Toastercorp Expansion to Europe: A Finnish Entrance?
Toastercorp Expansion to Europe

Toastercorp is known throughout the United States to have some of the highest quality and reliable small home appliances in the country. As you all are already well aware, we have some of the most reputable products on the market, and it is time to go international in order to expand our business even further. Even though our products are assembled in the US to protect their uniqueness, the parts have already been outsourced to Asia to lower our costs. Now, we have considered many different markets and decided that Europe’s mid-sized market is ideal for our product to be assembled in for mass distribution outside of the US. For this purpose, it is essential that every European country be considered in order to minimize costs and maximize efficiency. In this analysis, we will be delving deep into the country of Finland, analyzing everything from the people of Finland to its relationship with the rest of the European Union. This is not only the best way to decide if Finland is a good country to assemble and distribute our products, but also to mitigate all possible risks that we face with expanding into a new continent. So, we will first provide a deep analysis of the country, then an analysis of this country compared to the rest of the European Union, and finally decide whether it would be beneficial for Toastercorp to begin assembling our products in Finland.

Country Analysis

In order to determine the success or failure of Toastercorp in Finland, a firm understanding of the country needs to be established. By investigating and analyzing the countries environmental context as well as the national strategy, we can not only deduce the origin and causes of many performance indicators, but also gain understanding of a country’s business environment as it pertains to Toastercorp’s future plans of European expansion. The following sections examine Finland through the environmental, strategic, and performance outcomes.

Environmental Context

Finland is a remarkable country, with rich cultural heritage and extraordinary natural beauty. Located in the northeastern corner of Europe, Finland has an extremely harsh climate, especially in the winter. It sits isolated from the rest of main continent, and the vast majority of its 5.5 million people live in the most southern portion. This is because of the year round freezing temperatures in Finland, caused by its extreme northern location, in which the winters can have as much as 2 months of total darkness. Even the southern region only averages 6 hours of daylight during the winter. Although over 93.4% of people speak Finnish, Finland has two official languages, Finnish and Swedish because of the shared border with Sweden that makes migration and cultural sharing easier (Alho).

Finland has several very niche industries that their country has the natural resources to support, such as wood and metals. They specialize in manufacturing, telecommunications and electronics industries, but must rely on imports for most other raw materials. The country profile of Finland states that 21% of its industry is from engineered metal products, and another 20% is
electronic machinery (Annual Report). Finland uses \( \frac{3}{4} \) higher energy per capita than the average country, 15000 kWh, due to the severe winters and manufacturing based economy.

Although Finland is part of the European Union, it also has its central bank, the Bank of Finland, which works with the European System of Central Banks to monitor the country’s currency and foreign exchange reserves. This bank is run by a board of trustees, which has its actions supervised by the Finnish parliament (Bank of Finland). The ability for Finland to have a large influence in its own economy as a sovereign nation allows it to grow and recover from economic hardship like the eurozone debt crisis. With the strong relationship financially among the Nordic countries, Finland maintains a high quantity of investment, usually from Finnish or Nordic investors.

Finland does not have much of a hierarchal structure at all, much less a rigid one. The country is primarily liberal in political views, and believes very much in equality of all people (Alho). This view stretches from political, social and religious equality for men and women, to equality in the workplace between employees and bosses. Finland’s power distance score is only a 33, which is relatively low (Power Distance Index). This means that Finland does not place much emphasis on business hierarchy. They are much more comfortable interacting with their boss, or telling him no then they would be in most other countries. It also means that the employee will take the answer “I don’t know” from their boss much better because they are not dependent on their advice. This implies that the employee is not always expecting their boss to know everything, and will be willing to help find a solution to their own problem.

The cultural business practices the Finland brings into play are subtle, yet they could have a significant negative impact on the business if they are not properly understood. Business Culture says that Finnish people take punctuality seriously, and should be notified if they are going to be waiting longer than “5 minutes” for somebody. Finland has also seen a change in recent years from social and environmental problems being placed solely on the government, to the idea of corporate social responsibility coming into effect (Business Etiquette).

Finland has a sturdy public sector and lots of social benefits. Their society reaps benefits such as free education, free healthcare and ample pension payments for retirees, funded by taxpayers and used by the government to benefit all citizens. Policy makers in Finland use redistributive taxation to reduce the gap between the rich and the poor, as social welfare is a priority. This tax structure is based on individual income rather than household income, accompanied by a fixed tax rate to encourage participation in the workforce (Trading Economics).

