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INTERNATIONAL BUSINESS STRATEGY

The Case of a Greek Producer of Ornamental Plants Entering the European Markets

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International Business Strategy: The Case of a Greek Producer of Ornamental Plants Entering the European Markets

A Research on European Ornamental Plants' Trade and the International Strategy of a Greek Producer

M.Sc. Thesis (MST 80433), Management Studies Group of Wageningen University

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Finally, I would like to specially thank the respondents of the empirical part of the research, i.e. the wholesalers and professionals of the European ornamental plants industry that offered their valuable time in order to answer the questions asked in the context of this project.

Executive Summary

K Plants is a firm that produces ornamental Citrus and Olive trees, and one of the major players in the Greek market of these plants. The firm, having an in-depth know-how on the production of these plants, having been able to cover the needs of the Greek market, and based on its newly built facilities, wishes to assess the possibilities to enter the European markets of ornamental plants. This report communicates the results of the research that has been conducted in order to examine this issue and give appropriate recommendations to the management of the firm.

The objective of this research has been described as: "***To*** *recommend the appropriate steps for K Plants to enter the European ornamental plants' markets,* ***by*** *constructing a suitable conceptual model describing internationalisation steps of firms, operationalising it for the needs of the Citrus and Olives ornamental plants industry, and applying it to relevant market channels".* To reach this objective, the following research questions have been formulated:

General Research Question

What are the choices and decisions that K Plants has to take in order to enter and establish its presence in European markets of Citrus and Olive ornamental plants?

Research Questions

1) What is the conceptual model that drives and explains the decisions and the realisation of business internationalisation and establishment in new foreign markets?
2) What are the variables that operationalise the internationalisation model for a Greek producer of ornamental plants?
3) What are the critical success factors for the entry and establishment of K Plants in European ornamental plants markets?
4) What recommendations can be proposed to K Plants to fulfil its objective and what is the most appropriate plan to do so?

The first research question was addressed through secondary data, and the relevant research ended up in a conceptual framework that describes the internationalisation process of commercial firms. The framework consists of the following five steps:

i. **Will or necessity and problems to internationalise.** When considering internationalisation, firms have to first understand their characteristics in terms of motives as well as in terms of obstacles that have to be overcome to successfully delve into new, international markets.
ii. **Strategic analyses.** After the initial assessment, the firm has to undertake three steps of analyses, namely: a) analysis on the **national environment** from which the firm originates, b) analysis on **the industry** in which the firm participates and wishes to sell, and c) analysis on the **firm's own**

specific characteristic. These three analyses interact and define the “space” in which the firm can move successfully.

iii. **Strategic decisions.** The next step is to take two highly important decisions that will determine the outcome of the firm’s endeavour outside its national market. These decisions have to do with the **market selection**, and the selection of the **market entry mode**. These decisions will bind considerable amount of resources from the firm and in some cases they need to be taken with a long term perspective.

iv. **Establishment in foreign markets.** The fourth step of the framework deals with what is usually referred to as the marketing mix of a firm, i.e. the **product**, the **price**, the **distribution** and the **promotion** of the offering. As with any market, domestic or foreign, the marketing mix is the essence of the offering that the final consumer receives.

v. **Performance measurement, sustainable presence and improvement.** The goal of the final step is to ensure an adequate level of control for the internationalised businesses. This step needs to establish the **structure** of a firm that internationalises, and the **control systems** necessary to guarantee a long term, sustainable presence in the new markets.

The abovementioned conceptual framework has been operationalised (i.e. indicators have been selected to delineate the subjects at stake) through primary and secondary data, thus reaching to an answer for the second research question. Primary data (from Greek Citrus and Olive plant material producers) have been used to operationalise the steps of the framework that have been considered as most important for the case of K Plants.

To identify the critical success factors for the international endeavour of the firm and answer the third research question, primary data have been gathered mainly in the Netherlands, thus assessing the requirements of the Dutch importers/traders of the species of interest. The Dutch trading channels were identified as the most suitable for the given case, and facts to support this presumption are presented in the report. After this research, the **critical success factors** for K Plants can be summarised in the following statement: “The quality of the plants (or value for money) is the important factor that will determine the success of K Plants in the new markets, along with its ability to meet the requirements of the agreements with the importing traders. Uniformity, appearance and health of plants seem to determine the quality of the plants; whereas replenishment times, legal issues, ability to handle the peak season and appropriate labelling seem to determine the establishment in terms of cooperation with the importers”.

The analysed data of this research in relation to the research objective and questions indicate clearly that K Plants should not internationalise at this moment. Rather, it should prepare its strategy, its activities and mindset in a way that will ensure that the entry will lead to its establishment in the markets and it will not be a series of sporadic sale in the new markets. To make sure that this will happen, there are a series of things that K Plants is lacking. Yet, it is important to stress here that this research has come to the conclusion that the firm also has specific characteristics that indicate that it can eventually succeed in the new markets. To summarise: K Plants should not try to internationalise now, but it can accomplish this objective after appropriate preparation in the right direction. This preparation (and the answer to the fourth research question) includes the following actions:

Step I: Reorganise the management system. The general manager should appoint a person responsible for the international development of the firm. Responsibilities should include coordination of production, logistics, sales and marketing operations into the new markets.

Step II: Allocate (production) resources to products for international markets and introduce quality certifications. The firm has to make sure that it will allocate enough (time, human, financial, land) resources to be able to establish a reliable production planning system. Furthermore, the introduction of quality certifications will be a good "passport" for the new markets.

Step III: Build a professional international network and assess possibilities for building a new marketing image. The development of an extensive network of international partners inside the industry of ornamental horticulture will be of great importance. Also, the feasibility of advanced marketing strategies has to be assessed and their costs compared to the expected benefits.

Step IV: Establish quantified goals and a control system suitable for the international operations and establish contacts with European traders. Since K Plants has no experience in formal goal setting and performance measurements, the expected expansion of operations will necessitate for such measures to be taken. Then final contacts can be made with European traders in full detail.

Step V: Initiate international activity and sales.

Finally, this report presents suggestions that could be used in order to improve the effectiveness of the constructed conceptual framework and suggestions for K Plants to look into in more detail during or after its initial internationalisation steps. These suggestions include the following:

- Research the possibilities to enter the European markets through channels other than those of the Dutch importers/traders.
- Search for new buyers and use the given questionnaire as a starting tool for the communication with them.
- Possibilities for niche markets of these products should be assessed.
- Possibilities for clustering in the Greek market should be assessed in more detail.

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PART I

INTRODUCTION TO THE PROJECT

The first part of the report presents an introduction to the topics of this report and the report in itself. In the first chapter, the problem that has been researched is outlined. In this chapter, after a general presentation of the case, the overall environment of the trade of ornamental plants inside Europe will be sketched, describing the relevant facts, figures and main trading channels, as well as some introductory elements on international trade in general. The position of the Greek industry in the European ornamental plants markets will also be presented. The final section of the first chapter will present the firm whose future steps were to be aided by this research.

The second chapter of this introductory part will present the research design of the research and give an overview of the chapters of the report, to allow the reader an easier understanding of the structure that has been followed. The sections of the research design will present the objectives of the research, its relevant questions and sub questions, and the way these questions will be answered. Additionally, the research validity, reliability and the changes from the plans that had been presented in this project's research proposal will be explicitly dealt with.

Chapter 1
K PLANTS ENTERING EUROPEAN ORNAMENTAL PLANTS' MARKETS: PRESENTATION OF THE SITUATION

1.1 Introduction

The first chapter of the report serves as an introduction to the rest of the report, by presenting a common ground of understanding for the issues that will form part of the following chapters. In principle, this research deals with the wish of a Greek private firm (K Plants) that produces ornamental plants to examine its possibilities to enter European markets of ornamental plants. Since this projects deals with the processes that will lead to the engagement of a private firm in a form of international trade, the following sections will provide an understanding of exactly these topics.

First, an overall presentation of the case will give the necessary overview of what will follow in the rest of this report.

Second, an introduction to the principles of ideas of international trade will be given. The significance of international trade for the world economy (and the national economies) will be emphasised, the reasons to go (and not to go) international will be presented, characteristics of firms that decide to go international will be mentioned and some general facts on Europe and the European Union (EU) will be given, since this is the geographical frame for the internationalisation of K Plants.

Third, moving closer to the specific issues of this project, the European market of ornamental plants will be described, in the sense of the most important facts and figures, important trade channels, and the participation of the Greek industry in these channels.

Finally, K Plants will be presented shortly. The relevant sub sections will describe its history, financial data and some general thoughts on the future of the firm, as have been described by its founder in the preliminary discussions in the course of this project.

1.2 General Presentation of the Case

The idea for this research came from the owner of a Greek firm that is producing trees for ornamental purposes. This firm, K Plants, is considered in its home market to be a leader in the production of various Citrus species trees and Olive trees to be used as ornamentals.

The owner, feeling confident about the high quality of the produce, has had the idea that these tree species could be sold as ornamentals to other European countries. This idea was based on the notion that some groups of consumers in these countries could consider them interesting or "exotic" (since they are not found in cold climates) and buy them for ornamental purposes. Also, the owner has observed in various trips around Western Europe that indeed these species are used in some cases as ornamentals (e.g. in restaurants, hotels, cafes, indoors in houses, etc).

Thus, the firm decided to assess the possibilities to internationalise into the European markets. This research serves this objective and is aimed finally at providing consultancy on the firm for its possibilities.

1.3 International Business: an Introduction

International business is the study of transactions taking place across national borders for the purpose of satisfying the needs of individuals and organisations. These transactions consist of trade (imports and exports) and foreign direct investments. This definition comes from Rugman et al. (2006), from where also more of this section's information is taken.

For this project's context, exports and imports rather than foreign direct investments (FDI) will be of interest, since trade is considered as the first step of internationalisation of small and medium sized enterprises (SME), well before FDIs.

1.3.1 The significance of international trade

In this subsection, first the reasons why information on trade is important in the research on international trade will be outlined, and second some data on international trade and trade partners will be given.

To begin with, information on international trade is important because (Rugman et. al., 2006):

- It helps us understand the strategies and operations of multinational enterprises (MNEs) (i.e. a firm headquartered in one country but having operations in other countries). This means that the knowledge on between which countries trade (and money exchange) is performed is an extra tool to explain and judge the decisions of MNEs.

- It helps us understand the role and impact of international business in national economies. By knowing the interrelations in international trade, the impact of various decisions dealing with significant determinants of world economies (e.g. oil prices) can be questioned and be better understood.

In the case of this project, facts and data on Greek international trade and its international relationships will help better judge the possibilities of K Plants to go international, as will be shown later in the report.

Second, some **data on international trade** will be given to obtain an idea on the scales of international business size. Table 1.1 provides an overview of international imports and exports. It can be observed that the major importers are the same as the major exporters, and that the major players in international trade are the European Union (EU) and the USA.

	Imports		Exports	
Country/ Region	**Billions $**	**% of total**	**Billions $**	**% of total**
North America	1487,5	23,2	1175,3	17,7
USA	1132,9	17,6	751,8	11,3
Canada	219,1	3,4	260,9	3,9
Mexico	135,5	2,1	162,7	2,5
EU (15)	2328,3	36,3	2295,8	34,6
Asia	1529,2	23,8	1938,3	29,2
Japan	305,7	4,8	457,3	6,9
Other Asia	1223,5	19,1	1481,0	22,3
All others	1073,6	16,7	1227,5	18,5
Total	6418,6	100	6636,9	100

Table 1.1 World trade (Source: Rugman et al., 2006)

1.3.2 Why do firms go international and what are the characteristics of internationalised firms?

What will be next examined are the reasons why firms want to go international, and the characteristics that international firms have. The following are the main **reasons** for firms to decide **to enter** new, **foreign markets** (some of them apply to FDIs) (Rugman et. al., 2006):

- To diversify their risks on the national market.
- To gain a share in the growing foreign markets.
- To protect home market share by attacking competitors in their homeland.
- To reduce costs (transportation, labour, etc.).
- To overcome protective barriers (e.g. tariffs).
- To avoid sharing knowledge with a foreign firm that could otherwise be producing the firm's products under a license.

The main **characteristics of international firms** are the following (Rugman et. al., 2006):

- They have to adjust and face various different environmental factors (competitors, customers, suppliers, governments, etc.)
- They operate using a common source of resources (technology, human resources, trademarks, etc.)
- They connect all the participating parties in a common strategic vision.

The importance of each one of these for a firm depends on its level of internationalisation, and the exact way it operates internationally, i.e. there is a difference in the needs and goals between a large multinational operating in tens of countries with billions of Euros in FDIs and an SME that serve a couple of neighbouring countries via an agent.

1.3.3 Europe and the European Union

Europe is one of the continents of Earth, situated in the westernmost peninsula of Eurasia, covering 10,180,000 square kilometres. It consists of approximately 50 states and around 730 million people live in it.

The European Union (EU) is an economical and political union of 27 European states, established in 1993 upon the pre-existing European Economic Community, which was established in 1958. It has around 500 million citizens. The objectives of the European Union that are of interest in this project's context are (Rugman et. al, 2006):

- Elimination of custom duties among members
- Free flow of goods and services between members
- Common custom procedures for non-members
- Free movement of people and capital
- Acceptance of some common policies and educational degrees
- Common measures for consumer protection
- Common laws to maintain competition
- Regional funds to encourage development
- Monetary and fiscal coordination between members

The EU generates an estimated 30% share (US$18.4 trillion in 2008) of the nominal gross world product, and is one of the major players in world trade, with many of its member states rated among the internationally leading, in terms of their GDP and standards of living (Rugman et.al, 2006).

