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Entry and Growth Strategies of Finnish Food Companies in the Ukrainian Food Market

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Preface

In a constantly shrinking world, it is necessary for most companies to understand the importance of market internalisation. I have had the opportunity to experience the internalisation of businesses first hand with work experience in Finland, the United States of America and my homecountry the Ukraine.

My job last year in the Ukraine was particularly interesting for me because I was employed as a Manager at Rating Ltd., a Marketing Research Company in Kyiv (Kiev). The main objective of Rating Ltd. is to study the Ukrainian consumer market for foreign companies. The research included surveying Ukrainians about their consumer product usage patterns.

Because the Ukraine has undergone rapid social and economic changes in recent years, as have many other countries of the former Soviet Union, it is important for foreign companies to understand the need for flexibility and creativity in these dynamic markets. Thus, my experience at Rating Ltd. gave me in depth and practical experience in the world of market internalisation.

My work experience coupled with my education in Food Technology (BSc. from Helsinki University and MSc. from Odessa State Academy in the Ukraine) has given me great interest in pursuing a degree in Food Economics, especially in the areas of food product markets in Eastern Europe. Therefore, I submit the following thesis titled: Entry and Growth Strategies of Finnish Food Companies in the Ukrainian Food Market.

Helsinki 27.09.2001

Elena I. Lesik
The purpose of this innovative study is to analyze which factors of entry and growth strategy contribute to successful business in the Ukrainian market by learning from the experience of Finnish food companies situated there. This is an exploratory study and there have not been up to now similar studies specifically about the Ukraine. This research has been done to create new insights, which will be important to firms in the future.

The lack of knowledge specific to these market which foreign companies experience can be developed and will be added to by research. The circumstances in Ukraine reduses adjustments from business partners. Each of the Finnish food companies doing business in Ukraine has a different pattern of participation there. As a result, there is a variety of success rate, which is accomplished of different factors. The focus of this study is to overcome these factors by analysing Finnish food companies situated in the Ukrainian market. Among the examined Finnish food companies in Ukraine are: Fazer Ltd., Finlandia Vodka Worldwide Ltd., Paulig Ltd., Valio International Ltd. and Hartwall BBH (L'vivska Pyovarnja and Siavutych).

The structure of the study consists of theoretical and empirical parts. The empirical part includes interviews with representatives of Finnish food companies in Helsinki and the image of those companies and their prognoses for future in Ukraine made by questionnaire in L'viv, Ukraine. Therefore, some special market circumstances of the Ukraine were studied. Conclusions include practical recommendations and some ideas of doing successful business in Ukraine and also some suggestions for further study. The current style is focus on qualitative research, which uses several specific research techniques including analysis.

Therefore, this study would be of importance for those companies, which already exist in the Ukrainian market, and also for those, who are going to enter this market in order for them to be aware of the differences they might face and help them understand what could be done about them. In practice, it is easier to prepare expatriates. Good preparation can make a significant difference for the expatriates' adjustments and his performance at work.

**Keywords**

Internationalisation, infrastructure, collaboration, business, circumstances

**Where deposited**

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Мета цього нововведеного навчання с аналізу стратегії проникнення та росту іноземних компаній на український ринок, а також до уваги досвід фінських харчових компаній. Це дослідницька робота і подібного навчання, конкретно про Україну, раніше не вивчалося.

Недостатність знань українського ринку, які особливо відчувають іноземні компанії, будуть доповнені вищим навчанням. Текстові обставини в Україні змінюють значних пристосувань від іноземних партнерів по бізнесу. Участь кожної фінської харчової компанії, яка веде бізнес в Україні, є особлива по своєму і багата на практичний досвід. Дане навчання спрямоване проаналізувати досягнений успіх фінських компаній, який відрізняється результатами і наслідками на українському ринку. Серед фінських харчових компаній, які вивчалися були: Фацер Лтд., Філліндія Водка Веллвід Лтд., Пауліг Лтд., Валіо Лтд. і Хартвіл Бібієч (Львівська Пивоварня і Славутич).

Робота складається з трьох частин: теоретичної і практичної. Практична частина вміщує інтерв'ю представників фінських харчових компаній, які проводилися в Гельсінкі і опитування українських споживачів, яке проводилося у Львові. Це опитування було насичене на вивчення ім'я фінських харчових компаній на українському ринку. У висновку запропоновані практичні рекомендації та деякі ідеї для ведення успішного бізнесу в Україні, а також пропозиції для глибшого вивчення теми. Робота написана в якісному стилі з використанням особливостей техніки виконання, включаючи метод аналізу.

Ця робота буде корисною не тільки для фінських харчових компаній, які вже існують на українському ринку, але також для інших компаній, які готуються проникнути туди. Тому таке навчання допоможе в подальшому бізнес іноземному партнеру і дасть розуміння різниці, яка існує у веденні ділових відносин з Україною.
LIST OF ABBREVIATIONS

CIS  - Commonwealth of Independent States
DIMO - Direct Investment Marketing Operations
FDI  - Foreign Direct Investments
Finpro - Finnish Foreign Trade Association
FSU  - Former Soviet Union
GDP  - Gross Domestic Product
NIMO - Non-Investment Marketing Operations
NIPO - Non-Investment Production Operations
POM  - Pattern of Internationalisation
       Product, Operation and Market
STE  - Soviet Type Economics
USSR - Union of the Soviet Socialist Republics
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1 INTRODUCTION

After the collapse of the Soviet Union in the beginning of the 1990s, numerous Western companies started or intensified their operations in many countries that were part of the former Soviet Union (FSU) in hopes of utilising their huge market potential.

In the beginning, the possibilities seemed endless with millions of potential consumers and a large pool of highly educated people who could act as the workforce. But, as time went on, it became apparent that the obstacles were also many and often unknown to Western businesses.

Such obstacles included differences in business and consumer cultures, political and economic instabilities, infrastructure and material inadequacies, and underworld influences. Though many international business opportunities have been developed in the Commonwealth of Independent States (CIS), the difficulties have been greater than expected, and this has translated into slower market penetration, reduced profits, and, in many cases, losses. In retrospect, it can be seen that many of the problems foreign companies experienced and still experience in CIS can be attributed to a lack of knowledge specific to these markets (Marinov and Marinova, 2001; Czarniawska-Joerges, 1992; Smarzynska and Wei, 2000; Shleifer and Treisman, 2000; Luostarinen, 1979).

For international businesses interested in entering a foreign market, it is important to know the extent to which a country accepts such entry. An economy’s overall acceptance of foreign involvement can be estimated by analysing the degree of foreign direct investment by country and by industry in a given market as well as by the rules governing such investment.

Most firms cannot simply jump into international marketing and expect to be successful. New activities in an unfamiliar environment usually increase a firm’s risk. Therefore, companies must prepare their activities and adjust to the needs and opportunities of international markets in order to become successful long-term participants. As a rule, most firms start their international involvement with exporting, and at the beginning most exporters are small and medium-sized firms (Luostarinen and Welch, 1993; Czinkota and Ronkainen, 1998; Walker, et.al., 1999).

Economic variables relating to the various markets’ characteristics – population, income, consumption patterns, infrastructure, geography, and attitudes toward foreign involvement in the
economy — form a starting point for assessment of market potential for the international market (Czinkota and Ronkainen, 1998, 128). These data are readily available but should be used in conjunction with other more interpretative data because the marketer’s plans often require a long-term approach.

Internalisation has been one of the most significant developments in the industrialised world in the last fifteen years. Driven by the desire of companies to produce and sell goods and services in more markets, it has led to the spread of corporate operations across borders through international investment, trade, and collaboration for purposes such as product development, sourcing, and marketing.

The international marketer cannot control the financial environment and needs to analyse it carefully and understand it in terms of the company’s ability to operate within its demands. Effective financial arrangements can significantly support the marketing program of the firm. The marketer formulates a policy on the acceptable degree of risk and preferable terms of international transactions. The extent of credit offered is determined by firm factors such as size, experience in international trade and capacity; market characteristics such as degree of economic development and ability of payment; and factors relating to amount of payment and need for protection, competitors, the relative strength and attractiveness of the trading partner, and the type of goods involved (for example, perishable or custom made items). In some cases, the marketing and financial department of the firm are at odds, typically for the beginning of business. Also, marketing may want to expand sales and move into new markets, whereas finance may want to minimise risks. Before finalising any contract, the marketer must analyse the risks involved and decide how to manage them (Czinkota and Ronkainen 1998, 142).

The most stimulating motivation to become involved in international marketing is the profit advantage. Management may perceive international sales as a potential source of higher profit margins or of more added-on profits. Managerial urge is a motivation that reflects the desire, drive, and enthusiasm of management toward international marketing activities. This enthusiasm can exist simply because managers like to be part of a firm that operates internationally. Communication, quality and collaboration are the important keys contribute to success.

The strategies of internationalisation business are formulated by using the same planning process and the analytical tools and techniques that managers use when developing other strategies (Walker,
et al., 1999). Ukraine is a part of the internationalisation strategy for Finnish food companies in Eastern Europe.

1.1 The Purpose and the Focus of the Study

The purpose of this innovative study is to analyse which factors of entry and growth strategy contribute to successful business in the Ukrainian market by learning from the experience of Finnish food companies situated there. This is an exploratory study and there have not been up to know similar studies specifically about the Ukraine. This research has been done to create new insights, which will be important to firms in the future (Ghauri, et al., 1996, 15).

Internalisation has been subject to a great amount of research both in Finland and elsewhere. The effort to apply internalisation patterns to the Newly Emerging Democracies is still in its infancy. The internalisation dimension of Central and East European countries has, to a large extent, been neglected by researches (Marinov and Marinova, 2001; Czarniawska-Joerges, 1992; Smarzynska and Wei, 2000; Shleifer and Treisman, 2000).

However, there is a lack of information on many areas of doing business in Eastern Europe, particularly in Ukraine, especially aspects of social and cultural differences, which are supposed to be the basic of business relations. Several studies have concluded that there is a significant cultural difference between Ukraine and Western cultures, and that the Ukrainian culture is notably complex. There is almost no literature available specifically on the Ukrainian market. However, there are made some studies about CIS countries. In Finland, research in the area of managerial cultures has been conducted in the context of the clearing trade with Soviet Union (e.g. Luihto, 1991, 1993). In the United States, however, there has been a substantial increase in the number of studies since the transition to market economy. Therefore, most of the literature consists of comparisons between Former Soviet Union and US managers or organisations. The topic areas covered in this literature include studies of multinational culture; managerial cultures and concepts (e.g. Puffer, et al., 1996); managerial values and business ethics (e.g. Puffer and McCarthy, 1995); human resource concerns such as training, selection and motivation (e.g. Shekshnia, 1994, 1998). Some of the literature is clearly aimed at changing the attitudes and prejudices of western managers towards Ukrainian and Ukraine.

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In some sources of practical advice for foreign investors (e.g. Jolly and Kettanet, 1998), the topic of business culture is touched with no significant differences made to the Russian one and as addition examples are given about Ukraine, which very often try to give expression that cultures are so similar to each other. However, there are significant differences between Russia and Ukraine in many aspects and in making business too.

The lack of knowledge specific to these market which foreign companies experience can be developed and will be added to by research. The circumstances in Ukraine reduces adjustments from business partners. Each of the Finnish food companies doing business in Ukraine has a different pattern of participation there. As a result, there is a variety of success rate, which is accomplished of different factors. The focus of this study is to overcome these factors by analysing Finnish food companies situated in the Ukrainian market. Among the examined Finnish food companies in Ukraine are: Fazer Ltd., Finlandia Vodka Worldwide Ltd., Paulig Ltd., Valio International Ltd. and Hartwall BBH (L’ivska Pyovarnja and Slavutych).

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2 OVERVIEWS OF INTERNALISATION THEORIES

The dimensions of internalisation cover a multitude of possibilities. The degree of internalisation is some measure of internalisation performance such as foreign sales relative to total sales (Luostarinen and Welch, 1990, 251). The proportion of total sales exported has often been used as an indication of export performance despite its drawbacks (Carusgil, 1984, 29). This measure is attractive because of its simplicity and measurability it provides very little information about the nature of and capacity to conduct international operations. In a study of internalisation processes in Finland, industrial firms had already used three dimensions – product, operation and market – and developed a so-called POM-pattern of internalisation (Luostarinen, 1979, 177).

Trade theories explain the patterns of international business by trading which take place, because the parties involved possess a comparative or an absolute advantage in certain operations, typically production. Roots of trade theory reach as far as to the ideas of Adam Smith (1776) about division of labour. Originally, the concept of a comparative advantage was used to explain the trade behaviour patterns of national states, not companies. Therefore, trade theories are also called macro-theories.

The theory underlies many of the models at present time, now also at the micro level. Porter (1986, 14) has created a sophisticated framework of competitive advantage:

"...many forms of the competitive advantage for the global firm derive less from where it performs activities than from how it perform them on a worldwide basis: economies of scale, proprietary learning, and differentiation with multinational buyers are not tied to countries but to the configuration and coordination of the firms worldwide system".

This approach is often applied in the context of trade with less developed countries, but this approach is not limited to trade only with less developed countries. Orderly development can be seen in the case of operation mode utilization. Most Finnish companies started their internationalisation with non-investment marketing operations (NIMO's). As experience increased, firms established direct investment marketing operations (DIMOs). The third stage consists of more involving operations, the non-investment production operations (NIPOs). The final stage in this
framework is that of direct investment manufacturing operations (DIMOs) (Luostarinen and Welch, 1993, 235).

2.1 Internalisation Strategies

Firms venturing into international business can consider several principal strategies: indirect exporting; direct exporting; licensing; technology transfer/franchising; contract manufacturing and turkey projects; management contacts; foreign production and marketing (direct investment); countertrade. However, in order to attain a more detailed analysis, one should take into consideration only those strategies that are more characteristics of Finnish food companies on the Ukrainian food market.

Evidently that as companies increase the level of internationalisation there is a tendency for them to change the methods to serve foreign markets. The stages of operations are no exporting, exporting, and a sales/production subsidiary involving foreign direct investments (FDI).

There is a strong dependence not only in experience skills, knowledge of foreign markets and marketing, but also the range of exposures opportunities and threats. Sometimes the international operation meets the barriers from a foreign government through actions such as licensing or foreign investments. It is quite difficult to go far in the internationalisation process by using only one preferred operational method. Therefore, the future international success of companies will partly depend on their ability to master and successfully apply a variety of foreign operations.

There is also a tendency to offer more extensive and diversify operations. It could be expansion with an existing line or changing whole product approach, including hardware (physical part) or software (service, technology, know-how).

In the early stages of internationalisation, a company will approach an easy and simplified market with greater familiarity and less costly barriers of penetration in physical and cultural terms. A company’s shift of activities to more “distant” locations can therefore be seen as one indication of greater maturation in its internationalisation process (Luostarinen and Welch, 1990, 254).
The success of internationalisation in any country depends on managerial staffs that take care through the various steps. Such an important things as who is a decision maker, foreign experience, education and language training are very relate to exporting activity. Learning by doing is also a key part to the process.

2.1.1 Export Theories

The most common way of doing business abroad is export. Export recognize three major modes: indirect (A), direct (B) and own (C) (Luostarinen and Welch, 1993, 20).

A. "Indirect export" operation refers to a mode of export in which the manufacturing firm is not taking direct care of exporting activities. Instead, export is managed by a domestic distributor, a joint export organization, or another industrial companies. It is beneficial in the following cases:

- For companies which desire a low risk, simplified process of internationalisation but have no experience or knowledge of business operation in the target country;
- For small firms with limited operations, which want to export to a large number of countries;
- For large companies which are not interested in a small number of countries and would prefer to use a middleman to manage the export operations;
- For markets, which are geographically and culturally distant but economically promising.

Indirect export typically used in the beginning of internationalisation process and includes some disadvantages such as costly (needs in additional domestic member) and poor information flow. The middleman wants to keep the principals dependent upon him, and therefore, information comes in a badly filtered form, which creates confusion regarding who is the final customer.

As the internationalisation process moves forward, the indirect export is rather temporary. Whoever offers this service needs to be very flexible with sufficient planning to quickly understand which customers will need to be replaced with new customers as the most capable companies move away from indirect export. Such participation can be considered as apart of a developmental process that takes the firm towards more and more international sophistication and commitment.
B. If producing firm takes care of exporting and is in direct relationship with target country this is "direct exporting". There are a few sub-alternatives for holding this kind of business with a special distribution company, or with joint buying organization, or with an industrial firm.

Direct exporting is more active mode for business. In this operation mode the producer take active part in organising exporting routine, sales travelling and handling other marketing work. In this way the company’s international business knowledge increasing all the time and there is direct contact with middleman.

It takes time for a company to become successful in this mode of operation for internalisation. The company must sufficiently increase its knowledge in the target country so that it can start to work more independently in export activities. For this mode of operation is necessary to have workable language ability with willingness and capabilities to take care for export sale and react on implementation planning.

The advantages as shorter distribution chain course the lower expansion, products are more prices competitive, profitability increases, and the information channel is more effective. With all this availability, it is easier to adapt the product to the needs of customers and distributors. However, it is important to cooperate with the members of distribution channel and develop measures for the moves and strategy changes of one’s competitors.

Direct export demands international business knowledge, because it courses the effectiveness of operations. For financial activities there is need in financial resources. This is more expensive than indirect export mode. Direct exporting offers potentially greater profits and challenges and there are many available options.

C. "Own export" indicates that there is no middleman between the producer and final customer. It demands continuous travelling and contacts with final customers. This is the most efficient way of doing export business, however, the most expansive and cannot be used for all kind of products. This is demanding mode of operation, because export is fully performed by manufacturer who has request to deal with the final customer without help from local distribution. There are many advantages for own export, among which is pure rapid contact with final customer necessity for cooperation, building of selling and marketing relationship, control of the development of foreign business.
A number of internal and external influences may affect any of export modes. In the early stages of internationalisation, especially for smaller firms, it is more difficult to penetrate foreign market. The more distant the foreign market, in cultural, physical and political terms, the greater the need to use the local knowledge of target country and to overcome the higher costs to the company of market servicing. Exporting, in whatever form, usually acts as temporarily mode forward to deeper internationalisation. The successful exporting function facilitates the implementation of other operation methods.