Rule of law is very well preserved in Finland, as they are known for good protection of intellectual property, and very little tolerance for corruption. Finland was ranked second out of 168 countries surveyed in Transparency International’s 2015 Corruptions Perception Index (Heritage.org). This is because the population highly values honesty and security, so they have made a countrywide effort to stomp out corruption.

Finland has great pride in its beautiful natural environment, and many people are very active in preserving it. Many companies in Finland have gone well above and beyond the
government’s required standards for environmental impact. This is due to the wishes of shareholders all over the country who are very environmentally conscious. Corporate social responsibility has also led companies to have to develop their businesses operational framework from the legal framework the government provides. This framework encompasses things such as standards for environmental protection, social security, employment and accounting (Business Etiquette).

Finland also adheres to many international agreements, which must also be considered when deciding whether or not to move to that country. Finland has been a member of the World Trade Organization (WTO) since its foundation in 1995. The WTO creates binding agreements that set a regulatory basis for international trade. Finland’s membership in the WTO enables them to make use of the multilateral trade system (Finland – Trade Agreements). Finland’s main export partners are Germany, Sweden, U.S, and Russia, while its main import partners are Germany, Sweden and Russia (European Union). Although Russia is not a part of Europe, it is an essential trading partner to Finland because of its close proximity.

Strategy

The way that the economy functions in Finland bears a heavy resemblance to the other Nordic countries, namely Sweden, Norway and Denmark. While Finland’s economy can be broadly classified as a managed capitalist model (Guay). Finland is considered to use the Nordic Model of capitalism. Specifically, the Nordic model combines free market capitalism with the ideals of a welfare state. The Nordic countries are known for their excellent wealth distribution systems that create a high quality of life. Firms in this form of capitalism are free market, but the government is interventionist. The major intersection of market and managed capitalism that makes this form so different is the working conditions and employee relations, because they are very socialist. The countries that follow this model have the highest levels of social protection in the EU. The main focus is on keeping people employed and assisting those who are not employed to receive training and skills to find a job. This method works for them because they are successful and have unique competitive advantages (Guay).

Finland’s political system consists of a head of state, parliament, and a government that has a prime minister and twelve ministers. Their head of state is elected for a six-year term by popular vote and oversees foreign policy and the military. The parliament consists of 200 members and each one serves a four-year term. Parliament enforces Finnish law and oversees the government, including the election of the prime minister. They have normally been split between three main parties, but a fourth, the True Finns, have emerged as the most Eurosceptic party in Finland. Furthermore, the prime minister directs the activities of each ministry, which is each responsible for a different scope of the government (The Ministry of Foreign Affairs of Finland).

Judicially, the Finns have two branches: their general courts and their administrative courts. The general courts consist of 27 district courts, which deal with basic civil and criminal cases, six courts of appeal, which deal with the appeals of decisions made at the district courts, and the Supreme Court, consisting of a President and 18 other judges. Finnish administrative
courts consist of eight regional courts and the Supreme Administrative Court, which has a President and 19 judges. The basic administrative courts deal with any cases that involve the operations of the government, and the Supreme Administrative Court takes appeals from these decisions. Finland also has other special courts, consisting of a market court, labor court, insurance court, and high court of impeachment (The Council of Europe).

The Finnish government is open to foreign direct investment, but some tax policies may make it unattractive to investors. There are no general regulatory limitations relating to acquisitions of Finnish companies. A mixture of domestic and European Union competition rules govern mergers and acquisitions. Finland does not grant foreign-owned firms any special treatment like tax holidays or other subsidies (Finland – Trade Agreements). They use policies to assist domestic and international companies have better operating conditions, an educated labor force, and well-functioning infrastructure.

Finland has been a part of the EU since 1995, and became one of the first countries to adopt the euro in the beginning of 1999. They adopted the euro so fast due to the fact that banknotes took up only 2-3% of GDP, the smallest percent of GDP for all participating countries (Johnston). According to Trading Economics, a reputable online tool for analyzing economic conditions across the globe, Finland’s unemployment rate has maintained a level consistent around 7-10% (Trading Economics). The European Commission’s prediction for Finland’s unemployment expected it to decrease, but it increased a small amount.

Performance

There are several factors demonstrating the recent progression of Finland as a country in certain sectors. The country has seen several domestic policy reforms come to fruition, and they are beginning to reap the benefits. The first of these benefits is the growing economy in Finland. In July, economic activity expanded by 3.1% over the previous year. The Central Bank expects the domestic economy to expand 2.1% in 2017 and 1.7% in 2018 (Focus Economics). This increase primarily came from the agriculture, forestry and fishing sector. However, the manufacturing industry also grew but at a slower rate. This is beneficial for Toastercorp, because it shows that their industry is stable and growing.