1.4 European Ornamental Plants' Markets and Greek Firms

1.4.1 The European ornamental plants' market

The data of this section come mainly from the AIPH report of the year 2006 (Heinrichs, 2006), the most recent one found in the library of Wageningen University.

The market of horticultural products in Europe (or anywhere in the world) can be roughly divided in products produced for ornamental purposes and in products produced for commercial selling as edibles. Products in the first category contain propagation material, plants, and their parts that are sold separately (e.g. cut flowers), that are produced to serve as parts of landscaping works (gardens, roads, parks etc.), indoor decoration, and gifts. Examples in this category are cut roses or potted anthuriums. The second category of horticultural products contains products that are sold in order to be eaten, such as fruits and vegetables.

A problem in definitions arises when propagation material and plants of certain species with double usages is discussed, since there are plant species for which the adding in a category cannot be made *a priori,* and is defined by the buyer or the marketing decisions of the seller. For example, young apple trees can be bought either to be planted in a commercial orchard and give apples that are professionally sold, or to be planted as ornamentals in a small garden. This example also shows the difficulties that arise even in the definitions of the products at stake, let alone the differences between various countries and the lack of data in some of them (AIPH website).

This project deals with the first category of horticultural products, i.e. ornamental horticultural products. The statistical yearbook of AIPH (Heinrichs, 2006) divides the ornamental horticultural products in the following categories, and in the subsequent selected (by AIPH) sub categories:

- **Dormant bulbs, corms, tubers**
- **Fresh cut flowers**, for example:
  - Carnation
  - Rose
  - Orchids
  - Chrysanthemum
  - Other fresh cut flowers
- **Treated cut flowers**
- **Fresh and treated foliage**, for example:
  - Mosses and lichens
  - Fresh foliage
  - Christmas trees and branches from conifers

– Treated foliage

- **Ornamental plants**, for example:
  - Nursery stocks, for example:
    - Fruit trees and shrubs
    - Forest plants
    - Rose plants
    - Ornamental nursery stock
  - Hardy perennials
  - Other ornamental plants, for example:
    - Cuttings and young plants
    - Azaleas
    - Flowering pot plants
    - Foliage plants
    - Other live plant parts, not classified.

In accordance with the produce of K Plants, this project will deal with the category called "Ornamental plants". Currently, K Plants produces plants that can be placed in the sub category "Hardy perennials". It also produces nursery stock, but it uses all of its production for own purposes. In the following paragraphs, selected data for the trade of ornamental plants inside Europe will be given.

The Netherlands is the central junction for the trade of ornamental plants inside Europe, and one of the top players (along USA) even at a world level. The country has a market share of 44% in the European market (van der Vorst et al., 2006). Appendix A verifies clearly the abovementioned statement. The difference in numbers between Netherlands and any other European country is remarkable. Germany, Great Britain, France, Belgium and Italy are the major importers of Dutch-sold plants.

1.4.2 Greek participation in European markets of ornamental plants

As can be seen in Appendices 1 and 2, Greece is not included in the major players of ornamental horticultural production in Europe, with its statistics being included in the category "EU rest". Table 1.2 presents some data for the area and the production in Greece.

Even more interesting is the relationship between imports and exports for Greek ornamental products, as can be seen in Table 1.3. It is clear that the ratio is not in favour of national production. The Greek Ministry of Agriculture and Food states that 68% of the Greek exports are done to EU countries (Germany and France are the major destinations), and 32% to other countries.

Year	Land (ha)	Value (million €)
2000	81.049	8.543
2001	85.145	8.298
2002	76.174	8.272
2003	81.497	8.268
2004	80.306	8.235

Table 1.2 Land and value of produced cut flowers and pot plants in Greece (Source: Anonymous, 2007)

Year	Imports (million €)	Exports (million €)	Ratio Imports/Exports	Imports minus Exports (million €)
2000	37,6	1,58	24:1	-36,02
2001	30,35	2,21	14:1	-28,14
2002	36,75	3,39	11:1	-33,36
2003	44,84	2,11	21:1	-42,73
2004	31,53	3,41	9:1	-28,12
2005	52,12	3,94	13:1	-48,18

Table 1.3 Greek Imports and Exports of ornamental products, 2000-2005 (Source: Anonymous, 2007)

At this point it has to be reminded that this project does not deal with the improvement of the participation of Greece as a country in European markets, through for example clustering, structural changes and strategies built on a long term basis and on a national level, but only with one specific firm and its specific characteristics. This means that facts concerning anything outside the direct powers of the firm (e.g. governmental policy) will be considered as stable and unchangeable for the context and the objectives of this research. Yet, the overall country environment assessment will be taken into consideration in the following chapters, to judge K Plants' possibilities in a more effective way.

1.5 K Plants: The Firm

In this section a general introduction to the firm's history, work, financial data and future plans is given. A more detailed description of the firm's activities can be found in section 6.2.2.

1.5.1 History

The history of the firm is the history of its founder, a Greek agricultural engineer born in Ariochori, a small village in Messinia, Peloponnesus, Greece, where the facilities of the firm lie today. He was active in the family's agricultural activities from his childhood, in an era and a place where it was economically feasible and efficient to cultivate 500 m^2 of wheat, just 50 years ago.

He decided to study agriculture and after his studies he began his entrepreneurial activities in 1976, together with his brother, with a commercial business in Kalamata, a nearby city, capital of the prefecture, selling agricultural supplies (agrochemicals, seeds, fertilizers, machinery, irrigation systems, etc.) to local growers. Two years later he entered the plant-producing industry, producing trees for growers (what would correspond to the second category of plants, as have been described in sub section 1.3.1), along with the first firm. In 1988, he starts a new business, a garden centre selling ornamental plants, designing and constructing private gardens and public landscape works. During the same time, he takes what he now describes as the major strategic choice of his career, which was to stop producing trees for local growers, and start growing the same species (mainly Citrus trees, i.e. lemon, orange mandarin trees, and Olive trees) for ornamental purposes, to be sold mainly in the market of Athens, where the quality of life and the incomes at that time had began to make it possible for people to spend more of their available income in "luxury" expenses, like ornamental plants and gardens planted with (among others) Mediterranean species, produced by the firm.

The know-how that had been acquired up to that point in the production of these specific species allowed for the products to be of high quality, but adjusted to the needs of a non-professional clientele. This imposes certain changes in the operations for the production of the trees, since the new customers demanded different attributes for the trees than the professional growers. For example, they demand more beautiful shapes for the trees and already big-sized trees, (to have a garden ready as soon as possible), whereas professionals demand start of fruit production in fewer years, higher yields, etc. It is the belief of the owner that non-professionals are willing to pay more for the same species, since they consider it a special product, and do not expect an economic turnover from their investment. Conversely, professional growers see such a transaction as a strict professional decision, which ends up in tough negotiations, low prices and delays in payments. These reasons mainly led to the decision for such a strategic change.

As years were going by, the tree growing firm kept expanding its production in new land and with new products, with the other firms continually receiving less and less attention and investments. Finally in 2005, the decision was taken to completely stop the participation in any other firm except on the plant producing firm. At the same time, an obligatory relocation of the firm's facilities (due to a public highway construction) led to the decision to expand the owned land and the operations significantly. Currently, the new facilities are being prepared, and are expected to be ready by early 2011.

1.5.2 Financial data & current facts

This short section will give an overview of the route of K Plants through the last years, to provide a scale for the size of the firm this project deals with. Figure 1.1 presents the turnover of the firm for the years 2005-2009. It can be seen that the firm has had a growing performance and the revenues were continually rising (though not impressively), until 2009, when a decrease was observed. This was accredited by the management of the firm to the crisis that affected the Greek (along with the world) economy during this year.

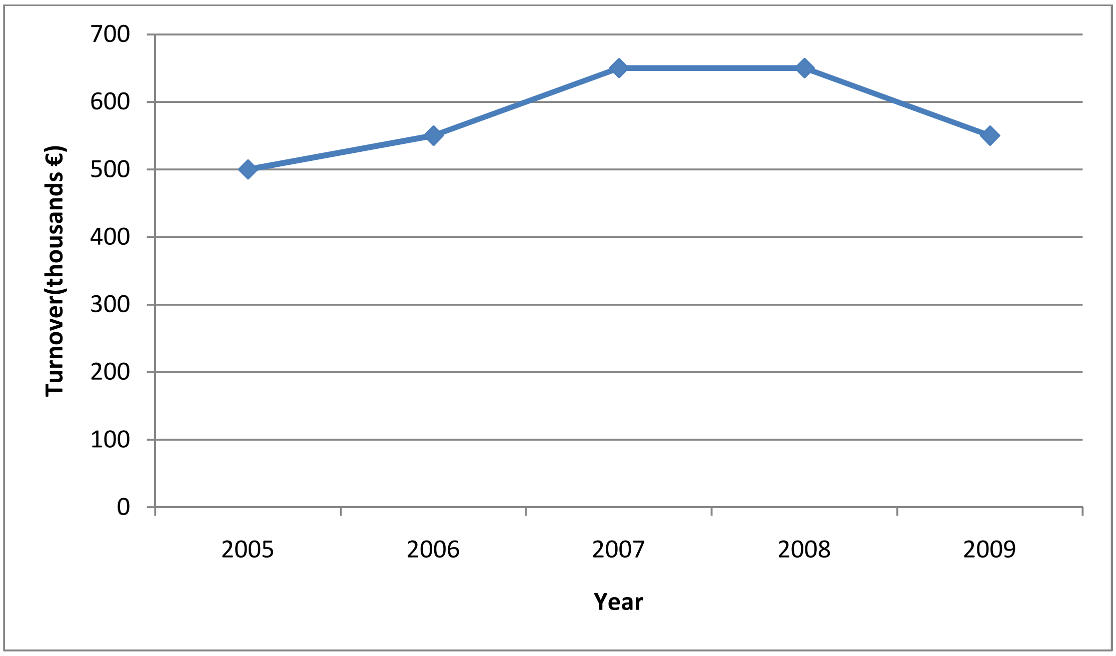

Figure 1.1 Revenues of K Plants, 2005-2009 (Source: K Plants data)

The general manager has stated that he has been satisfied with the performance of the firm, since his ambition during the last years had not been the financial growth, but the establishment of a quality brand in the Greek market, the contacts with new customers, the creation of a business network and the preparation for the following steps of the firm, which are now to be made. Additionally, he has stated (also customers of K Plants have confirmed that) that the entrepreneurial environment in Greece is not very favourable, which makes the possibilities for growth more difficult.

1.5.3 Future plans

As has been previously stated, K Plants is undertaking at the moment the biggest change of its history, in terms of relocation of its facilities and the strategic decision of devoting all its resources absolutely to the production of plants, thus eliminating all other activities not considered as competitively suitable for the time being.

By doing so, the production of new plants will increase. It is the belief of the general manager that certain of the cultivars already produced by the firm have potential (smaller or bigger) to increase their sales inside the national market, since the demand is already higher than the firm has been able to produce. Nevertheless, he believes that the marketing and sales efforts will have to be intensified to achieve these extra sales in Greece, and the European market could be an extra target for the increased production. At this point the manager came up with the idea of a project that could map the European market and locate possible ways through which the firm could reach them. Reaching the European markets in a systematic manner would also be a matter of personal ambition for the general manager.

Given this situation, the firm wants to prepare itself in the best possible way for the future. This project, inside this context, examines the possibilities for the firm to become active in the European ornamental plants market, as a strategic future possibility.

1.6 Summary of Chapter 1

Chapter 1 has served as an introduction to the project. Its five sections have presented respectively an introduction to the case; an introduction to the international trade (the significance of the trade for the world economies, the European Union and its place in the world markets, etc.); to the European ornamental plants' market (facts and figures, major producers, consumers, traders in Europe); and to K Plants. These introductions have provided a common ground for the further analysis of the project, and will be a reference point for other parts of the report.

Chapter 2
RESEARCH METHODOLOGY AND OVERVIEW OF THE REPORT

2.1 Introduction

The second chapter will introduce the research design of the project in a structured manner. This means that the research objectives and questions that have been implied in the first chapter will now be explicitly presented. Furthermore, the strategy of the research will be detailed, to describe how the research has been carried out, and what data sources have been used to answer each of the research questions. Additionally, the validity and reliability of the outcome will be judged, along with the deviations from the initial plans that had been presented in the research proposal.

Before the summary of the second chapter, a general overview of the report will be given, to facilitate the understanding of the structure of the following parts and chapters.

2.2 Conceptual and Technical Research Design

2.2.1 Research objective

The project context of this research is the trade of ornamental plants inside Europe, and more specifically the participation of a Greek producer (K Plants) in this trade. Greek firms are not considered an important player in the European plants' trade since exports of ornamental plants are really low, and recognition of Greek products in the European markets doesn't seem to exist. K Plants also is not internationalised, and its only involvement in operations abroad is some sporadic sales to small customers.

This project wishes to research the possibilities and the ways for K Plants to enter and establish itself as a serious partner in the European markets. In order to accomplish that, a model supporting business internationalisation decisions will be prepared, and this model will be operationalised and applied to the specific case of K Plants.

This project can be situated between the diagnosis and the design step of the intervention cycle (Verschuren & Doorewaard (1999):37). This holds true because the points at stake deal with diagnosing the existing situation (i.e. describing the European market of ornamental plants, evaluating Greece's competitiveness, assessing K Plants' competitive situation, etc.) , and later with the design of the recommended steps for the internationalisation of K Plants.