2.1.2 Subsidiary and FDI Operations

The next stage after exporting in the process of internalisation is subsidiary operations. Subsidiary operations exist in different forms, which verify in resource and operational demands. Research indicates that companies frequently do not consider the range of alternative modes on offer, no of the many different forms of subsidiary operations, or vocational possibilities (Larimo, 1987). The subsidiary idea may surface from a problem or an opportunity that arises in operations. It may also be a defensive strategy, as a part of coping with increased imports and competition. Additionally, the investment might be an adaptive strategy, when the firm is following the leader in the industry.

The two major types of subsidiary operations may be defined as a way of penetration into foreign markets (micro approach) or as long term, foreign investment in a host country (macro approach). Long-term investments are divided on direct and indirect forms. Foreign direct investments (FDI) are investments in a company abroad, where management and control on the basis of the investment made.

For penetration into foreign markets mother company abroad establishes subsidiary operations through buying an existing company or through building a unit, under a certain degree of ownership. A unit may be sales promotion, research and development, financing, manufacturing or others.

In different countries there are many different legal forms selected by factors home country and host country. The main forms are the following: sole venture, joint venture and mixed venture. A sole venture is fully owned by a mother firm. The joint venture is partially owned by mother firm
and partially by local country partner. A mixed venture combines one or more private and public owners.

For the micro approach, the term "subsidiary" is used if there is some ownership form the mother firm even if it is owns only one percent (!). At the macro level, the term "foreign direct investment" is used if the foreign firm owns at least ten percent (Luostarinen and Welch, 1990, 167). There are some advantages:

- Capital is saved: Capital can be used for the establishment of joint venture elsewhere; the investment input of the firm may consist of human or capital inputs which are converted to equal capital;
- Involved risk is small: host country officials are not desire to confiscate/nationalise firm, especially if it linked to the government in some how;
- National image: an efficient way to limit misgiving of local customers;
- Local knowledge and experience: market knowledge, customer knowledge, and recruitment of staff; a local partner may bring valuable adjusted and appropriate technological skills/knowledge;
- Local legislation: a joint venture or mixed venture may be the only alternative allowed by local legislation.

Where the venture has been established without taking into account the prerequisites for successful co-operation and without eliminating the problems and areas of disagreements, some disadvantages are often met: the objectives of the local partner may be fully different; the profit may be smaller; and, there may be problems in purchasing strategy, personnel policy, the political environment, and finances.

Usually, the key contribution of the Western partner consists of technology and products. The local partners are devoted to the knowledge and skills necessary to manage the operation.

2.2 Theoretical Study for Growth Strategies of Companies' Internalisation

We now live in what many have come to call the "global village". The single most important impact of the globalisation process is how companies must now conduct business to remain alive and
profitable. Companies need to think long-term, yet be flexible and adaptable at a moment’s notice. Market entry is no longer the simple export of product.

To succeed in a market, the international marketer needs much more than business know-how. Manager must deal with the intricacies of national politics and laws. The full understanding of another country’s legal and political system will rarely be possible. The good manager will be aware of the importance of this system and will work with people who do understand how to operate within the system. In addition to the politics and laws of both the home and the host countries, the international marketer must consider the overall international political and legal environment (Luostarinen and Welch, 1993, 240; Walker, et. al., 1999, 24). Compliance with them is mandatory in order to do business abroad successfully. Such law can control export and import both directly and indirectly, and can also regulate the international business behaviour the firms particularly in the area of boycotts, antitrust, corruption and ethics.

To avoid the problems that can result from changes in the political and legal environment, the international marketer must anticipate changes and develop strategies for coping with them. Whenever possible, the manager must avoid being taken by surprise and not let events control business decisions. The firm needs to conduct a dialog with the governments in order to seek a compromise solution. Managers can encouraged their government to engage in government-to-government negotiations to settle the dispute.

Most company executives know that they need to conduct careful research before they prepare to market abroad. But knowing what to do is not the same as knowing how to get it done. Because many small and medium-sized firms are looking at international markets for the first time these days, they frequently go charging off in the wrong direction or spend tremendous sums on research. In reality, a great deal of international research can be accomplished for very little money, if you know where to look.

Building a good knowledge base is a key condition for subsequent marketing success. In order to build a sound knowledge base on which the international marketing decisions of the firm can rest, one need to accumulate data and information through research. Two basic forms of research are available to the firm: primary research, where data are collected for specific research purposes, and secondary research, where data that have already been collected are used.
When deciding to go international in its marketing activities, affirm exposes itself to an unfamiliar environment. Firm need to learn about the culture of the host country, understand its political system, determines its stability, and appreciates the differences in societal structures and language. They should also incorporate the technological level of the society in the marketing plan and understand the economic environment. Decision to increase international involvement is usually based on ongoing, dynamic influences, learning effects, market factors as well as intermediary action and government policy (Luostarinen, 1979, 81). The high level of knowledge of the top manager about international markets and important customs and his facility with foreign languages are some of many pluses that make entry and growth strategy easier and faster. One company’s (or person’s) evolution often appears as a revolution to others.

To serve a market efficiently, firms must learn what customers want, why they want it, and how they go about filling their needs. To enter a market without conducting marketing research places firms operation at risk. Many business executives appear to view foreign market research as relatively unimportant. Participation in international business requires comprehensive planning. The entry strategy time for most companies is from three to five years. This is due to the time required for managers to raise questions regarding to achieve sufficient market performance.

2.2.1 Target Country Pattern

The ability to undertake any form of international operation is clearly limited to the firm to carry it out. There is clear relationship between size of firm and export performance. Instead of size, Czinkota and Johnston (1983, 152) concluded, “what really does seem to make for export success is the attitude of management”. Resource availability may limit expansion at any given point in time, so that in any action or developments which widen availability provide the basis for increased foreign operations over time.

In addition to the affiliate, several local firms in the host country may gain from FDI. They may start subcontracting for the affiliate or increase their existing production amounts. Also, as they acquire new information, skills, etc. from the affiliate or from the parent, they may start exporting themselves (or increase their existing exports) to the parents, and/or to the local firms in both the parent’s home country and/or to some firms in the other countries.
FDI has an indirect impact on host countries exports-host country local firms may, too, start exporting or increase their export (Blomström, 1990, 51; Battat, et.al., 1996, 9), especially if they are located near a multinational exporter (Aitken, et.al., 1997, 105). The parent may start exporting (or increase its exports) to the affiliate, to local firms in the host country or to the other countries. FDI may significantly increase host country firms’ exports.

Ukraine, as other Eastern European countries, should invest in skills, R&D, supplier and information support systems, and technological and physical infrastructure to get more “high-quality” foreign direct investments. Subsidiaries, to encourage headquarters to transfer technology, should also demonstrate their skill to innovate – to actually improve on processes and practices (Hobday, 1996, 78). Otherwise, the host countries may get only FDI in simplest of assembly and processing activities (Lall, 1993, 97) or natural resource-oriented FDI, which limits the spill over foreign investors will create for the economy and creates only few linkages with local firms (Meyer and Pind, 1999, 211).

The new economy has clearly signalled that companies need to create alternative paths to success. Finpro provide a service portfolio to enhance the ability of Finnish companies to succeed in the world’s markets. It has both a strategic and competitive advantage focusing upon five “trigger” processes that integrate a company’s internal and external environments into one highly usable and accurate knowledge base. With this new knowledge, companies can formulate strategic options and make informed decisions about their future and level of profitability (Finpro, 2001a).

2.2.2 Companies Patterns

Managers, who want their companies to be strong competitors in the 21st century, are urged to search globally for opportunities and resources, maximise returns on all the assets dedicated to a business perform only those functions for which the company has or can develop expert skills and outsource and those activities that can be performed quicker, more effectively or at lower cost (Snow and Miles, 1992, 7).

To demonstrate all possible impacts of FDI on export activities of different types of firms, it is assumed that companies are behaving rationally, their products are internationally competitive; they
have sufficient production capacities for exporting; and are actively seeking new markets and partners abroad to export more. Under these conditions, one firm makes a foreign investment.

Despite the reasons of the FDI, the affiliate does not usually receive only capital, it may also get new ideas, technology, skills and information about foreign markets, and, thus, become more competitive, both nationally and internationally. After getting a foreign owner, the affiliate may start exporting (or increase it’s exports) to three types of partners: the parent company itself, the other firms in the parent’s home country, and firms in the other countries. Exporting to the parent is profitable if, for example, production costs are much lower in the host country or if the parent company does not produce the products itself. When exporting to the parent’s home country, the affiliate may have known of the buyer, or it may find a partner only due to the information it has got from the parent company (for example if the firm is the parent’s subcontractor). When exporting to the third countries, the affiliate may increase its exports to the existing buyers, find new customers abroad itself or start exporting to the parent’s foreign affiliates or other (trade) partners.

In fact, there is something more than just physical or financial capacity. As was mentioned earlier, the ability to carry out chosen international activities is the possession of appropriate knowledge such as: market, techniques of foreign operation, the ways of doing business, key people in buyer organization. Networks between buyers and sellers must be established, because personal contact and social interaction play an important part in the development of international market. Network establishment can be a demanding and time consuming process. The gap between buyer and seller is large due to an initial lack of knowledge of each other and is accentuated by physical and cultural distance barriers (Luostarinen and Welch, 1990, 267). With wider experience, greater contact at all levels and more diverse cultural exposure on both sides there is a potential for deeper and more long-standing relationships.
Ukraine represents a promising market. Currently it is stagnated, because of the substantially low purchasing power of the Ukrainian population, high governmental regulation, and existence of a "shadow economy". The upper market segment is limited and mostly located in the capital Kyiv (Kiev). This deters global companies from profitable operations in the Ukrainian market. A survey conducted in 1998 by the Ukrainian Trade Union Federation showed that more than 74 per cent of the Ukrainian population lived below the line set at 50 US dollars as individual monthly income. In addition, over 35 per cent of the Ukrainian population is rural with the lowest purchasing power in the country, poor distribution, and restricted access to information concerning the availability of goods and services. All these factors add to the difficulties of targeting markets in Ukraine (Marinov and Marinova, 2001, 7-11). Trying to implement transferable marketing, a constantly increasing number of global corporations apply a specific approach to their marketing communications considering the peculiarities of the Ukrainian environment.

Much has been said, written, and speculated in recent months about foreign investment in Ukraine, i.e., about who is investing and where they invest. American companies continue to be the biggest investors in Ukraine (Figure 1). Their investments are bringing capital and technology to modernize Ukraine's economy. And with sustained progress toward an open and competitive economy, far more is possible, - said the Carlos Pascual, US Ambassador (Pascual, 2001).

In sheer numbers, US direct foreign investment in Ukraine's economy since 1991 comes to 564 million dollars. That figure is 81% more than the amount invested by the Netherlands, which is ranked as the second most important source of foreign investments. Slowly, still with confidence: total foreign investments in Ukraine were valued at 3.7 billion US dollars through the end of September 2000 (Figure 1). Finnish investments are not so impressive, but still substantial for such comparatively small country.

Ukraine inherited the obsolete infrastructure of a bankrupt Soviet State. It would hardly be in Ukraine's interest to seek investment in old, large-scale enterprises, which tie Ukraine to a reincarnation of a defunct past. Ukraine now faces the challenge of catching up to a global marketplace. Foreign investment is one of the keys to integrate a market - oriented and democratic Ukraine into Europe.
A number of the US companies that have invested in Ukraine are successful multinational firms, such as Coca-Cola, McDonald's. While American hi-tech firms tap the potential of Ukraine's highly educated work force, US food and agricultural processing companies have invested in the tremendous potential of Ukraine's agriculture sector. Furthermore, American companies bring priceless intangibles in modern, international business know-how. As part of their standard operating procedures, US companies help Ukrainian managers jump into the present with modern management techniques, personnel and training practices, and international standards for finance, accounting, purchasing and marketing. Invariably, American firms invest in modern production facilities, as well as in the state-of-the art information and office communication technology that help improve the qualifications and skills of their workers.

Equally important, American companies bring an understanding of the rules of the game in international market, which is transferred to Ukrainian managers and employees who gain a better understanding of Ukraine's potential and advantages in both the European and world marketplace. All those factors make influence on general Ukrainian business atmosphere. Meanwhile, some foreign companies have hard time with doing business in Ukraine. But there are essential changes in making business today compare to the beginning of 1990's.
Firms, usually, prefer to conduct business in a country with a stable and friendly government, but such governments are not always easy to find. Managers must therefore continually monitor the government, its policies, and its stability to determine the potential for political change that could affect operations. There is political risk in every nation, but the range of risks widely from country to country. In general, political risk is lowest in countries that have history of stability and consistency, which Ukraine tries to attain.

3.1 A Short Economic History of Ukraine

Before a company can do business in any foreign country it is essential to have knowledge about the nature of the foreign market, both present and past. Past may help to understand not only the mentality of host country, but also may teach how to go forward. Therefore, it will be useful to know about the economic history of Ukraine.

Ukraine boasts one-third of the world’s total acreage of “black soil”, the richest in the world, which explains why agriculture has always been significant for the country’s economy. For example, before the collapse of the Soviet Union, Ukraine accounted for about 25% of the USSR’s total agricultural output, although it accounts for a small fraction of its landmass (Kuzio, 1997, 23).

Economic process always goes together with politics in Ukraine and was rather wide-ranging. Favourable geographical position, natural and human resources keep this land always attractive for invaders.

Maybe, that is why it has always been so difficult for Ukraine to be independent. The country spent more than 300 hundred years under Mongol-Tatar rule, many years under Austrian-Hungary and Polish Union, and then over 70 years under the Russian Empire. The area has been divided many times, and that had greatly influenced Ukrainian history, politics and economics. All of which has added to the diversity and difficulties of doing business in the different regions of this country today (Bratko-Kutynskyi, 1996, 225).
In 1917, after the revolution in Russia, Ukraine received independence for a very short period. The power of the new government was very weak. It was simply for Russian czarism, communists and Germans to conquer Ukraine again. From 1921 after the formation of the Soviet Socialist Republic collectivisation was started in Ukraine. All lands that belonged to Ukrainian farmers was taken away and put into a large “khol’opina” (co-operative farms). Collectivisation was an inefficient method of land use, which caused widespread shortages of food, which was further worsened in 1933-1934 by the artificial famines in Ukraine caused by Stalin policy. At least three million of innocent people died. The period of 1939-1940 is known as the annexation of Western Ukraine by Soviet Union, according to secret treaty with Nazi Germany. During the next year Germans occupied Ukraine and Russians return in 1943. Ukraine continued fight for liberation in the Western Region until 1955. Ukraine gets many tests from her “elder brother” and some still continue.

When analysing the traits of Ukrainian national culture, it should be taken into consideration that the country and its people have been under very different influences during different historical periods. It is source of debate both in science and every-day business to what extent these influences affect the attitudes and characteristics of Ukrainians today.

During the 1970s and 1980s in conjunction with Brezhnev’s fascination with modernisation, there was a conscious policy for the establishment of massive agro-industrial combines with the possibilities of centralised and computerised management. These were regarded as the next higher stage beyond large-scale, but non-specialised, collective and state farms in the perfection of industrial-type organisation, which had always been an ideological imperative of Soviet agricultural development. But these so-called more modern state farms were often inefficient and rift with mismanagement and corruption from the top to the bottom.

Although Ukraine has suffered for centuries under foreign rulers (much like Finland) it has always maintained its identity (also like Finland), and in August 1991 it obtained its independence from the Soviet empire - peacefully and successfully, thanks to the election of Kravchuk as a president. However, it was expected that the CIS would become a new union, with a new president Yeltsin and the author of this whole process would be Russia (Kuzio, 1997, 1). The main goal was to end the Gorbachev era and begin a new one. The national-communists correctly understood that by jumping on the independence bandwagon they would distance themselves from their “elder brothers”. The national-communists also rightly predicted that they would become the ruling elite in the political and economic spheres in independent Ukraine.

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Even while Gorbachev was still in power, the question was not whether to marketwise the economy, but rather how fast and deep the marketisation process should be forced to develop. The actual implementation of market reform, however, has proven much more difficult than the commitment to undertake them. The impediments are more often structural than psychological, but the effects of fifty to seventy years of Marxism-Leninism on the attitudes of peoples from all walks of life in the former communist system towards such things as entrepreneurship, income inequality and foreign investments are undoubtedly also serious obstacles to market-type reforms (Miller, 1992, 1).

For consumers, cash holding were not even domestically convertible, in the sense that a given amount of cash had no predictable value in terms of the quantity of goods and service it could purchase. By 1990 it was estimated that the population of the Soviet Union held cash saving on the order of 500 billion rubles. There is general agreement of the Soviet – type economies (STEs) that their basic shortcoming was excess demand (Miller, 1992, 2). This was another problem inherited from the past, which illustrated some psychological aspects.

Ukraine has gone through many changes since 1991. It was moved from being a Socialist Country and part of the Soviet Union towards being an independent nation with market economy and business contacts to the West. Canada was the first country, which recognised Ukrainian independence, and large Ukrainian Community there mainly motivated it. But, it took a long time when the world finally recognised Ukraine’s independence. It was climaxed in 1995 when the American President came to visit Newly Independent States, including Ukraine. During this period a number of countries began to develop political and economic relations with Ukraine, including Finland.

Meanwhile, when most of the world was watching the developments in Ukraine from a distance, it was growing pains as many new countries went through. The business and markets in Ukraine were chaotic with few if any laws to govern commerce. Everybody had been making their own ways, giving life to any ideas they thought would make money. Good ideas did not have protection by law, and bad ideas did not need it. It was the blossoming time for so called underworld factors: i.e., mafia at different levels of society. It was during this time that certain business areas were divided up by underworld groups. Since Ukraine began its transition to a market-based economy upon independence in 1991, it has struggled to implement market reforms. Ukraine liberalised prices for
most commodities soon after 1992, contributing to growing budget deficits and inflation. It was also a period when unemployment increased, prices soared and inflation was extremely high.

Some called it hyperinflation – but in reality it was just pure boundless, infinite and depraved greed by individuals and groups in the government and the underworld for their own profits. The banks were opened only for a few hours per day, and if they gave money to customers it was just little fraction of their original savings. Results were deplorable and emotionally painful, particularly concerning older people. Under these circumstances it was impossible for the people to trust banks, the government, business people or any authority. Most people did not believe they lived under democracy, and in general they were correct. Thus, it became more the rule than the exception, that to be a successful businessman in Ukraine you had to learn how to communicate with the underworld.