A second factor that also suggests that Finland is progressing is the slight increase in overall industry output levels. The value added by all industries increased by 0.1% from the previous quarter. Agriculture, forestry and fishing, grew in the second quarter of 2016 by 0.5% from the previous quarter and by 1.5% from the previous year. In April to June, the value added of manufacturing industries grew by 1.2% from the previous quarter (Statistics Finland). This again demonstrates the overall stability and growth of the industry for Toastercorp. We can predict this trend will continue as it has already gone on for several years.

The third and perhaps most significant indicator is Finland’s repayment of their deficits, and current surplus account. Finland posted a surplus of 155 million euros in July 2017, compared to a 242 million euro deficit in the previous year. The same month, the current deficit fell to 80 million euros, from 1,988 million euros in 2016 (Trading Economics). This shows that
the Finnish government is very stable as they have a strong ability to repay their debts. It also demonstrates that Finland is mostly out of the Eurozone debt crisis, and is no longer in recession.

The final indication of general improvement to the country is the gradual increase in life expectancy. In 2015 the life expectancy in Finland increased to 81.6 years. Finland’s position improved with respect to the 192 countries that publish life expectancy, dropping from the 29th in 2014 to 22th in 2015 (Finland – Life Expectancy 2015). Although this is not necessarily beneficial to Toastercorp, it demonstrates that their welfare state is working for the country, as the quality of life is improving. Finland also has other advantages, such that it is ranked as the 2nd most competitive economy in Europe, and third in an international ranking of 148 states (Johnson). This is beneficial, because it shows that Finland can finally compete within the EU, and that they were able to circumvent their high price levels within their markets, which will be further expanded on in the European analysis.

There are also some statistics that point to quite the opposite that Finland is still declining. The first of these being that in February, consumer prices added 0.6% over the previous month. The figure reflected higher prices for food and non-alcoholic beverages (+2.2%), as well as for clothing and footwear (+2.6%). As a result, annual inflation accelerated for the eighth consecutive month, rising from 3.0% in January to 3.3% (Focus Economics). This level of inflation could pose a serious issue for Toastercorp, as the price of their manufactured goods will fluctuate out of their control.

The next factor is that unemployment rate had been relatively high in Finland. As stated earlier, Finland’s unemployment rate has maintained a level consistent around 7-10% (Trading Economics). Please reference Appendix B for the complete chart of the unemployment rate of Finland throughout history. It currently sits at a relatively high rate of 8.8%, even though the European Commission predicted it would decrease. Finland is implementing social programs that give everyone a monthly salary regardless of employment. This could hurt Toastercorp, as people will be incentivized to not work.

Another indication of Finland’s decline is the large amount of political turmoil there has been in recent months. Finland’s government narrowly averted collapse when the nationalist Finns Party split into two groups, leaving newly elected hardline anti-immigrant leaders in the cold (Reuters). Government instability can pose a serious threat to Toastercorp as an international firm. If they cannot rely on the government it will be extremely difficult to effectively move into the country.

European Analysis

For business in Finland to run smoothly and efficiently, there needs to be strong ties and similarities between Finland and its external factors that affect business. The main external factor that affects Finland is the European Union. The European Union connects 28 European countries with the goal to promote social, economic, and political harmony. The EU has reasoned that countries that are interdependent are less likely to engage in conflict. Not only does the EU
account for a quarter of world output, but it also plays a large role in how all business done in Europe and around the world. For Finland to be a good fit for Toastercorp, Finland’s ties with the EU have to be strong and healthy. This means that their cultures, institutions, and models of capitalism have to either be similar or mix well together. Along with this, it is important to understand how the effects of the Single European Market (SEM) on Finland will positively or negatively affect Toastercorp’s business if we expanded to Finland. Finally, it is essential for us to examine the future and role of other member countries in the EU and how it will affect business in Finland in the future.

Culture

In order for our company to be successful in Finland, the culture of Finland needs to work well with the overall culture of the European Union. Culture is defined as “the set of shared attitudes, values, goals, and practices that characterizes an institution or organization” (Merriam-Webster). To sum this up, the culture of a group of people demonstrates what is important to them and how they believe things should work. If the cultures of Finland and the EU as a whole do not align with each other, our business will be hindered and there will be negative consequences on Toastercorp.

To begin, Finland is primarily liberal in its political views, and along with this, believes in the equality of all people (Alho). Along with this, according to an analysis by Clearly Cultural, Finland’s power distance is a 33, which indicates that the people of Finland do not believe in strong leadership roles and prefer an equal standing of all people in everyday life and business. On the other side, the member countries of the EU as a whole have an average power distance of 45, which is pretty similar to Finland. The United States has a power distance of 40, between Finland and the EU. This difference is relatively small and would allow for an easy transition in inter-corporation relations when employing Finnish workers, or taking advantage of the entire EU workforce due to the free labor migration the EU has established.

