. M confirmed that every person living and working in Finland has the right to basic bank services, such as having an active account with debit card for receiving his earnings and making daily payments. As for other types of services such as housing loans it is up to a bank to make a decision on client's eligibility for that type of service. There is a certain qualification process that each customer applying for a housing loan has to go through explained Ms. M. For foreign clients it is the same process as for Finnish citizens. It is just more complicated for bank to verify the facts of the foreign person going through that process since he or she might not have a long history of financial record in the country.

4.1.2 Mortgage loan application process and approval criteria

One of the most important criteria for establishing cooperation with a new foreign client is to get to know him and his financial situation. Normally it is quite easy to perform this task with domestic clients as they have a record of their financial history through annual tax payment records and social security ID. Foreign client do not have such records in Finland and their financial background information is difficult to obtain and verify. In these cases bank requests the client to provide the following documents: income statements from the client's employer, at least previous two years tax payment form and a letter of recommendation from client's bank. All these documents have to be in either of the three languages: Finnish, Swedish or English.

Even then there is a risk for the bank to establish cooperation with such client, stated Ms. M. Banks are looking into long term relationships with their clients to try to provide them with maximum amount of services. “Their plans can change quickly and they can simply disappear leaving the bank to deal with the outcomes. We had a few negative cases where foreign client would suddenly break all contact and disappear leaving the bank to deal with the repercussions” - said Ms. M. “There are certain procedures how to act when this happens however this has a negative effect on the business of the bank”.

Present bank’s policy on foreign private customers is that they have to have a close connection to Finland, explained Ms. M. The best is if they receive their main income in Finland. This gives a bank a good possibility to run financial profile check on client and his employer and make basic calculations for his loan and provide other bank services explained Ms. M. Another possible scenario is that a client has some close relatives, such as a spouse, living permanently in Finland to be a guarantor to the bank.

4.1.3 People involved in the process

Mortgage loan application process is pretty much the same for foreign clients as for Finnish nationals. Any loan officer at the bank may choose to work with foreign clients, explained Ms. M.

4.2 Handelsbanken

In this section, the interview with Ms. N will be presented. Ms. N is responsible for handling private customers at the Handelsbanken branch office in Tapiola.

Handelsbanken is a full-service bank with a nationwide network in Sweden, the UK, Denmark, Finland, Norway and the Netherlands. The Bank regards these six countries as its home markets. Handelsbanken was founded in 1871 and currently has just over 11.000 employees working in a total of 24 countries.

4.2.1 Bank services to foreign clients

Ms. Karin N has already had some personal experience working with non-resident clients from the EU as well as Russia. She began her story with explanation of bank's policy concerning this topic.

“Handelsbanken's goal is to have higher profitability than the average for its competitors”, - said Ms. N. “The goal should be achieved by the Bank having more satisfied customers and lower costs than its competitors”. Ms. N also proudly presented a few strengths factors about the bank: “Handelsbanken has had higher profitability than the average for its competitors for the past 41 years. Since 1989, Handelsbanken has had the highest level of customer satisfaction. Handelsbanken has been the most cost-effective universal bank in Europe for many years. For a long time, Handelsbanken has had a lower loan loss ratio than its competitors.”

Concerning foreign customers Ms. N mentioned that bank has long history and experience providing them with full range of banking services. There is no restriction in the Bank's policy to offer services to a non-national clients explained Ms. N. She believes that their bank is willing to serve any kind of customers as long as there is a potential for both parties. It is just more difficult to getting to know foreign clients. In the following paragraph she explained why.

4.2.2 Mortgage loan application process and approval criteria

According to Ms. N, first the bank needs to establish client's identity. A valid national passport is considered reliable evidence of identity for banking purposes. Besides identification bank requires to establish customer's financial situation to be able to offer appropriate bank services. When a customer applies for a mortgage loan to buy property in Finland the bank requires him or her to fill in the application form, where the customer states his personal and contact details, information concerning the property he intends to buy and his financial situation. The bank also requests documented proof of the information he has entered into his application: copy of his passport, his previous three year income statement from his employer, copy of his tax card, bank statements concerning his own savings and funds and a letter of recommendation from his operating bank. Typically, this is enough to

make a preliminary decision whether the cooperation between bank and the client will go forward. In some cases, the bank may request additional documents and make further investigation into client's financial background and history.

4.2.3 People involved in the process

There are several people involved in the mortgage loan application process explained Ms. N. It typically begins with loan officer who meets the client to help him with his housing loan application. In the next step clients application gets reviewed by a back office professionals. They may request additional information in some instances. The final decision on the loan is made by underwriter who once again goes through a complete application and decides whether or not the bank will lend the money. Ms. N concluded that top management of the bank doesn't usually get involved unless there is a special case of great importance.

Ms. N concluded the interview with an invitation to bring her more customers in the future that she will gladly try to help.

4.3 OP-Pohjola Group

The third interview took place at OP-Pohjola Group's main Päijät-Hämeen region branch office in Lahti with Ms. Else Tapio. This branch office of OP bank has been included into this study because one of the Maxtrade's clients was interested to buy property in that region at the time of conducting the research. Ms. T is the head of financial department at the bank. Her main responsibilities consist of securing and collecting information relating to borrowers, checking statements submitted by them, and she is also in charge of credit files, which contain information on reliability, business habits and financial strength of borrowers.

OP-Pohjola Group is Finland's largest financial services group. It provides its customers with the best loyalty benefits and the most extensive and diversified range of banking, investment and insurance services. The Group has three business segments: Banking, Life Insurance, and Wealth Management. (OP-Pohjola Group 2013)

The member cooperative banks of the OP-Pohjola Group are independent, local deposit banks that are engaged in retail banking. There are some 200 member cooperative banks, their

operational area covering the whole of Finland. Corresponding retail banking operations in the Greater Helsinki area are the province of the OP-Pohjola Group Central Cooperative's wholly-owned subsidiary Helsinki OP Bank Plc. The banks offer modern and competitive banking services to household customers, small and medium-sized corporate customers, agricultural and forestry customers and to the public sector in their area of operations. (OP-Pohjola Group 2013)

4.3.1 Bank services to foreign clients

Regarding foreign clients who do not permanently live in Finland Ms. T stated that their branch office does not have much experience. According to Ms. T there have been only a few cases in the past when a non-resident became a client of their bank. As far as Ms. T could recall those clients were offered basic bank account services and not housing loans. Ms. T stated that there are no special guidelines for working with foreign clients and each case needs to be reviewed separately.

4.3.2 Mortgage application process

Ms. T explained in detail how mortgage application normally works. First the bank officer collects all the necessary information from the client through an application form. The borrower's application form includes applicant's name, address and social security number, housing and employment history, income and housing expenses, assets and debts. It also requires the borrower to fill in the information on property to be purchased and specify the desired share of loan to a deposit ratio. There is also a list of attachment documents that is required to be submitted along with the application form, such as tax records, income statements, bank statements, employer and bank references, addresses and contact information of old employers. The information from the application form is entered into a loan calculator that is used to qualify borrowers. If the customer passes this stage the application is passed to the operations department where it will be further reviewed by other loan specialists.

In the next step the application form will be verified for errors, misinformation, discrepancies and hidden flows that can make borrower a risky candidate for a loan. There is a special person or a team at the bank who check the liabilities a borrower has listed against those on

his credit report. They scan credit history for bankruptcies, foreclosures or history of bills in collection and all kind of deal killers. They also usually ask the employer to confirm borrower's active employment as well as search for debts that client might have disclosed.