During 1993 and 1994, the tight monetary policies allowed Ukraine to reduce its hyperinflation and stabilise its currency, the gryvnia. There was also a clear shift from centralised to micro-level economics and management meaning that legislative and personnel problems had to give way to technical and organisational considerations. Independent Ukraine under Kravchuk had to undertake not two (economic and political) but four difficult transitions from a command-administrative system to a market economy, from a totalitarian system to a democracy, from an incomplete and deformed national identity to a nation, and from a subject of the Soviet empire to statehood. This was achieved thanks to the tolerance of Ukrainians. They were prepared to do anything to protect their independence, and not provoke a return to the past. The economic and political transitions in Ukraine had no choice but to be evolutionary. Without even a modest, but certain, political and economic transition during the Kravchuk era the tremendous strides forward after mid-1994 would not have been possible. In many ways, Kuchma’s success was as result of the continuation of Kravchuk’s policies; he learnt from his failures and built on his successes. Kuchma has successfully placed the economy at the centre of political debate and linked the survival of an independent Ukraine to resolving the economic crisis and building a market economy.

It is not so simple to describe Ukrainian economic and politic history in a few words – a land so generously endowed by nature and at the same time suffering for years from the unmerciful history. Placed in the centre of Europe the country was divided between empires for centuries and isolated from the main developments in Europe. Having exceptionally fertile arable lands the former “bread basket of Europe” had to import agricultural products in recent years. Having at her disposal
gifted scientists and up-to-date technologies, Ukraine has been practically deprived of the opportunity to enter the world market with her own competitive products. This theme can be developed more and more. Ukraine is a country of great paradoxes and at the same time of inexhaustible potential. The country is moving forward but slowly. Under Kuchma Ukraine joined the Council of Europe and the Central European Initiative, moved closer to European Union, the West European Union and NATO, while at the same time becoming a non-nuclear power. Ukraine has good relations with the West, Central Europe and other regions of the world with whom it is interested in diversifying its foreign trade in order to lessen its dependency upon the CIS (Kuzio, 1997, 227).

Having overcome the crisis that seemed endless, Ukraine in 2000 began to rise from the ashes. The macroeconomic indices proved it: the GDP growth was at an annual rate of 6%; industrial production grew at 12.9%; agricultural production growth was at 9.2%; and investment volume growth was at 11.2% (Finpro, 2001b). In 2001 the economic development is continuing to increase. Furthermore, investors have re-evaluated their ideas about Ukraine, and started to invest again. Privatisation of many businesses and services are accelerating, and agriculture is recovering. Ukraine has a bright or at least satisfactory perspective for future economic and industrial normalisation. Time will prove whether Ukraine will utilise this opportunity or not.

For the first time in Ukraine's modern history there is real economic growth. People were able to bring in economic reform and slash social debts. Gross domestic product surpassed all estimates by reaching 8.5 per cent in the first four months of 2001, while inflation was lower than we had estimated, at just 4.3 per cent. Today's economic trends should lead to long-term growth. Percentages of the key Ukrainian industries are given below (Figure 2). Among the most rapidly developing industries in 2000 is also food industry (26.1%).

Historically, communists have allied themselves with their ideological opponents on numerous occasions in order to gain power. Such unnatural alliances offer little hope for economic reforms. They can only slow them down. The traditional Communist motto remains, "The worse things get, the better for us". Neither the oligarchs nor the Communists want transparent, democratic political and economical processes in Ukraine. No wonder the government, which operated under these principles, won a no-confidence verdict from the Communist-oligarchic alliance.
Figure 2. Structure of Industrial Production in Ukraine
Source: The Cabinet of Ministers of Ukraine

Ukrainian government fell not because it could not solve problems, not because it did not enjoy popular support, not because it caused confrontations. That is why the current situation in Ukraine cannot be called a government crisis. It is systematic crisis of the power structure. Without a reorganisation of Ukraine’s institutions of power, effecting further reform is impossible. That is why for new government is not enough to solve the crisis (Yushchenko, 2001). Ukrainian current parliament no longer meets the needs of Ukraine’s democratic development. Parliament has demonstrated that it is beholden to chauvinist and oligarchic interests, unable to be guided by the national priorities. Country need democratic alliance for constructive activities, which would aim its efforts not against individuals, but rather promote new ideas with new people, able to build a new Ukraine - one in which such declared principles as the rule of law and human rights would become the reality.

However, Mr. Guy Standing, Director of the International Labour Organisation socio-economic security programme, said that the survey – carried out in late 2000 – painted a depressing picture of “deep impoverishment and deep pessimism about the immediate future among people” (Williams, 2001). Most of them believe only in one day.

The experience of leading Western countries is invaluable for the young Ukraine State. Today, more than ever, Ukraine needs assistance from countries that passed this stage of development a
long time ago. It can only help us build a democratic, market-oriented, independent Ukraine. On the 24th of August 2001 Ukraine had 10th Anniversary of it Independence.

3.2 Finnish Food Companies in Ukraine

Officially Finnish business in Ukraine started in 1992, after an exhibition of many successful companies from all over Finland. The exhibition was organised in Kyiv by Finpro together with the Finnish Embassy in Ukraine to introduce companies who hoped to do business there and in others CIS countries. Among the Finnish food and beverage companies were Fazer Ltd., Finlandia Vodka Worldwide Ltd., Paulig Ltd. and Valio International Ltd. Hartwall BBH appeared in the Ukrainian market later, in 1996.

The economic realities both in Finland and Ukraine have changed quite considerably during four past years, since the Russian economic crisis in 1998. And for Finland, which is looking for extension of market area Ukraine is a quiet attractive side. That is why taking to consideration what countries already have it could be studied more to make contribution for fruitful collaboration in the future.

According to Finnish Foreign Trade Association annual report business between Finland and Ukraine does not look active, but is more intensive than previous year. The highest income from export goods in food market to Ukraine was in food: dairy products and coffee relative in value (Table 2).

Table 2. Export (December, 2000) by sections and divisions

<table>
<thead>
<tr>
<th>Section</th>
<th>Value, 1000 mk</th>
<th>Share, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food (include live animals)</td>
<td>409 743</td>
<td>1,4</td>
</tr>
<tr>
<td>Dairy products and birds' eggs</td>
<td>132 161</td>
<td>0,5</td>
</tr>
<tr>
<td>Coffee, spices</td>
<td>43 360</td>
<td>0,2</td>
</tr>
</tbody>
</table>

Source: Finpro, 2001c
Earlier, Fazer Ltd. and Valio International Ltd. had wholesale export trade with USSR, which was one of Finland’s biggest business partners. But when, in 1993, those companies returned to the same market, the products’ brands were totally unfamiliar to local consumers. The previous centralized distribution system was rather different and products had been repacked and distributed without identifying brand packaging.

Fazer Ltd. was one of the first and most successful companies on the Ukrainian food market. Taking into account a test of local populations, the export of Fazer Ltd. products has increased year by year. The pick of products’ export refers to 1996-1997. Suppliers were enough large and Fazer Ltd’s products could be seen everywhere in big cities. But as time went on, new brands started to appear on the Ukrainian market and present serious competition to Fazer Ltd. Also during this period, Fazer Ltd’s products disappeared and then again appeared. In 1999 suppliers started to be more regular, however, not as much as previously.

Paulig Ltd. started to market their products three years later after presentation to the local market, in 1995. They exported directly from Finland, which made their products more expensive. Later, in 1999 the Paulig Ltd. representative office was registered in Kyiv and simplified the business operations, which had an influence on accessible products’ prices. Only recently Paulig Ltd. has achieved a relatively secure place on the Ukrainian food market.

The export of Finlandia Vodka Worldwide Ltd. to Ukraine is rather small, but has been constantly delivered since 1993. The products of Finlandia Vodka are well known among Ukrainian men, but the supply of products is so small that they can only be found in some big cities.

Valio International Ltd. tried business relations with Ukraine straight after company’s presentation in 1992. Since the company has been looking for a regular local partner. The products are considered to be a most unstable supply in Ukrainian food market. The appearance of Valio International Ltd’s products is periodical: locations where products are sold are never the same, especially outside of the capital, Kyiv. However, the Valio products are known and have brand name recognition in Ukraine.

Learning from the experience of other companies, Hartwall BBH made a smoother entry into Ukrainian food market, and now could serve as an example for others who are interested in doing
business there. The company’s products are very popular, even keeping own low profile there by local factories’ brand names: Lvivska Pyovarnja and Slavutych. The business grows there rapidly and is very much appreciated by local consumers.

3.3 Special Market Circumstances of Ukraine

There are large and significant differences between Finland and Ukraine. It is difficult even to compare them. The legal and institutional environment in Ukraine is significantly less developed, the influence of bureaucrat’s behavior is high, law-making procedures are unclear, and the law enforcement mechanism does not work very well. There is a remarkable degree of instability and uncertainty, and the administrative capacity of the state government is weak in Ukraine. However, the uncertainties in dealing with government agencies have decreased significantly during the past five years and other foreign companies have shown that collaboration with Ukraine is possible.

From the previous experience of Ukraine, due to the Russification strategy, the enterprises became oriented towards the all-union consumers and dependent on imports from other republics. This meant that the enterprises produced certain products to be used in the whole Soviet Union. The raw materials for these products were brought in from other parts of the Big Union. In other words, certain inter-dependency was created. The dependency was great and made it very difficult or impossible for businesses to function on own. No interactions between the different republics in the USSR could be made without going through Moscow first. All systems were centralised. Any firm, which dealt with another firm somewhere in Soviet Union, could not cooperate without being subject of close control and supervision from Moscow. Likewise, payments from one firm to another-all had to go through Moscow. However, some of these special market circumstances still exist in Ukraine, including mafia and kleptocracy, and it will take some time for these unofficial systems to change also.

When the state does not provide needed public services (a satisfactory rule of law, services that assure transactions and enforcement of contacts etc.), they are privatised and entrusted to the economic underground (e.g. the Ukrainian mafia). The resulting unstable transition may lead, rather than to well-functioning market economy, towards a kleptocracy as has happened in Ukraine. Economic agents may want to hire a self-governing organization or a private protection racket to
enforce contacts (see Keren, 2000; Frye, 1998; Frye and Zhuravskaya, 2001). A voluminous literature exists on the corruption, corporatism, vested interests, that operate in the underground economy in Ukraine and other states of former Soviet Union (see Shleifer and Treisman, 2000; Kubiček, 2000; Broadman and Recanatini, 2000; Abed and Davoodi, 2000; Smarzynska and Wei, 2000).

No country has ever before last century made a transition from a socialist centrally planned economy to a market economy. Now this transition is taking place not only in Ukraine, but also in Baltic States and others CIS countries. Due to the significant and unique changes in political and economical structure, the problems and expectations have changed in country also.

3.4 Knowledge and Resources Availability in Finland

The Finnish national identity has been characterised by the country’s location between the East and the West. For 600 years, Finland was part of Sweden. Russian rule was from 1908 to 1917. During the Soviet time, however, Finland was heavily dependent on the USSR as a trading partner, and the powerful neighbour had to be taken into consideration in politics at all times. The association of Finland with the USSR and the Eastern Bloc has diminished, and the country is now more strongly part of the West and the European Union (Alasuutari and Ruuska, 1998).

Finnish national identity emphasises perceived negative characteristics to an unusual degree in description about themselves. In other words, the common stereotype Finns hold of themselves is distinctively negative. Finns describe themselves as impolite, incapable of communication and small talk, and too straightforward. Finns have traditionally emphasised their distance from cultured and civilised Europe – the country is considered to be on the periphery of Europe and the people to have their roots “in the forest”. On the other hand, positive constructions of Finn's self image include heroism in the World Wars and honest workmanship.

Fortunately, time is changing and positive character descriptions of themselves take place, more close to those, which Ukrainians have about Finland. Finns are regarded as quiet, serious, not very relaxed but formal, and as having a matter-of-fact and straightforward attitude in all contacts. These qualities had both negative and positive aspects: for example, the Finnish straightforwardness was
sometimes interpreted as rudeness; often it was a sign of trustworthiness. Keeping silent Finns could charm with the fineness of expressions (concerning job or party). Finnish friendship is known to be very strong and pure, even "it takes ages to get it". This is what make world different and it is very important to adjusted and at the same time to keep identity.

As most of the dominant Finnish industries are based on high-quality engineering and manufacturing, management in Finnish companies has emphasised technical and operational efficiency (Laurila, 1999, 214). The structures of traditional industries in organisations are perceived as relatively bureaucratic and hierarchical, and extreme loyalty is expected of the employees. The Finns themselves describe the typical Finnish leader as an authoritarian entrepreneur.

The ideal subordinate, from the Finnish management point of view, has "controlled initiative": on one hand, the employees are expected to realise their own ideas independently, without being too reliant on the management approval; on the other hand, the employees should develop a clear conception of where the boundaries of this independence are, and remain loyal to the management. Finnish organisations can be described as "work - oriented bureaucracies", which are characterised by the obedience to rules. Organisations are managed by a method of "independence in structure": typically, the employee is given precise instructions, but also room for independence in how to carry out the tasks.
The starting point for the whole research was extremely demanding. Thus, the first step at this phase was to find out those Finnish food companies that have some significant business operations related to the Ukrainian food market.

As known, Finpro provides services, support, and information to help Finnish companies enter the international market as swiftly, safely, and efficiently as possible (Finpro, 2001a). It promotes Finnish business solutions worldwide. That is why the first idea was to start research for Finnish companies doing business in Ukraine to contact Finpro. However, the Finnish Foreign Trade Association (Finpro) named only some companies and was not sure about others one. The Finpro Ukraine located in the Finnish Embassy in Kyiv, actually, was more helpful, but the contact information was not updated, which presented problems in contacting the responsible persons.

In order to form a basic database, later called as the mailing list, many sources and plenty of effort was needed. There was not special selection criteria used to determine which Finnish food companies should be included in the current study. After an extensive search with the Ukrainian Embassy in Helsinki, Finpro in Ukraine, and Finpro in Finland, five Finnish food companies were found, and all of these companies were included in the current study. There is not actually enough secondary data about Finnish companies. This lack of data inhibits the exploration into the phenomena of entry, penetration and escalation in the Ukrainian market as well as a deeper exploration into motives.

Actually, when studies of companies such as Fazer Ltd., Valio International Ltd. and Finlandia Vodka Worldwide Ltd. had been in progress, Paulig Ltd. and Hartwall BBH (L’vivska Pyovovamja and Slavutych) were added. Such as Paulig Ltd. hold business operations in Ukraine through Estonia and Hartwall BBH are owner of local breweries L’vivska Pyovovamja and Slavutych in Ukraine. That is why those companies are not known to the Ukrainian customers as Finnish one. However, these companies are also considered to be Finnish food enterprises and doing successful business in Ukraine. Each company’s way of doing business in the Ukrainian food market was particularly different and interesting for deeper learning.
The scientific method for study research is not one single thing. It is refers to the ideas, rules, techniques, and the approach for collecting data and analyses. It is the overall configuration and organisation of the research activity. The research process requires a sequence of steps and is not strictly linear (Lawrence, 1997, 10). When data are in the form of words, sentences and paragraphs rather than numbers there are use different research strategies and data collection techniques. Current style is focus on qualitative research, which uses several specific research techniques including interviews and analysis.

Also there is taken to consideration some stereotype visions that exist in both countries (chapter 7.2.5; 7.2.6). Patterns of the Finnish food firms willing to operate in the Ukrainian food market specify modes of business operations. Factors influencing business in Ukraine of Finnish companies are described relatively to each of them.

4.1 Qualitative Research Design

There are some evidences explaining why qualitative approach is more suitable in current research. Because, qualitative researches emphasise the importance of social context for understanding the social world and do not have to know about statistics and more focuses on subjective meanings, definitions, symbols and descriptions of specific cases of companies. They hold that the meaning of social action or statement depends in an important way on the context in which is appears. Attention to social context means that a qualitative research notes what came before or what surrounds the focus of study. It also implies that the same events or behaviours can have different meaning in different cultures and in different countries.

Another dimension of social research is the treatment of time. In current research the time dimension is more distinct a case study. It involves qualitative methods and focuses on some cases during a limited time period. The data may be collected over month. In current study it prolonged through summer until beginning of autumn. Among examine cases were the Finnish food companies: Valio International Ltd., Fazer Ltd., Finlandia Vodka Ltd., Paulig Ltd. and Hartwall BBH (L'vivska Pyovarnja and Slavutych) that hold business operations in the Ukrainian market. In this study was investigated a limited set of cases focusing on several factors. It uses the logic of analytic instead of enumerative induction (Lawrence, 1997, 29).
There is considers the specific context of the case and examines how its parts are configured. The empirical part of study includes interviews of representatives of Finnish food companies, which were held in Helsinki. There was also made questionnaire to Ukraine customers in L’viv, Ukraine. The original study was planning to interview Ukrainian representatives of Finnish food companies. However, after some interviews, which were held in Ukraine (L’viv), the study turned in a wrong pass. That is why instead of an originally planned a change was made to give the questionnaire to Ukrainian customers, to get an idea of what can be learning from both sides.

The current case study helps to connect the micro level and the actions of the individual people, to the macro level with the large – scale social structures and processes. Thus “the logic of the case study is to demonstrate a causal argument about general social forces shape and produce results in particular setting” (Walton, 1992, 122).

Qualitative researchers usually work alone, others know about the evidence. The subject being observed can read the details of a study. Likewise, historical documents are cited and other researchers can check references and sources. The most important way that a qualitative researcher creates is the way of presented evidence. Current study is also going to be presented to companies mentioned earlier.

The interesting part of qualitative study are opportunities for personal influence to affect qualitative study: gets to know the people being studied and effect what occurs, because remembers and records only some of it. Likewise, there were read many sources of the literature. Researcher integrity is a real issue.

A qualitative study begins with a research question presented in chapter 4.2. A theory develops during the data collection process. This more inductive method means that the theory is built from data or grounded in the data. Moreover, conceptualization and operationalisation occur simultaneously with data collection and preliminary data analysis. Many researchers use grounded theory. It makes qualitative research flexible and lets data and theory interact (Lawrence, 1997, 334).
4.2 Data Collection Techniques and Analysing Qualitative Data

The research mainly builds case supportive evidence and only a few explanations are consistent with a pattern in the data. The form of analysis and theorizing makes it difficult to see generalizations. Qualitative research report includes some tables with numbers (Appendix 9). The visual presentations of data are map and figures, showing how ideas are related. The research collects data using techniques according table 3.

The data is interprets by giving them meaning, translating them, making them understandable, by finding out how the people being studied see the success in future companies business, how they define the situation, or what it means for them.