Another major component of the culture of Finland is education. Education is extremely important to business, since your usefulness to your company is primarily based off of education (Business Etiquette). Finland is ranked in the top 5 countries in the world for education, with 92% of all people graduating high school going to college and obtaining a degree (Masters and More). In Europe, as a whole, education is extremely important, which explains the fact that half of the world’s top 40 countries for education are members of the EU (Masters and More). The cultural business practices that Finland brings into play are subtle, yet they could have a significant negative impact on the business if they are not properly understood. As previously noted in the country analysis, Finnish people take punctuality seriously, and should be notified if they are going to be waiting longer than 5 minutes (Business Etiquette). Finland has also seen a change in recent years from social and environmental problems being placed solely on the government, to the idea of corporate social responsibility coming into effect (Business Culture). Finland also adheres to many international agreements, which brings the EU into play, as the EU as a whole is very similar to Finland in that it is very environmentally conscious and places strong emphasis on the rule following of member states (Business Etiquette).
The cultures of Finland and the EU are very similar, where similar stances are taken on power distance and education is of high-importance. This means that we would procure great workers for Toastercorp in Finland, and employee-employer relations would be free flowing and easy for our company to work with, coming from the US which has a similar power distance score. Along with that, standard business practices are pretty similar between Finland and the EU, which means if Toastercorp was to expand to Finland, it could be sure that the business practices it would adhere to are similar with the rest of the member countries of the EU. To conclude, the culture of Finland is very inviting for Toastercorp since it would be easy to get along with the cultural traits of the rest of the EU.

*European Institutions and Policies*

The formation of the EU has taken away the member countries’ sole power to regulate themselves and, more importantly, their currency with the formation of the euro in 1999. The combination of these things can lead to a lot of tension between member countries and EU. Toastercorp needs to delve deep into how government institutions of the EU and Finland run and work together before any decision-making involving Finland can happen. A crucial part of Toastercorp’s success in Finland will rely on the connection between the institutions of Finland and the institutions of the EU.

Finland and the EU have pretty similar government structures. They both have executive, legislative, judicial, and financial branches that have similar duties. Finland has an executive branch consisting of their head of state, prime minister, and twelve ministries while the EU has their European Council and European Commission. Both executive branches run the day to day of their institutions and look out for the general well being of their respective institutions against the rest of the world (Embassy of Finland). They also both have legislative branches; Finland has a parliament that enforces and promotes laws and the EU has the Council of the EU and the European Parliament, which does the same as the Finnish Parliament for the EU (Embassy of Finland). Both have judicial branches as well which differ in some ways, but their overall goal of promoting and enforcing the law are the same between Finland and the EU. Finally, they both have some sort of Financial Branch; Finland has the Bank of Finland and the EU has the European Central Bank, which both work together to keep the economy of the EU and Finland running smoothly (Bank of Finland).

Since joining the EU, Finland has been affected economically and politically. When Finland first joined, the EU helped lift their recession. Since then, Finland has been a prominent figure in the Union, which was not expected. They have gained a bigger voice internationally and like most smaller member countries, are arbitrators in the European Union (Jacobsen). Relations between the EU and the institutions of Finland have historically been very good, as Finland is considered a “role model” EU member country. Over the past 30 years as a member country, Finland has gone from a top 30 to a top 3 countries in education, innovation, competitiveness, and other smaller areas (Jacobsen). This all makes Finland a great place for our company; we will have good, educated workers in a country that is respectable in on good terms with the EU, which can be favorable to us if our company needs to try to influence something in the political arena. Unfortunately, in 2009, the Eurozone crisis shook the economy of Finland.
National GDP decreased by 7.8%, and unfortunately, the national GDP has not seen strong
growth since then (Trading Economics). Recently, the True Finns, a political party based off of
Euroscepticism, have gained political power mainly due to the increase of Eurosceptic Finns
because of the Eurozone crisis (Jacobsen). This could cause tension between the institutions of
the EU and Finland in the future, which could influence our company goals in a negative way.
Overall, even though the EU institutions and Finland institutions are ran very similarly, there is a
lot of complication between the two due to the Eurozone crisis that does not make an expansion
to Finland favorable through this lens for Toastercorp.