A final step to getting an application approved is carried out by the underwriter who weighs the risk of lending money to the customer and decides if it's in the lender's interest. Usually this person works together with people who process your application for errors to help him anticipate what he will need to make a judgment.

4.3.3 Approval criteria

According to Ms. T the main problem with foreign clients is to verify the information they submit in the application form with its actual eligibility. The only way to do so is through documentation. The bank will at least require notarized copies of income statements from the employer, bank statements and tax reports for the last two or three years with an official translation into Finnish or English languages.

At the very end of the interview Ms. T concluded that while she couldn't guarantee any positive results she at the same time believed that it could be worth of trying to apply and see if the application goes through.

5 Analysis

In the following chapter the material gathered for this thesis will be analyzed. As suggested by Miles and Huberman (1994) the data will first be reduced. For this thesis this will be done by a within-case analysis. Miles and Huberman (1994) further suggest that the data should be displayed. The data will be further reduced and displayed in this thesis in a cross-case analysis. The cross-case analysis will be presented in the end of each research question analysis.

5.1 Research Question One: Can a foreign person obtain a mortgage loan in Finland?

According to Ms. H (2013) from Federation of Finnish Financial Services, a non-resident property buyer can also be granted a positive decision concerning a housing loan in Finland. That decision is based on the same principle as for the local citizen. Any person has a right to apply for the loan at a Finnish bank. That person however has to prove his real identity and meet a standard criteria for being able to pay back the loan. There are no other special requirements in Finnish consumer law on provision of housing loans to foreigner customers. The main issue with foreign clients for Finnish banks is the difficulty to identify and know their customers.

5.1.1 Within-case analysis of case 1: Nordea Bank Finland

Nordea Bank Finland has a whole separate international department in the city center of Helsinki, which specializes in dealing with foreign customers. Even though its' main segment group are large international corporations and their employees, the office also deals with individual cases. Ms. M is one of the banks professionals who specializes in dealing with foreign clients. She confirmed that it is possible for a foreigner to obtain an access to banking services in Nordea bank including housing loan. There is no legislation in Finland that prevents a foreigner from becoming a customer of a Finnish bank and enjoying the full range of banking services. However, as Ms. M stated in her interview there is a certain qualification process that each customer foreign or not has to pass in order to be eligible for a housing loan in any of the Finnish banks.

5.1.2 Within-case analysis of case 2: Handelsbanken

According to Ms. N from Tapiola's branch office of Handelsbanken it is possible for a foreign person to obtain a mortgage loan in Handelsbanken. Ms. N has personally taken care of several foreign clients' cases where they would require a housing loan from the bank to purchase property in Finland. She mentioned that bank has no restriction in its business and operations policy to service non-national clients. Ms. N explained that Handelsbanken requires to establish its customer's identity with a valid formal document such as passport and be able to prove the reality of information submitted in the application which is used to apply for a housing loan.

5.1.3 Within-case analysis of case 3: OP-Pohjola Group

Ms. T from Päijät-Hämeen Osuuspankki, which is a part of OP-Pohjola Group stated that in her opinion it would be possible for a foreign person to obtain a mortgage loan from OP bank. Even though, she did not refer directly to any existing law on this topic, she believes that if a client can provide enough reliable information to justify his credibility than a housing loan can be granted. Ms. T's branch office didn't have experience in the past with going through the procedure of providing mortgage loan to foreign property. It did however offer other basic banking services to the foreign clients, including the cases where a foreign client would have to open Finnish bank account in order to transfer his savings to buy property in Finland.

5.1.4 Cross-case analysis of research question one

Data analysis is the process of moving from raw interviews to evidence based interpretations that are the foundation for published reports. Analysis entails classifying, comparing, weighing, and combining original material to extract the meaning and implications, to reveal patterns, or to stitch together descriptions of events and processes into a coherent narrative. Researchers construct from their analysis informed, vivid, and nuanced reports that reflect what the interviewees have said and that answer the research question. (Rubin & Rubin 2011, 201)

Researchers in qualitative analysis use their memory and intuition when approaching the data, but memories may be flawed and intuitions misleading. Research involves careful examination of transcriptions on the basis of systematic coding. Regarding coding, Miles and Huberman (1994) state that there is an option to divide codes into a number of different schemes. One of these schemes is according to Miles and Huberman (1994) called *perspectives*, which involves ways of thinking about the setting shared by informants (“how things are done here”). For this thesis the research questions have revolved mainly around topics that fit under the “how things are done here” category. It has been possible to detect certain patterns that explain differences and similarities found in the different cases of this research. They are presented in the discussion below.

Regarding the possibility of obtaining a mortgage loan in Finland by a non-resident person the three cases show a conformity in the sense that they all knew or felt that such possibility exists. Ms. M from international department of Nordea’s bank in Helsinki stated in her interview that she had worked with such clients. However, she added that a person would have to have a “close link” to Finland. Meaning he needs to have either a stable income in Finland or have a close relative living and working in Finland who can be a guarantor for his relative’s loan. Ms. N from Handelsbanken Tapiola also had some instances of working with foreign clients and she confirmed that it is possible for them to obtain a housing loan. She explained that the main issue for her bank is to find out and confirm client’s ability to pay back the loan. Ms. T from OsuusPankki in Lahti didn’t have experience working with non-residents yet. However, in her interview she stated that she believes if a foreign client can supply credible evidence of his sound ability to repay the loan and afford his normal living then a positive decision from their bank could be given.

5.2 Research question two: which banks currently operating in Finland provide housing loans to foreign buyers?

For this research, an effort has been made to try and contact main head offices of each of the major banks currently operating in Finland. There are nine major banks that have been identified in this study and they are mentioned in Table 3 in chapter 3.5 of this thesis.

As stated by Ms. M during interview each Nordea’s bank office shares a common client policy. However, each office has an ability to make their own decisions concerning their

clients as long as they fit into the general policy. According to Ms. H (2013), there are no special conditions stated in the Finnish law that would restrain non-residents from applying for a mortgage loan in one of the Finnish banks. However, just like the locals they need to prove to be eligible for the loan. And since a foreigner doesn't have the same means as local citizen to prove his credit worthiness simply because he or she doesn't have income and tax history records in Finland the bank can deny their application. On the other hand, banks that do have the means and knowledge of obtaining such information from the foreign client are also acting according to the law. In other words, banks can decide on their own whether they wish to spend more time and effort investigating foreign clients in order to grant them access to their services. This means that each bank's office can have a different approach to working with foreign clients.

From this study it became apparent that most of the banks will not cooperate with non-residents. The goal was to find out at least one office in Helsinki area that would be willing to work with such clients so that Maxtrade Oy could bring their clients to this bank in the future.

After numerous calls to different bank offices in Helsinki region, only two have agreed to an interview on the research subject. One more bank has been interviewed from Lahti region. In the following sections, these three cases will be analyzed whether they answer to the research question number two.

5.2.1 Within-case analysis of case 1: Nordea Bank Finland

Ms. M stated that their branch office deals specifically with foreign companies and private individuals. She also mentioned that other offices of Nordea bank across country might be cooperating with foreign customers. She mentioned that bank's international department is located in Helsinki because most of the international companies are located in that area. On the issue of other banks granting loans to foreign clients Ms. M did not comment because she didn't have any knowledge of that. Further in her interview Ms. M stressed the importance of foreign client having a close link to Finland in order for him or her to gain an access to full range of banking service. This however will be discussed in the analysis of the following research question.