Table 3. Dimension of Research

<table>
<thead>
<tr>
<th>Purpose for study</th>
<th>Time in study</th>
<th>Data Collection Technique</th>
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</thead>
<tbody>
<tr>
<td>Descriptive</td>
<td>Case study</td>
<td>Qualitative data:</td>
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<tr>
<td></td>
<td></td>
<td>-Field research</td>
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<tr>
<td></td>
<td></td>
<td>-Comparative historical</td>
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Source: Lawrence, 1997, 33; Ghauri, et.al. 1996, 29

Thanks to Internet information flow, almost all-necessary contact persons were found there for interviews. The largest part of it allowed a straight contact to the headquarters in Finland of the Finnish companies in question. Other information related to the “on-spot” operations of Finnish companies showing the subsidiaries and representatives of Finns or local person in Estonia, Russia, and Ukraine. There was also found a way to eventually contact them. The selection process for interviewing the right person was decided logically. Usually, this is the export manager who is aware about the company’s international activities. In the big companies, very often there are several Export Managers, who share responsibility by relevant geographical areas.
The current study includes five Finnish food companies doing business in Ukraine. The companies and representatives who were interviewed are named below:

Valio International Ltd., Export Manager;
Fazer Ltd., Area Export Manager, CIS;
Paulig Ltd., Export Manager for Eastern Countries;
Finlandia Vodka Worldwide Ltd., a representative;
Hartwall BBH (L’vivska Pyovarnja and Slavutych), Vice President (Helsinki) and Manager (L’viv, Ukraine).

An empirical analysis is produced here on the basis of interviews conducted with members of the case companies in the summer and autumn 2001. Interviews were made by phone, by e-mail and in person. Exceptions were Paulig Ltd. and Finlandia Vodka Worldwide Ltd., because it was not convenient to meet. The interviews were conducted in English, Russian, Ukrainian and introductory part in Finnish languages. Some questions were actively discussed and some of them were just avoided, depending on the respondent. All the interviewees were professional and experienced in their own line of business.

The interviews were based on three main questions relevant to entry and growth strategies of Finnish food companies and their future prospects of doing business in Ukraine. Questions, which were given on the interviews, are presented below in the table 4.

There were also questionnaire to Ukrainian consumers in Lviv, Ukraine. The questions were prepared on the Ukrainian language. The main idea of the poll were to figure out what is the image of Finnish food companies in Ukraine (Appendix 6). Also, the English version of the questionnaire in L’viv is presented in appendix 5 as well. Chapter 5.6 contains more details about Ukrainian questionnaire.

Personal contacts were also of advantage at some other instances, which provided some valuable information to the study. Thus, when a Finnish manager speaks Russian, it can create a feeling of understanding. However, language is not only tool for transferring information, it also increases an understanding of culture. The personal relations and networks in both business and personal lives are very important. The efficiency in business is based on personal relations with authorities and partner companies. Being able to rely on personal contacts, which are known to be trustworthy,
brings stability and predictability to the unstable environment and the lack of established procedures and institutions. Not available right data sometime could course significant influence for building trustful business relations between partners.

4.3 Similarities Historical-Comparative to Field Research

According to Lawrence (1997, 327) and Yin (1994, 6), current research mixes types, although the proposition of each type of logic varies. Field research is appropriate when the research question involves learning about, understanding or describing a group of interacting people, using types of questions: How? What? Is historical-comparative research examines aspects of social life focus on one historical period or several, compare one or more cultures, or mix historical periods and cultures. A researcher begins with a loosely formulated question and then refines and elaborates it during the research process. Research uses a mix of evidence including existing statistics, documents (book, newspapers, diaries, map, observations and interviews). This is a powerful method for addressing big questions. It can strengthen conceptualization and theory building developed the macro-level theories.
Table 4. Purpose of the study.

PURPOSE OF THE STUDY

ENTRY STRATEGY
- What international operations carried out by the company in Ukraine?
- What is the company's internationalisation strategy for expansion in Ukraine?
- What are the existed risks for entry of Finnish food company in Ukrainian market?
- Does the local government offer some tax benefits for entry into the country?

GROWTH STRATEGY
- How does the company interact with host country's government?
- What are some aspects of the differences in business culture between Finns and Ukrainians?

FUTURE PROSPECTS
- What is company's goal for the future?

Basic information regarding the recipient in aspects concerning Ukraine
- What are the existed problems for growth of a Finnish food companies in Ukrainian market?
- Who helps in advertisement and how is money obtained from mass media in Ukraine?
- Who are the main competitors in Ukraine?
Qualitative method is used when other methods are not practical – stated that most of what really want to learn about can be studied only through the direct involvement of a researcher in the field and to learn about foreign cultures (ethnocentricity) and members perspective. Most field research conduct case studies on a small group of people for some length of time. Field research begins also with a loosely formulated idea or topic. The researches observe and interact in the field setting for a period from a few months to several years. They get to know personally the people being studied and may conduct informal interviews. Field research is usually used for descriptive study: observes ordinary events as they happen in natural setting; becomes directly involved with the people being studied and personally experiences the process; uses a variety of techniques and social skills in flexible manner as the situation demands) understand aspects of culture and ethical dilemmas. Flexibility is a key advantage of field research, which lets a researcher shift direction and follow leads.

The critical social research is more action oriented, but current research is more descriptive oriented with critical elements. A critical approach notes that social change and conflict are not always apparent or observable. The social world is full of illusion, myth and distortion. Critical approach adopts a realistic position in which reality is seen as constantly shaped by social, political, cultural and similar factors.

Both historical-comparative research and field research recognize that the research’s point of view is an unavoidable part of research. Both types of research involve interpretation, which introduces the interpreter’s location in time, place and worldview. Examine a great diversity of data; becomes immersed in data to gain an empathic understanding of events and people. Both capture subjective feeling and note how everyday, ordinary activities signify important social meaning. Both use grounded theory, which usually emerges during the process of data collection. Generalizations are limited in research.
5 EMPIRICAL STUDY OF THE FINNISH FOOD COMPANIES SITUATED IN THE UKRAINIAN FOOD MARKET

Finnish foods companies had business operations in the Ukrainian market since 1992. To go further with study it is necessary first to look at current pattern of each company. Taking to account that business between Finland and Ukraine sometimes goes through other countries such as Russia and Estonia, the companies specified data of income from export goods are not available for presenting in current study.

The Finnish food companies situated in the Ukrainian food market are rather complex. However, thanks to international experience each of them found their own approach for doing business with Ukraine. Thus, Valio International Ltd. made some contracts each year with different local distributors; Finlandia Vodka Worldwide Ltd. made direct export; Fazer Ltd. shared direct and indirect export through Russian subsidiary company; Paulig Ltd. made direct and indirect export, and Hartwall BBH case share subsidiaries with whole ownership business. The pattern of each company is studied separately. The image of Finnish food companies in Ukraine is presented in chapter 5.6. It was based on the questionnaire of customers, which was held in L’viv, Ukraine.

5.1 Pattern of Valio International Ltd. Participation in Business

Valio Oy is Finland’s largest distributor of fresh and frozen products. Reliable deliveries, cost-effectiveness, quality assurance and troubleshooting will continue to be the key factors of production, even as operations undergo further development (Valio, 2001c). It is a trusted brand. Production bears responsibility for the well being of people, animals and the environment and above all, for the total quality of the entire production chain. It is customer-oriented leading all the way to the dining table. For consumers in Finland that means a wide range of fresh and tasty eight-hundred product items in different package sizes. Good from toe start also refers to the different phases of the human lifecycle. Valio is a household name in its domestic markets and Finns are demanding consumers. Valios’ products are enjoyed throughout the life, the foodstuffs brand consumer could really trust.
According questionnaire held in L’viv, Valio business profile is not so active in the Ukrainian food market and is rather low (Appendix 6). In Ukrainian market the choice of Valio International Ltd. products is not so wide and includes just a few items of cheese. Mental, Viola, Aldermanic, Polar and ingredients are the main products for specific end uses. The products are sealed in a little segment. The supply is not regular and may go each time to different location. Some operations are holding through Russia and consider indirect or direct export. Taking to account that Valio company are interested first of all to realise local owner dairies, collected fresh milk from local dairy farms make extension abroad rather complicated. Factory productivity is not enough to regularly supply goods to a country as far away as the Ukraine, emphasised Export Manager of Valio International Ltd’s, who is highly skilled in Russian language.

One of the main reasons of slow currency in Ukraine for Valio International Ltd. is inability to compete in pricing. Because there are a lot of other companies from Europe that exist on Ukrainian food market, such as Poland, German, which exports their own produced goods for a cheaper price. They are more active and adopted for Ukrainian market. Taking to account that the structure of Valio Oy is very complicated in organization and first of all is interested to manufacture milk resources from Finland make company not so interested in FDI or any another extended form of business with Ukraine. Export goods demand investments, which make it very expensive for such relatively small company. However, Valio International Ltd. is still looking for a reliable partner to keep export branch in Ukraine.

5.2 Patterns of Fazer Ltd. Participation in Business

Fazer’s products are well known both in Finland and in Ukraine. The evidence for it was questionnaire held in L’viv, Ukraine (Appendix 6). This fact is the philosophy of company to make it big and competitive. Company tries to maintain high quality and surpass expectations in all their products (Fazer, 2001).

Before the collapse of the Soviet Union, there was successful business between this company and USSR. The business mainly was conducted through large distribution centres such as Lenfintorg, Sojuztorg and Sojuzmintorg. The system was totally centralized. That is why the company never
knew who were their final partners in the chain. Contracts were updated each year. Business with Ukraine continues in much the same way nowadays. The Export Manager of Fazer Ltd. on Ukrainian market has rich experience in this area as she spent more than 10 years working in Eastern market and getting acquainted with business system there very well. But even for her Ukrainian Law bureaucracy sometimes seems overwhelming: there are a number of different certificates requested in Ukrainian language that need to be renewed each year. For local taxation certificates of product quality should be also made and especially complex methods is for checking raw materials from which goods are made must be undertaken. For this purpose each year a group of official clerks from host country visit the factory in Finland, which adds extra expenses for holding business operations in Ukraine. Meanwhile, there is local structural unit in Finland, which is interested in keeping the highest quality of Fazer’s products.

Ukrainian-Finnish business started in 1993. Export deliveries were centralized to Kyiv and from there have been distributed by local operators. 1996-1997 years are concerned to the most successful period. However, current year seems also quite good, said Export Manager. Nowadays, the agreements for business are made with private firms only in Kyiv and in Kharkiv. The agreements are renewed each year and mainly require predetermined payments. There is a lot of competition in the Ukrainian food market and there are not enough agreements between partners inside country. The products are mainly exported from Finnish daughter company in St. Petersburg confectionery factory “N.Krupskoj”. The system works in quite centralized way. Products are delivered to Kyiv and from there have been distributing by local operators.

Fazer Ltd. is looking forward to extending business to Ukraine, but only as exporter. All other forms are not so optimal, because Fazer’s products are made from highest quality raw materials, which would be rather difficult to obtain in Ukraine. For example for Premium Chocolate the special skim fresh milk is delivered to Finland from Sweden. It would be difficult to keep the production on the high level in the same way in Ukraine.

The export amount of Fazer Ltd. production to Ukraine is rather small. That is why, enterprises put efforts to find more partners interested in collaboration with them in export. Their products are high quality goods and should be sold through high-level distribution chain. This is one of compulsory request for partners in Ukraine. Fazer Ltd. provides special benefits for old and reliable partners and gives discount for preliminary paying (about 10%).

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Paulig Ltd. started to market coffee products and spices (Santa Maria) in Ukrainian market in 1995. Before 1996, exports came direct from Finland. The representative office of Paulig Ltd. was registered in Kyiv in 1996. It was result of learning from other experience to make internationalisation process of company smoother. After economical crises in Russia in 1998, operation work was transferred to Estonia. It was convenient way for Finland, because Ukraine has had contracts with Estonia for independent trade of products since 1995. All desirable products from Ukrainian side were in Estonian production list and certified the originally produced products in Estonia. In such a case, the products are not subject to pay tax passing through the border. It simplifies the way to export goods to Ukraine. Estonian Paulig Ltd. is the subsidiary established firm from Finnish Paulig Ltd. and they maintain the same quality.

The mission of the representative office in Ukraine is “to hold connection with local bureaucrats, to solve questions about advertisement, coordinative work with distributors and providing support of products according to local law,” as emphasised in an interview Export Manager of Paulig Ltd. for Eastern Countries. Besides, every year two or more representatives from official structure responsible for certificates make trip to Estonian and Finnish factories to hold inspection search, to make analyses of exporting products and to make new certificates of correspondence of quality products. Besides, they check on hygienically registration in Minzdrov. All those procedures are forwarded rather against fruitful business relations.

Upon entrance into Ukrainian market Paulig Ltd. products were very expensive but of high quality. From 1995 to 1996, sales were rather low. Distributors were not able to fulfil promises. But appearance of new products on Ukrainian market involved interest of big companies, which later took care about distribution throughout the country with certain conditions of organization. Thanks to advertisement organized exclusive distribution of products. The points of distribution were fulfilled, but amount of sale was still low. After four years of existence on Ukrainian market, Paulig Ltd. amount of product was less than in other Baltic’s market. After economical crises, company decided to minimise the risk on Ukrainian food market continuing sales of products, but only with advance payments and a close watch on the markets. In the last year there has been a perceptible upswing in the market.
Earlier, the main competitors were Jacobs and Chibo from Germany and Middle Europe along with various kinds of Espresso from Italy. Nowadays, many local manufactures have appeared, such as Galka, Videns'ka Kava, Paradiz, which are cheaper and the quality is consistently getting higher.

The same is with spices. Earlier, in the Ukrainian food market there was only McCormick from Finland. Nowadays the competitors are Kamis and Cikorija from Poland; as well local manufactures Maria and Aromiks.

The situation in Ukraine with different suppliers were “always different and rather unequal”, continued Manager of company. Many goods are entering the Ukrainian food market illegally, through Poland and Odessa. The unstable currency of hryvnia also has coursed a lot of inconveniences, however, last time the situation became more stabilised.

The Ukrainian food market defends very strongly from foreign competitors, including development of retail sales. Only for the last year the first line of Bills supermarkets chain from Austria started to develop through the country. All other branches are owned by local capital. All those factors make distribution chain more favourable to succeed.

5.4 Pattern of Finlandia Vodka Worldwide Ltd. Participation in Business

Finlandia Vodka is one of Finland’s best-known export producers. Finlandia Vodka Worldwide Ltd. is responsible for the global marketing, distribution and brand promotion of Finlandia Vodka, started its operation in Ukraine on 1 August 2000. It is one of three subsidiaries companies of the Altia Group, a Finnish alcoholic beverage corporation operating globally. Before the export of Finlandia Vodka was taken care by Primalco Ltd., which is also one of the three subsidiaries companies of Altia Group (Altia Group, 2001). Altia Group (55%) and North American private company Brown-Forman (45%) own Finlandia Vodka Worldwide Ltd. This joint venture is responsible for Finlandia Vodka’s brand and marketing strategy, communication concept and product development.

The distribution and operative business in Ukraine is taken care of by Brown-Forman in co-operation with the local distributor. The company Finlandia Vodka Worldwide Ltd. exports only
Finlandia Vodka, but Brown-Forman has its own portfolio with whiskey products. The Finnish Alcohol Act does not allow any advertising of strong alcoholic beverages (over 21%). Ukraine is the second biggest vodka market in the world and is an important market to Finlandia Vodka Worldwide Ltd. as well. "There is seen an opportunity in this market. And company looks forward to improvement of the economical situation in this country, which would allow more people to buy premium products, such as Finlandia Vodka", said representative of Finlandia Vodka Worldwide Ltd.

The main risks for doing business in Ukraine involved practical issues such as high duties and obligatory certification of all products. All international premium vodkas, which are legally sold on the market, are competitors to Finlandia Vodka Worldwide Ltd. However, due to lack of certificates some of the brands may not always be on the Ukrainian food market. The competitors are also premium, high-priced local vodkas.

5.5 Patterns of Hartwall BBH Participation in Business

Hartwall ABP is Finland’s leading beer and soft drinks company and was established in 1936 (Hartwall, 2001). It own 50% of the associated company Baltic Beverages Holding (BBH), which has a total of twelve breweries in the Baltic countries, Russia and Ukraine. BBH was established in 1991. Since the beginning of 2001 BBH is owned on a 50-50% basis by Hartwall and Danish company, Carlsberg Breweries AS. A shareholder agreement exists between the owners, which among other things, governs the decision-making process in the administration.

BBH is the market leader in the Baltic countries and Russia, and ranks third in Ukraine. The objective of company is to be Finland’s best beer and soft drinks company as well as the leading brewery in the Baltic countries, Russia, Ukraine and other selected market areas in Eastern Europe.

BBH started doing business in Ukraine ten years ago in 1991, exporting Lapin Kulta beer. To extend the business company transferred into subsidiary and has been very successful. Nowadays, BBH hold in Ukraine Slavutych 81%, L’vivska Pyovarnja 99% and Slavuta Malt House 84% subsidiary business (Hartwall, 2001). The success of company is proved in questionnaire to
customers held in L'viv, Ukraine. From one hundred of respondents all unscrewed that consume products of L'vivska Pyovarnja and Slavutych (Appendix 6).

In Ukraine, the political situation has evolved in a positive direction and steps to reform the economy have continued. Only slight changes took place in the exchange rates of the Group’s major currencies against the euro. The competitive situation is changing such that the largest brewing companies are consolidating their positions, while the small local breweries, which make poor-quality beer, are losing ground. The main competitors are SUN Interbrew and local brewery Obolon.

Profitability-boosting measures are being continued in Ukraine. Investments are riding high, financial position increasing also. In Ukraine, BBH’s sales grew by 23% to 110.7 million litres (90.2 million litres), of which 93.6 million litres were beer (81.0 million litres) and 17.1 million litres were soft drinks (9.2 million litres). The Ukrainian beer market developed by 10% and amounted to 568 million litres. BBH’s breweries strengthened their positions, raising their share of the beer market to 17.7% compared to last year 16.8%, - emphasised, Vice President of Hartwall BBH (Appendix, 3, 4). The strategy of company oriented on international growth and increasing of investments. The future task is to grow and became market leader on the Ukrainian food market.

5.6 The Image of Finnish Food Companies in Ukraine

Second part of the empirical study was questionnaire in L'viv, Ukraine. The idea was figure out the image of Finnish food companies in Ukraine. Questionnaire in English to Ukrainian consumers is presented in appendix 5. Original questions were given in Ukrainian language (Appendix 7). The questionnaire included 16 questions and time was count as 15 min per person.