Models of Capitalism

The economies of European countries today can be broadly classified into one of three
models of capitalism, market, managed and state (Guay). A country may be led to a market
capitalism model if societal values align with a highly competitive marketplace, in which people
prefer to see market forces primarily shape economic activity (Guay). Under a market capitalism
model, there is generally very little government involvement in business activities, companies
prefer to raise money in more developed equity markets compared to other models, and labor
relationships are more adversarial because economic gains come at other’s expense (Guay). In
comparison, an approach on the other end of the spectrum is a state capitalism model. Under a
state capitalism model, the government plays a very active role in business activities, as
relationships between companies in industries considered important to national interest are
heavily mediated. Societal values are typically more aligned with the goals of the state, which
take priority over levels of profitability (Guay). This stems from a desire to avoid economic
dependency on foreign companies, and for citizens to be protected from international
uncertainty.

The economy in Finland falls into the managed capitalism model as their economy
consists of free market capitalism, a sturdy public sector, and a great amount of social benefits
(Finland). Their society reaps benefits such as free education, free healthcare and ample pension
payments for retirees, funded by taxpayers and used by the government to benefit all citizens
(Finland). Furthermore, policy makers in Finland use redistributive taxation to reduce the gap
between the rich and the poor, as social welfare is a priority (Finland). Because Europe is a
melding pot of many different cultures, ideologies and unique histories, there is no single
economic model that perfectly fits every country. While countries categorized under a certain
model of capitalism may have differences in the way their economy is run, the structure of their
economy is comparable to a significant extent (Guay). Since the member countries of the EU all
differ in their capitalism models, it is good to have a relatively neutral model of capitalism,
which is exactly what Finland has. Due to this, Finland’s model of capitalism is ideal for success
relative to the EU, which, in this sense, makes Finland an ideal place for Toastercorp to expand.

Single European Market and The Euro

It is important to understand the SEM and the euro in a general form before investigating
further in Finland. The SEM is referring to the continent of Europe as a single market without
trade barriers between countries. Trade is made more efficient with the use of the euro, a single currency used within the SEM. Looking specifically at Finland and its relation to the SEM will assist Toastercorp in deciding whether to expand to Finland.

Finland has been a part of the EU since 1995, and became one of the first countries to adopt the euro in the beginning of 1999 (Salo). Before joining, Finland was a closed market with high agricultural prices and consumption taxes, but Finland’s integration into the EU prompted competition in price levels due to its access to a much larger market with lower manufacturing costs (Salo). Basically, Finland went from being separated from much of Europe physically and economically to being a part of a singular market. The Finnish market was now open to foreign companies, many of which had lower prices than domestic companies (Salo). Competition in retail trade saw a sudden increase, and Finland had to make its prices competitive in order to succeed. This problem was eased because prices on agricultural goods decreased as a result of free trade among EU countries (Salo). In accordance with price competition and EU regulations placed on Finland, consumption taxes on items like alcohol and cars were lowered (Salo). Although the consumer price level in Finland declined after the implementation of the euro and entrance into the SEM, the distant location and low population density relative to the other European countries prevents it from dipping too low (Salo). Furthermore, 21% of industry is from engineered metal products and 20% is from electronic machinery in Finland (Annual Report). The European Commission states that the EU is the second largest producer of metal behind China, which means Finland now has single market access to resources which fuel these industries (Annual Report). Finally, in a ranking of economic freedom, Finland is ranked at 24th globally and 13th within Europe. This ranking is based off of free individuals, governments, and businesses are in going about their day-to-day operations (2017 Index of Economic Freedom).

Moving forward, the profitability of investment (number of euros made per one euro sold) for Finland is only 0.08 (Appendix C). In comparison, the profitability of the UK is 0.16, while France only 0.05 (EU Annual Report). Finally, in a study conducted to find the most pressing problems faced by SMEs in Finland, these SMEs have little problem finding finance or customers while they have big problems battling against competition and paying for the high cost of labor (EU Annual Report, Appendix A). This information is vital when entering a new market because, in this case, we can see how Finland compares to other member countries of the SEM.