5.2.2 Within-case analysis of case 2: Handelsbanken

Ms. N confirmed that Handelsbanken grants housing loans to foreign customers. She explained that same bank's policy concerning mortgage loans applies to foreign nationals as to domestic clients. If one can prove the bank to be an eligible and reliable client than a positive decision on the loan can be granted to that customer, said Ms. N. She has personally handled several such cases in the past and most of them have been successful. Ms. N mentioned again that it is a common bank's policy and such decision can be granted in other branches across the country depending on the location of the property that the client is interested in. She did not say whether other Finnish banks are as willing to cooperate with foreign clients.

5.2.3 Within-case analysis of case 3: OP-Pohjola Group

Ms. T mentioned that their branch office didn't have experience yet working on the issue of mortgage loans with foreign property buyers. However, she also stated that they have opened basic bank accounts for a few foreign customers. She couldn't tell for sure whether a housing loan application from a non-resident would be approved by their bank but one has a right to apply and find out. Ms. T didn't have a say on other banks' practices concerning this topic.

5.2.4 Cross-case analysis of research question two

All three interviewers had a positive opinion concerning foreign clients being able to obtain mortgage loan at least from those offices where interviews took place. Ms. M from Nordea bank and Ms. N from Handelsbanken both had personal experiences working with such clients in the past. They did stress however the importance of being eligible and trust-worthy client in order to qualify for the loan. Ms. T couldn't say for certain if it would work in their bank but she invited one such client to try because she believe it could work.

So far it is possible to say that these interviewed banks are interested in cooperating with foreign clients. However, there is still another important topic of concern for foreign clients seeking to obtain a mortgage loan from a Finnish bank. In the next research question analysis loan approval criteria will be investigated.

5.3 Research question three: Mortgage loan approval criteria

In this section of analysis the last of the research questions is analyzed. We take a closer look at the difference in approval criteria for foreign property buyers trying to obtain a housing loan from a bank. It is done in the same manner as in the previous parts of the analysis. First, each of the cases is reviewed separately and then it is compared for similarities or differences in cross-case analysis.

5.3.1 Within-case analysis of research question three: Nordea Bank Finland

According to Ms. M there are two major factors that contribute to positive decision making from their bank on the housing loan to foreign property buyers. The first one, which by the way also applies to domestic clients, is to be financially eligible for the loan. What that means is that a client must have enough of personal funds saved up for down payment, a steady form of income and a good credit record history, explained Ms. M. These three elements have to be in the correct proportion to the value of the property. The information collected on these subjects is done through a bank's application form for housing loan. To confirm the reliability and validity of the information submitted in the application form the bank demands the following: income statements and tax payment forms for the previous two years and a letter of recommendation from the customers current operating bank. All these documents have to be officially translated into Finnish, Swedish or English languages. The bank may conduct further investigation of the client's credibility by calling his employer for example.

The second decision-making factor as stated by Ms. M is to have a close connection to Finland. In best case scenario the client needs to be living in Finland most of his time, to be receiving his income and paying taxes in Finland. That way the bank can easily gather and analyze the financial information of the client, explained Ms. Majander. Another option is that a client has a close relative, such as a spouse constantly living in Finland who can be a guarantor for the loan of the client in case he doesn't permanently reside himself inside the country. In any case, the client must have some sort of close link to Finland in order to be approved for the housing loan.

5.3.2 Within-case analysis of case two: Handelsbanken

Ms. N explained that an application process for housing loan requires a foreign client to submit:

1. loan application form;
2. customer's identity form;
3. income statement;
4. information about the property

This is enough for the preliminary approval stage said Ms. N. At this point he may be either given a positive preliminary decision if his information meets the bank's requirements or a negative. In some cases the client can be asked to submit more official documents to verify his data in the application stated Ms. N. After this stage the client can begin negotiations concerning the property acquisition with the Seller meanwhile the bank prepares for the final decision. Usually if the information given to the bank in the application form is correct and reliable there will be no problems with final decision, explained Ms. N.

She also reminded in her interview that each branch office of the bank operates within the limits of its region. Their bank's office in Tapiola is only responsible for capital area.

5.3.3 Within-case analysis of case three: OP-Pohjola Group

According to Ms. T she believes that in order for a foreign person to qualify for a housing loan from their bank the client needs to have:

1. an application form that meets the requirements;
2. a collateral to guarantee the loan and;
3. stable income in a proportion to a loan.

Ms. T mentioned that a problem with foreign clients comes when verifying their identity and financial information. The only to do it is to inquire the client for documented proof. This includes:

1. copy of his tax card;
2. income form and;
3. preferably a recommendation letter from his operating bank.

All of these documents have to be officially translated into Finnish or English.

Ms. T didn't mention if the source of client's income has to be in Finland. Neither did she guarantee that even if the information in the application form meets the requirements a positive decision concerning the housing loan will be granted. This was only her personal opinion and she believes it is worth a try.

5.3.4 Cross-case analysis of research question three

Deriving from the analysis of three individual cases a common criteria for obtaining a housing loan by a foreign property buyer in Finland emerges. It consists of *loan application form* and related attachments that validate person's identification and financial status. Any bank needs to establish its customer's true identity and verify that he provides accurate and reliable information. This is done by requesting from the client an *official identity document* such as *passport* and his *financial records* such as *tax form* and *income statements* for the previous two years. Another beneficial to the application process document but not required by all banks is *letter of recommendation* from the client's currently operating bank concerning his credit worthiness.

On top of this common requirement Nordea bank in Helsinki requires a client to have a close connection to Finland. A person will either have to have main income in Finland or have a close relative who lives and works in the country to be his guarantor for the loan. Even though this specifically concerns Nordea's branch office on Mannerheimintie 7 in Helsinki, it is most likely to apply to other offices across the country as stated by Ms. M.

Ms. N from Handelsbanken Tapiola stated that an application form with all the necessary attachments is usually enough to make a preliminary decision concerning the loan. The most important is that the information submitted by an applicant meets the bank's criteria.

According to Ms. T it is worth a try to simply submit a loan application form with all the required set of documents to her branch office of OsuusPankki in Lahti and if the information in the application meets the bank's requirements a client could expect a positive decision concerning a housing loan. This is only according to her personal opinion and the experience working with domestic clients only.

6 Conclusions and implications

In this chapter an attempt will be made to answer the first three research questions. This chapter will further provide the reader with the conclusions drawn based on the theory and the analysed data. At the end of the chapter implications for management, theory and future research will be presented.

6.1 Housing loans for non-residents in Finland

Ms. H from Finnish Federation of Financial Services stated that it is possible to obtain a housing loan for a foreign person in Finland. The empirical data gathered in this research showed that all three of the respondents also confirmed that statement.

However, while trying to collect an empirical data an attempt has been made to contact and schedule an interview with at least one main office of all the biggest banks in capital area of Helsinki. Most of them turned this request down with a short and simple answer that they do not provide housing loans to foreign nationals who do not live and work in the country. Thus the research indicates that obtaining a mortgage loan from a Finnish bank is possible for a foreign national only in a few banks.