A summary of the data collected during the interview is presented as Appendix 6 and the interpretation of the results are presented in the current chapter. The profile of the respondents is given below. A total of 100 Ukrainian consumers were interviewed, including 52 (52%) males and 48 (48%) female. The majority of the respondents (75%) were married, 22% were single and 3% were divorced.
The largest group of Ukrainian respondents was aged between 25 to 34 years (in total 40%). The share of 35 to 44 years old respondents was quite high with 28%, 21% of the respondents were between 45 and 54, and 11% were young generation between 18 to 24 years old (Fig.4).
Most of the Ukrainian respondents worked as employee: government (25%) and owned (25%). The share of respondents as businessman was high (24%). 18% of respondents were students and 8% were householders (Fig. 5).

Figure 5. Professional background of respondents

18% of Ukrainian respondents had a High School, which is equivalent to University or other Institutional High Education. 20% of the respondents had education less than High School (which included equivalent education to colleges or other middle school) and other 62% had Graduated School with different scientific levels (PhD and Doctoral students, docents and professors) (Fig.6).

Surprisingly interesting was question about the products of Finnish food companies known by Ukrainian respondents. Thus, Valio had low profile of products recognition. However, even there are not surplus of products in this area of country, there was named products of this factory and the most recognisable item of it seems "Polar" cheese. "Fazer" was recognised by "Fazer" chocolatebar, "Geisha" and "Vinner Naugat" as chocolates in a box. "Paulig" was appreciated by coffee "President" and other coffee items. Special focus was given to orange and black package of products. Finlandia Vodka was known by diversity of additives to it like strawberry, currents or just plain liqueur. The liker "Polar" was also named as a product of Finlandia Vodka. The products of Livska Pyovomija and Slavutych (Hartwall BBSI) seems the most known among Ukrainian
respondents and were named many items of it such as: Premium, Strong, Dark, Classic, Extra, Porter, Light, Lvivska and Slavutych beer.

Figure 6: Educational background of respondents

The rate of Finnish food companies known by Ukrainian respondents is presented below (Figure 7). The leading position placed by Hartwall BBH, known in Ukraine as Lvivska Pyovarnia and Slavutych (100%), and Finlancia Vodka (100%), Paulig share next position (58%) and is rather familiar to the local customers compare to Valio, which is barely known (only 9%). The rate of Fuzer (49%) was rather low and many customers thought that this is German or other Scandinavian countries enterprises.
Figure 7. The rate of Finnish food companies known among Ukrainian respondents

The frequencies of purchasing the products were taken to consideration in following ranges: ones a week – Paulig (5%) and Lvivska Pyovovarna and Slavutych (Hartwall BBH 25%); ones a month – Fazer (8%), Paulig (39%) and Hartwall BBH (35%); ones in three month – Fazer (15%), Paulig (58%), Finlandia Vodka (13%) and Hartwall BBH (46%); ones in six month – Valio (4%), Fazer (32%), Paulig (92%), Finlandia Vodka (21%) and Hartwall BBH (98%).

Thus, the frequencies of purchasing products by companies are: Valio is very seldom, Fazer is not frequent, Paulig is rather frequent, Finlandia Vodka is rather seldom and the most frequent is Hartwall BBH (Lvivska Pyovovarna and Slavutych) (Fig. 8).
Figure 8. The frequencies of purchasing the products

The business activity of Finnish food companies in Ukraine has direct influence on the fact when
Was the first time of purchasing by Ukrainian consumers. Study shows, that the first time of
Finnish products’ purchasing were taken in the range of:

one year ago – Valio (3%), Fazer (15%), Paulig (53%), Finlandia Vodka (2%) and Hartwall BBH
(Lvivska Pyovarnja and Slavutych 41%);
two years ago – Fazer (4%), Paulig (32%), Finlandia Vodka (14%) and Hartwall BBH (59%);
five years ago – Valio (1%), Fazer (10%), Paulig (7%) and Finlandia Vodka (5%).
Percentage is calculated from all respondents. All data is presented below (Figure 9).

It also should be taken to consideration that Valio hold very slow business operations in Ukraine.
There was some gap in supplying those products into Ukrainian market two years ago. Hartwall
BBH (Lvivska Pyovarnja and Slavutych) are also recently in the Ukrainian food market.
Figure 9. The first time of Finnish food products purchasing

Figure 10. Products’ positive characteristics
Products' positive characteristics are given in Figure 10, presented above. 100% of respondents do like products of Finnish food companies. Common positive characteristics of Valio’s, Fazer’s, Paulig’s, Finlandia Vodka’s, LPS’s, (Hartwall BBH’s) included: quality were named by 87 respondents (87%), correspondently taste like 73 respondents (73%), package design 48 (48%), package safety 23 (23%), appearance 15 (15%).

In the same time 92 (92%) respondents answered that they do not like products of Finnish food companies included following negative characteristics: prices is too high for 90 respondents (90%), the supplier of products is not regular named 32 (32%), most of products could be easy replaced by another products named 28 (28%) and 6 respondents (6%) were not satisfied that products were made abroad. The negative products’ characteristics are given in Figure 11.
There were made also prognose of buying products of Finnish food companies in Ukraine in the future. 72 (72%) of respondents answered that would like to buy Finnish products in the future. 8 (8%) respondents wouldn’t like to buy Finnish products. 20 (20%) respondents were not sure about answer. Besides, additionally to the poll was opinion of 51 (51%) respondents that prefer to buy Ukrainian products in any way (Figure 12).

Figure 12. Prognose of buying Finnish products in Ukraine

All figures should be treated with care. It is necessary also take to consideration that poll was taken of 100 respondents. However, the conclusion still can be made that products of Finnish food companies have rather positive prognoses for the future if Ukraine. The developing of Ukrainian market is necessary for the future profile of Finnish companies there. The responsible prices would directly affect the level of purchasing of Finnish product and make advances for Finnish business in Ukraine.
Doing business with Ukraine brings with it several changes for the Finnish food companies. New tasks, unfamiliar environments and greater uncertainty all mean that the companies need to assume additional risks. The job of international marketers is much more challenging than that of domestic one, not only because of the cultural disparities but also because of variance in the demand patterns, and the behaviour of firms and authorities in different local markets.

An important stimulus for foreign investments in our country is that at present the investment profitability in Ukraine is higher than in the West. Besides, there are practically no free investment recesses in the developed countries, whereas in Ukraine they exist in many branches and regions. The problems, which foreign companies are faced doing business with Ukraine and other CIS countries inspired a lot of literature during the 1990s (Aitken, et.al., 1997; Frey, 1998; Jolly and Kettaneh, 1998; Miller, 1992; Quelch, et.al., 1991). Although comprising different problem areas, the literature has a number of things in common. First, due to the short period after the collapse of the USSR, the focus of the research is transition – the problems of operating in a country transforming itself from socialism to market economy. Second, also partly a consequence of the short time period, most of the literature has very practical and useful motivations: to help managers of Western companies in interaction with their Ukrainian counterparts – employees, customers, partners. Therefore, the point of view is often comparative: the authors aim to explain the differences and similarities between the managerial values of Ukrainian-Russian and e.g. American managers (Elenkov, 1997). It could be argued that if the aim of these comparative studies is to produce practical advice for management, and if, consequently, the emphasis is on cultural differences, this approach might lead to rather stereotypical and simplified conceptions of the national cultures.

Thus, the background information presented above suggests that to do business in Ukraine (and for that matter any of the CIS) foreign businesses must be educated in the Ukrainian business and consumer culture. This is true about any business that wishes to enter a foreign market, but in the case of the CIS unique business opportunities were created almost overnight with the collapse of the
Soviet Union and the entrance of more than 250 million people into the world of western consumerism.

More specifically, problems differ from company to company. For Valio International Ltd., there are not enough good partners for holding another type of business than export; there are not interesting suggestions/offering; impracticable custom-tax rules that make certification very difficult, emphasised Export Manager of Valio. Governmental interference is very high in business process and make it difficult or sometimes impossible due to requests by licensing, certificates and many others bureaucratic requirements, - continued Export Manager of Paulig Ltd. Before there were not enough places to sale products on the high level. When the new supermarket chain “Bill’s” appeared, it offered the right place for Valio International Ltd. to present products and also for Fazer Ltd. and other distributors of products from Finland as well.

Hartwall BBH (Lvivska Pyovarnja and Slavutych) found a way to avoid problems, it keeps low profile by local brands. Doing business in Eastern part of Ukraine it is not the same that in it West part. There is a need for different approach, said Export Manager in Ukrainian market of Fazer Ltd. Good methods for implementation are not always known, continued Vice President of Hartwall BBH, “and each geographical area needs some special knowledge”. The dividing of market make doing business in Ukraine quite complicated for foreign companies, as well for Finnish. Export Manager of Paulig Ltd. also emphasised the fact of Ukrainian food market diversity. “It is rather mosaic, which consists of some different segments. In general, it demands a lot of ability from managers to do business there”.

However, Finnish and other foreign companies have learned during about ten years of market economy in Ukraine that the Western ways of doing business do not necessarily work in that region because of the extreme uncertainty of the society as a business environment. Political risks ranging from a lack of developed Western infrastructure and institutions to changing customs regulations.

Political and business risks are not the only difficulties facing foreign investors in Ukraine, continued Export Manager of Valio International Ltd. Companies have not internalised western management concepts and human resource practices for operating organisations in Ukraine. Also was considers bureaucracy and taxation as significant problems for doing business there.
6.1 Physical Distance Between Finland and Ukraine

In the centre of Kyiv, the capital of Ukraine, there is the memorial column of St. Arhangel Michailo. On a bottom of it is listed the distance between Kyiv and Helsinki: 1137 kilometres. But in reality the concept of physical distance includes more then this. Relative rather than absolute measures are of significance in establishing the physical distance. As the involvement in international operations increases, the firm develops its product, operation and market strategies. These three components each include an orderly pattern, forming together the POM. These stages of the internationalisation pattern of the firm will be analysed in the following sections from the point of view of Finnish food companies targeting Ukraine.

The geographic distance makes physical distribution more difficult, while psychic distance creates communication problems. Finnish food companies that have business with Ukraine have to deal with multiple environments, such as public policy, traditions of trade, barriers to trade and competitive forces. Also companies engaged in Ukrainian marketing have to deal with multiple currencies and exchange rate variations; transactions in various currencies entail administrative costs and difficulties. Cross-cultural interaction also creates challenges for international businessman. Differences in language, business customs and ethics, lifestyles and values, and other cultural dimensions often complicate Finnish business transactions. But all those factors are trainable.

They are also unfamiliar the “hidden dimensions” that frequently play a fundamental role in international business transactions (Cavusgil and Ghauri, 1990, 15). These “hidden” aspects are not seen until business transactions begin.

The physical distance also includes aspects, which are conducted to surrounding environment. The environment includes market structure, political and legal forces, economic forces, level of technology, structure of distribution channels, and cultural and social characteristics. Foreign companies including Finnish food companies could make good profits if they entered the market quickly, thereby being among the first to penetrate the market. For Finnish companies, it was easier to enter the Estonian market, because the languages, the geographical position, and the mentality of the people of two nations are very similar. However, after Estonian experience it was easier for
Finnish companies to get a position in Ukrainian market. The expensive local supplies could be replaced by manufacturing products locally. However, many authorities contend that Western business people can conduct business in any culture other than their own.

6.2 Economic Distance

Economic distance between trading partners can be either positive or negative. Positive economic distance is said to be great when the difference in the economic environment between Finland and the target country is great in favour of the target country. When the difference is in favour of Finland, the greater the negatives distance. Some indicators of the level of economic development, as parts of cultural distance, have been subject to change. Companies are more willing to enter market such as that of Ukraine.

Generally economical conditions in Ukraine are characterised by low income, a constraint of saving since individuals spend most of their income on necessities. There are corruption problems in the form of favouritism and bribery. Each geographical area needs some special knowledge and can be seen as a separate economic area. Some aspects given below should be taken to account.

The most interesting areas for Finnish food business are following big cities: Kyiv is authorities and economics centre, where located a lot of power, money and foreigners. Dnipropetrovsk this is capable centre of industry and military complex, where is enough money and the structure of logistic (including import goods) is quite good developed. Odesa this is “gates of smuggling for Ukrainian market”, the city, which never wanted to obey to Kyiv, the city, which has “own rules” for making business. Lviv this is pearl of cultural and architectural values. It has own specific of doing business including Ukrainian language. Charkiv this is large industrial region, Russian cultural influence is significant. Donets’k this is the region of coal-mines, where is enough means. Krym area self-government and business mainly based on tourism and resorts (Appendix 8).

The Finnish food companies' business experience on the Ukrainian market emphasise quite significant difference in managing tasks, compared to Scandinavia, or even to Estonia. Governmental interference is very high in business process and makes it difficult or sometimes impossible for business to obtain the required licensing, certificates. There exist a voluminous
literature on the corruption, corporatism, vested interests, and operating of underground economy in Ukraine and other states of FSU (see Shleifer and Treisman, 2000; Kubiacek, 2000; Broadman and Recanatini, 2000; Abed and Davoodi, 2000; Smarzynska and Wei, 2000).

With acceptance of decree of Ukrainian President “About urgent actions concerning reforming of agrarian economical sector” in Ukraine the brand-new step of agrarian reform is being begun. It promises to provide in soonest period in fact and in law recurrence of private forms of farming, to create conditions for comprehensive development of private initiative, activation of investment activity in this field (Minagro, 2001). Nowadays, economic-policy and reform programs continue to be a source of sharp debate in Ukraine, with heated conflict between the executive and legislative branches. For the most part, the parliament pursued a more conservative approach to market reforms.

6.3 Business Distance

The undeveloped economic and physical infrastructure, the lack of management skills, the underdeveloped market mechanism, low levels of national income and problems associated with currency convertibility in Eastern Europe include business distance. It means that traditional methods of doing business, which are common in the EU, are often not transferable to the East (Welford and Prescott, 1994, 160). The business distance is quite significant. Doing business in Eastern Europe requires methods particular to the situations to be found there. Smaller exporters often do not have the luxury that big corporations have to weigh the risks of doing business abroad.

Each company worries about relations with the host government and needs infrastructure without problems, with stable and fair business rules and property right protection. The host government wants “the right things, in the right time, in the right place”. The country needs investments of new technologies. The more investors bring with physical technology, the more those are appreciated and the more support may get in implementation. In assessing “actor’s interest” one must distinguish between:

-Formal, explicit goal and informal, unwritten objectives;
-Institutional interest and personal interest;

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-Short term imperatives and longer term interests;
-Issue specific concerns and general concerns;

As mentioned earlier, the dividing of market make doing business in Ukraine quite complicated for foreign companies, as well for Finnish one. Various approaches should be used for doing business in different parts of Ukraine. From Hartwall BBH (L’vivsla Pyovarnja and Slavutych) experience it could be done and in a very successful way. This company does business as well in “Slavutych”, enterprise situated in the eastern part of Ukraine, as well in “L’vivska Pyovarnja”, enterprise situated in the Western part of country.

6.4 Cultural Distance

Considering the special circumstances in which foreign companies operate in Ukraine, and the multitude of assumptions, beliefs, and stereotypes associated with the country, there is a growing need for insight into many aspects of Ukraine business, especially the “human factor”. Since the beginning of the 1990s, a number of studies have been produced, for example, on the human resource practices of foreign companies, as well as activities and values of Ukrainian managers compared to Western managers. However, there are few, if any studies done on the internationalisation of foreign companies, which focus on Eastern European transitional markets.

Empirical evidence indicates that lack of information on foreign markets, buyers, marketing practices, competition, language, and unfamiliarity with the procedures of exporting holds firms back from exporting. Developing western market in Ukraine requires managerial and financial resource commitment. It is often necessary for firms to commit considerable management time, trained staff, and financial and other resources to develop practical marketing experience, distribution channels and a favourable image abroad before satisfactory benefits are realised.

The more culturally different the home and host countries are the more difficult it is to adjust to the culture and the more time it takes (Black, et.al, 1991). Adjustment takes place after arrival in the host country. It has been divided into three different dimensions. These dimensions are:

1) Degree of adjustment
2) Facets of adjustment

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3) Modes of adjustment (Kauppinen, 1993).

The degree of adjustment can be measured either through a subjective or an objective concept. There is a lack of research using objective measurement, e.g., interviews with local superiors, colleagues or friends. Adjustment takes place over time (Black and Gregersen, 1991).

The whole adjustment process has been found to take from three to five years (Borg, 1988, 27), probably depending on the cultural difference between the home and the host nations of the expatriate. This stage has also been called the “honeyymoon stage”, “the tourist phase” and the “spectator” phase.

The second stage is a stage where feeling of stress and anxiety enters. The expatriate receives a lot of feedback and information about the society and how to act in it, but is not yet capable to handle all the information correctly. Being in the country suddenly feels uncomfortable and the way people act and interact might even feel ridiculous and may sometimes be misunderstood. This stage could be called “crisis” (Sappinen, 1992, 12).

After this stage, usually, comes the stage of adjustment. This stage has also been called “naturalization” pertains to the time when the expatriate is able to manage in the new environment almost like a native. Language is no longer a problem. However, sometimes having excellent knowledge of host country language is not enough to succeed with business strategy there, e.g. it could be seen the situation with Valio International Ltd. in Ukraine. Their Export Managers’ language skills are proficient, but the company is still looking for relevant business partners. It may be very easy for the expatriate to adjust to the familiar work setting; however, outside work differences might be substantial and sometimes cause severe problems in adjusting. However, there is representative of Hartwall BBH, Vice President of company, who do not use local language for doing business. But understanding the local culture help him to keep companies profile on the successful level.

A person who has a high self-efficacy level will be more likely to be able to interact with people from the host country since he is not afraid to make mistakes. He will, sometimes through mistakes, get more feedback and then learn how to interact properly. Relation skills are essential in order to be able to interact with people. Being perceptive is also a good way in which to adjust to interacting. A person who has a high level of self-efficacy will not only adjust easier to the work
role he has to do, but also to the general environment and culture of the country outside work. And an example of the nice ability of "naturalization" for instance could be the Export Manager of Fazer Ltd. The way of talking, behavior, and sharing ideas - all remind a person, which over cross through the host country culture and found the successful way of doing business for own company in Ukraine.
7 GROWTH STRATEGIES OF FINNISH FOOD COMPANIES ON THE UKRAINIAN FOOD MARKET

There are various modes of exporting for which cost structures and risk vary enormously. Different modes of exporting offer the organisation disparate degrees of control. Exporting can be based in the host market and employ local nationals they have a broad understanding of the local market, its culture, and business practices. In order to improve information flows and control over the products, it may be considered preferable to establish direct selling to the end-user, a sale and marketing office, or a subsidiary. A lot depends on the nature of the product and target market. This is appropriate where a small number of customers are being serviced with a relatively small number of products involving infrequent, high value orders. Sales offices and sales subsidiaries are separated as two distinct strategies, and their legal status differs. Sales subsidiaries are individual companies in their own right. Sales and marketing subsidiaries provide a channel for internal company transfer pricing.