There are some strong opportunities of expanding to Finland due to it being a part of the SEM and the euro. The consistently high unemployment rate mentioned previously means there is a labor surplus, which will make quality workers easier for us to find. Even if the unemployment rate decreases in Finland or skilled labor cannot be found, labor migration within the EU allows for Toastercorp to recruit foreign labor. Another great benefit for Toastercorp in Finland would be the ease of access of receiving finance for our company in Finland. Furthermore, the adaption of the euro by Finland assists to increase possible trade for Toastercorp within the EU. It is much easier to sell our product to countries that use the same currency because the time and money usually spent to exchange currency and the varying purchasing power of currencies in relation to one another is not present. An opportunity relative to Toastercorp of entering Finland and the SEM is that the EU produces a large volume of metal, and Finland thrives off of the industry. As previously mentioned, Finland’s largest industries are
the metal and electronic machinery industries, together making up almost half of the economy. We would enter an economy that imports a lot of the resources we need and is known for quality products in our industry, so we would become a part of these reputable and thriving Finland industries. With the knowledge of Toastercorp’s unique manufacturing outsourcing, much of the manufacturing will not be done in Finland, but the last assembly. The cost to import these separately manufactured products would be large considering the location of Finland and tariffs imposed by the government. The presence of the SEM in Finland does indeed have many benefits, but there are also many downsides that come with it. First, as a part of the large market that the SEM is, Finland cannot fully compete with the low prices that foreign competitors offer. Competition is one of the largest issues facing SMEs in Finland and is something that could affect Toastercorp’s success. Another weakness of Finland’s market is the low profitability of investment in relation to other member countries. This measure is a great indicator of the success that similar firms experience in a certain country, and Finland does not stand out. In part, this can be attributed to other problems Finland SMEs face such as the high cost of labor. Although there are a great amount of benefits that Toastercorp would receive from expanding to Finland and being a part of the SEM, there are a lot of threats that we would face which makes Finland a risky place to expand to.

The Future of the EU and Finland

When deciding whether or not Finland would be a lucrative opportunity for Toastercorp, it is important to look at both the present and the future. Recently, there has been a lot of instability in Europe due to the Eurozone crisis. To add onto this, the UK issued a referendum to leave the EU, commonly known as “Brexit”, which has increased the amount of instability in Europe. UK Prime Minister David Cameron brought up this referendum due to the demand for it from rising groups based off nationalism and anti-immigration (Clarke). Due to both of these, the UK as a whole had become much more Eurosceptic, or opposed to increasing the power of the EU (Poushter). The referendum was recently voted on and passed, and now the UK and EU member countries have two years to negotiate and sort out the recession of the UK from the EU (Clarke).

It is important to note the effects of non-EU countries on Finland in the future. Russia is a main trade partner with Finland due to the proximity of locations. In early 2014, Russia attempted to violently annex the Ukrainian territory of Crimea. As an act of condemnation, the EU imposed trade sanctions against Russia, with which Finland shares an 800-mile border, and trades with a significant amount. The sanctions target Russia’s defense, energy and finance sectors, specifically harming some of Finland’s technology exports. To further aggravate the issue, Russia set counter sanctions on food exports against the EU. These counter sanctions had negative impacts on Finnish dairy exports. Finland exports a substantial amount of machinery, transport equipment and agricultural products, while importing cheap raw materials, primarily crude and refined oil. (Annual Report) The sanctions imposed by the EU and counter sanctions imposed by Russia are impeding Finland’s ability to raise export levels back to pre-euro crisis volumes.

Taking these events into consideration helps us paint a picture of what Europe and the
EU will look like in ten years. In terms of politics, the current trend is of nationalism and Euroscepticism. Currently, the movement of millions of refugees to Europe has created a crisis to figure out how to cope with the large migration. This crisis causes a conflict among EU members of how to best deal with the situation and resettle the displaced peoples. Due to the migrant crisis not dying down, these sentiments will continue to rise. Finland has recently seen a rise of Euroscepticism, in particular with the True Finns political party gaining a great deal of power since the beginning of the Eurozone crisis (Political System). The True Finns have also gained a lot of power due to anti-refugee beliefs, since the Finnish people have a very distinct culture that other nationalities do not blend well with (Alho). Recently, Finland launched deportation programs for many asylum seekers back to the Middle East (France-Presse). Along with Finland, other member countries have been seeing the right wing strike back. For example, France has seen a huge influx of refugees due to ample opportunities in the country (Lapavitsas). This past election, the Eurosceptic National Front political party almost won their presidential election (Lapavitsas). The combination of these issues in many of the member countries and Brexit may lead to the right side taking over the political landscape of many countries, and the winner of this fight will decide the future of the EU. However, another crisis like the Eurozone crisis is very unlikely to happen again. Thanks to the safeguards that were put into place when the Eurozone crisis hit, no country will repeat Greece’s mistake of borrowing without the ability to repay (Lapavitsas). Over the next ten years, Finland is predicted to continue to grow at a slow pace, focusing on its newly forming culture and knowledge economy. With a near 100% literacy rate and college being government subsidized, most of the population is well educated (Halme). This will lead to Finland prospering over other EU member countries in the long run.