6.2 Banks that offer mortgage loans to foreign clients

Ms. H in her e-mail stated that from the legal point of view there exists no real limitation for the Finnish banks to serve foreign clients. The only criteria is that banks must establish their client's identity and the origin of their money. When serving Finnish clients banks have a standard procedure how they verify their clients. By knowing customer's social security number banks can gain access to customers' identity and their financial records. Such procedure is not possible with foreign clients because they do not have Finnish social security ID. Thus it falls outside the common practice and banks may choose to deny providing services to these clients.

However, some of the banks do have the knowledge and experience in dealing with this type of clients. There are other ways how to obtain credible ID and financial information verification of the client. Customer's identification can also be established through his

passport, which is an official document recognised internationally. As for financial records banks usually require copies of customer's income and tax forms for the previous couple of years. These documents need to be officially translated into English or Finnish languages. In some cases bank may also ask for a letter of recommendation from the customer's operating bank.

The decision to cooperate with foreign clients lies entirely on the bank since it is not prohibited by law nor it is compulsory for the bank. In many cases each branch office of the bank can make independent decisions concerning their clients. This means that one office of Nordea for example, can choose to cooperate with the client while the other can choose not to. The scope of this research was to find out whether at least one bank in the capital area of Finland will cooperate with foreign clients on the subject. It was not in the objectives of this study to go through every single branch office of every single bank in Finland. It is clear from the research that most of them however will not work with non-residents.

Furthermore, those banks that will choose to cooperate also have their own approval criteria for clients to qualify for the loan. The differences in approval criteria are further discussed in the following section.

6.3 Approval criteria

Based on the information obtained from the interviews, in order for a borrower to qualify for a housing loan he has to prove the bank that he is financially able and responsible enough to repay the loan. He needs to have enough money for the down payment and have at least two years of sufficient income records. The amount of down payment and monthly income have to be in the correct proportion to the loan amount. This is a general criteria that every client has to go through. Non-residents have to be ready to present evidence of this information through official documentation that has been discussed in the previous section. On top of that some banks may require additional security.

As with the case of Nordea bank in Helsinki, a foreign client, besides being financially eligible to take a loan must also have a close relation to Finland. This means that either his main income has to be originating in Finland or he needs to have a close relative who lives and works in Finland as his guarantor for the loan.

In case of other two respondents: OP in Lahti and Handelsbanken in Tapiola there are no additional requirements to the general criteria mentioned previously. Most important is to have a good application with all the necessary documents that need to be attached and officially translated into Finnish or English. According to Ms. T from OP bank in Lahti their branch office is willing to cooperate on the subject however they lack previous experience on the issue and the outcome cannot be guaranteed. Ms. N from Handelsbanken in Tapiola on the other hand has had already non-resident clients in the past who successfully obtained housing loan from their bank. This leads to a conclusion that Handelsbanken in Tapiola would be a top choice for foreign clients to go to when seeking a housing loan to buy property in Finland.

6.4 Implications

In this section of this thesis, recommendations which are based on the findings of this research are suggested to the management of Maxtrade Oy. The reader will also be provided with implications for theory and future research.

6.4.1 Implications for the management

This study has investigated how a non-resident can obtain a housing loan from a bank in Finland. The findings of this research indicate that it is a rather challenging and delicate topic. While it states in the law that each and every person local or foreign can apply for a loan, the banks have a right to make a final decision whether it will be approved or not.

To approve a mortgage loan application banks need to collect enough proof that a client is financially eligible. That proof consists of establishing customer's true identity and acquiring his financial data. In Finland a common practice for the banks to acquire this information is to obtain a Finnish social security ID from the customer. Such ID holds access to both customer's identity as well as his historical financial records. A client has to be financially eligible to pay back his loans and afford his living.

This research has revealed that most of the banks in Finland will not consider non-residents applications for the housing loans due to them not having a Finnish social security ID.

However, this study has also found out that some of the banks will accept other forms of client verification besides Finnish social security ID. Another credible way to prove the bank person's identity is through that person's passport, which is considered an international recognized document of identification. Client's financial data can be established through documented proof, such as income and tax statements translated into Finnish or English languages. Some banks may require additional proof on top of this basic set of documents.

In the conclusions of this study it was stated that it would be best for a non-resident to seek assistance on mortgage loan in Finland from Ms. N at Tapiola's branch office of Handelsbanken. She has past experience and knowledge in dealing with this matter. However, her branch office only covers the capital region of Finland that consists of Helsinki and two adjusted satellite cities: Espoo and Vantaa.

If a foreign person is looking to buy property elsewhere in Finland he needs to apply for the loan at banks in that region. This research has also investigated Lahti region as there was an interest from one of the company's clients to buy property in that area with the use of local mortgage loan. Ms. T promised to assist on this topic even though she didn't have past experience with this issue.

Ms. M from Nordea's international department in Helsinki said that their office requires extra security from foreign clients in a form of having a main income originating from Finland or having a close relative who lives and works in Finland as a guarantor for the loan. Obviously, this will not suit most of the Maxtrade Oy clients as they do not fit into that requirement.

6.4.2 Implications for theory

The overall purpose of this study was to gain a better understanding of how can a foreign person obtain a mortgage loan from a local bank in Finland. In order to fulfill this purpose a legal aspects of this issue has been investigated and compared to common practices in the industry. In order to make such comparison researcher has made contact with local financial authorities and representatives of the banking sector. During the investigation other issues such as qualifying for the approval criteria have been explored. When the empirical data was analyzed and conclusions were drawn these issues were explained to the reader and by doing so this thesis has reached its purpose.

6.4.3 Implication for future research

This research has not covered all the aspects of obtaining a mortgage loan by a non-resident in Finland. The topics that would be of interest for further research include:

- Evidence of this research pointed to the fact that each branch office of the bank can make an independent decision whether to cooperate with non-resident client or not. Even though most of the banks in Finland would not go for such cooperation there are few that will. This research has only covered a fraction of bank offices located in or near capital area of Finland. Due to this it would be of interest to see research carried out in other parts of Finland as well.
- During the research process a new potential route to obtain mortgage loan by non-resident was uncovered but not explored. A foreign person can become a shareholder of a Finnish company and purchase real estate as an asset for the company. This would make loan application process easier and probably more successful. Another issue in this scheme is of course how to transfer company asset to private property later on. But this is a delicate topic and needs more investigation in a new research.

7 New Service Development

In this final chapter of the report the fourth research question will be answered, which is: “How can Maxtrade Oy benefit from the information obtained from the conducted study?” The answer to that question is to develop a new service that will enhance company’s capabilities. But what is the right way and strategy for achieving this task? It is important at this point to remind the reader that Maxtrade Oy is a small sized, family type of business. We can’t discuss service development strategies for a small company without recognizing that they differ significantly from large enterprises, and most of the existing research in this area was developed from studying the latter. So how the new service is actually developed in real life in a small company? This chapter of report will first investigate relevant literature for existing methods and models that are typically applicable to developing a new service in a small company and then describe how it actually happened inside the Maxtrade Oy. The chapter concludes with comparison of Maxtrade Oy practices to the context of existing research in the field.

7.1 Literature review

Although Rathmell (1974, 32-35) asserted that new services just happen, it would seem that most researchers with an interest in service development have sought to establish that such spontaneity is not the case, and that services are actually developed through organized and structured development processes (Bowers 1989 15-20; Booz et al. 1982; Scheuing and Johnson 1989, 25-33). Indeed, some studies have claimed that the use of more formal and structured processes leads to the development of more successful services (Edgett 1996, 507-515; Johne 1994, 41-46; deBrettani 1991, 33-59).