Ranging from a sales/marketing subsidiary to a fully operational manufacturing unit producing the same products as the domestic plant, FDI includes product-specific manufacturing units, plants producing components, and facilities, which simply assemble products in the end-user market. In the Hartwall BBH' (L’ivska Pyovarnja and Slavutych) case, sales/marketing subsidiaries and assembly units were utilised. There are usually designed to maximise the benefits of having a presence in the foreign market for the purpose of gathering market information, raising company profile, and reacting more quickly to market changes while being better able to secure contracts. Through a foreign market location, firms are able to raise confidence about their ability to deliver and service products as they minimise the geographic distance between the source of supply and the customer. Good samples of this are L’ivska Pyovarnja and Slavutych owned by Hartwall BBH in Ukraine.

There are several advantages associated with buying firms:

-Rapid market penetration is possible with faster return on capital and learning opportunities;
-Cultural, management and legal difficulties in the early set-up period can be more easily assimilated with an existing company;
- The "package" may include critical assets - technology, skilled managers, brand names, and distribution networks - which may compensate for the additional costs; (Welford and Prescott, 1994, 159-169).

As the effects of legislative change differ widely from sector to sector (and even from firm to firm), it is impossible to provide a simple prescription for future strategies. It should be made individually from company to company.

7.1 Risk Evaluation for Finnish Business on the Ukrainian Market

Doing business in Ukraine present several changes for the Finnish food companies. New tasks, unfamiliar environments, and greater uncertainty all mean that the companies need to assume additional risks. International markets are much more challenging than domestic ones, not only because of the cultural disparities, but also because of variation in the demand patterns and the behaviour of firms and authorities in different local markets.

Risks and problems of Ukrainian market entry are the same for any foreign investors. The main risks and problems are lack of transparency, corruption and slow economy reformation. Government restrictions may include tax discrimination, price controls, sales, and purchases. The amount of political risk is based on the degree of visibility. The needs for understanding the host country's cultural environment increase as the degree of business involvement in the host country increases.

Economical crisis in an undeveloped market indicates that the structure of taxation is having a negative effect on the investment influx into Ukraine. At the same time, this is an attractive country for investment purposes for it has a large market, a developed infrastructure (although in need of modernisation), and a population with a high level of education, a highly skilled labour force, and a favourable geopolitical position. Good opportunities present themselves to the investors in the following fields: energy saving and supply, transport, telecommunications, machine - building, forestry and food industry.
Usually, a domestic government plays an important role in shaping the foreign activities of firms from within its borders. All Finnish food companies have experienced this influence to a large degree. However, a way for foreign activity to exist is certainly possible to find, because the host country is interested in business penetration as well. How willing is company to react the changes will depend largely on the activity and degree of success they have achieved. The choice of a foreign market strategy is a highly complex task, which requires firms to make tradeoffs between various benefits and costs.

Thus, Valio International Ltd. only exports products in small amounts. Furthermore, Fazer Ltd. and Finlandia Vodka Worldwide Ltd. hold direct and indirect exports. Paulig Ltd. has subsidiary business, and Hartwall BBH (L’ivivska Pyovarnia and Slavutych) has a combination of FDI and ownership. Taking into account differences in the business modes of operations in the Ukrainian food market, each of the Finnish food companies has a different strategy for the future.

7.2 Factors Influencing Planning Process in Companies’ Development Strategies

A host country’s political and legal environment has always been a significant part of doing business there. The host country’s environment, politics, and the international marketing operations of firms may function in a variety of ways. The good manager will understand the country in which the firm operates so that he is able to work within the existing parameters and plan for changes that may occur. Managers must therefore continually monitor the government, its policies, and its stability to determine the potential for political change that could affect operations.

The Finnish Foreign Trade Association is an efficient expert and service organisation, whose goal is to speed up the internalisation of Finnish companies while minimising the risks involved. In order to succeed, in spite of the increasingly tough international competition, companies need to know the rules of international business as well as their own core business, target markets and resources. Finpro helps Finnish companies as they prepare to enter foreign markets. A company’s extensive activity abroad is an indication of its maturation in the internationalisation process.
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The agro industrial complex of Ukraine comprises multi-spectral agriculture, food industry, etc. The main branches of the food and processing industry are sugar, alcohol, meat, milk etc. Food – stuffs industry numbers are comprised of approximately 2.5 thousand enterprises with various profiles and pattern of ownership. In total, they have production of three thousand denominations. Ukraine has always been, and still is, a large, productive agribusiness complex with expanding export possibilities (Minagro, 2001).

The main contents of joint activity strategy of domestic and foreign investors in Ukrainian agribusiness are the realisation of projects that provide agro products processing and foodstuffs quality improvement.

To the planning process in companies’ development strategies, taxation of export/import operations should be taken into account. The object of taxation of export/import operations is the customs value of goods (units) transported through the customs border. Import of goods is subject to customs taxation. Import duty is differential and paid at the rates of the uniform tariff; its amount varies from 0 to 30% of the customs value and depends on the group of goods and the country of origin. In Ukraine, the taxation system is developed rather against businessman without differentiating between foreign or local enterprises. Finnish business partners should not take this fact personally. Local businessman understands that changes in this system do not depend on them, and they try to survive while looking for some adjustments.

However, the conditions of taxation of goods and other items imported into Ukraine have changed during the last years on the positive side. They have been considerably moderate through. The whole state customs service has developed a considerable number of documents aimed at simplification and liberalisation of customs procedures.

Verhovna Rada of Ukraine has ratified a number of agreements and converzions on double taxation avoidance and prevention of taxation payment evasion. The USA, Russian Federation, Finland, Germany, Sweden, and other countries have taken part in such agreements.

The export manager of Paulig Ltd. aware of all these problems, offered the following prescription for successful business in Ukraine:

-Hold business by the rules perceived by local businessman and bureaucrats;
Business should be interesting for local partners in a materialistic way, but controlled and co-ordinated by the parents company.

7.2.1 Foreign Direct Investments and Trade Market

Foreign investments and the investment climate in Ukraine are changing in a positive way. Ukraine is an attractive country for investment purposes since it has a large market, developed infrastructure (though in need of modernisation), a population with a high level of education, a highly skilled labour force, and favourable geopolitical position.

An important stimulus for foreign investments into our country is that, at present, the investment profitability in Ukraine is higher than in the West. Besides, there are practically no free investment recesses in the developed countries, whereas in Ukraine, they exist in many branches and regions. Good opportunities present themselves before investors in the following fields: the food industry, energy saving and supply, transport, telecommunications, machine – building, and forestry.

Food production is one of the few bright spots in the Ukrainian economy – attracting more FDI than any other sector, thanks largely to the government’s hands-off approach and strong interest from private companies. Ukraine’s food industry, with a bit of help from the good old invisible hand, is piling up the profits by catering to the country’s tastes for products including condiments, dairy products, beverages and other products, providing a wealth of opportunities for foreign investors.

It has been something of a renaissance. The current state of Ukrainian agriculture and food processing is one of the few real macroeconomic success stories in an economy considered to be one of Europe’s worst. The industry now employs hundreds of thousands of people, and the food sector has pulled in 21.2% (in 1999) of all the foreign investment that has reached Ukraine so far – more than any other individual sector. The share in GDP of food production and processing has increased for the last three years running, and currently stands at 12% (Finpro, 2001a).

In contrast to most other sectors of the economy, where state regulation and crony capitalism are scaring off investment, “the government has not interfered in the food industry”, says Mr. Hlib Vyshlinsky, an economist in the International Centre for Policy Studies (Finpro, 1999, 19).
Furthermore, Ukraine’s food industry is comprised of mostly small and medium-sized companies, and its privatisation has been rapid (at least by Ukrainian standards); analysts estimate that around 80% (in 2000) of the country’s food producers are now under private ownership.

Already, private industry has taken a big bite out of Ukraine’s food industry output: 71% of meat production, 66% of eggs and 62% of milk, according to a July 1999 report put out by the Ukrainian-European Policy and Legal Advice Centre (UEPLAC), an arm of the EU’s TACIS programme (Finpro, 1999, 19). Output at private food and beverage companies increased by 2.1% in 1999 year compare with 1998. Tellingly, over the same period, government food-processing output fell by 1.5%. Quick turnover, relatively low initial investment requirements and substantial capital injections from abroad have combined to make Ukraine fertile ground for producers and processors of food (Finpro, 1999, 20).

The law recognises that foreign investment can take place in a variety of forms. Among others, some of these forms are the following:

- Formation of a joint-venture company;
- Acquisition of stock (shares) in existing enterprises;
- Creation of a company wholly owned by foreign investors.

There are enough many successful FDI joint venture projects, which invite other foreign companies to collaborate. It appears that Ukrainians are indulging in a well-developed sweet tooth. Lviv’s Sviitche factory is now partly owned by the Swiss food giant Nestle’, which has promised to invest up to forty millions dollars. Another big Western food market, Kraft Jacobs Suchard (Switzerland), is behind the success of one of Ukraine’s leading domestic brands, “Korona” chocolate, made in Sunny by the Trostyanets confectionery. Kraft Jacobs Suchard bought a stake in Trostyanets in 1995.

Also among them are the Ukrainian-Swedish joint enterprise “Chumak”, which specializes in making chilly sauce like “Ketchup”, the Ukrainian-Bulgarian enterprise OAC “Rosy Bukovyny” in Chernivtsi, which produces mineral water and other alcohol-free drinks, and the German firm “Vild”, which has setup a branch for the bottling and pre-packaging of alcohol-free drinks. Other examples include the Ukrainian-Finnish enterprise of the beer producers “Slavutych” and “Lvivska Pyovvarntsa” and the joint Ukrainian-French enterprise “Dako” as well as many others who have
successfully entered the Ukrainian market. However, this is certainly not full list of all enterprises achievements. It could be extend much further.

Foreign investors have the right to invest by using the following forms:

- Hard currency;
- Ukrainian currency as a re-investment into the existing or a newly established enterprise;
- Shares, bonds, other securities and other corporate rights;
- Any intellectual property rights with confirmed estimation in hard currency in accordance with the laws of the investor’s country of residence, including copyrights, trademarks, firm names, know-how, and others;
- Rights with respect of economic activities, including exploration and utilisation of natural resources valued in hard currency and conferred and valued under the laws of the investor’s resident country (The Ministry of Economy of Ukraine, 2001).

Foreign investment can be executed in the form of contribution of fixed assets in return for a share in the equity capital of a Ukrainian company. These assets shall be valued in both foreign convertible and Ukrainian currency by an agreement between the parties, based on international Ukrainian market prices and using the applicable exchange rate of the National Bank of Ukraine.

Guarantees and state protection exist for foreign investment. Ukrainian legislation on foreign investments sets out protection for foreign investment in Ukraine against state confiscation except for cases of national emergency. Such cases include evacuation/rescue measures in connection with disasters, accidents, or epidemics. Foreign investors are eligible for compensation of losses caused by government bodies with respect to the above cases.

Under the Soviet system, legal entities were owned by the state and controlled centrally. As reforms in Ukraine have progressed, these entities have been replaced by and integrated with various types of market-oriented entities. As a result of legislation designed to encourage market reform, Ukraine has seen a substantial growth in the number of newly established legal entities.

The direct international investments of foreign countries were taken from more than 5000 enterprises in the food industry for sum 727,9 million dollars (30,2% of total amount for the last year). The main investors in agro-industrial complex of Ukraine are firms from the USA,
Netherlands, Russian Federation, Great Britain, Cyprus, Germany, and Sweden (Agroindustrial complex of Ukraine, 2001).

The government works hard to increase interest from foreign businessmen for joint work with Ukrainian partners, and an attractive investment climate has been created in our country even compare to 1998. The legislation has been changed and extends rights for carrying-out economic activity with values approved in convertible currency. The good results and performance are due in part to the sharing of enterprises that are created jointly with Ukrainian juridical and natural persons or through the acquisition of portions of currently working enterprises. There are also reasons to hope that efforts of the Ukrainian side regarding making better of the investments climate of the country will be more highly regarded from the side of investors.

In particular, privileged custom rules, taxes and other beneficial terms are set for making economic activity in special economical zones and in areas of priority development. Generally, these privileges relate to the following areas: exemption from customs and the maximum permissible emission during import of equipment and other goods; implementation necessary for investment project in pointed areas; reduction of receipts tax; and the exemption of some other regular expenses (Krym autoromous republic and Zakarpatska region).

The world experience shows that international fund such as investments first comes to those countries which are stable and effective legacy regarding regulation. Studies show, that no matter how great a country's potential, it will not attract significant foreign investment unless it provides transparent, simple, and stable conditions for investors. Experience, backed up by analytical studies, demonstrates that countries in transition, such as Ukraine, should above all liberalize and deregulate business activities, provide a stable and predictable legal environment, protect intellectual property, strengthen corporate governance, and reform its public administration if it wants to fully utilize its potential to attract foreign investment. Countries with transparent and stable rules governing privatization and business activity succeed. Countries with weak laws governing the rights and responsibilities of shareholders and unreliable courts simply do not interest western investors.
7.2.2 Economic Factors

Most countries have a wide arrange of national and international trade data available, and Ukraine does as well. Unfortunately, the data are often published only in the home countries and in the native languages. This is specific to all CIS countries. However, some information sources are often available at embassies and consulates, whose mission includes the enhancement of trade activities. The commercial counsellor or commercial attaché can provide the information available from these sources. Of all data sources, governments typically have the greatest variety of data available. In Ukraine, the Department of Agriculture collects the most data concerning the food industry.

Some international organisations provide useful data for the researches. The Statistical Yearbook contains international trade data on products and provides information on exports and imports by country. Global companies operating in Ukraine have serious complaints about the over regulation of the economy. Some of them had substantial problems over the certifications of their products.

Distribution has been regarded as one problem in CIS countries, because of the weak distribution infrastructure and retail level problems (Quelch, et.al., 1991; Arnold and Quelch, 1998). Therefore, it could be expected that the role of distribution and delivery time has increased, but whether they are really among the most important marketing parameters may be questionable. Furthermore, taking into account the financial problems in most Common Independent States and rather low purchasing power of citizens – at least most of the local citizens – in CIS, it could be expected that price would be rated the most important among the mix of marketing parameters.

Ukraine has efforts to define itself as a European, market-oriented and democratic state. A key component of this effort is to improve the investment climate, because only through FDI will Ukraine be able to attract the capital it needs to reform and modernize the economy, increase the standard of living of its citizens, and become a competitive economic force in European and world markets.

Under economic factors are considered indicators such as GNP, inflation, debts, export/import ratio, dependence on raw material exports, and urbanisation (Table 5 and table 6).
Table 5. Progress in Economic Growth 1 (period of 2001)

<table>
<thead>
<tr>
<th>Category</th>
<th>Period</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Volumes</td>
<td>(January–July)</td>
<td>increased</td>
<td>17.9%</td>
</tr>
<tr>
<td>Gross Agricultural Output</td>
<td>(January–June)</td>
<td></td>
<td>5.8%</td>
</tr>
<tr>
<td>Investments</td>
<td>(January–June)</td>
<td></td>
<td>23.6%</td>
</tr>
<tr>
<td>Real State Budget Revenues</td>
<td>(January–June)</td>
<td></td>
<td>5.2%</td>
</tr>
</tbody>
</table>

Source: The Ministry of Economy in Ukraine, 2001

Economic reform is an important element in the re-emergence of civil societies in the former socialist countries. But it is also obvious that democratic politics can be a serious obstacle to the implementation of consistent economic reform. It is particularly in a situation like Ukraine, where the reform involves a transformation of an STE, with all the psychological and social behavioural and structural patterns connoted by that model (Miller, 1992, 12).

Table 6. Progress in Economic Growth 11 (period of 2001)

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation</td>
<td>3.5% (since the beginning of the year)</td>
</tr>
<tr>
<td>Reduction of Interest rates</td>
<td>19% (since June 11, 2001)</td>
</tr>
<tr>
<td>Hryvnia appreciation</td>
<td>1.49% (July 31, 2001)</td>
</tr>
<tr>
<td>Individual private deposits in commercial banks since the beginning of the year</td>
<td>42.0% (January–June)</td>
</tr>
</tbody>
</table>

Source: The Ministry of Economics in Ukraine, August 2001

7.2.3 Financial Risk

A significant part of trade has been always price. The international marketing manager must worry about price controls. In many countries, domestic political pressures can force governments to control the prices of imported products or services, particularly in sectors that are considered to be
highly sensitive from a political perspective, such as food or health care. If a foreign firm is involved in this area, it is vulnerable target of price controls because the government can play on it is people’s nationalistic tendency to enforce the controls.

Particularly in countries that suffer from high inflation and frequent devaluation, such as Ukraine (especially a few years ago), the international marketer may be forced to choose between shutting down the operation or continuing production at a loss in the hope of recouping that loss once the government chooses to loosen or remove its price restrictions. There may be ways to lessen the risk. In some cases managers can take actions to reduce the risk if they understand the root causes of the host country’s policies. Many governments encourage foreign investments, especially if they believe that the investment will produce economic and political benefits domestically.

The major types of financial risk are commercial risk, political risk, foreign exchange risk and other risks such as those related to inflation. The commercial risk refers to the insolvency of payment default. Usually, this results from deterioration of conditions, fluctuations in demand, or unanticipated competition - either domestically or internationally. All these risks can involve the geographic and psychological distances to international markets, which makes the risks more severe and more difficult to anticipate. The political risk is completely beyond the control of either the buyer or the seller. Other political risks may include revolution, war, and unforeseen withdrawal of export/import, expropriation, confiscation or other government acts that may prevent or unduly control of the seller/buyer.

When foreign companies come to Ukraine, their tactics for conquering the market vary from passive reliance on brand-name recognition to the use of aggressive advertising. Ways of assessing their own performance vary too. McDonald’s, which was the first foreign firm to set up in Ukraine’s fast-food market, can afford to hold back on advertising (except when introducing new items) and instead judges its success partly by how quickly it can build up a local supply base. In fast moving consumer goods, the competition in Ukraine is more intense and the key to success seems to depend on following the right sales strategies and human resources policies.