Following these thoughts, the **research objective** of this project can be described as: "***To*** *recommend the appropriate steps for K Plants to enter the European ornamental plants' markets,* ***by*** *constructing a suitable conceptual model describing internationalisation steps of firms, operationalising it for the needs of the Citrus and Olive ornamental plants industry, and applying it to relevant market channels".*

2.2.2 Research questions

Research questions in their totality are believed to adequately answer the general research question, which coincides with the research objective. Hence, the general research question and the research questions are formulated as follows:

General Research Question

What are the choices and decisions that K Plants has to take in order to enter and establish its presence in European markets of Citrus and Olive ornamental plants?

Research Questions

1. What is the conceptual model that drives and explains the decisions and the realisation of business internationalisation and establishment in new foreign markets?
2. What are the variables that operationalise the internationalisation model for a Greek producer of ornamental plants?
3. What are the critical success factors for the entry and establishment of K Plants in European ornamental plants markets?
4. What recommendations can be proposed to K Plants to fulfil its objective and what is the most appropriate plan to do so?

2.2.3 Changes compared to the research proposal

The basic source of information for the preparation of the research proposal and the current second chapter of the report was the textbook of Verschuren & Doorewaard (1999). The writers support in their initial descriptions of research designs that a research project (or research objective) needs to be useful, clear, informative and feasible in the given time and other resources' constraints.

Also, the writers recommend that the best approach of a researcher towards a given research context is "... the intention to contribute towards a solution of a problem...".

These thoughts led to the effectuation of some changes for this research compared to what had initially been planned, exactly to reach the objectives that Verschuren & Doorewaard propose for research projects, and especially to make the project feasible under the given constraints.

The basic change that has taken place has to do with the market channels that were finally researched. During the construction of the research proposal, the intention was to research the various market channels that would have been pointed as important. It was not clear at that point that the Netherlands and the Dutch importers and traders possess such a key position in the European markets of ornamentals. Finally, it was decided that only the market channels that pass thorough the Netherlands were to be part of this research. Secondary data that support this decision are presented in subsection 6.2.4.

2.2.4 Research framework, research strategy and research material

The research strategy of this project indicates that the research questions will be answered through a combination of desk research and empirical research. This subsection describes the course of the research by giving a presentation of the research framework and the research material to be used.

The research framework of this project is pictured in Figure 2.1. Dark coloured blocks refer to milestones of the project, i.e. points in the research that signal a transition to a next, distinct step, whereas light coloured blocks refer to knowledge and data that will be gathered in order to meet these milestones.

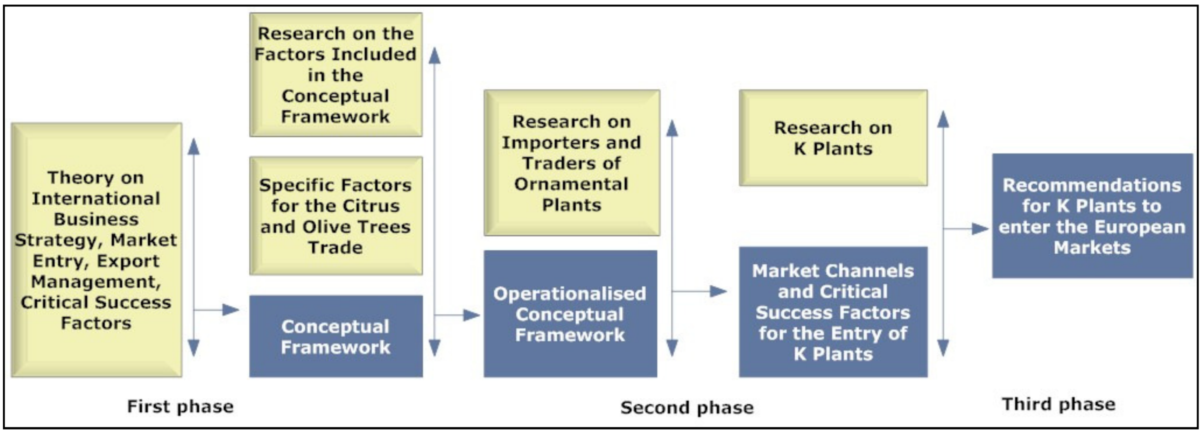

Figure 2.1 Research framework of the project

The first phase of the research is the construction of the conceptual framework, in order to establish a perspective on how (strategic) internationalisation decisions are taken and carried out, and how a successful presence in new markets is established. The framework is based on relevant theories from the literature, i.e. books and publications on international business strategy, market entry, export management, critical success factors, etc.

The second phase of the research operationalises the conceptual framework in accordance with the characteristics of the European ornamental plants industry, and in some of its points in accordance with the specific characteristics of the trade of Citrus and Olive ornamental plants (as this was crucial for K Plants). During this phase, two types of sources are used. First, relevant literature concerning the various factors of the conceptual framework as well as the markets of ornamental plants in Europe will be searched. Thus, the first three and parts of the fourth and fifth part of the conceptual framework (see 3.3.2), will be operationalised. Second, sequential interviews were conducted with five Greek producers of the abovementioned species, in order to operationalise the factors of the conceptual framework that would be of importance explicitly for Citrus and Olive plants. They were asked to formulate a series of factors that correspond to the fourth and fifth step of the conceptual framework (see 3.3.2), and after two rounds of elaboration they reached the parameters that were finally added to the conceptual framework. See section 5.3 for more details on this process.

The third phase of the research is the phase that will yield the results that will be of more importance for K Plant, and it deals with "filling" the operationalised framework with all the necessary data that would lead to reliable recommendations. The initial steps of the conceptual framework were "filled" with primary (questionnaires in K Plants, see 6.2.1) and secondary data. In order to continue addressing the needs of the following steps, primary data were gathered in the Netherlands, as will be described in section 5.4.

The fourth and final phase of the research compares the results of the previous phase with the actual situation in K Plants (which was assessed through interviews with the owner, the employees, associated companies and customers of K Plants). This comparison led to the identification of the points that are crucial for K Plants, their prioritisation and the formation of the relevant internationalisation plan. Table 2.1 presents an overview of the research strategies and material of the project.

2.2.5 Validity and reliability of the research

The validity and reliability of the research will be assessed following the descriptions and guidelines of Kumar (2005).

"Validity is the ability of an instrument to measure what it designed to measure" (Kumar, 2005). Kumar claims that there are two ways in social sciences to establish an instrument's validity: logic and statistical evidence. The author also states that with intangible outcomes it is harder to assess validity, in contrast to tangible concepts. In the case of this report, it is hard to verify if the

Research questions	Sources of information	Methods of accessing	Details
Research question 1	Literature	Content analysis Search	Textbooks and scientific articles on internationalisation, business strategy, marketing
Research question 2	Literature	Content analysis Search	Textbooks and scientific articles on business strategy, business analysis, industry analysis, market selection, market entry modes, marketing mix, organisation and control
	People	Sequential interviews	Greek producers of Citrus and olive trees
Research question 3	Literature	Content analysis Search	Textbooks and scientific articles on business strategy, business analysis, industry analysis, market selection, market entry modes, marketing mix, organisation and control
	Documents	Content analysis Search	Industry reports, brochures
	Media	Content analysis Search	Professional magazines, websites, newspapers, material from international exhibitions
	People	Questionnaire	Management team of K Plants
		Interviews	Importers/Traders of Citrus and Olive plants in the Netherlands
		Short interviews	Participants in international exhibition
Research question 4	Reality	Observation	At K Plants (operations)
	People	Interviews	Management and employees, customers, associated companies of K Plants

Table 2.1 Research strategy and material of the project (based on Verschuren & Doorewaard, 1999)

instruments used are valid, due to the intangibility of the outcomes (e.g. critical success factors). Yet, it is believed that there is a strong link between the contents of the designed instruments (conceptual framework, questionnaires) and the objectives of the research. A concise step-by-step approach was followed through all the research, which is believed to have created a logical (with face and content validity) sequence of steps towards the final goal of success in international business. Further studies that would use for example the here presented (operationalised or not) conceptual framework (also with comparison with other instruments) would give a more definite answer on the (predictive) validity of the instrument.

"A scale or test is reliable to the extent that repeat measurements made by it under constant conditions will give the same results" (Moser and Kalton 1989, found in Kumar, 2005). The author supports that in social sciences it is impossible to have a 100% accurate tool, due to several reasons (wording of questions, physical setting, nature of interaction, respondent's mood, regression effect of an instrument). Though the author suggests some ways to establish the reliability of an instrument (test/re-test, parallel forms of the same test, split-half technique), these cannot be applied under this project's constraints, and it remains to further research to establish the instruments' reliability. The knowledge of the industry (which leads to more fruitful conversations) and the long and detailed interviews are believed to have given reliable results. The size of the sample also is a very good percentage of the population that was to be studied. Yet, it is possible that companies that didn't respond have different views. This could be important because K Plants is a small firm and it could seek cooperation even with a few importers (i.e. maybe a firm which would be favourable was not researched).

The character of this research is very practical and specific (only Citrus and Olive ornamental plants from Greece to Dutch traders), which gives room for checking the validity and reliability of the results soon after K Plants decides to internationalise.

2.3 Overview of the Report

This section serves as a guide for the rest of the report, so that the reader will find it easier to follow the course of the text. Table 2.2 presents the structure of the report.

In the first part of the report, a general introduction to the project and research context is given, as well as an overview of the research design and its evaluation. In the first chapter, after a presentation of the case of interest, an introduction to the theoretical aspects of international trade and more specifically to the case of international trade of ornamental plants within Europe is given. Finally, K Plants is presented, using an analysis of its value chain activities. In the second chapter of the report, the research design of the report is described, i.e. the research objective, research questions, the research framework, and the strategy and sources that have been used to answer the research questions.

In the second part of the report the theoretical background of the research is established in the form of the conceptual framework, which is then operationalised for the needs of the specific research framework of this project. In chapter 3, a literature review on the theories of internationalisation provides the necessary information for the understanding of business internationalisation processes and the formation of the conceptual framework that describes them. In chapter 4 variables of operationalisation are assigned to all steps of the conceptual framework, transforming it to a tool to be used by the firm in its internationalisation efforts.

In the third part of the report, the data of the research are presented and analysed. In chapter 5, the steps of the framework are prioritised and elaborated to move towards data gathering. In chapter 6, the data are presented and analysed, under the prism of their practical importance for K Plants. The sequence of steps of the conceptual framework is followed also in the presentation and analysis of the data.

In the fourth and final part of the report, the analysed results are transformed into business decisions for K Plants. Answers are given to the questions of whether the firm should go international, and how it should proceed in order to do so. In chapter 8, some final remarks on the research are given. Also some ideas for improvements on similar research and for K Plants to strengthen its internationalisation knowledge are given.

Titles	Contents
Part I – Introduction to the Project	
Chapter 1 – K Plants entering European Ornamental Plants' Markets: Presentation of the Situation	Project context
Chapter 2 – Research Methodology and Overview of the Report	Research objective, research questions
Part II – Conceptual Framework of the Research	
Chapter 3 – Literature Review and Conceptual Framework of the Research	Research Question 1
Chapter 4 – Operationalisation of the Conceptual Framework	Research Question 2
Part III – A case of Internationalisation: K Plants and the European Markets	
Chapter 5 – Data Gathering	Research Question 2
Chapter 6 – Presentation and Analysis of the Data	Research Question 3
Part IV –Conclusions and Discussion	
Chapter 7 – From Research Data to Business Decisions	Research Questions 3,4
Chapter 8 – Discussion and Feedback on the Conceptual Framework	

Table 2.2 Contents of the report

2.4 Summary of Chapter 2

Chapter 2 has presented the research methodology behind this project. The research objectives and the research questions that lead to the objective have been presented. After the presentation of a change that has occurred in the planning of the project (in comparison to the research proposal) has been stated, the research framework, strategy and material have been presented, with all the relevant tables and figures, to clarify them. The entire project has been assessed for its validity and reliability, based on given definitions. The presentation of the sequence of all the above mentioned facts that dealt with the research methodology leads to the formulation of the parts and chapters of the report, which has also been presented in this chapter.

PART II

CONCEPTUAL FRAMEWORK OF THE RESEARCH

The second part establishes the theoretical basis for the rest of the research, by presenting in two chapters the literature review, the conceptual framework of the issues at stake and its operationalisation. A top down approach into the literature is attempted, from general theoretical concepts that try to describe certain characteristics of international business, to more detailed data that correspond to specific parts of these theoretical concepts, and give answers on how businesses around the world have coped with the issue of internationalisation of their value chains.

The outcome of chapter 3, the conceptual framework, is a thorough understanding of the processes that underlie the decisions for internationalisation and the factors that underpin success in international markets. This knowledge is used in chapter 4, which is the operationalisation of the concepts. The operationalisation will be of great importance for the research, since it will be the tool to prepare and execute the desk and empirical research in the third part of this research. The data of the third chapter part is secondary, whereas in the fourth chapter some parts of the framework were operationalised through secondary and some with primary data.

Chapter 3
LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK OF THE RESEARCH

3.1 Introduction

This chapter presents the conceptual framework of the research. To establish a common background and understanding of the project, the issues at stake have to be put in the context of the literature. The conceptual framework is a first path to picture the issue at stake, a basis in which specific data from the literature will be fitted in (after the operationalisation), to proceed towards the research objective as effectively as possible.