Nevertheless, despite the preponderance of research in support of the importance of such formal and structured processes, several authors have questioned whether most service development is really conducted in this way, and whether the notion of a formal and structured development process might often be a theoretical rationalization that has been retrospectively imposed on the actual process (Akamavi 2005, 359-378; Bowers 1989, 15-20; Edgett 1996, 507-515; Johne and Storey 1998, 184-251; Martin and Horne 1993, 48-64; Stevens and Dimitriadis 2004, 1074-1084). In particular, questions about the existence of formal and structured processes have been raised with regard to smaller organizations with

fewer employees. As Hoffman (1998, 39-40) observed, small companies - do not necessarily innovate in formally recognized ways.

According to Gottfridsson (2001), there are several reasons why smaller organizations are more inclined to work in informal and unstructured ways in all of their business processes, and even more so when it comes to the development of new services. First, given that many small companies are under the control of only one person, the owner–manager, whose personality and skills largely determine how the firm is run (Sweeney 1987; Burns 1996; Storey & Sykes 1996), it is likely the personal characteristics of the dominant individual will also have a significant influence on the way in which service development is conducted in such companies. Secondly, small companies commonly exhibit greater closeness and informality among major stakeholders (managers, employees, and customers) than is the case of larger firms (Rothwell and Zegveld 1982, Rothwell 1983, 19-29), which facilitates flexibility in the conduct of business and the generation of new ideas. Thirdly, because small enterprises tend to have fewer internal resources (both financial and knowledge-related), they need to cooperate with external operators to a greater extent than larger firms (Rothwell and Zegveld, 1982; Rothwell 1993), which is likely to influence the way in which service development is conducted (compared with firms that have the required resources available within the enterprise).

7.1.1 Linear service-development models

A large number of more-or-less structured models have been proposed from various perspectives to describe how services are developed. In general terms, these models can be categorized into three broad groups (Johnson et al. 2000). The first group of models, the so-called “partial models”, focus on particular aspects of the service development process - such as how to generate ideas (Kristensson 2003) or how to involve customers in the development of services (Sandén 2007; Matthing 2004). The second group of models, the so-called “translational models”, draw on alleged similarities between the development of new products and the development of new services; an example is the “Booz–Allen–Hamilton” (BAH) model (Booz et al. 1982). Finally, the third group of models, the “comprehensive models”, seek to provide a holistic view of the service development process (Johnson et al. 2000).

A common characteristic shared by most of the models in all of these categories is that they purport to describe a sequenced and structured approach to the development of new services. For example, Scheuing and Johnson's (1989) detailed model consisted of fifteen sequential steps describing how services are (or should be) developed.

Other authors have proposed models that adopt non-linear approaches (of one sort or another) to describe how services are developed (Johne and Storey 1998). However, even if they are less rigidly sequential than earlier models, it is still possible to identify at least three (rather broad) phases of service development in these models (Lievens et al. 1999, 24-37):

1. **Planning:** pre-development activities; idea generation and screening; preliminary market and technical assessment; market research; financial and business analysis; and concept development and evaluation;
2. **Development:** service design; process development; and in-house service testing by customers and frontline staff; and
3. **Market launch:** marketing and training of frontline staff; and marketing to the customer.

During the first phase, *the planning phase*, the idea for the new service is generated and evaluated. Important actors in this phase are said to include both the customers (Pitta & Franzak 1996, 66-81; Von Hippel et al. 1999, 3-9; Herstatt & Von Hippel 1992, 213-221; Berry & Hensel 1973, 26-40) and the frontline staff (Edvardsson et al. 2000; Sundbo 1997, 432-455). Although many authors have contended that the idea-generating process should be conducted in a structured and formal way (Edgett 1996; Johne 1994; de Brentani 1991), the reality is that the generation of ideas is seldom conducted in this manner (Bowers 1988). In particular, there is evidence that ideas are seldom formally generated by customers and/or frontline staff; rather, most ideas appear to come from competitors and/or from complex internal processes within the company (Edvardsson et al. 2000). Indeed, as Smith and Fischbacher (2005, 1025-1048) have observed, it is often difficult to establish exactly where a particular idea has actually come from, with most ideas apparently being generated from various encounters between a variety of actors with different kinds of knowledge and perspectives.

In the second phase, the **development** phase, the previously generated ideas are refined into a service for the market. This extensive phase includes the development of the service concept, the service system, and the service-delivery processes (Edvardsson et al. 2000).

The final phase, the **market launch** phase, is concerned with how the services are to be actually introduced to the market.

7.1.2 Non-linear service-development models

The picture presented by all of the models described above suggests that it is of great importance for successful service development that the work is conducted in a formal, structured, and planned way (Edgett, 1996; John 1994; de Brentani 1991). However, several authors, including Edvardsson et al. (2000), have claimed that the empirical evidence for the existence of such formal structured processes is weak; in other words, it is doubtful whether the models describe how service development is really conducted in companies in the real world. According to these critics, real service-development proceeds in a much more informal manner; indeed, it could be said that formal development processes might actually impede the creativity needed to develop successful new services.

John and Storey (1998) have also contended that service development is really conducted in a relatively informal manner. According to these authors, the final design of the service actually takes place in the unique interaction between an individual provider and an individual user - which means that the final outcome of any process of service development is not ultimately dependent on a prefabricated, detailed, and fixed service concept. From this perspective, the appropriate outcome could be described as the vital issue for consideration in developing a given service, rather than focusing on the development of a fixed service design for that service (Edvardsson 1997, 31-46). This is especially true in the case of personalized services that are created to solve specific problems by utilizing the skills and knowledge of both the service provider and the customer (Sundbo 1997). It is apparent that formal standardized service routines play a minimal role in the development of such services; indeed Sundbo (1997) has described service development as an ongoing search in which various solutions are tested by a process of trial and error and learning from experience. In these circumstances, the service-development process essentially involves gathering information and transforming knowledge to form consumer-specific service concepts, routines, and delivery systems

(Sundbo 1997). Similar conclusions have been drawn by, among others, Bowers (1989), Martin and Horne (1993), and Edgett (1996) - all of whom have demonstrated that service-development work is rarely undertaken as a formal process.

In response to such critiques of the traditional models, Johnson et al. (2000) have proposed a model that describes service development as a reiterative and non-linear process that is more akin to a “development cycle” than a sequential program. This “development cycle” represents the intersection of two phases, which can be characterized as “planning” and “execution”. As shown in Figure 1, the first phase of the development cycle, the planning phase, consists of two sub-phases called “design” and “analysis”. Activities in these sub-phases include formulation of the service-development strategy, generation of ideas, development of the service concept, and analysis of the new service from a commercial perspective. In the second phase of the cyclical process, refinement of the service takes place in two sub-phases called “development” and “full launch”. This model thus proposes that service development proceeds in a continuous cycle, in which the various phases of the process overlap and continuing development is derived from the experience gained from previous phases.