McDonald’s now sources locally twelve of its 20 line items. To achieve this it directs significant investment into building up relations with its suppliers. The firm offers both investment and advice to its suppliers to ensure that their production is of an adequate quality. Partners receive advance payment for supplies, which they can use to buy the capital equipment they need. The equipment
can also be used for making competitive foodstuffs for sale in Ukraine and abroad (and not only to McDonald’s). For example, one local company, Galacton, was trained to make cheddar cheese for McDonald hamburgers and now supplies their restaurants throughout the CIS.

7.2.4 Political Risk

There is a political risk in every nation, but the ranges of risks vary widely from country to country. In general, political risk is lowest in countries that have a history of stability and consistency. Political risk tends to be highest in nations that do not have this sort of history. Under political factors, indicators include retail/ethnic conflicts, geographical situation (conflict area), and the type of government (dictatorship/democracy). Talking to consideration Ukraine, this is rather superficial question.

It is very important to understand government needs in order to understand power and political mapping. One must also understand political actors such as the following:

- National-level, official, key personalities (visits, exhibitions);
- Party officials (learn the expectations, interest of policy, anticipate developments);
- Labour leaders;
- State owned enterprises;
- Pressure groups.

Meeting government needs this is the search of congruency. Congruency is a source of bargaining power. In general, the greater the need and the better one country is able to meet the need relative to other companies, the greater will be the firms bargaining power.

There are the ways to lessen the risk. In some cases, managers can take actions to reduce the risk if they understand the root causes of the host country policies. Anticipating and managing political risk includes: political environment (form of government stability, political platform, legal system, religious or ethnic splits), internal stability (political tricks, government crisis, riots), foreign pressures (trade disputes, alliances), and economics instability (per capita income, economic crises, inflation rate, income distribution).

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Political and business risks are not the only difficulties facing foreign investors in Ukraine, emphasised Export Manager of Valio International Ltd. Internalisation of a company in western concepts has included management and human resource practices, among other things, the well-known truths of how to operate organisations in Ukraine. Vice President of Hartwall BBH (L'vivska Pyovarnja and Slavutych), also considers bureaucracy and taxation as significant problems for doing business there.

7.2.5 Social and Cultural Difference

According to realist or positive view, culture is a system of beliefs and practices, which really exist in an organisation, and if the right methods are used, it is possible to find out the core elements of a particular culture are (Vaara 1999,108).

With the rapid internationalisation of business and increasingly multicultural organisations, the problems and concerns of multicultural working environments as well as the interaction and cooperation of national cultures have become a critical issue. The concept of organisational culture has gained interest in the business world.

For example, Yanow (1995) goes as far as to argue that there is not, and there cannot be, a single definition of organisational culture, but only knowledge filtered through the position and situation of the author and the organisation in question.

Social and cultural differences can also be viewed from a very different angle of the actors as an ongoing process, where cultural features come into existence in relation to another culture. The culture is not a stable structure, but consists of continuously changing shared concepts of reality, and is defined by the actors' interpretations of the structure and behaviours. The interpretations and definitions may be common or conflicting, permanent or changing (Alvesson and Berg 1992, 105).

On the other hand, it is not possible to see the true nature of the culture without becoming an insider and using participant – observer methods. It is not important what the members of an organisation see or experience, but rather, the meanings these things or incidents have for them and whether

79
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On the other hand, it is not possible to see the true nature of the culture without becoming an insider and using participant – observer methods. It is not important what the members of an organisation see or experience, but rather, the meanings these things or incidents have for them and whether
these meanings are similar or different. Often, the meanings are said for purpose of sharing with all members, and collective action can still take place.

Bollinger (1994, quoted in Fey and Denison, 1999), Naumov (1996, quoted in Fey and Denison, 1999), and Elenkov (1998) have measured the Russian culture, as well as Liuhto (1991) in the Soviet-Finnish context. In addition, there is literature, which assesses the differences between the Russian and Finnish culture using the dimensions, however using more qualitative methods (Suutari, 1996).

There have not been the same studies about Ukraine, but it is still possible to learn something from that material. These studies represent a common and traditional view of former Soviet Union culture. Most of these authors conclude that uncertainty-avoidance and power-distance tend to be distinctively higher there than in Western countries. On the other hand, individualism is usually reported to be lower. The sources for these characteristics are found in the socialist period and even further back in the history of the country. For example, Elenkov (1998, 134) states that ruling elites and authority figures such as church leaders, tsars, landowners and the Communist Party elite have controlled the society in country over the centuries and suppressed personal freedom. Therefore, the centralisation of authority, as well as authoritarian leadership, has a strong tradition in CIS countries. Similarly, according to Elenkov (1998, 135), individualism is traditionally resented in this culture.

However, different, less history – oriented views on Ukrainian national and management cultures emphasise the conflicting pressures. Russian employees and managers are facing in the present situation, after the introduction of the market economy. Puffer (1996, 18) describes three types of managers who have had to adapt to changing requirements. For example, the authoritarian use of power has to be replaced by shared ownership in new companies and the centralisation of responsibility by delegation (Puffer, 1996, 19-21). Managers were widely assumed to be wrong or ineffective compared to their Western colleagues, without exact, concrete knowledge on the managers’ activities. There are some other characteristics that have been considered typical.

In addition, Ukraine is often reported to be group-oriented, a characteristic encouraged by Communism. Avoiding uncertainty is said to be result of the security provided by the Communist system (e.g. Fey, 1999, 5). The management culture is authoritarian and paternalistic. The manager is an undisputed master of his company. However, the author notes that authoritarianism is in part
also a product of the unstable post-Communism era, a phenomenon needed to overcome the temporary "anarchy". Suutari (1996, 277) concludes that it will take a long time before extensive changes to these traditional characteristics can be seen in CIS countries’ organisations.

There was made also study, which is based on information given by representatives of Finnish food companies during interviews and partly from Ukrainian interviews in L’viv, Ukraine about some cultural and social perceptions (Table 7).

Table 7. Summary of the empirical results

<table>
<thead>
<tr>
<th></th>
<th>Finns Perception</th>
<th>Ukrainian Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionalism</td>
<td>Ukrainians lack western business experience, and they are receptive to training; the West should teach</td>
<td>Ukrainians have high potential but should not expect too much because of lack of experience</td>
</tr>
<tr>
<td>Pessimism and Carefulness</td>
<td>Ukrainians have a pessimistic attitude and lack initiative; the new generation is very active</td>
<td>Ukrainians are prepared for the worst, because of the uncertain environment; it is easy to be critical</td>
</tr>
<tr>
<td>Inflexible Thinking</td>
<td>Ukrainians are forced to be flexible because of instability of the market; “soviet style” of thinking</td>
<td>Finns are cautious and not used to dealing with unusual challenges market; it’s rather hard for them to change a fix way of operating</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Ukrainians are not willing to take personal responsibility</td>
<td>it is useful to know efficient Finns personally</td>
</tr>
<tr>
<td>Time and Organisation</td>
<td>Ukrainians are flexible in terms of schedules; they are not very good at organising their tasks; they are always busy and all requests are “urgent”</td>
<td>Finns are more careful and more organised</td>
</tr>
<tr>
<td>Activity and Pressure</td>
<td>Ukrainians are hard working and energetic; exist high bureaucracy</td>
<td>Finns are interested in and committed to their work</td>
</tr>
<tr>
<td>Ambition</td>
<td>Ukrainians are rather highly ambitious; young generation are even more career-oriented than Finns</td>
<td>Ukrainians are high career-oriented; ambitious targets in life are important</td>
</tr>
</tbody>
</table>

Source: Interviews, 2001
7.2.6 Psychological Specificity

The characteristics and behaviour of intended customer groups are as important as governmental influences on the decision to adapt a particular product. Even when the benefits sought are quite similar, the physical characteristics of customers may dictate product adoption.

Local behaviour, tastes, attitudes, and traditions especially affect product decisions of consumer-product marketers – all reflecting the marketer’s need to gain customers’ approval. This group of variables is critical in that it is the most difficult to quantify but is nevertheless essential in making a go/no-go decision.

Three groups of factors determine cultural and psychological specificity in relation to products and services: consumption patterns, psychological characteristics, and general cultural criteria.

The concept of psychic or psychological distance – in spite of geographic closeness to foreign markets - may not necessarily translate into real or perceived closeness to the foreign customer. Sometimes cultural variables, legal factors, and other societal norms make a foreign market that is geographically close seem psychologically distant. The attitudes and values of managers and customers may vary substantially between markets. Too much of a focus on the similarities may let the firm lose sight of the differences. At the same time, the fact is that closer psychological proximity does make it easier for firms to enter markets. Therefore, for firms new to international marketing, it may be advantageous to begin this new activity by entering the psychologically closer markets first in order to gather experience before venturing into markets that are farther away.

Having a unique product and obtaining a profit advantage are principal motivating factors for exporting. Important problems are encountered in the areas of communication, sales effort, marketing information gathering, information on business practices, and obtaining financial information.

In spite of temporary unfavourable conditions for risk and profit, management must understand that export activities only develop gradually through the internalisation stages, and that satisfactory
export performance consists of the three dimensions of growing sales and market share, higher profitability, and an improved competitive position.

Differences between the business environments and styles of the life in the countries and cities are quite significant. The stability of the Finnish society as opposed to the unpredictability of the Ukrainian environments is a contradiction of great importance in the organisation. For example, Vice President of Hartwall BBH experienced adventurous Ukrainian transportation, and for the next business trip, he ordered a private plane for transportation to Ukraine. Devoted to their own company, executives try to walk around any possible obstacles, which could frequently appear.

Approaches of the Finnish organisation were found to cause by differences between environments. Finns are considered to be quite inflexible, and this prevents them from working effectively on the Ukrainian market. Inflexibility here refers to the difficulties of the Finns to adapt to changes in the market, an inability to make decisions differing from the usual custom in the companies’ operations, and the need of the Finns to make defined or rigid structures where creative solutions would be required.

One can point out that given the long experience of the Finns in working with the Finnish market, it is difficult to the Finns not to work in the way they were accustomed to in the Finnish setting. Simply, they are not used to facing that many “unusual challenges” or “complicated situations”. The Finns had not developed the kind of problem-solving skills required in the Ukrainian environment. The situation in Finland would be more predictable - and even though skills and hard work were required to solve them - the problem would fit more easily to some kind of standard patterns.
8 CONCLUSION AND SUGGESTIONS FOR FURTHER RESEARCH

There is not only one way of doing successful business. The degrees of success for each Finnish food companies in the Ukrainian market are rather different. Learning from each other experience, companies might build future on its success.

In the current chapter of study are generalised some recommendations and ideas how could be improved situation of Finnish food companies in the Ukrainian food market. Some of them will be specified in case from company to company cases.

1. Creating strategic alliances with Ukrainian companies either by mutual co-operation or license. However, this approach can only work if both parties have a mutual objective and both needs each other to obtain the objective. In the case of Valio some alliances with foreign companies have worked while others have not. For example, relationships with the French company Sodiaal has put the control of a well known foreign product Yoplait yoghurt in the hands of Valio, while at the same time gave Sodiaal a large company in Scandinavia that could produce and distribute it’s products under license. In contrast, co-operation between Valio and the Swedish competitor Arla has not produced a mutually beneficial relationship (Tolminen, 1996). In the Ukrainian case there is a great needs to obtain such an objective and there is interest for mutual co-operations.

Another approach related to alliance building is the purchase or creation of subsidiary companies within market regions. Valio has done this successfully in Belgium where it had a long history with the company Nordic Foods, which it increased its ownership in. The same experience could be done in the Ukrainian food market. The transference of the technology would be the main goal for company.

2. Increase brand or name recognition. Paulig Ltd., Fazer Ltd. and Valio International Ltd. might attempt to increase brand recognition in target market, because the cost of advertisement is not too costly even for a small international company. Thus, where media advertising costs were affordable such as in Estonia general brand advertising was pursued. In Finland on the other hand, Valio is a household word, which prompted Valio to advertise only certain products. For the further business
step as giving license to keep original brand name Valio will work forward for the international company recognition.

In Valio case it would be useful to have such a local business partner who deals with several small companies in Ukraine. In such a situation, local dealer would be interested about additional supplier using the same distribution chain.

3. Defence against domestic competition. Taking to account that domestic sales are affected most by reducing industrial demand and lower prices Fazer Ltd, Paulig Ltd., Finlandia Vodka Worldwide Ltd. and Valio International Ltd. should be aware of domestic competition. The competition will increase with entering new products in the local market. The situation in Finland seems that Valio’s International, Paulig’s and Hartwall’s trend courses increasing competition inside country. Valio, as other Finnish food companies, has rights for licensing some products and should be use it. The company would keep leading position in Ukrainian food market with increasing products number choice, attractive packages and decreasing prices for products. This will also help to make Finnish products the part of everyday Ukrainian life. Co-operation with small companies would definitely make it stronger.

4. Expansion of the product line. Expansion of the product line with new technologies into Ukrainian enterprises will make to strengthen the position of Hartwall BBH, Finlandia Vodka, Paulig or Valio branded products. Those companies are strong enough in own country market that to go internationally. One of the main product line expansions is a product. It seems to be no end to demand for such a technology. The extension license agreement in different countries may be wider and Ukraine is not exception. The local production would influence price reduces of products.

5. The way of holding business. Some Finnish food companies found the easier way to hold the business operation in Ukraine through Russia. However, to hold business in Ukraine through Russia (St.Peterburg or Moscow as it usually done) make deal only complicated. Such a business does not give any profits or rather very small to Ukrainian companies. More than this besides company’s policy, Russian side innovates a lot of additional own rules, which make holding business operations very complicated and not interested for Ukrainian side. Usually it makes also significant influences on incomes, and most part of capital are absorbed by Russian business side. As a rule, this is undisputed topic inside company’s culture.
6. Personal contacts. Another helpful point of doing business in Ukraine always has been the personal contact. It maybe reasonable to have Finpro's support on the first time to find some business contacts, if there are any other options to personal one. But than it is reasonable to extend contacts all the time. Looking for the correspondent representatives for own company will bring you responsible selected team. The representative of mother company have to look for such a working team, which will be reliable. There is distinguishing between institutional interest and personal one. And this would be reasonable to take it into consideration in frequent situations. One Ukrainian proverb say, who pays money, the same person order the song.

7. It is always possible read and interact the Ukrainian law in different way. That's why it is much depends on the manager's intelligence to understand things in right way for the company's profits. The local manager will helpful for companies to carry everyday routine. It will give possibilities to use local knowledge and experience: market knowledge, customer knowledge and recruitment of stuff; a local partner may bring valuable adjusted and appropriate technological skills/knowledge. It will course the effectiveness of business operations and profitability of company will increase. It could be learn more from Hartwall BBH experience in Ukraine.

8. Foreign Direct Investments. Taking into account that local government are interested to attract FDI into the country, it might be also one of the suggestions for successful business in Ukraine. The detail information about rights of investments was discussed in chapter 7.2.1.

9. There are also other possible strategies for successful business in Ukrainian food market. Thus, Ukraine is interested to invest in skills, R&D, supplier and information support systems and technological and physical infrastructure. But for mention and further business suggestions the companies policy should be study deeper with details and take to consideration previous experience.

International marketing research is also important. It permits management to identify and develop strategies for internationalisation. This task includes the identification, evaluation and comparison of potential foreign market opportunities and market selection. Research is also necessary for the development of a marketing plan, requirements for successful market entry and market penetration need.
Current study could be extending for further, more in-depth study and several suggested topics are offered. 1) It could be interesting to make a more extensive study with each of Finnish food companies mentioned below. 2) Research about FDI and subsidiaries as a strategy for growth internalisation in host country. 3) A study about differences in culture and how they influence business strategy would also be an interesting topic for study. 4) Analysis of influences that the underworld or mafia have on legal businesses could be studied. 5) A study that focuses on foreign businesses that have been very successful in the CIS, analysing why they have been successful may be interesting and useful. 6) Consumer survey and analysis done in CIS countries targeted to future trends in the area of food and beverage consumption.


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Finpro (1999). EU Business Operation Report, The Economist Intelligence Unit Limited, 1st quarter, Ukraine, Ch.3: Investment


Finpro (2001b). Ukraine Highlights. The Cabinet of Ministers of Ukraine, Finpro Finland, Helsinki


Luostarinen R. (1979). *The Internationalisation of the Firm*, Helsinki School of Economics, Helsinki, pp.79-84; 177-183


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APPENDIX 1

Other Sources of Information:

www.fazer.ru
www.fintra.fi
www.eiu.com
www.emra-research.org
www.fnpro.fi

Agro industrial Complex of Ukraine/ Ministerstvo Agrarnoi Polityky: www.minagro.kiev.ua;
www.minagro.kiev.ua/english/invest/chapter1.html

ERS/USDA Briefing Room – Ukraine: www.ers.usda.gov/briefing/Ukraine/

Ministerstva Ukrainy: www.kmu.gov.ua/main5.html
www.ukraine-today.com
www.proua.com
www.kpnews.com/data/main.html

Ministerstvo Finansiv Ukrainy. Ministry of Finance in Ukraine: www.minfin.gov.ua

Ministerstvo ekonomiky Ukrainy. Ministry of Economics in Ukraine: www.me.gov.ua
www.me.gov.ua/menu 2/govidka.htm

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Economic Department of Finnish Embassy in Ukraine
Tel: +38 (044) 2287047

www.ilo.org/see
APPENDIX 2

GENERAL INFORMATION OF UKRAINE

Distance Kyiv-Helsinki: 1137 km
Size: 603,700 sq.km
Location: Eastern Europe

Government System: Republic. The head of State is the President, vested with supreme and executive power. The Prime Minister leads the government. The superior body of legislation is the Verkhovna Rada (Parliament).

Capital: Kyiv (This is right Ukrainian spelling of the word!)

(Kiev is old and Russian spelling of the word)

Independence: 1 December 1991 (from Soviet Union)
Population: 48.9 million (January 2001)
Population growth rate: -0.62% (1999 est.)
Death rate: 16.38 deaths/1.000 population (1999 est.)