After analyzing the trends in Europe and Finland specifically, there are strategies that Toastercorp can use to succeed. The biggest resource in Finland is the highly educated youth that we can hire as our workforce. The youth are also very entrepreneurial and innovative which can be tapped into for corporate innovation. Unfortunately, one thing that Toastercorp cannot avoid is growing euroscepticism throughout the EU. This will bring along a lot of instability in the near future and could damage Toastercorp immensely. To conclude, even though Finland looks ideal for Toastercorp internally, there is a lot of uncertainty around the EU that makes Finland a risky place to expand our company.

Final Recommendation

It is very difficult to determine whether Finland would be a good country for Toastercorp, but with in-depth research and analysis, it can be seen that Finland is not the ideal economy for us to bring our products to. Finland seems to be a great fit for the integration of Toastercorp, being a model country in the EU and having many policies that align perfectly with the values of the EU. Also, ranked top five in the world for education, Finland has a very skilled and qualified labor force. This may seem great, but since the labor force is so qualified, costs of labor are higher than many EU countries. Also, labor productivity is relatively low in comparison because cultural ideologies place heavy emphasis on personal well-being. Furthermore, preserving the environment is also a high priority in Finland, which does directly align with Toastercorp’s
product ability to be energy efficient. As a result of environmental protection being a high priority, Finland does have rigid standards for environmental protection, which will lead to Toastercorp incurring higher manufacturing costs due to having to adhere to these standards. Finally, because the Finnish economy falls under a managed capitalism model, there is significant government intervention in market activity. Even though the Finnish government welcomes foreign investment, a huge deterrent to foreign investment is some of their tax policies. The movement of share ownership from a Finnish company to a foreign company is treated as taxable; however, this is not the case for such transactions with member EU firms. This presents a disadvantage to Toastercorp in comparison to domestically owned firms. While the culture in Finland would appear to be a good fit for Toastercorp, there are offsetting consequences that make it less favorable than it seems.

When Finland entered the EU in 1995, they saw an all-around decrease in the prices of goods due to higher competition brought on by their assimilation with other European countries’ economies. Before entering the EU, they had high prices because of geographical and economic barriers in comparison to the rest of Europe, as well as a low population density. While SME’s have relatively easy access to capital and customers, the trouble comes from battling high costs of labor and foreign competition that can produce their products for a lot cheaper. If Toastercorp is not able to effectively differentiate their product where it can still adequately sell its product at a higher price, they will have trouble surviving in the European economy. Furthermore, their low profitability of investment in comparison to many other EU countries does not make Finland the most attractive country through which to enter the European market. Finally, one of the biggest issues facing Finland is their instability in the EU with increased nationalism and euroscepticism throughout the EU. Following Brexit and other countries dealing with similar issues, the future of the EU is as unpredictable as ever, so there is a risk expanding into a country that is dealing with these issues.

Our primary research points supporting this decision to not expand to Finland include a strong sense of euroscepticism in the Finnish people following the Eurozone crisis, high costs of labor, and negative tax policies involving foreign companies attempting to establish themselves in the Finnish market. Furthermore, the Eurozone crisis caused a significant decline in the Finnish economy, which it has yet to fully recover from, as their economy has remained relatively stagnant over the past few years.

The ideal market for manufacturing Toastercorp products is one with significantly lower costs of labor. Finland makes for an ideal export destination for Toastercorp products as they have a comparatively higher price point than other EU countries and are very environmentally conscious. Finland has plentiful port access, and the majority of their dense population is along the southern border of the country, allowing transportation costs of exporting to Finland to be low. While these are all aspects that align with the sale of Toastercorp products, it is not the ideal entry point to the European market because the manufacturing phase of the supply chain will be rendered inefficient by high labor costs and relatively low worker productivity. Furthermore, Finland has high tax rates due to their redistributive tax policy, so the ideal market for
Toastercorp to enter Europe would be through a country with less emphasis on social welfare policies.

Appendices

Appendix A

Source: EU Annual Report on European SMEs
Appendix B

Source: Trading Economics

![Finland Unemployment Rate](image)