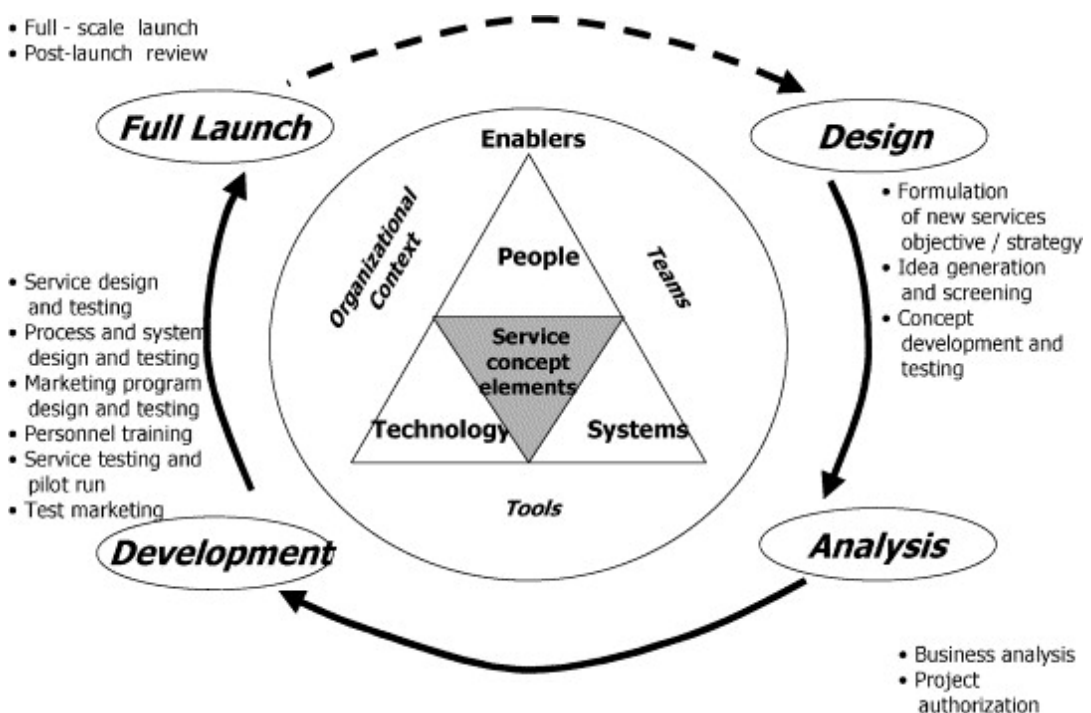


Figure 1: The NSD process cycle. (According to Johnson et al. 2000).

7.1.3 Central themes in managing service innovation

In an extensive review of the literature on service innovation, Schilling and Werr (2009) identified a number of central themes that require attention in managing the service-innovation process. Four of these themes are especially relevant to the present study:

- * managing a network of relationships;
- * formalizing the innovation process;
- * involving customers and front-line employees; and
- * creating a climate for innovation.

Each of these themes is discussed below.

Managing a network of relationships

Just as cooperative interaction among various actors has been posited as vital to a successful service offering (Grönroos 1990), such collaboration is essential to the service-development process itself (Johnes & Storey 1998). Indeed, Schilling and Werr (2009) have contended that successful innovative service firms must see themselves as part of an innovation network in which they interact to exchange resources, knowledge, and ideas with various actors in their environment, such as customers and innovation partners. To manage such a network, these various actors must be involved in a way that facilitates communication and creates a climate in which actors feel motivated to contribute and be creative. In a similar vein, Stevens and Dimitriadis (2004, 1075) have described the process of new service development as: ... a cooperative, interactive, [but] not very formalized process involving actors from different departments of the company ... [whereby] the organizational structure, the communication networks, and the working processes are transformed ...

Formalizing the innovation process

Several authors have suggested that a formalized service-development process enhances innovation (Edgett 1996; Johnes 1994; de Brentani 1991). Such a process is said to ensure a more predictable and manageable process that facilitates new service development.

The nature of any such formalized process is contextual—depending on such factors as the size of the firm, the nature of the service, the service sector, and the customers. Moreover, there is evidence that formalization of the innovation process occurs much less frequently in

service firms than in manufacturing firms (Bowers 1989; Martin and Horne 1993; Edgett 1996). Indeed, Edvardsson (1997) has even argued that formalized processes have the potential to hamper the creativity needed for developing successful services.

Involving customers and front-line employees

Successful innovation is likely to be enhanced if a firm acquires external knowledge (such as that from customers and competitors) to complement its own internal knowledge acquired through incremental learning. In this regard, it has been argued that one way to acquire such external knowledge in support of service innovation is to recruit and retain experienced and insightful frontline employees who have been exposed to customer needs and can thus bring valuable knowledge into the organization (Leiponen 2005, 185-203). However, to achieve maximum benefit from these front-line employees, it is necessary for them to be released (at least to some extent) from their ordinary day-to-day tasks in order to spend time on the innovation process.

It would also be logical, at least in theory, to acquire such external knowledge by directly involving customers in the service-innovation process. As Edvardsson (1997, 33) has noted: “Attractive and customer-friendly services emerge from a dialogue with competent and demanding customers”. However, there is some evidence that the new service ideas suggested by customers tend to be generally less feasible to produce (Magnusson et al. 2003, 111-124), and although it would seem that customers can be a valuable source of information (Abramovici & Bancel-Charensol 2004, 56-78), the reality is that they are seldom much involved in the service-development process (Edvardsson et al. 2000; Sundbo, 1997).

Creating a climate for innovation

Several studies have argued that the “right” organizational climate can facilitate innovation by fostering creativity, idea generation, and knowledge sharing (Mascitelli 2000, 179-193).

However, actually defining and implementing the “right” climate is more difficult to achieve in practice than in theory.

7.2 New service development process at Maxtrade Oy

The process for new housing loan assistance service development at Maxtrade Oy began almost nine months ago from the point of writing this paper. It was sometime in the end of winter of 2013 when yet another customer was interested in obtaining a mortgage loan in a Finnish bank with local interest rate to purchase a two-bedroom apartment in Helsinki for his personal use. In fact, it was his main prerequisite for purchasing real estate in Helsinki. Without local financing the client was not willing to make such an investment because he simply didn't have enough of his own private savings and taking a loan at 18% annual interest at his servicing bank in Russia was not a reasonable deal for him. Thus it became a dilemma for Maxtrade Oy, as not helping this person upon his request meant losing yet another client and this has already happened in the past. On the other hand if the company could figure out a way how to obtain a mortgage in one of the local banks for a non-resident it would not only make a deal possible but the company could also charge a premium on the extra service. While this new service was being tailored the client was informed that it could take a few months' time to find a solution to his problem. He didn't object and stayed on board patiently waiting to receive positive news.

What happened next was that the manager who was in charge of the client brought the subject of local financing to non-residents to the members of the board of the company. This was done in an informal way without any special meeting just in a basic conversation manner during the free time when key company persons were available from their daily tasks. The idea was positively reviewed and that same manager was assigned with the task to procure for more information on the subject and see if it could lead to any real possibilities.

7.2.1 Planning

Then began what could be called a planning stage of new service development process. The first priority was to actually find out whether there exists local financing to non-residents. This required conducting a detailed study on the subject, which became a foundation of the planning stage for without it the rest of development process would not be possible. Due to the limited financial and intellectual resources of the company, the study was conducted by the same one person in charge of the entire process. Since there were no other employees

involved in the process there was no need for formalizing and structuring it. This way the researcher had the flexibility to adjust these new tasks to his other daily duties.

The study has been conducted and is described in detail in the first section of this entire report. It has been done in more formalized and structured way since this research has two ultimate goals: to benefit the company and follow master thesis guidelines of Haaga-Helia's University of Applied Sciences. The purpose of the study was to find out how and on what kind of terms could a mortgage loan be acquired in a Finnish bank by a non-resident. The research didn't investigate customer market because it was evident from the company's experience that a decent portion of company's clients was in fact interested in obtaining local mortgage loans to purchase real estate in Finland. The study didn't go into detail describing mortgage industries in Russia or in Finland either but only briefly covered most important aspects such as differences in interest rates in the report. The study generated some positive results which enabled NSD process at the company to proceed.