Ethnic groups: Ukrainian 73%, Russian 22%, Jewish 1%, other 4%

Religions: Ukrainian Orthodox - Kyiv Patriarchate, Ukrainian Autocephalous Orthodox, Ukrainian Orthodox - Moscow Patriarchate, Ukrainian Catholic (Greek Rite), Protestant, Jewish, Roman Catholic, Muslim and others

Administrative divisions: 24 regions, Krym - autonomous republic, Kyiv and Sevastopol - municipalities cities; Odesa – free economical area

MARKET SHARES IN UKRAINE JAN-JUNE 2001

<table>
<thead>
<tr>
<th>Brewery</th>
<th>Jan-June 2001</th>
<th>Jan-June 2000</th>
<th>Change -%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obolon</td>
<td>23.7</td>
<td>25.4</td>
<td>-1.7</td>
</tr>
<tr>
<td>Rogan</td>
<td>14.6</td>
<td>15.4</td>
<td>-0.8</td>
</tr>
<tr>
<td>Yantar</td>
<td>8.8</td>
<td>7.8</td>
<td>+1.0</td>
</tr>
<tr>
<td>Desna</td>
<td>7.1</td>
<td>8.3</td>
<td>-1.2</td>
</tr>
<tr>
<td>Krym</td>
<td>2.0</td>
<td>2.5</td>
<td>-0.5</td>
</tr>
<tr>
<td>SUN Interbrew</td>
<td>32.5</td>
<td>18.6</td>
<td>+13.9</td>
</tr>
<tr>
<td>Slavutich</td>
<td>14.8</td>
<td>14.6</td>
<td>+0.2</td>
</tr>
<tr>
<td>Lvivska</td>
<td>2.9</td>
<td>2.2</td>
<td>+0.7</td>
</tr>
<tr>
<td>BBH</td>
<td>17.7</td>
<td>16.8</td>
<td>-0.9</td>
</tr>
<tr>
<td>Donetsk</td>
<td>9.3</td>
<td>8.0</td>
<td>+1.3</td>
</tr>
</tbody>
</table>

Note: Obolon without export volumes
Market shares where earlier reported based on local production including Obolon export (mostly to Russia).

Sun Interbrew acquired Rogan in 2001

95
Total market size = 1173 ML

Cheap / Discount

I.4 UAH

Mainstream

1.7 UAH

Premium

2 UAH

Super

BPH share of segment

Segment share of total market

20.4% = BPH total market share

6.2% = 116 ML

17% = 194 ML

29% = 328 ML

59% = 86 ML

UKRAINE 2001

APPENDIX 4
APPENDIX 5

WHAT IS THE IMAGE OF FINNISH FOOD COMPANIES IN UKRAINE?

Questionnaire in English to Ukrainian Consumers in Lviv, Ukraine.

1. Do you know any products of Finnish food companies?
   a) No (go to the question 12)
   b) Yes (go to the question 4)

2. Which Finnish food companies do you know in Ukraine?
   Valio Ltd.  1  2  3  4  5
   Fazer Ltd.  1  2  3  4  5
   Paulig Ltd. 1  2  3  4  5
   Finlandia Vodka Worldwide Ltd. 1  2  3  4  5
   Hartwall BBH [LPS] (Lvivska Pyovarnja & Slavutych) 1  2  3  4  5

3. What kind of Valio’s products do you know?
   a) No
   b) Yes (go to the question 8)

4. What kind of Fazer’s products do you know?
   a) No
   b) Yes (go to the question 8)

5. What kind of Paulig’s products do you know?
   a) No
   b) Yes (go to the question 8)

6. What kind of Finlandia Vodka’s products do you know?
   a) No
   b) Yes (go to the question 8)

7. What kind of LPS’s (Hartwall BBH) products do you know?
   a) No
   b) Yes (go to the question 8)
8. How often do you buy products of:

<table>
<thead>
<tr>
<th></th>
<th>Valio</th>
<th>Fazer</th>
<th>Paulig</th>
<th>Finlandia Vodka</th>
<th>LPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ones a week</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>one a month</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ones in a three months</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ones in a half year</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

9. When did you start to buy products of:

<table>
<thead>
<tr>
<th></th>
<th>Valio</th>
<th>Fazer</th>
<th>Paulig</th>
<th>Finlandia Vodka</th>
<th>LPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>one year ago</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>two years ago</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>five years ago</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

10. Do you like products of following companies and why?

<table>
<thead>
<tr>
<th>Company</th>
<th>a) Yes</th>
<th>b) No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fazer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paulig</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finlandia Vodka</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LPS (Hartwall BBH)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

98
<table>
<thead>
<tr>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Would you like to buy products of the following companies in the future:</td>
<td>a) Yes</td>
</tr>
<tr>
<td></td>
<td>b) No</td>
</tr>
<tr>
<td>Valio</td>
<td></td>
</tr>
<tr>
<td>Fazer</td>
<td></td>
</tr>
<tr>
<td>Paulig</td>
<td></td>
</tr>
<tr>
<td>Finlandia Vodka</td>
<td></td>
</tr>
<tr>
<td>LPS (Hartwall BBH)</td>
<td></td>
</tr>
<tr>
<td>12. Gender:</td>
<td>a) Male</td>
</tr>
<tr>
<td></td>
<td>b) Female</td>
</tr>
<tr>
<td>13. Marital status:</td>
<td>a) Single</td>
</tr>
<tr>
<td></td>
<td>b) Married</td>
</tr>
<tr>
<td></td>
<td>c) Divorced</td>
</tr>
<tr>
<td>14. Age:</td>
<td>a) 18-24 years</td>
</tr>
<tr>
<td></td>
<td>b) 25-34 years</td>
</tr>
<tr>
<td></td>
<td>c) 35-44 years</td>
</tr>
<tr>
<td></td>
<td>d) 45-64 years</td>
</tr>
<tr>
<td>15. Education:</td>
<td>a) Less than High School</td>
</tr>
<tr>
<td></td>
<td>b) High School (University or Institution)</td>
</tr>
<tr>
<td></td>
<td>c) Graduated School</td>
</tr>
<tr>
<td>16. Occupation:</td>
<td>a) Businessman</td>
</tr>
<tr>
<td></td>
<td>b) Employee</td>
</tr>
<tr>
<td></td>
<td>c) Employer (government or owned)</td>
</tr>
<tr>
<td></td>
<td>d) Student</td>
</tr>
<tr>
<td></td>
<td>e) Other, what?</td>
</tr>
</tbody>
</table>
APPENDIX 6

SUMMARY OF THE DATA COLLECTED

Data was collected in Lviv, Ukraine. Number of respondents was 100.

| Sociodemographic variable | Count | Percent*
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male (m)</td>
<td>52</td>
<td>52%</td>
</tr>
<tr>
<td>Female (f)</td>
<td>48</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Age</strong> (in years)</td>
<td>m/f</td>
<td></td>
</tr>
<tr>
<td>18-24</td>
<td>8/3</td>
<td>11%</td>
</tr>
<tr>
<td>25-34</td>
<td>22/18</td>
<td>40%</td>
</tr>
<tr>
<td>35-44</td>
<td>9/19</td>
<td>28%</td>
</tr>
<tr>
<td>45-64</td>
<td>13/8</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Occupation</strong></td>
<td>m/f</td>
<td></td>
</tr>
<tr>
<td>Student</td>
<td>8/10</td>
<td>18%</td>
</tr>
<tr>
<td>Businessman</td>
<td>18/6</td>
<td>24%</td>
</tr>
<tr>
<td>Employee</td>
<td>5/20</td>
<td>25%</td>
</tr>
<tr>
<td>Employer (government)</td>
<td>21/4</td>
<td>25%</td>
</tr>
<tr>
<td>(government or owned)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other, what? (housewife)</td>
<td>8/8</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>m/f</td>
<td></td>
</tr>
<tr>
<td>Less than High School</td>
<td>12/8</td>
<td>20%</td>
</tr>
<tr>
<td>High School</td>
<td>8/10</td>
<td>18%</td>
</tr>
<tr>
<td>(University or Institution)</td>
<td>32/30</td>
<td>62%</td>
</tr>
<tr>
<td>Graduated School</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
<td>m/f</td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>14/8</td>
<td>22%</td>
</tr>
<tr>
<td>Married</td>
<td>37/38</td>
<td>75%</td>
</tr>
<tr>
<td>Divorced</td>
<td>1/2</td>
<td>3%</td>
</tr>
</tbody>
</table>

The products of Finnish food companies known

<table>
<thead>
<tr>
<th>Company</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valio</td>
<td>cheese “Polar” and other cheese (were not correctly named)</td>
</tr>
<tr>
<td>Paulig</td>
<td>“President(“), Paulig coffee is with coffin in orange box. Paulig coffee is without coffin in black box.</td>
</tr>
<tr>
<td>Finlandia Vodka</td>
<td>Finlandia Vodka: white, strawberry, currants. Licor “Polar”.</td>
</tr>
<tr>
<td>LFS (Hartwall BBH)</td>
<td>Premium, Strong, Dark, Classic, Extra, Porter, Light, Livska, Slavutych.</td>
</tr>
</tbody>
</table>

The frequencies of purchasing products

<table>
<thead>
<tr>
<th>Company</th>
<th>1/week</th>
<th>1/month</th>
<th>1/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valio</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fazer</td>
<td>-</td>
<td>8%</td>
<td>15%</td>
</tr>
<tr>
<td>Paulig</td>
<td>5%</td>
<td>39%</td>
<td>58%</td>
</tr>
<tr>
<td>Finlandia Vodka</td>
<td>-</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>LFS (Hartwall BBH)</td>
<td>25%</td>
<td>35%</td>
<td>46%</td>
</tr>
</tbody>
</table>

The first time of purchasing (in years ago)

<table>
<thead>
<tr>
<th>Company</th>
<th>1 year</th>
<th>2 years</th>
<th>5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valio</td>
<td>3%</td>
<td>-</td>
<td>1%</td>
</tr>
<tr>
<td>Fazer</td>
<td>15%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>Paulig</td>
<td>53%</td>
<td>32%</td>
<td>7%</td>
</tr>
<tr>
<td>Finlandia Vodka</td>
<td>2%</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td>LFS (Hartwall BBH)</td>
<td>41%</td>
<td>59%</td>
<td>-</td>
</tr>
</tbody>
</table>

*Percentage is calculated from all respondents.
### Common positive characteristics of Vito's, Fazer's, Paulig's, Finlandia Vodka's, LPS's, (Hartwall BBH) products

<table>
<thead>
<tr>
<th>Count</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes (given answers)</td>
<td>100 100%</td>
</tr>
<tr>
<td>Quality</td>
<td>87 87%</td>
</tr>
<tr>
<td>Taste</td>
<td>73 73%</td>
</tr>
<tr>
<td>Package design</td>
<td>48 48%</td>
</tr>
<tr>
<td>Package safety</td>
<td>23 23%</td>
</tr>
<tr>
<td>Appearance</td>
<td>22 22%</td>
</tr>
</tbody>
</table>

### Common negative characteristics of Vito's, Fazer's, Paulig's, Finlandia Vodka's, LPS's, (Hartwall BBH) product's

<table>
<thead>
<tr>
<th>Count</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No (given answers)</td>
<td>92 92%</td>
</tr>
<tr>
<td>Price</td>
<td>90 90%</td>
</tr>
<tr>
<td>Availability</td>
<td>32 32%</td>
</tr>
<tr>
<td>Replaceable</td>
<td>28 28%</td>
</tr>
<tr>
<td>Made abroad</td>
<td>6 6%</td>
</tr>
</tbody>
</table>

### Prognose of buying products of Finnish food companies in the future

<table>
<thead>
<tr>
<th>Count</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Would like to buy</td>
<td>72 72%</td>
</tr>
<tr>
<td>Wouldn't like to buy</td>
<td>8 8%</td>
</tr>
<tr>
<td>Prefer to buy Ukrainian products in any way</td>
<td>51 51%</td>
</tr>
</tbody>
</table>

*Percentage is calculated from all respondents.

**During a poll, very often Finnish food companies were known as Swedish one. Only 36 respondents (from 100) spontaneously named Finnish food companies. To all others was introduced the list of named Finnish food companies to continue questioning.
APPENDIX 7
ДОДАТОК 7
ЯКІЙ ІМІДЖ ФІНСЬКИХ КОМПАНІЙ В УКРАЇНІ?
Опитування українських споживачів у м. Львові, в Україні.

<table>
<thead>
<tr>
<th>1. Чи знаєте ви з якими-небудь продукутами фінських харчових підрядників?</th>
</tr>
</thead>
<tbody>
<tr>
<td>А) Ні (переїды до питання 12)</td>
</tr>
<tr>
<td>Б) Так (переїды до питання 4)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Які ви знаєте фінські харчові компанії в Україні?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Валіо Літд.</td>
</tr>
<tr>
<td>Фишер Літд.</td>
</tr>
<tr>
<td>Пауґіг Літд.</td>
</tr>
<tr>
<td>Філхпіді Водка Велдавід Літд.</td>
</tr>
<tr>
<td>Хартвел БібеіЧ (ЛПС) (Львівська Пивоварня І Славутич)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Всього</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Валіо</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Фишер</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Пауґіг</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Філхпіді</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Хартвел БібеіЧ</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Які продукти компанії Валіо ви знаєте?</th>
</tr>
</thead>
<tbody>
<tr>
<td>А) Ні</td>
</tr>
<tr>
<td>Б) Так (переїди до питання 8)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Які продукти компанії Фишер ви знаєте?</th>
</tr>
</thead>
<tbody>
<tr>
<td>А) Ні</td>
</tr>
<tr>
<td>Б) Так (переїди до питання 8)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. Які продукти компанії Пауґіг ви знаєте?</th>
</tr>
</thead>
<tbody>
<tr>
<td>А) Ні</td>
</tr>
<tr>
<td>Б) Так (переїди до питання 8)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6. Які продукти компанії Філхпіді Водка ви знаєте?</th>
</tr>
</thead>
<tbody>
<tr>
<td>А) Ні</td>
</tr>
<tr>
<td>Б) Так (переїди до питання 8)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7. Які продукти компанії ЛПС (Львівська Пивоварня І Славутич) ви знаєте?</th>
</tr>
</thead>
<tbody>
<tr>
<td>А) Ні</td>
</tr>
<tr>
<td>Б) Так (переїди до питання 8)</td>
</tr>
</tbody>
</table>

102
8. Як часто ви купуйте продукти фінських компаній:

<table>
<thead>
<tr>
<th></th>
<th>Валіо</th>
<th>Фацер</th>
<th>Пашу</th>
<th>Фінляндія Відка</th>
<th>ЛПС</th>
</tr>
</thead>
<tbody>
<tr>
<td>Раз в тиждень</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Раз в місяць</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Раз в три місяці</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Раз в пів року</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

9. Коли ви почали купувати продукти фінських компаній:

<table>
<thead>
<tr>
<th></th>
<th>Валіо</th>
<th>Фацер</th>
<th>Пашу</th>
<th>Фінляндія Відка</th>
<th>ЛПС</th>
</tr>
</thead>
<tbody>
<tr>
<td>Рік тому</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Два роки тому</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>П'ять років тому</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

10. Чи подобаються вам продукти фінських компаній і чому?

а) Так  б) Ні

<table>
<thead>
<tr>
<th></th>
<th>Валіо</th>
<th>Фацер</th>
<th>Пашу</th>
<th>Фінляндія Відка</th>
<th>ЛПС</th>
</tr>
</thead>
</table>

11. Чи будете купувати продукти фінських компаній в майбутньому?

а) Так  б) Ні

<table>
<thead>
<tr>
<th></th>
<th>Валіо</th>
<th>Фацер</th>
<th>Пашу</th>
<th>Фінляндія Відка</th>
<th>ЛПС</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. Рік:</td>
<td>а) Чоловічий</td>
<td>б) З'явлений</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Сімейний стан:</td>
<td>а) Одній/а</td>
<td>б) Отримуванний/ а</td>
<td>в) Розведений/ а</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Вік:</td>
<td>а) 18-24 роки</td>
<td>б) 25-34 роки</td>
<td>в) 35-44 роки</td>
<td>г) 45-64 роки</td>
<td></td>
</tr>
<tr>
<td>15. Освіта:</td>
<td>а) середня</td>
<td>б) вища</td>
<td>в) наукова ступінь</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Соціальний статус:</td>
<td>а) Підприємець/ Бізнесмен</td>
<td>б) Службовець</td>
<td>в) Студент</td>
<td>г) Інше, яка/що?</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX 9

LIST OF TABLES AND FIGURES

<table>
<thead>
<tr>
<th>Table/Figure</th>
<th>Description</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1.</td>
<td>Structure of the study</td>
<td>12</td>
</tr>
<tr>
<td>Table 2.</td>
<td>Export by section and division</td>
<td>31</td>
</tr>
<tr>
<td>Table 3.</td>
<td>Dimension of Research</td>
<td>39</td>
</tr>
<tr>
<td>Table 4.</td>
<td>Purpose of the study</td>
<td>42</td>
</tr>
<tr>
<td>Table 5.</td>
<td>Progress in Economic Growth 1</td>
<td>76</td>
</tr>
<tr>
<td>Table 6.</td>
<td>Progress in Economic Growth 11</td>
<td>76</td>
</tr>
<tr>
<td>Table 7.</td>
<td>Summary of the empirical results</td>
<td>81</td>
</tr>
<tr>
<td>Figure 1.</td>
<td>Foreign investment to Ukraine</td>
<td>24</td>
</tr>
<tr>
<td>Figure 2.</td>
<td>Structure of Industrial Production in Ukraine</td>
<td>30</td>
</tr>
<tr>
<td>Figure 3.</td>
<td>Gender of respondents</td>
<td>51</td>
</tr>
<tr>
<td>Figure 4.</td>
<td>Age of the respondents</td>
<td>51</td>
</tr>
<tr>
<td>Figure 5.</td>
<td>Professional background of respondents</td>
<td>52</td>
</tr>
<tr>
<td>Figure 6.</td>
<td>Educational background of respondents</td>
<td>53</td>
</tr>
<tr>
<td>Figure 7.</td>
<td>The rate of Finnish food companies known among Ukrainian Respondents</td>
<td>54</td>
</tr>
<tr>
<td>Figure 8.</td>
<td>Frequencies of purchasing the products</td>
<td>55</td>
</tr>
<tr>
<td>Figure 9.</td>
<td>The first time of Finnish food products purchasing</td>
<td>56</td>
</tr>
<tr>
<td>Figure 10.</td>
<td>Products' positive characteristics</td>
<td>56</td>
</tr>
<tr>
<td>Figure 11.</td>
<td>Products' negative characteristics</td>
<td>57</td>
</tr>
<tr>
<td>Figure 12.</td>
<td>Prognosis of buying Finnish products in Ukraine</td>
<td>58</td>
</tr>
</tbody>
</table>