After this introduction, in section 3.2 theories and concepts that try to describe the processes of internationalisation, as well as theories and concepts that describe the success in international markets will be presented. These theories try to describe these events in any given business context, so a selection and decision has to be made, to prepare an appropriate model that will best be able to describe the context in which this specific research (with its unique characteristics and its objectives) is situated. Also, it has been preferred to aim for a practice oriented approach for the conceptual framework. Thus, in section 3.3, such a model is presented. It is believed to best describe the process of internationalisation and the consequent success in international markets for the given context of this research, i.e. a small Greek firm that produces ornamental plants and has a will to enter the European markets of ornamental plants. This framework is a first research outcome of this project.

3.2 Theories Describing Internationalisation

This section presents the theories and concepts that describe the processes of internationalisation. Out of these theories the most appropriate for this project's context will be selected.

The literature research has identified two main groups of theories that describe the internationalisation process of firms: the **economic approach** and the **behavioural approach** theories (Hermannsdottir, 2008), depending on whether they put emphasis on economic criteria for the decision making process or instead on the learning and managerial capabilities of the firm, respectively. This section provides an explanation of these theories.

Both groups of theories emphasise that internationalisation processes are influenced by internal and external variables, as are summarised in Table 3.1 (Seifert and Machado da Silva, 2007).

	Economic approach	Behavioural approach
Internal variables	– Ownership advantages – Tacit knowledge – Product characteristics – Communication ability	– Experiential knowledge – Learning
External variables	– Comparative advantages – Industry characteristics – Uncertainty – Government intervention – Opportunism	– Geographic distance – Cultural differences – Inter-organisational networks

Table 3.1 Main internal and external variables for internationalisation theories
(Source: Seifert and Machado da Silva, 2007)

First, theories of the **economic approach** will be described. These theories are based in basic principles of economics, assuming that the decision maker is quasi rational, has perfect information and will therefore decide for the optimal solution. This means that a cost and benefit analysis can be done under given economic and environmental constrains, which will always yield the same decision, not allowing for differences between different decision makers (Andersson, 2000; Buckley et al., 2007). The theories of this group deal with internationalisation processes in a rather static way, where efficiency assessments and strictly economical analyses play the outmost important role in the decisions (Clark et al., 1997 and 2004). The best known theories of the economic approach group are: Dunning's eclectic theory; the international product life cycle model; and the transaction cost approach (Hermannsdottir, 2008; Hollensen, 2007; Muehlbacher et al., 2006; Jain, 2003). These will be now described.

Dunning's eclectic theory is eclectic because it tries to integrate different parts of theories into one single framework (Gluecker, 2006) which aims to identify and explain the factors that influence decision and processes of firms' entry and establishment in foreign markets (Dunning, 1988).

Dunning (1988) proposes that a firm that wants to internationalise has to overcome barriers set out by the fact that it will actually be a foreigner in the new markets. The author states that to do so, a firm has to possess a set of three distinct advantages, which have to support each other and the firm has to carefully assess its strategic and competitive fit with the new market and its local and international rivals therein. These three advantages are: ownership specific, location specific advantage, and internalisation specific advantage.

Ownership specific advantages are advantages that aim at overcoming the fact that operating at a distance impairs disadvantages in the firm; as does the fact that local firm have a better knowledge of the market, giving them a competitive advantage. Ownership specific advantages can be firm size, multinational experience, differentiated products etc. (Eklebo and Sivakumar, 1998).

Location specific advantages refer to gains that a firm receives by locating its operations in locations where a competitive advantage can be gained over competition (Mtigwe, 2006). Government incentives or regulations are a strong reason to relocate operations.

Internalisation advantages refer to gains for the firm in the case where it retains its assets within its boundaries and not buying from outsiders. Gluecker (2006) states that firms have to assess if their ownership specific advantages are better served through internalisation or not.

The international product life cycle model (Vernon 1966) puts countries in a central focus of the internationalisation processes, challenging the classical comparative cost advantage theory of international trade. It tries to describe the dissemination of innovations across countries. The model predicts that developed countries that possess the know-how to create and produce a new product, an innovation, will start producing it and exporting it to other countries. After a period of time, other developed countries will also be able to produce the innovation and also export it around the world. Then, after the exploitation of the innovation from these countries, other, less developed countries will follow and start producing the innovation. By that time, developed countries will have lost their comparative advantage and will be importing the products from countries to which they were formerly selling.

The transaction cost approach emphasises the transactions costs that operations in foreign countries have. The theory takes as granted the fact that there is a cost underlying every decision of the firm when it operates internationally, in order to coordinate the relevant stakeholders. The costs occur because of the differences which different markets have, compared to what the firm is used to. The theory predicts that the firm will prefer to internalise its activities if it judges that the transaction costs are high (Johanson and Mattsson, 1987, Madhok, 1997). Of course, the internalisation will have extra costs occurred, which will be higher the more different the new market is compared to the home market. So, the firm will start its international activities in nearby countries, to save on extra transaction costs (Johanson and Mattsson, 1987). All these statements lead to the conclusion that the firm will choose for the organisational and location decisions that will lower the transaction costs (Coviello and Martin, 1999).

The basic theories of the economic approach have been presented. It is clear that these theories enclose many practical difficulties, since they assume a static view on business processes as well as use of perfect information for decision making. In the case of this project, there is a clear lack of perfect information from the side of the firm, and also the business environment cannot be characterised as static. These facts make the use of these approaches questionable for the (practical) context of this research.

Second, theories of the **behavioural approach** group will be described. These theories treat the internationalisation process as a step-by-step approach where companies acquire knowledge gradually concerning international markets and also gradually commit resources to their international operations (Seifert and Machado-da-Silva, 2007). This actually means that organisational knowledge plays an important role in the internationalisation process (Clercq et al., 2005). Thus, the emphasis is on the decision maker’s knowledge, perceptions and opinions of foreign markets (Erranilli and Rao, 1990). The best known theories of the behavioural approach group are Aharoni’s decision making model, the Uppsala model, and the Innovation-related internationalisation model.

Aharoni’s (1966) **decision making model** was the first one to face the issue of internationalisation through a behavioural approach. The writer suggested that the decision to internationalise is not a result of thorough understanding and knowledge of foreign markets; rather it is a decision that entails a great proportion of uncertainty and lack of information. This theory gives a description of the firm’s behaviour before internationalising, and shows that the decision depends on a sequence of decisions based on incomplete information, activities of various persons, and several motivating forces (Buckley and Ghauri, 2004). The impact of these factors is thought to depend on social and organisational structures, on previous events in the firm’s history and on various situations encountered at the moment of the decisions.

The Uppsala model (which was based on Aharoni’s model), described by Andersson (2005) and Collinson and Houlden (2005), gives priority to an incremental learning at the firm’s level, when it is about to take the decision to internationalise. Johanson and Wiedersheim-Paul (1975) proposed that when internationalising, firms take a series of distinct steps, where they gradually gain experience, acquire competences and gain an increasing part of the foreign markets. The model proposes that lack of knowledge is a major obstacle in the process of internationalisation and this deficiency is healed through experience from operations in foreign markets. Foreign opportunities and solutions to new problems are found gradually, experience is gained at the same time and thus international expansion takes place incrementally (Johanson and Valhne, 2003). The model gives great importance to the separation of objective and experiential knowledge (Hermannsdottir, 2008). This was based on two patterns observed for the initial internationalisation activities of firms. First, firms followed a sequence of steps in their mode of internationalisation, from no regular exports up to production in a foreign country. Second, firms enter countries with greater differences in terms of culture, society, language etc. Sequentially, starting to internationalise with operations in countries with which they have a "psychic proximity". Yet, the model does not intend to describe just the procedure from no exports to foreign investments. It is about the experience building and the commitment in order to reach foreign markets.

The Innovation-related internationalisation models were established on the basis of the Uppsala model (Andersen, 1993; Reid, 1981; Bickley and Tesar, 1977; Cavusgil, 1980; Reid, 1981, as described in Hermannsdottir, 2008). These models prioritise: the role of the adoption of innovations inside firms; the way the process begins (determinants of internationalisation); and the existence of an innovator inside a firm, who takes the risks and expects the rewards of an active internationalisation effort. These models are similar to the Uppsala model in the sense that they view internationalisation as a process. The difference lies in the fact that Uppsala is a more dynamic model and the Innovation-related model is a more step-by-step description of the process (Hermannsdottir, 2008).

The theories of the behavioural approach that have just been presented show a better relevancy for the context of this research. They assume non-perfect sources of information, and step-by-step commitment of resources for the internationalisation processes. This approach already seems more suitable for a small firm with no experience in international business.

Apart from these theories, it has been described in the literature that some new forms of internationalisation have been observed in the last years, mainly suitable for SMEs. The need for such theories arose because of the differences that exist between SMEs and large enterprises i.e. lack of resources, lack of brand recognition, lack of managerial competences, etc. Buckley (2004) also points out that the risk is higher for SMEs, since the larger proportion of resources that need to be attached to the new investment makes the possibility of failure more frightening. SMEs are thought to take such decisions based more on an individual's decision maker's choices, rather than a structured approach, as is the case in larger firms (Reid, 1981). The most common of these theories are the "Born Globals Theory" and the "Network Theory of Internationalisation".

The **Born Globals Theory** (Moen and Servais, ,2002; Mort and Weerawardena, 2006) describes a type of firms that venture internationally almost simultaneously with their establishment, before growing specific advantages in their home markets (Contractor, 2007; Jones and Coviello, 2005). These firms lack resources but gain knowledge from their operations abroad (Contractor, 2007), seek for opportunities in many markets and do not pay attention to the "psychic distance" between their home and the new markets (Loane and Bell, 2006), thus challenging the descriptions of the previous models of slow and gradual internationalisation. Another major characteristic of these firms is the role of their owner/entrepreneur. They are active, innovative, risk taking and have a global mindset (Mort and Weerawardena, 2006). These persons initiate internationalisation and are crucial for the decisions of such firms. Furthermore, they usually offer highly innovative and cutting edge products (Mort and Weerawardena, 2006). Hermannsdottir (2008) gives other terms that describe the same phenomenon, as they have appeared in the literature: “international new ventures” (Coviello, 2006), “instant internationals” (Fillis, 2001), “global start ups” (Hordes et al., 1995).

The formal and informal relationships of the firm are the main determinant of the internationalisation process in the **Network Theory of Internationalisation** (Collinson and Houlden, 2005; Coviello and Munro, 1995). Given the resource limitations for SMEs, the existence of networks seems to be more important for them to establish an international presence, although relationships and networks are important for every kind of firm, be it small or large. Markets are viewed as systems of interrelating stakeholders (customers, suppliers, producers, competitors, public sector, etc) (Glücker, 2006). Relationships in the network rather than resources or conditions of the new market play a more important role in the decisions of the firm to internationalise. So, entry strategies are more associated with relationships with suppliers and customers, and not with country markets (Johanson and Vahlne, 2003). The theory considers other firm’s (in the network) resources as equally important to satisfy the goals in the new market, and obtain a strategic value through the positioning in the chain (Glücker, 2006). All in all, networks are the bridge to internationalisation (Mtigwe, 2006).

Various theories that describe internationalisation processes of organisations have been presented in this section. The following section will establish the selection of the most suitable theory to help meet the research objective of this project and answer the relevant research question.

3.3 The Practice of Internationalisation

This section presents the selection of those theories and concepts that best correspond and explain the context of this particular project. Sub section 3.3.1 establishes the selection of these theories and concepts, thus giving flesh and bones to the conceptual framework, whereas the following 5 sub sections describe the step-by-step sequence of this framework enriched with literature data.

3.3.1 Which (parts of) theories for this project's context?

Taking section 3.2 as a starting point and backbone of the decision on the formulation of the conceptual framework, first of all the suitable approach towards the specific case of this project will be chosen. The different theories of that section have been presented and discussed with the general manager of K Plants, in order to identify the characteristics of the firm that are closer to them, so as to find the most suitable way to proceed. This was believed to be necessary (although still in the theoretical part of the project) because it has been already obvious that there is a great variety of cases that deal with internationalisation, each one with its own (very) distinct characteristics, a fact that proposes obstacles for generalisations. These obstacles have to do with the type of each firm, the type of each industry, market, country, etc. that is dealt with at each project. Thus, an insight into the firm and its business environment at this point was considered as helpful.

The theories of the economic approach need detailed information for the topics at stake and economic analyses are necessary in them for a decision to be taken, as has been stated and explained. This fact makes them inappropriate for the case of K Plants, because in this case the firm does not have the resources or the knowledge to acquire such detailed information about the European markets. Additionally, it has been observed early enough in this project that detailed secondary data on the European ornamental plants market is hard, if at all possible, to find, due to inconsistencies in definitions between countries, lack of data, difficulties in determination of product categories, new products, etc. The AIPH report, as has been presented in the first part of the report, was a valuable source of data, although still with generalities. Also, the products that K Plants mainly wishes to sell to Western and Northern Europe as ornamentals are not among the most popular ones (which creates more problems in statistical data, markets, etc.), another fact that makes it hard to gather data necessary for an economic approach theory to be implemented in this case.