Appendix C

Source: EU Annual Report on European SMEs

Table 4: Profitability of SMEs in the non-financial business sector (excluding ‘real estate’) by country, average level for 2012 and 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>Profitability - € per €1 of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>0.05</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.07</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.07</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.07</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.08</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.08</td>
</tr>
<tr>
<td>Finland</td>
<td>0.08</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0.08</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.08</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0.08</td>
</tr>
<tr>
<td>Country</td>
<td>Value</td>
</tr>
<tr>
<td>--------------</td>
<td>-------</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.08</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.08</td>
</tr>
<tr>
<td>Estonia</td>
<td>0.08</td>
</tr>
<tr>
<td>Austria</td>
<td>0.09</td>
</tr>
<tr>
<td>Spain</td>
<td>0.09</td>
</tr>
<tr>
<td>Romania</td>
<td>0.09</td>
</tr>
<tr>
<td>Croatia</td>
<td>0.09</td>
</tr>
<tr>
<td>Italy*</td>
<td>0.09</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.09</td>
</tr>
<tr>
<td>Poland</td>
<td>0.10</td>
</tr>
<tr>
<td>Greece</td>
<td>0.10</td>
</tr>
<tr>
<td>Cyprus</td>
<td>0.10</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0.11</td>
</tr>
<tr>
<td>Ireland**</td>
<td>0.11</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.16</td>
</tr>
</tbody>
</table>
Appendix D

PEST Analysis

<table>
<thead>
<tr>
<th>Political/Legal/Government Policy:</th>
<th>Economic and Financial Factors:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Parliamentary representative democratic republic, multi-party system</td>
<td>• Nordic Model of capitalism- extreme form of managed capitalism</td>
</tr>
<tr>
<td>• The state controls certain key sectors, such as agriculture, forestry, minerals, and energy, overall economic policy had shifted from sectoral intervention toward efforts to improve productivity and market efficiency.</td>
<td>• 73.4 Economic freedom score, ranked 19th in the world in 2015 index</td>
</tr>
<tr>
<td>• Complete political and social freedom, highest ranking</td>
<td>• Per capita income and growth pattern</td>
</tr>
<tr>
<td>• National Coalition Party, True Finns, Social Democratic Party of Finland, Left Alliance, Green League, Centre Party of Finland</td>
<td>• $43,400 PPP (2016)</td>
</tr>
<tr>
<td>• High government transparency and integrity, great intellectual property protection</td>
<td>• High quality of life and low wealth gap</td>
</tr>
<tr>
<td>• Membership in WTO, EU, and affiliates with NATO</td>
<td>• 8.8% unemployment rate as of May 2017</td>
</tr>
<tr>
<td>• Top export destinations: Germany, United States, Sweden, Netherlands, Russia</td>
<td>• During the last five years the exports of Finland have decreased at an annualized rate of -2.9%, from $74.1B in 2010 to $63.7B in 2015</td>
</tr>
<tr>
<td>• Top Import Origins: Germany, Sweden, Russia, China, Netherlands</td>
<td>• $44.7B in external debt as of March 2016</td>
</tr>
<tr>
<td></td>
<td>• Short-term stability risks are small in regards to Finnish economic and credit cycles</td>
</tr>
<tr>
<td></td>
<td>• Finland open to FDI, however, movement of shares from a Finnish company to a foreign company is taxable</td>
</tr>
<tr>
<td></td>
<td>• Adopted the European Currency- the Euro</td>
</tr>
<tr>
<td></td>
<td>• 1 Euro = 1.17 USD</td>
</tr>
<tr>
<td></td>
<td>• Higher relative price level to other EU members</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sociological and Cultural Factors:</th>
<th>Technology/Infrastructure Factors:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 5.5 million, low population density</td>
<td>• Recent railway infrastructure</td>
</tr>
<tr>
<td>• Finnish (primary) and Swedish</td>
<td>• Over 50 ports, 23 open year round</td>
</tr>
<tr>
<td>• Warmest 13-17C, Coldest -22--3C</td>
<td>• Uses nuclear energy and hydrocarbon for 50% of power</td>
</tr>
<tr>
<td>• 69% forest, 10% water, 8% cultivated land</td>
<td>• 2/3 higher than per capita average energy use (15000 kWh, harsh winters)</td>
</tr>
<tr>
<td>• Finnish people ethnic majority by far (93.4%)</td>
<td>• More ISPs than any other country</td>
</tr>
<tr>
<td>• 9 years comprehensive school, 3 years secondary, high participation in tertiary school aka University</td>
<td>• Northern Finland is less populated than the south</td>
</tr>
<tr>
<td>• Evangelical Lutheran Church (primary), Finnish Orthodox Church</td>
<td>• Northern Finland experiences 2 months of darkness in the Winter, only 6 hours of daylight in the winter</td>
</tr>
<tr>
<td>• Environmentally friendly</td>
<td>• Geographically located away from the main continent</td>
</tr>
<tr>
<td>• Low power distance score</td>
<td>• Highly educated workforce</td>
</tr>
<tr>
<td>• Individualism score of 63</td>
<td>• Forest and manufacturing industries are large</td>
</tr>
</tbody>
</table>
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