7.2.2 Developing

The next stage was to design a service based on the knowledge acquired during the study. This could be categorized as a development phase of NSD. The same manager has created a concept for a new service and shared it with another front line employee as well as board members of the company. It was discussed and approved with few minor changes. It has also been documented for the purpose of this report as well as to serve as a guideline for any new additional company members. It can be found in the appendix 1.

As soon as the new service concept was formalized and approved it was offered to that same customer who initiated this whole process. After signing the necessary contracts on service terms the customer was given a list of documents that would need to be assembled for mortgage loan application. After that was done, the manager from Maxtrade Oy together with the client went to Handelsbanken in Tapiola to see Ms. N for a personal meeting. Ms. N has quickly gone through the client's application form as well as the set of attached documents and took it in for its further investigation by the bank's back office according to standard banking practice. Within a week a positive decision has arrived that a loan has been pre-approved and that a client could start making offers on the property that he was interested in.

The client has also been given access to other banking services. He has opened a deposit account to which he has transferred his private savings from his operating bank in Russia.

At the same time as this new service has been in development, Maxtrade Oy was constantly working with the client on different possible property options in Helsinki. So when the housing loan application was approved the client already had chosen a property that he wanted to buy. Maxtrade Oy has also helped the client to negotiate a better price on the deal. After the offer has been accepted the company's manager has booked time at Handelsbanken in Tapiola to sign final documents and make the necessary financial transactions. Everything went fine on the day of signing and the deal has successfully been finalized.

Maxtrade Oy has also prepared two invoices for the client to be paid on the day of property acquisition. The first invoice was for assisting the client to find an attractive investment property according to his criteria and for helping to negotiate the deal. The second invoice was for helping that client to obtain a mortgage loan at Handelsbanken Tapiola. Both invoices have been paid on the same day as the signing of the deal for a purchase of a flat in Helsinki.

7.2.3 Market launch

As soon as the NSD concept has been created, Maxtrade Oy decided to offer that new service to the rest of the public. The ultimate design and final implementation of new service were conducted simultaneously. This was because these aspects of new service development required trial-and-error interaction between the customer and the company while the prototype service was delivered. This was performed in relatively unstructured and flexible way.

To bring a new service to the customers' attention Maxtrade Oy decided to add it to its existing marketing plan. Luckily, new housing loan assistance service goes hand in hand with the company's main services on assisting the foreign buyers to find a good investment property and help them with everything that comes along the way. So, it was as simple as adding a description of the service to existing company's marketing campaign, which consists of online and offline advertising.

Maxtrade provides detailed information about its services through company's website, which is being promoted through major internet search engines such as www.google.com and www.yandex.ru. Additionally, company advertises at several big Russian real estate portals, including www.prian.ru and realty.rbc.ru, through web-banner advertising. Also Maxtrade Oy makes use of social media marketing, for example LinkedIn and Facebook.

Offline marketing includes advertising at local Russian newspapers, such as Spektr and Novosti Helsinki as well as real estate newspapers and magazines in St. Petersburg and Moscow. Maxtrade Oy has a network of partnering real estate companies in Russia that also bring clients to the company in return for a certain profit share. Maxtrade Oy also participates in main real estate exhibitions in Russia to promote its services to the local clientele.

Since the new service has been launched in May 2013 Maxtrade Oy has received several more inquiries for both new assistance service on obtaining a local housing loan and previously existing service on helping with real estate acquisition process.

One of the new clients has successfully acquired a 5-room residential property in Helsinki city center area. He needed a mortgage loan to buy this flat and Maxtrade Oy has helped him to obtain a mortgage loan in Handelsbanken Tapiola.

Another client purchased a summer house in Etelä-Karjala region of Finland. There, Maxtrade Oy was able to establish cooperation with local branch office of OsuusPankki and aid its client in obtaining a housing loan. The knowledge acquired from previous research has helped a lot in negotiating a deal with that bank.

There has been one more client who has recently approached Maxtrade Oy with request to buy summer house property in Lahti region. Unfortunately, Maxtrade Oy has not yet been able to negotiate a deal with one of the local banks in that region to assist this client. The company has contacted Ms. T who has been previously interviewed during the research study. Like in other cases a standard set of documents including a housing loan application form with all the necessary attachments has been submitted through her to the bank. After reviewing the application request, the bank has supplied a negative decision on the loan. The reason was due to a customer being of a non-resident and not having a stable income in the country. So as a next step, Maxtrade Oy has contacted a branch office of Handelsbanken in

Lahti. It has also rejected to cooperate with non-resident customers. Later Maxtrade Oy was trying to negotiate with branch office of Handelsbanken in Tapiola but it has also denied an application stating that it cannot proceed with the case because the property is located in Lahti region and they do not have a necessary market knowledge. Now Maxtrade Oy is trying to negotiate with the remaining banks in Lahti.

7.3 Conclusions and implications

On the basis of overall data obtained from the description of new service development at Maxtrade Oy it is difficult to identify any clear intention to utilize formal development processes for new services. On the contrary, service development at Maxtrade Oy could best be described as “unstructured”, with three general phases (planning, development, and market launch) (Lievens et al. 1999, 24-37) overlapping and impinging on one another. An important factor in this unpredictability was the fact that the ultimate design and final implementation often took place simultaneously during a process of collaborative problem-solving with the customer.

In order to draw any general conclusions whether this statement applies to all or most of the small sized company it would be interesting to conduct a further similar kind of study on a larger sample of small companies. However, from this particular example it could be stated that service development in the small firms such as Maxtrade Oy differs significantly from the picture presented in most conventional theoretical models of how service development is (or should be) conducted. One of the reasons for this is that new service development, as opposed to new product development, is often dealing with intangibles (Cooper and Edgett, 1999). Most of the work in service development involves exchanges of information and knowledge, much of which is gradually accumulated through trial and error as personalized services are delivered to customers through the company’s pre-existing expertise and subsequent skills development. Moreover, much of this skills development takes place at the level of individual employees and with external players (Ylinenpää 1997; Grönroos 1990; Johnes & Storey 1998; Schilling and Werr 2009). All of this makes it even more difficult to discern any definite structure in the development of new services by small companies such as Maxtrade Oy.

Another reason for Maxtrade Oy to work without formal processes is of course because of the company size and background. Since it is just a small company with less than 10 employees consisting mainly of the family members, formalized processes do not really fit into the working environment. Working more informally enables Maxtrade's employees to retain their creative freedom. Furthermore, such method also helps to personalize worker schedules thus enabling them to become more efficient at work. The only aspect of structured processes that Maxtrade believes would benefit the company is that the company will start growing in the future. In such case formalized development processes would indeed help to streamline and accelerate the pace of development.

Finally, the lack of formal processes in the small businesses such as Maxtrade Oy was undoubtedly linked to the fact that it was generally controlled by one person, around whom all work (including development work) revolved. As a consequence, one person was responsible for both the everyday practical work of the business and planning and implementation of new service development. The result was that there was little time available for formal processes of development work when everyday work was more intense and demanding (Sundbo 1997). In these circumstances, owner-manager usually chose to give priority to his immediate practical activities, rather than the more nebulous demands of future service development. This meant that the service-development work was often undertaken "by chance" - when time and other resources happened to be available.