The last set of approaches (Born globals and network theory) that was described also falls outside the characteristics of K Plants. The Born Globals theory does not apply by definition, since the firm has been long established and has not yet internationalised. Furthermore, it produces plants, yet the theory is mainly aimed for high-tech products. These two sets of products carry large differences in the way they can be marketed and sold (profit margins, perishability, transportation, production, target groups, etc.). On the other hand, the network theory of internationalisation prioritises the network capabilities of the firm in the new markets. K Plants, although well established, known, and with a powerful network inside the Greek market, has no important connections with the European market, which could be considered as the beginning of a serious business network. Hence, this approach is not appropriate for this case either.

Thus, the elimination of the other two leaves us *reductio ad absurdum* with the use of some form of a behavioural approach theory, since these theories take a step by step approach and firms invest knowledge and resources gradually to their international operations. It is believed based on the study so far of the topic, and what has been mentioned mainly in the current chapter that a behavioural approach would be more appropriate for K Plants, given its characteristics, i.e. lack of resources, and lack of international experience.

The model that will be followed can be seen as a combination of the Aharoni's model and of the Uppsala model, which both weigh significantly the step-by step process of internationalisation, an approach suitable for this project's case. A major contribution to the formulation of the model, apart from the literature that has been already mentioned, and the rest that will be cited in this and the following chapter has been the textbook of Hollensen (2007), which gives an approach to internationalisation that suits in many of its parts the objectives and goals of this project.

The overview of this step by step approach can be seen in Figure 3.1. A short explanation of the approach will be presented here, and the several steps will be detailed in the following subsections of this chapter.

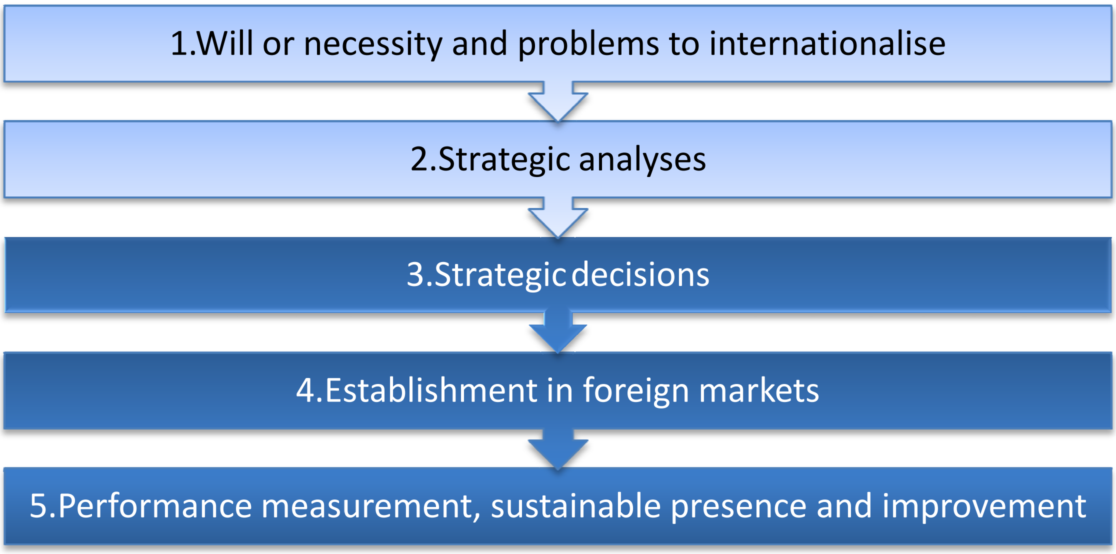

Figure 3.1 Step by step process for internationalisation (Source: own construction)

The process can be roughly divided in two main stages: The general steps (1 & 2), that can be performed irrelevantly from the markets that will be finally assessed; and the more specific steps (3, 4, & 5), that will be the analysis of specific markets that are candidates to be entered. A strong iteration attitude needs to be followed during the entire process, and especially in the second stage of the process, where the decisions need to be continuously reassessed, taking into consideration the changes in the business environment and the markets of interest.

First stage of the process: The initial step of the process provides the firm with a set of beginning "thoughts" towards internationalisation, thus identifying the basic motives and barriers that the firm has to have in mind before continuing. The second step of the process dives into the assessment of the national, business and company's environment and characteristics. These analyses will allow the firm to gain an overall understanding of the "world" in which it operates, and thus lead to better reasoned decisions.

Second stage of the process: The third step leads to two major decisions concerning internationalisation: the markets to enter and how to enter them. To take these decisions, a more thorough analysis of specific markets and their characteristics is necessary. The fourth step goes a step further and determines the factors that need to be taken into consideration to reach the appropriate marketing mix that will lead to a success in the new markets. The final step of the framework refers to the things a firm has to do after the entry into the new markets, in order to control its activities, maintain and improve its market position.

For these steps, a selection was made for the tools that are used in each one of them, out of all the (numerous) possibilities that exist in the literature. The selection of these tools was made having in mind the specific characteristics of this project, in terms of the firm's characteristics, as well as the research's constraints. These tools will be presented in the following subsections. In some instances, it has been considered useful to present some extra tools that were finally not used here, but could be proven helpful in other cases of internationalisation efforts (Still the sequence of the steps and their essence remains the same). These extra tools are presented in Appendix C of this report.

3.3.2 Will or necessity and problems to internationalise

The first step towards the build-up of the conceptual framework will be the one that comes before any kind of action is taken by a firm. The motives and the initiating factors that firms have in mind or face when considering internationalisation, as well as the obstacles and the problems that have to be overcome in order for the venture to be successful are indicated in the literature (Leonidou, 2004; Leonidou et al., 2007) to be crucial factors for the firm to understand before delving into internationalisation efforts.

The information that is gathered for the two issues (motives and barriers) is expected to aid the firm understand better its current situation, assess its characteristics in respect to internationalisation, and subsequently take more appropriate decisions that will take it to international success

The concepts of the current subsection that will need to be analysed and operationalised in the following chapter are the following:

1) The motives and aspirations of internationalising firms, and
2) The barriers and risks of internationalising firms.

3.3.3 Strategic analyses

If the firm decides that it has an incentive to begin the internationalisation process and that the initial problems (as described in the first step of the framework) are not significant for its case or can be solved, in this second step of its actions and of this framework, the firm has to undertake three steps of analyses, namely top down: a) analysis on the national environment from which the firm originates, b) analysis on the industry in which the firm participates and wishes to sell, and c) analysis on the firm's own specific characteristics.

Hollensen (2007) stresses the fact that these three analyses are essential in order for the firm to understand the factors that influence its operations, from the more general to the more specific level. This will allow the firm to be able to assess, align, or adjust its characteristics with the characteristics of the industry in which it operates and with the characteristics of its national environment. Put differently, the characteristics of the industry and the country affect the firm significantly and define the "space" in which it can move successfully.

The concepts of the current subsection that have been presented and that will need to be analysed and operationalised in the following chapter are the following:

1) The concepts of the national competitive environment
2) The concepts of the analysis of the industry
3) The concepts of the value chain analysis and the characteristics of the firm.

3.3.4 Strategic decisions

After the completion of the two initial steps the firm will have by that time acquired an overall idea on the issues of internationalisation and a general opinion on the characteristics of its industry and of the national environments in which it operates. At this point, the firm is ready to move into more specific aspects of internationalisation and start assessing the process into its details. Of course, the outcomes of the analyses of the previous steps will be important for the firm throughout the remaining steps also.

The next step is to take two of the most important decisions that will determine the outcome of the firm's endeavour outside its national market. These decisions have to do with the **markets which it will enter**, and the mode **with which it will enter** these markets (Hollensen, 2007; Andersson, 2005). These decisions will bind considerable amount of resources from the firm and in some cases they need to be taken with a long term perspective.

The concepts that will need to be analysed and operationalised in the following chapter are:

1) The concepts of the market selection decision, and
2) The concepts of the entry mode decision.

3.3.5 Establishment in foreign markets

By reaching this step, the firm has already taken some important decisions and is of course well into the adventure of internationalising its activities. Now, it is time to take some more specific decisions on details of its offerings in the new markets, and these decisions will be the ones that refer to what is usually called the marketing mix of a firm, i.e. the **product**, the **price**, the **distribution** and the **promotion** of the offering. (Kotler and Keller, 2009; Hollensen, 2007)

As with any market, domestic or foreign, the marketing mix is the essence of the offering that the final consumer receives when buying, thus making the step crucial for the success of any firm. The components of the mix explain the offering in detail.

The concepts of the current subsections that have been presented and that will need to be analysed and operationalised in the following chapter are the following:

1) The concepts of the product to be offered in the international markets
2) The concepts of the price to be offered in the international markets
3) The concepts of the market channels through which products will be offered in the international markets
4) The concepts of the promotion of products for the international markets.

3.3.6 Performance measurement, sustainable presence and improvement

This final step of the conceptual framework describes the situation of the firm after the initiation and after the first moves of the internationalisation process. The goal of this step is to ensure an adequate level of planning and control for the internationalised businesses, given the strategic and operational decisions and goals that have to be met.

Jobber (1995) and Hollensen (2007) indicate that this step needs to establish the structure of a firm that internationalises, and the control systems proposed for such cases. The successful implementation of this step will ensure that the firm does not have a sporadic or lucky presence in the new markets; rather it will have established the basis for a long term presence, which will be continually monitored, adjusted and improved.

The concepts of the current subsection that will need to be analysed and operationalised in the following chapter are the following:

1) The concepts of the organizational structure of the internationalizing firm
2) The concepts of the international control of performance.

3.4 Conceptual Framework of Internationalisation: a Decision-Oriented Approach

This section gives the diagrammatic summary of the steps that have been proposed to picture the internationalisation process. This diagram is shown in Figure 3.2, and it is an extended version of Figure 3.1.

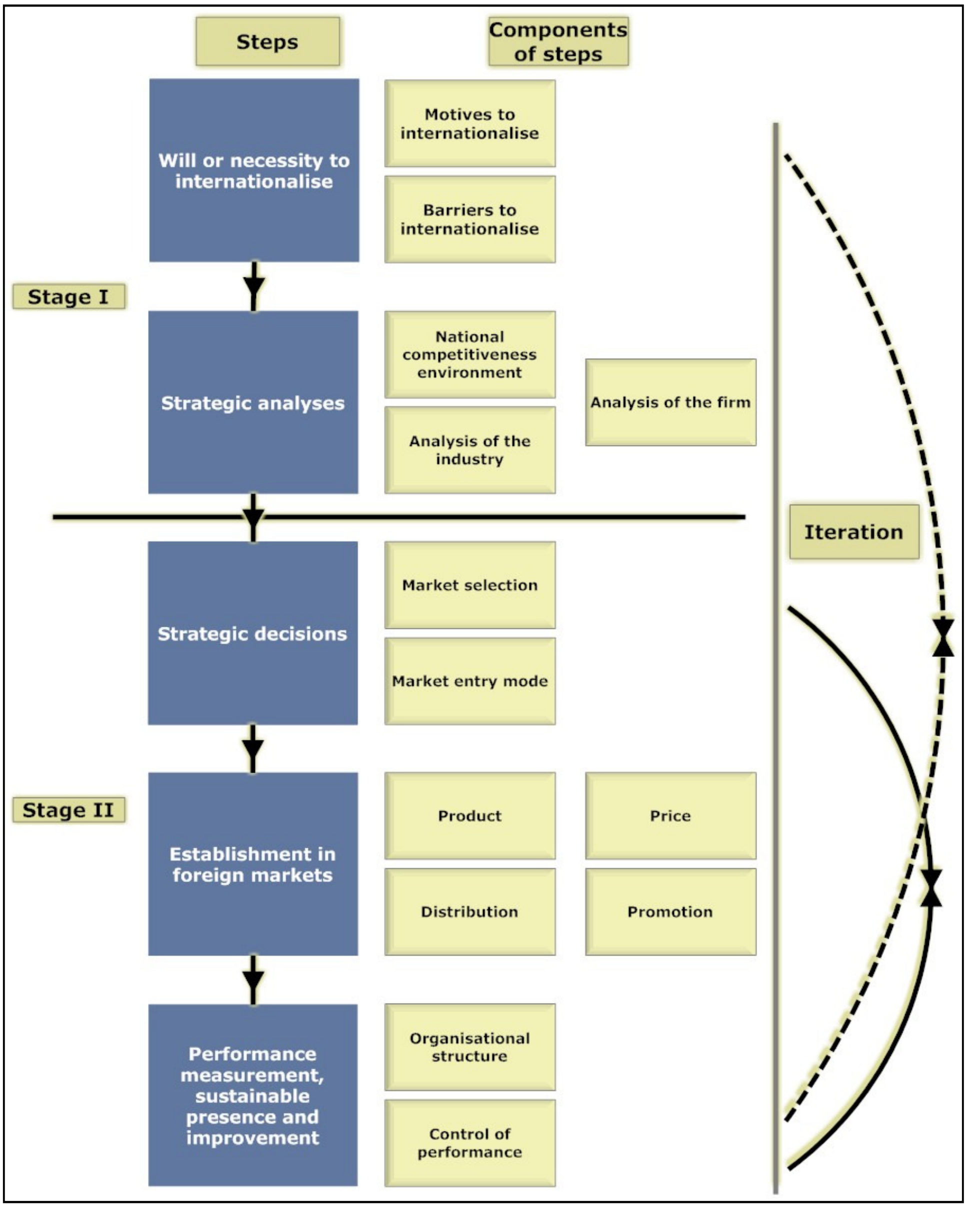

Figure 3.2 Conceptual framework of the project (Source: own construction)

It is crucial to point out that the framework is not strictly linear, and that there exist cases where an iterative approach needs to be followed. It can also be seen in Figure 3.2 that the practitioner of the model needs to have an iterative view on it, both within the second stage as well as between the first and the second stage of the model. For example, between the third and the fourth step some decisions need to be taken at the same moment. This iterative approach is also an inherent characteristic of all the behavioural approaches for internationalisation, which have been selected as appropriate for this project (see 3.3.1).

It is important to stress that this five-step model will be carefully followed for the rest of the research, for reasons of clarity and consistency. This means that both in a) the operationalisation of the research (chapter 4) and b) the presentation and analysis of the data (chapter 6), all the data (primary and secondary) will be presented in a five-step manner, also following the titles that have been used in this framework. This characteristic is presented in Table 3.2, where the steps of the framework are followed through the entire report.

	Presentation of the step	Operation-alisation	Presentation and analysis of the data	Business decisions
Step of conceptual framework	**Relevant sections/sub sections**			
1. Will or necessity and problems to internationalise	3.3.2	4.2.1	6.2.1	7.2-7.4
2. Strategic analyses	3.3.3	4.2.2	6.2.2	7.2-7.4
3. Strategic decisions	3.3.4	4.2.3	6.2.3	7.2-7.4
4. Establishment in foreign markets	3.3.5	4.2.4, 5.3	6.2.4	7.2-7.4
5. Performance measurement, sustainable presence and improvement	3.3.6	4.2.5, 5.3	6.2.5	7.2-7.4

Table 3.2 Steps of the conceptual framework and relevant sections in the report

3.5 Summary of Chapter 3

Chapter 3 has presented the conceptual framework of this research, which actually is a model that describes the internationalisation process of firms, and which can be seen in a general or not so general level, depending on the issues at stake.

The framework has been based on the critical evaluation of several models that have been proposed for the explanation of the internationalisation processes. This evaluation has ended up in a model that describes this process in five distinct steps, which correspond to the literature findings, but also to the scheme that any firm could and would follow in order to initiate its internationalisation activities. These steps are the following: Will or necessity and problems to internationalise, strategic analyses, strategic decisions, establishment in foreign markets, performance measurement, sustainable presence and improvement.

This model could fit any given firm or industry if it seen with a distinct enough attitude, but it could also be seen as a model that suits just Greek firms of ornamental plants. This decision depends on the priorities of each internationalisation case and the specifics of each firm. The way to adjust the model to specific needs is partly by operationalising it in a suitable manner.

Chapter 4

OPERATIONALISATION[1] OF THE CONCEPTUAL FRAMEWORK

4.1 Introduction

In chapter 4, the elements of the conceptual framework of the previous chapter will be broken down to workable and perceivable concepts (Verschuren and Doorewaard, 1999).

Each one of the steps of the framework will be further analysed, so as to clarify its components, establish variables that determine it and that make possible that each step can be answered through (primary or secondary) qualitative or quantitative data.

This chapter presents the final theoretical outcome of this research before going into the practical aspect of applying the framework to the specific case of the project.

4.2 Step-by-Step Operationalisation of the Conceptual Framework

In order to operationalise the conceptual framework and at the same time maintain the clarity of the text, the steps the content and the concepts of the conceptual framework will be carefully followed, using also the same titling. The same sequence will be used in the next chapters, where the data of the research and their analysis will be presented.

4.2.1 Will or necessity and problems to internationalise: Operationalisation

After the general description of the first step of the internationalisation process that has been presented in subsection 3.3.2, its concepts will be further analysed and broken down to operationalised indicators, through which the next steps of the project will be done. There were two concepts of the first step that needed to be analysed and operationalised, i.e. motives and barriers for internationalising.

[1] The process of choosing and describing indicators for complex or abstract concepts is called operationalising (Verschuren and Doorewaard, 1999).

The first thing that needs to be done is that the firm needs to record a set of **motives** and **aspiration** for its internationalisation efforts. Data from the literature indicate the following: There is the concept that motives and reasons for internationalisation can be divided in **internal** and **external** (Brooks and Rosson, 1982; Cavusgil, 1980; Kaynak and Stevenson, 1982; Welch and Wiedersheim-Paul, 1980), based on whether the influence is inside or outside the firm. Second, export motives can be divided in **reactive** and **proactive** (Johnston and Czinkota, 1982; Leonidou, 1988; Piercy, 1981), depending on whether the firm had as its will to take advantage one of its competences (e.g. production capacity), or if it reacts to a certain external pressure (e.g. saturation of home market). Leonidou et al. (2007) in their review combined the two sets of motives-triggers and gave a classification of two parameters, i.e. the motives can be internal/external and proactive/reactive, giving four combinations

The **operationalisation** of the motives and aspirations for going international is based on the article by Leonidou et al. (2007), where the writers have collected and classified various parameters that explain the motives of firms that want to internationalise. A detailed description of each one of the motives, which is based on their review on the internationalisation literature, can be found in their article.

Having identified the motives and triggers of the process, firms start a procedure that screens internationalisation issues with the final goal of a positive or negative decision. During this procedure, the firm will inevitably face problems, obstacles, **barriers** and risks on its way towards new markets' entry. Depending on the severity of these problems, firms might decide to go on further in the internationalisation procedure (actually further down the conceptual framework also), or abandon the procedure and rethink on their position and operations.

Leonidou (2004) analyses these barriers and classifies them again into **internal** and **external barriers**, based on whether the barriers originate from within the firm or from its environment. Further on, internal barriers can be classified into **functional**, **informational** and **marketing**, whereas external barriers can be classified into **procedural**, **governmental**, **task** and **environmental.**

The indicators that **operationalise** the **barriers** to internationalise are based on Leonidou (2004), where the writer also classifies the barriers, based on relevant literature review.

The classifications and the indicators for both motives and barriers can be found in Appendix A (Table A.5 for motives and Table A.6 for barriers). In the same Appendix the data gathering of the relevant research (see 5.2.1) can be found. The presentation is done on the same Table for both operationalisation and data to avoid repeating the variables, since exactly the same ones were used in both cases.

Apart from the abovementioned issues, some additional aspects of the first step of internationalisation will be presented here, due to their interest and relevance for the firms that are in their initial steps, although they will not be used in this project.

Barrett and Wilkinson (1985) stress the fact that what is important is the way through which the firm will **react** against these factors. This reaction will depend on a) the manager-decision maker (willingness to risk, competency, outward-looking, etc., as found in Müller 1990), b) the organization (industry, age and size of the firm, as found in Katsikeas and Morgan (1994), and Barker and Kaynak (1992)) and c) the environment (home or foreign market obstacles, as found in Leonidou (1995)). This means that two firms in the same internationalization stage might perceive the barriers in a completely different way, and also the same firm might react differently on the same barrier, depending on the stage of its internationalization process in which it is situated.

A final point to be addressed in this subsection is the **differences** between SMEs and larger enterprises, in their attitude towards internationalisation, since this is one of the subjects that have been observed to be repeated often in the literature. Although Bonaccorsi (1992) rejects the idea that firm size is relevant with export intensity, Hollensen (2007) provides a list of differences of firms based on their size and concerning their internationalisation activities. This categorisation is based on the criteria: resources, formation of strategy/decision making processes, organisation, risk taking, flexibility, take advantage of economies of scale/scope, use of information sources.

An extra tool that refers also to this first step of the framework (the nine strategic windows of internationalisation) will not be part of this project, due to the difficulty to quantify or assess its components. Yet, it remains a useful orientation at the beginning of such efforts. It is presented in Appendix C along with its operationalisation (Tables C-1, C-2).

4.2.2 Strategic analyses: Operationalisation

The general idea of the second step of the internationalisation process was presented in subsection 3.3.3. To get a thorough overview of the strategic environment of the internationalising firm, some analyses need to be undertaken and concepts need to be operationalised.

First, the firm has to assess **the national competitive environment** in which it operates, since the national environment plays a major role in the determination of the firm's international success (Porter, 1990). A very well known tool to perform this analysis is Porter's diamond, a model that describes a nation's competitive advantage under four elements, which are: factor conditions, demand conditions, related and supporting industries, and firm's strategy, structure and rivalry, all affected by chance and governmental decisions. Porter (1990) analyses the nature of competitive advantages of nations based on given criteria. The characteristics of the national competitive environment play an important role in the determination of the firm's ability to compete in an international level although the writer stresses the fact that finally the firms are the ones that compete, and not the nations. It is the national environment that provides the scenery in which business and innovation can flourish, but it depends on the capabilities of the firm to take advantage of the positive circumstances and achieve its goals. In Appendix C (Table C-3) an explanation of Porter's diamond can be found. For this research, the national environment of Greece will be assessed through the parameters that are proposed by the **Global Competitiveness Report** of the World Economic Forum (edition 2009-2010) (Schwab 2009). These are presented, along with Greece's ranking in Appendix A (Table A-4). Many of the factors presented under Porter's diamond coincide with the factors of the World Economic Forum.

The second step of the analyses of a strategic nature is the **analysis of the industry** within which the firm operates, to get the overview and the necessary data that will lead to the establishment of the correct information, on which future decision will be based. This analysis can be done for example with Porter's five-force model, a well-known tool that assesses industries based on the following five elements: competitors, suppliers, buyers, new entrants and substitutes, describing specific characteristics for each element. Two ideas that are important in this model will be emphasised here. First, Porter suggests that competition in an industry is based on its underlying economic structure and is affected by that and not only by the behaviour of the existing competitors (Hollensen, 2007), and second the distinction between the industry and the market. The industry concept contains all the relevant parties (competitors, suppliers, new entrants, substitutes, buyers) that have interest in the trade of specific products (or services), whereas the market concept contains only competitors (buyers and sellers). The goal of this analysis is to identify a strategic position in the industry where a firm can most suitably situate itself, describe its strengths and weaknesses, avoid problematic areas of interest, and search for the highest gains. Porter's five forces model is presented in Appendix C (Table C-4), along with its operationalisation. The detailed analysis of the **Greek horticultural industry** lies outside the scope and the constraints of this project, so the analysis of the industry will be done in the following chapter according to the most recent report of the Greek Ministry of Rural Development and Food, where the industry's characteristics are described: **history, market conditions, market size, strengths, weaknesses, problems, potential** (Anonymous, 2007). Though not explicitly linked to tools like Porter's five forces, the variables of this report are closely related to variable of the model.

The **third** and last level of analyses that deal with the positioning of the firm deals with **the characteristics of the firm**, and analyses its **value chain**, preferably in comparison to the value chains of the competitors. This kind of analysis aims to identify the competitive advantage of a firm, based on the idea that two factors mainly mirror the differences in performance level of firms (Porter, 1980; Day and Wensley, 1988): a) the perceived value of the product that is offered, compared to the perceived sacrifice by the customer (which includes price, transportation, installation, etc.) (Ravald and Gronroos, 1996), and b) the firm related costs incorporated in creating this perceived value

The importance of this third analysis lies in the assessment of the firm's functions, since these functions and their combinations are the sources of competitive advantage for firms. The functions can be assessed with the help of the **value chain analysis**, which "...describes the categories of activities within and around an organisation, which together create a product or service" (Johnson et al., 2008) and which will be used in this research to describe K Plants. The details of the value chain analysis can be found in Porter, 1985. The information for this analysis in this project comes from several interviews and discussions with the owner and general manager of K Plants, with its employees, associated companies and some of its biggest customers. Also, from careful observations on-site at the firm's facilities.

4.2.3 Strategic decisions: Operationalisation

The third step of the conceptual framework includes the making of two decisive decisions for the internationalisation, i.e. **markets to enter** and **entry mode**, as these have been presented in subsection 3.3.4. In the current subsection the variables that can be used to operationalise the step will be presented. . The information on this subsection comes from various literature sources (Young et al., 1989; Ball and McCulloch, 1993; Papadopoulos and Jansen, 1994; Daniels and Radebaugh, 1998; Rahman, 2001).

The decision on **the market to enter** will be based on general and specific criteria which will have to lead to the ability on behalf of the firm to assess the various possible target-counties (markets), segment them and finally decide on the most suitable one, according to its own offerings and characteristics.

There are many studies that describe international market selection models and they propose a stepwise process for this selection (Young et al., 1989; Ball and McCulloch, 1993; Papadopoulos and Jansen, 1994; Daniels and Radebaugh, 1998; Rahman, 2001). The model that is proposed in this framework is a combination of the model proposed by Kumar et al. (1993), who summarised studies on international market selection, and Hollensen (2007). The proposed sequence of steps is the following and it is supposed to lead to a segmentation of the potential foreign markets:

- **Screening of markets.** Macro level segmentation criteria are used in this step, to exclude in advance some countries from the selection process. Such criteria can be general or more specific.

- **Identification of markets.** In this step, criteria that are more industry specific are used, to assess the preselected countries in more detail and better evaluate the possibilities for success. It has been proposed that also this step can be divided in two sub steps, i.e. preliminary and fine-grained identification.
- **Selection of markets.** This step leads to the final segmentation of markets, and probably identification of sub segments within the selected countries. The criteria used in this step are more firm specific.

The operationalisation of this sequence of steps is pictured in Table 4.1.