8 Research conclusions

The purpose of this study was to gain a better understanding if housing loan finance to non-residents exists in Finland and if so how could it be incorporated into Maxtrade Oy business. In order to come to this objective four research questions have been formulized:

1. Can a foreign person obtain a mortgage loan in Finland?
2. Which banks currently operating in Finland provide housing loans to non-resident property buyers?
3. Under what kind of terms and conditions are Finnish banks willing to provide mortgage loans to the foreign clients?
4. How can information obtained in this research be implemented into Maxtrade Oy business?

The first three research questions deal with the topic of mortgage loans to foreign property buyers in Finland. The theoretical investigation of this issue has revealed that such possibility exists and is not constrained by an existing Finnish financial legislation. The researcher has then set out on a journey to prove this statement in practical world. He has uncovered a list of all major banks currently operating in Finland that provide mortgage loan services to private persons. He began sending out inquiries and making telephone calls explaining the subject of his research and asking whether any of the bank representatives would agree to give an interview to discuss this issue. He has prepared a structured list of opened ended questions for his focused interview that would enable the collection of data that could later be analyzed in a systematic manner in order to answer to research questions.

It was not an easy task to book an interview meeting with banks' representatives. Many of the contacted persons didn't have a good understanding of the topic and have provided a negative answer to even discuss the subject any further. However, after a dozen calls and inquiries first positive replies began to emerge. In total, the researcher has conducted three full-scale interviews with the representatives of three Finnish banks:

1. Ms. M from international department of Nordea bank in city center of Helsinki;
2. Ms. N from Tapiola's branch office of Handelsbanken; and
3. Ms. T from OsuusPankki in Lahti

The information obtained from the interviews has been presented in this report according to questions asked during the interviews. This was done to enable a reader or anyone else interested in this study to track the reliability of data collected. The researcher has conducted an analysis of this data according to three steps suggested by Miles and Huberman (1994). For each research question data was reduced via a within-case analysis by comparing empirical findings to the relevant theories. After that data was further reduced and displayed in cross case analysis by comparing the findings, and detecting possible similarities and differences of the different cases to each other. This has allowed to draw certain conclusions and as suggested by Miles and Huberman (1994) to decide what the different findings of the research mean. This was done by restating each research question and then answering that question based on the findings of this study.

The analysis revealed that it is indeed possible to for a foreign property buyer to obtain a mortgage loan in Finland. This has provided a positive answer to research question 1. However, not all of the Finnish banks are willing to cooperate with such clients. This has been explained by a complexity of obtaining a legit information on such customers' true identity and their real financial situation. From three interviewed loan officers only Ms. N has provided a confident answer that she and her bank were willing to cooperate on the matter of research topic. Ms. M from Nordea's international department office in Helsinki stated that Nordea requires non-resident property buyers to have a main source of income originating from Finland or to have a close relative, who lives and works in the country, perform as a guarantor for the loan. Ms. T has reviewed positively the issue of housing loans to foreigners but couldn't guarantee any definite decisions from her branch of OsuusPankki in Lahti because she didn't have any previous experience working with such clients. Therefore, the answer to research question two was Handelsbanken in Tapiola represented by Ms N.

Third research question was to establish an approval criteria on housing loans for this sort of customers. Handelsbanken in Tapiola and OsuusPankki in Lahti seemed to require same conditions from foreign clients as from the local ones. According to Ms. N, the client has to provide a collateral in a form of private savings or other acceptable assets that he owns and to have enough steady income to cover the loan payments and to afford comfortable living, all in the corresponding proportion to the loan. Non-resident property buyers have to be ready to present evidence of this information through official documentation translated into Finnish,

Swedish or English languages. Nordea bank in Helsinki requires additional security from such clients in a form of borrower's income that has to originate in Finland or in a form of guarantor who resides and receives income in the country.

The first three questions have been answered through the chapters of two to six and organized section one of this entire report. Second section consisted of chapter seven which provided an answer to the fourth and final research question. It described the process of implementation of information obtained during the study into Maxtrade Oy business. It has been done in a form of new service development for the company. Literature review on this subject has suggested that there exist different frameworks for new service development established by notable figures in this field of science. However, most of them have been written for large international corporations to which Maxtrade Oy does not refer at all, being just a small family type of business. However, some authors have proposed that for this size of companies new service development happens in a more informal and unstructured kind of way. This theoretical assumption has then been compared to a practical implementation of information obtained from the previous study in a form of new service development that took place at Maxtrade Oy. It has revealed that the service development at Maxtrade Oy could best be described as "unstructured", with three general phases (planning, development, and market launch) overlapping and impinging on one another. An important factor in this unpredictability was the fact that the ultimate design and final implementation often took place simultaneously during a process of collaborative problem-solving with the customer.

An important finding that emerged during the testing and implementation stage of new service for the company is that results obtained from the study were mostly accurate. Ms. N from Handelsbanken in Tapiola has held her word on establishing the cooperation with foreign clients and already two of them have successfully obtained a mortgage loan from that bank. Ms. T from OsuusPankki in Lahti was helpful and tried to make it work but the final decision on one of the client's mortgage applications was negative. Terms and conditions from research question number three have also proven to be correct during housing loan application process. This leads to a final conclusion that all four of the research questions have been answered and thus the purpose of this research has been fulfilled.

9 Personal reflections

The very first steps for this entire journey have started some three years ago at the beginning of the whole IBMA programme at Haaga-Helia University of Applied Sciences. Some very preliminary research ideas began to emerge in my head already then. I have used them during the degree programme for various assignments of different courses. Some concepts and ideas have changed during the development of the programme. This is partly due to learning new information from the study courses as well as due to shifts in the business activity of the company that I work for. It has not been until the completion of all my programme courses that I have started to really think about the subject of my research. And even then it has changed twice until I finally found a topic that I was really interested in. Furthermore, it was also a useful topic for the business of the company. Thus, I had both academic and profession motivation to conduct and document this study.

It was difficult and challenging for me to find enough time to dedicate myself entirely to writing this paper as my attention was constantly drawn to other matters in my life. Nevertheless, I have managed to find just the right routine for myself when I would be focused on this direction.

I am very glad to having found enough time and strength within myself to carry out this research though. I did indeed learn and obtain a lot of useful information for myself and for the company. Moreover, the results obtained from the study have already contributed to an establishment of a new service within a company. I hope that it can further grow and develop into an even bigger business for the company.

What would I have done different about this research if I had to do it again? Quite a few things. First of all, this report structure is far from being perfect. At the beginning of writing this paper I was more convinced that I had to stick to the University style of thesis writing. I had only first three questions of the research formulated and was building my theoretical framework as well as methodology around them. As my work progressed and after having a few extended discussions with my thesis supervisor I have also learned that I need to conduct and write about actual implementation of my research findings. That was difficult to fit in into existing structure of the report that is why I ended up separating this paper into two main sections. First one deals with research on housing loans to non-resident property buyers and

second sections describe new service development process at Maxtrade Oy. That is why some of the contents in different chapters could be repeating themselves. This is also due to the fact that I felt that I had to follow a definite structure of presenting and analysing the data just how some of the notable academics have laid it out in their great works on the subject. I think that this thesis could have been written in a bit of a more informal and unstructured manner and still would have arrived at the same findings and conclusions without spending time on filling up the space with general concepts and information that could have been easily avoided.

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