Steps of the market selection process		Variables
Screening of markets		Geography (Proximity)
		Language
		Political environment
		Demography
		Economical statistics
		Industrial structure
		Technology
		Religion
		Socio-cultural factors
		Education
		Attitudes
		Culture
		Lifestyle
Identification of markets	Preliminary variables	Restrictions in the export of goods from one country to the other
		GDP per capita
		Government spending as a percentage of GDP
		Labour cost/ productivity
		Attitude towards foreign investors and profits
		Bureaucratic delays
		Communications
	Fine-grained variables	Market size
		Market growth rate
		Prices
		Market access
		Buying power of customers
		Market seasons and fluctuations
		Competitive conditions
		Market prohibitive conditions(e.g. Tariffs, import restrictions)
		Infrastructure
		Entry barriers
Selection of markets		Product adaptation to the firm's existing portfolio(there must be accordance between the firm's competences and the characteristics of the products that the customers value as more important)

Table 4.1 Variables of market selection decisions (Source: various sources; refer to text)

Subsequently, the firm has to take an equally important decision, i.e. **how to enter the markets**, given the various possibilities that exist and will be later further analysed, from simple exports to foreign direct investment. The decision on the modes of entry is taken using various methodologies, which vary on the level of the systematic analysis they incorporate and the distinction between the various markets that are to be entered. The major factors influencing this choice are again divided in **internal** and **external** ones, depending on whether they originate from within or outside the firm, and constitute the points of importance for the selection of the mode of entry for a new internationalisation process (Osland et al., 2001; Koch, 2001):

- **Internal** (or company) **factors**: factors that have to do with the identity and the characteristics of the firm.
- **External** (or target market) **factors**: factors that have to do with the new market and its special characteristics.
- **External/Internal factors:** factors that interact between the capabilities of the firm and the characteristics of the new market.

The variables for the selection of entry mode can be seen in Table 4.2.

Steps of the market entry mode process	Variables
Internal	Firm size
	Firm resources
	Management locus of control
	Market share targets
	Profit targets
	Management risk attitude
	International experience
	Need for local knowledge
	Synergies among global operations
	Competitive position
	Need to protect technology
External	Political risk
	Investment risk
	Host government local content requirements
	Market barriers
	Qualifications of local partners
	Host government expectations for local managers
Internal/External	Competencies
	Capabilities and skills required/available for each entry mode
	Sufficiency and reliability of information inputs

Table 4.2 Variables of market entry mode decisions (Source: various sources; refer to text)

Two additional aspects of the market entry mode step, that clarify further the concept and assist firms take the appropriate decisions are the methodologies that firms follow in order to take these decisions, and of course the actual description of the modes of entry.

Root (1994) distinguishes between the “**rules**” (methodologies) which firms follow in order to select an entry mode. These are:

- **Naive rule**. Use of the same entry mode for all markets that are to be entered. No differentiation based on differences between markets and countries
- **Pragmatic rule**. A workable entry mode is decided upon, and no alternatives are searched for, as long as the workable entry mode works. The rule mostly used by SMEs around the world.
- **Strategy rule**. All alternatives are systematically assessed before the final choice, which is also done for a country to country basis. The decision has a strong correlation with the firm's strategic goals and is dependent on the availability of resources, the associated risk and the non-monetary objectives of the firm.

Root (1994) and Hollensen (2007) describe five **modes of entry** in a new foreign market, which **differ in the following characteristics**: quantity of resource commitment required, amount of control, and level of technology risk. The entry modes are:

- **Exporting.** The products are manufactured in the host or another country and then transported to the new market. It is the most common way for initial entry into a new international market. It can be organised in many ways, depending on the number and roles of the intermediaries. Three major types of exporting channels can be identified: indirect export (the exporting firm does not take care of the exporting activities, which are managed by a third party), direct export (the exporting firm manages the activities up to the first contact in the new market) and cooperative export (the firms collaborates with export marketing parties for its activities).
- **Contract manufacturing/Licensing.** Manufacturing is outsourced to a third party, specialised in production, under specific agreements. The firm can thus produce in another country (due to costs, tariffs, transportation, etc.), without an investment as big as with producing in the new country on its own. This mode offers flexibility but problems with the subcontractors can occur. Licensing differs in the sense that it is usually a longer term agreement, giving more value chain responsibilities to the licensee.
- **Franchising.** This is an agreement that gives the right to a franchisee to use a total business concept, including trademarks, and thus paying a royalty. The franchisee is selected by the franchisor more strictly than in licensing, and the franchisee is also more closely controlled.
- **Joint ventures/Strategic alliances.** A joint venture is an equity partnership between two partners. Thus, a new organisation is formed. In international business, the fact that the parties are situated in different countries has a role in the complexity of the venture. These ventures are created because there is complementary technology, a need for quick market

entry, cost cut, etc. Strategic alliances differ in that they do not include an equity commitment, i.e. no new organisation is formed.

- **Wholly-owned subsidiaries.** The firm owns and controls the new market entry. It can come from an acquisition of an existing firm or from a new creation of an organisation in the new country. Hence, the firm chooses to transport some or all of the value chain activities to the new country. It then also moves along the stages of ethnocentric (home market methods used in the new markets), polycentric (new subsidiaries in each new country), regiocentric (subsidiaries controlling regions in the world), geocentric organisation (take advantage of similarities in greater geographical areas) (Perlmutter, 1969).

The abovementioned variables and concepts will be used to answer the relevant research questions and decide on the markets to enter and the appropriate entry mode for K Plants.

4.2.4 Establishment in foreign markets: Operationalisation

The fourth step of the internationalisation model deals with the determination of the marketing mix.

First, an obvious and important decision will be the **product** to offer. The product to offer is not only meant as the physical product, but on top, its attributes and the service that comes along. The determinants of a product are classified by Holensen (2007) in three categories (Table 4.3 pictures the variables that describe them, along with the variables of the entire third step):

- **Core product benefits**
- **Product attributes**
- **Support services.**

Also, three specific dimensions of products that have been identified as important in the literature and presented in sub section 3.3.5 will be analysed here (Holensen, 2007):

- **Newness** of the product. Products that are to be offered to the international markets can be put on a two axes diagram, by positioning them based on the newness of the products for the firm and the newness of the products to the international markets. The risk of failure increases with the increase of the newness
- **Positioning** of the product. “...the product or company that does not have a clear position in the customer’s mind consequently stands for nothing and it is rarely able to command more than a simple commodity or utility price...” (Hollensen, 2007). This sentence shows the importance for every firm and product to be clearly situated in the customer’s mindset as something unique. Also, the effects of the country of origin can be substantial (Ettensen, 1993).

<table>
<tr><th colspan="2">Component of the marketing mix</th><th>Variables</th></tr>
<tr><td rowspan="24">Product</td><td rowspan="5">Core product benefits</td><td>Functional features</td></tr>
<tr><td>Performance</td></tr>
<tr><td>Perceived value</td></tr>
<tr><td>Image</td></tr>
<tr><td>Technology</td></tr>
<tr><td rowspan="7">Product attributes</td><td>Quality</td></tr>
<tr><td>Packaging</td></tr>
<tr><td>Design</td></tr>
<tr><td>Size</td></tr>
<tr><td>Colour</td></tr>
<tr><td>Country of origin</td></tr>
<tr><td>Price</td></tr>
<tr><td rowspan="5">Support services</td><td>Delivery</td></tr>
<tr><td>Installation</td></tr>
<tr><td>Guarantee</td></tr>
<tr><td>After sales service</td></tr>
<tr><td>Spare parts</td></tr>
<tr><td rowspan="2">Newness</td><td>New for the firm</td></tr>
<tr><td>New for the markets</td></tr>
<tr><td>Positioning</td><td>Clear position in customer’s mind</td></tr>
<tr><td rowspan="4">Branding (assets and liabilities)</td><td>Brand loyalty</td></tr>
<tr><td>Brand awareness</td></tr>
<tr><td>Perceived quality</td></tr>
<tr><td>Brand associations</td></tr>
<tr><td rowspan="27">Price</td><td rowspan="7">Firm level factors</td><td>Corporate objectives</td></tr>
<tr><td>Marketing objectives</td></tr>
<tr><td>Competitive strategy</td></tr>
<tr><td>Positioning</td></tr>
<tr><td>Product development</td></tr>
<tr><td>Production locations</td></tr>
<tr><td>Market entry mode</td></tr>
<tr><td rowspan="6">Product factors</td><td>Stage in product life cycle</td></tr>
<tr><td>Place in product line</td></tr>
<tr><td>Quality</td></tr>
<tr><td>Services</td></tr>
<tr><td>Unique selling point</td></tr>
<tr><td>Product cost structure</td></tr>
<tr><td rowspan="5">Environmental factors</td><td>Governmental influences and constraints</td></tr>
<tr><td>Inflation</td></tr>
<tr><td>Currency</td></tr>
<tr><td>Taxes</td></tr>
<tr><td>Business cycle stage</td></tr>
<tr><td rowspan="5">Market factors</td><td>Customers’ perceptions</td></tr>
<tr><td>Customers ability to pay</td></tr>
<tr><td>Nature of competition</td></tr>
<tr><td>Competitors’ objectives</td></tr>
<tr><td>Needs and tastes of customers</td></tr>
<tr><td rowspan="4">Pricing strategy</td><td>Survival</td></tr>
<tr><td>Market penetration</td></tr>
<tr><td>Market skimming</td></tr>
<tr><td>Product-quality leadership</td></tr>
<tr><td rowspan="21">Distribution</td><td>Internal factors</td><td>Value chain of firm</td></tr>
<tr><td rowspan="6">External factors</td><td>Customers’ characteristics</td></tr>
<tr><td>Nature of product</td></tr>
<tr><td>Nature of demand/location</td></tr>
<tr><td>Competition</td></tr>
<tr><td>Legal regulations</td></tr>
<tr><td>Local business practices</td></tr>
<tr><td rowspan="5">Structure of the channel</td><td>Types of intermediaries</td></tr>
<tr><td>Coverage</td></tr>
<tr><td>Number of channel’s levels</td></tr>
<tr><td>Control resources</td></tr>
<tr><td>Level of integration (vertical or horizontal).</td></tr>
<tr><td rowspan="5">Management and control of distribution channels</td><td>Screening intermediaries</td></tr>
<tr><td>Contracting intermediaries</td></tr>
<tr><td>Motivating intermediaries</td></tr>
<tr><td>Controlling intermediaries</td></tr>
<tr><td>Terminating intermediaries</td></tr>
<tr><td rowspan="4">Logistics management variables</td><td>Order handling</td></tr>
<tr><td>Transportation</td></tr>
<tr><td>Inventory</td></tr>
<tr><td>Storage and warehousing</td></tr>
<tr><td rowspan="11">Promotion</td><td>Buyer and seller relationships</td><td>Division of total sales volume between buyer and seller</td></tr>
<tr><td rowspan="5">Communication procedure</td><td>Language differences</td></tr>
<tr><td>Economic differences</td></tr>
<tr><td>Sociocultural differences</td></tr>
<tr><td>Legal conditions</td></tr>
<tr><td>Competition differences</td></tr>
<tr><td rowspan="5">Communication tools (advertising, public relations, sales promotion, direct marketing, and personal selling)</td><td>Communication objectives</td></tr>
<tr><td>Sales objectives</td></tr>
<tr><td>Competition</td></tr>
<tr><td>Standardisation of the products</td></tr>
<tr><td>Promotion budget</td></tr>
</table>

Table 4.3 Variables of market establishment decisions (Source: various sources; refer to text)

- **Branding** of the product. Brand equity is a set of brand assets and liabilities linked to the brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm or to the firm's customer's (Aaker, 1991). These assets and liabilities are divided by the same author as follows: brand loyalty, brand awareness, perceived quality, brand associations, other proprietary brand assets. Important also is that the firm has to decide on **whether it will brand its offerings, and then how it will do that** (private label, own brand, single or multiple brand, local or global brands (Onkvisit and Shaw, 1993).

The second component of the marketing mix for the firm is the pricing of the products. The **factors** that determine **pricing** decisions are divided in (Dutta et. al., 2003; Kotler and Keller, 2009; Hollensen, 2007):

- **Firm level factors**
- **Product factors**
- **Environmental factors**
- **Market factors** (see Table 4.3 for variables).

Another crucial determinant of the pricing is the overall pricing strategy that the firm follows in order to accomplish its goals. A firm can pursue one of the following when entering a new market (Kotler and Keller, 2009):

- **Survival** (a short run objective if overproduction or intensive competition exists)
- **Maximum current profit and maximum market share** (a market penetration strategy)
- **Maximum market skimming** (set high prices and drop them gradually)
- **Product-quality leadership** (an "affordable luxury" strategy).

Third, the firm has to take the **marketing channel decisions**, i.e. the way through which it will market its product and bring it to its customers. These decisions will be again based on:

- **External** factors
- **Internal** factors (see Table 4.3 for variables).

These factors will influence the decision making process of the firm and will end up to decisions that will have to do with the:

- **Structure of the channels**
- **Management and control of the channels**
- **Logistics' management** (see Table 4.3 for variables).

An important aspect of the distribution component is the size of the market channel. Kotler and Keller (2009) describe the **levels of channels** in a new foreign market. These channel levels span from a zero level channel (where a manufacturer sells directly to the final consumer) to several-levels channels, adding up intermediaries between the manufacturer and the consumer. For example, a two-level channel includes a manufacturer, a wholesale, a retailer and a consumer. Clearly, the decision on the market channels is strongly linked to the decisions on the market entry mode for the new markets. Another issue of importance in this analysis is the use of new electronic data and technology, which allows for a quicker exchange of information and enables for new ways of orchestrating the distribution and channel relationships

Finally, the firm has to answer the **promotion** issue, which is the last decision of the marketing mix that the firm has to answer. It relates to the way through which the firm will communicate its offering to the customers. For the context of this project, what will be described is (Ottesen, 1995, referred by Hollensen, 2007):

- The **relationship between the seller and the buyer** in the international context
- The **factors that affect the communication procedure** in an international environment
- The **communication tools** most commonly used in such cases (see Table 4.3 for variables).

4.2.5 Performance measurement, sustainable presence and improvement: Operationalisation

The final step of the conceptual framework and of the internationalisation process will be analysed and operationalised in this section.

First, the firm has to decide on its **organisational structure** and the changes that internationalisation imposes on it. Hollensen (2007) proposes that the firm goes through 5 stages of changes in its structure, which are:

- **Ad-hoc exporting**
- **Functional structure**
- **International division structure**
- **Geographical or product structure** and
- **Matrix structure**.

The variables that determine the **organisational structure** decision are presented in Table 4.4 and are proposed by Johnson et al. (2008). Each organisational structure scores better or worse to some of these variables but not to all. For example, a functional structure enhances control but does not support internationalisation. On the other hand, a matrix structure misses some control opportunities but aids knowledge creation and sharing (Johnson et.al, 2008).

Second, the firm has to **control** its **international performance**. The general idea is that the firm establishes its global marketing plan, which is quantified in the marketing budget, which is then controlled. In general, the following types of control can be identified (Johnson et al., 2008):

- **Annual plan** control

- **Profitability** control
- **Efficiency** control
- **Strategic** control

Table 4.4 also presents the variables that determine the control of performance, which can be further divided in **output controls** (financial parameters), and **behavioural control** (non-financial parameters).

<table>
<tr><th colspan="2">Steps of the market entry mode process</th><th>Variables</th></tr>
<tr><td colspan="2" rowspan="5">Organisational structure</td><td>Control of the firm</td></tr>
<tr><td>Adapting to the increased speed of change</td></tr>
<tr><td>Supporting knowledge creation</td></tr>
<tr><td>Knowledge sharing</td></tr>
<tr><td>Structure suitable for the internationalising efforts</td></tr>
<tr><td rowspan="10">Control of international performance</td><td rowspan="4">Annual plan control</td><td>Sales analysis</td></tr>
<tr><td>Market share analysis</td></tr>
<tr><td>Sales-to-expense ratios</td></tr>
<tr><td>Financial analysis</td></tr>
<tr><td>Profitability control</td><td>Profitability by: product, region, customer, segment, trade channel, order size</td></tr>
<tr><td>Efficiency control</td><td>Efficiency of: sales force, advertising, sales promotion, distribution</td></tr>
<tr><td rowspan="3">Strategic control</td><td>Marketing audit</td></tr>
<tr><td>Marketing excellence review</td></tr>
<tr><td>Social responsibility review</td></tr>
</table>

Table 4.4 Variables of performance measurement, sustainable presence and improvement (Source: Johnson et. al, 2008)

Another important thing, especially for inexperienced firms in control of performance, as is K Plants, is the **general scheme of controls. T**he following is the general idea of sequence of steps (Hollensen, 2007; Jobber, 1995):

1. Decide on objectives and goals
2. Establish marketing performance standards
3. Locate responsibility
4. Evaluate performance against standards
5. Take corrective action

Again the previously mentioned variables and concepts will contribute to the consideration and lead to the identification of the success factors for the internationalisation of K Plants.

4.3 Summary of Chapter 4

Chapter 4 has presented the link from the theory (conceptual framework) towards the gathering of all the relevant data for the internationalisation process. Table 4.5, presents the variables that have been identified to lead to the completion of the process and to the necessary basis for taking the best possible business decisions.

Step of the conceptual framework	Important concept	Items	Variables for operationalisation
1. Will or necessity and problems to internationalise	General overview of the situation	Motives to internationalise	Subsection 4.2.1
		Barriers to internationalise	
2. Strategic analyses	National competitive environment		Subsection 4.2.2
	Analysis of the industry		
	Value chain analysis	Procurement and Inbound Logistics	
		Operations	
		Marketing and Sales	
		Outbound Logistics	
		Service	
		Human Resource Management	
		Infrastructure Management	
		Technology	
3. Strategic decisions	Market selection	Screening of markets	Subsection 4.2.3
		Identification of markets	
		Selection of markets	
	Market entry mode	Internal factors	
		External factors	
4. Establishment in foreign markets	Product	Core product benefits	Subsection 4.2.4
		Product attributes	
		Support services	
		Newness, Positioning, Branding	
	Price	Firm level factors	
		Product factors	
		Environmental factors	
		Market factors	
	Distribution	Internal factors	
		External factors	
		Structure of the channel	
		Management and control of distribution channels	
		Logistics management	
	Promotion	Buyer and seller relationships	
		communication procedure	
5. Performance measurement, sustainable presence and improvement	Organisational structure		Subsection 4.2.5
	Performance measurement		

Table 4.5 Summary of the variables of operationalisation

PART III

A CASE OF INTERNATIONALISATION: K PLANTS AND THE EUROPEAN MARKETS

The third part of the report presents and analyses the data that were gathered for the purposes of this research. It is divided in two chapters.

The transition from the operationalised conceptual framework towards data gathering is presented in chapter 5. The criteria that led to the prioritisation of the steps to be researched in more detail compared to the rest are presented, as well as a further elaboration on parts of the framework. Also, the data gathering process for the primary research of this project is described.

In chapter 6 the data are presented and analysed. In this presentation, the structure of the conceptual framework has been followed and the data correspond to the demands of the framework. These data are both primary and secondary. The source of the data has been decided upon the step of the framework, the availability of data, and the relevant importance in this project's context, as has been outlined through the research questions and chapter 5. For all steps a clear distinction is made between raw and analysed data, to avoid misinterpretations. The presentation and analysis of the data provides the sound basis for the decisions of internationalisation for K Plants.

Chapter 5

DATA GATHERING

5.1 Introduction

Chapter 4 has provided extensive lists of variables to operationalise all the steps of the conceptual framework. Yet, these lists are so extensive that it remains outside of the scope of this project to try to accurately address each and every one of them.

This chapter establishes the criteria that lead to the prioritisation of the steps of the framework in terms of relevance with the research, and to the selection of the variables that were used in the actual data gathering, to make the project feasible but at the same moment adequately answer the research questions and objective.

Furthermore, additional sections of this chapter explain how the operationalisation of the fourth step of the framework was further elaborated into more precise variables, and justifies why this needed be done. Also, the data gathering for the primary research that was conducted for this project is presented in this chapter.

5.2 Criteria for the Selection of Operationalisation Variables and Prioritisation of the Framework's Steps

Since the variables that have been identified and described for the operationalisation of the conceptual framework's steps proved to be numerous, it became apparent during the course of this research that there needed to be a selection of the variables that would be finally used for the data gathering and the effectuation of the research objectives.

Hence, there needed to be a **prioritisation of the steps** of the conceptual framework, which was done based on the following **criteria**:

- Relevance of the step to the research questions and to the research objective

- Possibility/ Ability of K Plants to affect each step.
- Chronological order of decisions on steps.

The prioritisation has been done after discussions with thee management team of K Plants and after contacts with the industry in IPM Essen (2010), which helped narrow down the concepts of higher interest.

Based on these criteria, the following can be said on the prioritisation of the steps, which will lead to relevant decisions for "weight" that will be given to each step during the data gathering process:

The **first step** and the **value chain** analysis will allow the firm to acquire information for the firm itself. K Plants has never performed formal analyses of its activities, its strategy, and its strong and weak points. Thus, analyses that focus on the identification of exactly those points will help K Plants to acquire a better understanding of where it stands in the market, and of what is capable to (or not to) do. The two remaining components of the **second step** of the conceptual framework (i.e. national competitive environment and analysis of the industry), are the ones that are not possible to be affected directly by K Plants, hence they were not treated in great detail during data gathering.

The **third step** of the framework is of great importance, since this step also determines decisions that K Plants will need to take as soon as it starts to internationalise, i.e. markets to enter and how to enter them. At this point it can be said that the market entry mode selection for K Plants was not based on hard scientific data, rather on the fact that export is the most common entry mode for inexperienced firms. More on this decision can be found in subsection 6.2.3. A more detailed analysis on different trade channels or internationalisation modes could (and should) be done at later stages from K Plants (in this case the variable of the framework are still valid).

As for the analysis of the **fourth step**; this will be the one that K Plants will confront as soon as it tries to internationalise. This step determines the offerings of the firm to the new markets and describes the decisions that the firm will need to take in the more practical level. In other words, this step will determine what K Plants needs to start producing to enter the new markets, how this needs to be transported, priced and promoted. The significance of this step is evident, thus its high priority in data gathering.

The **fifth step** of the framework stays behind in the prioritisation of the steps for the sole reason that chronologically it will come later for K Plants. Yet, it is important for the firm to prepare such a control system for its internationals activities, and the way to do that will be presented later in the report. Of course, the controlled parameters have to do with the decisions on other steps (e.g. product to offer and pricing strategy).

The following two sections describe the data gathering for the primary research of this project. More on data gathering for the rest of the research can be found in subsection 2.2.4.

5.3 Primary Data Gathering in Greece: Elaboration on the Variables of the Fourth (and Fifth) Step of the Framework

It was supported in the previous section that the fourth step of the framework is prioritised as highly important at the beginning efforts of K Plants to go international. Also, it has been observed during the course of this research (and it has been confirmed by various participants of the relevant trade) that the products that K Plants wishes to internationalise are of a unique character, i.e. they are not as easily standardised as the pot plants usually sold in the European markets. Thus, it has been decided to supplement additional factors to the operationalisation that was given in the preceding subsections.

To do that, sequential interviews with five Greek producers (one of them the general manager of K Plants) of Citrus and Olive trees was performed. The participants were presented with the variables presented in sections 4.2.4 and 4.2.5, and were asked to give specific variables that they thought as important determinants for the success of the internationalisation processes of their products in the European markets. Put another way, what they would like to know from other chain participants that would help them produce products that would guarantee a long term success in the European markets.

The suitable respondents for this part of the research were found in cooperation with the general manager of K Plants, since he has an extensive knowledge of the local market and a big network in the market. All identified respondents answered positively. After the initial contact, the initial delineation of variables was done by all of them independently. In a second round of discussions, the selected variables of the first round were again presented to the respondents, to end up with the selected variables. All contacts were made in person in the respondents' facilities in Greece, in the period of January and February, 2010.

The results of this research are presented in Table 5.1. The variables that are presented in Table 5.1 are classified according to their relevance with the steps of the conceptual framework. For example, the variable "Shape of trees" is linked with the fourth step of the framework, where the marketing mix (in this case "Product") was analysed. These research findings have been used as the foundation of the questionnaires/interview plan that was used in the empirical research. The complete set of questions is presented in Appendix B.

Variable	Relation to steps 4 or 5 of the conceptual framework
Long term health over temporary appearance	Product
Importance of new products to market	Product
Packaging of trees	Product
Shape of trees	Product
Importance of external appearance	Product
Light or heavily changed foliages	Product
Determination of sizes per species	Product
Determination of species/cultivars of interest	Product
Colour of the pot	Product
Importance of legal issues	Product
Importance of trees bearing fruits	Product
Price elasticity for trees	Price
Importance of individual labelling	Product/ Price
Importance of quality certifications and which of them	Product/Price
Importance of branding	Product/Price
Determination of pot sizes per species	Product/ Distribution
Standardised (or not) sizes	Product/ Distribution
Trees are placed inside or outside	Product/ Distribution
Importance of the weight of the pot	Product/ Distribution
Periods of peak demand or evenly distributed demand	Product/ Distribution
Barcodes (or other logistics tools) usage	Distribution
Storage of trees until sold (possibility to maintain them)	Distribution
Time lag from order to shipment	Distribution
Willingness to travel and check the plants	Sustainable presence
Importance of after sales services	Sustainable presence
Importance of communication	Sustainable presence
Technical coverage of the customer's customers	Sustainable presence

Table 5.1 Operationalisation of aspects of the conceptual framework for the Citrus and Olive trees markets (Source: Own construction after primary research)

5.4 Primary Data Gathering in the Netherlands: In Contact with the Industry

It has been repeated previously in this report that in terms of market channels, this research is conducted to assess the possibilities for K Plants to enter the European markets through Dutch traders. This notion led to the determination of the population that would be sampled in order to "fill" the remaining information needed for the completion of the conceptual framework. The population can be described as companies situated in the Netherlands, which import and trade Citrus and Olive plants for ornamental usage.

A research that was based on industry catalogues, professional magazines, and internet yielded a total of 25 companies that fall into this definition, of which 6 responded positively and constitute the sample of this part of the research. All the 25 companies were contacted up to three times by email or telephone. The answers that are described later in this report are the yield of either (in four cases) interviews conducted at the companies' facilities or (in two cases) filled questionnaires that were sent by email, for companies that stated that they had no available time for an interview. In this second case, clarifications were made, where necessary, with further communication. In the cases of face-to-face interviews, the questionnaires were sent beforehand to the respondents, so that they could be prepared for what was to follow. On top of all that, not structured but important information were gathered during discussions with industry-participants in one of the biggest fair trades of the ornamentals industry (IPM Essen 2010). This part of the primary research (interviews) was conducted in the period of April to June, 2010.

After the experience of this primary data gathering for this part of the research, the following comments can be made in terms of research methodology and possible guidelines for similar future work: First, it proved difficult to find professionals willing to participate in the interviews. A big sampling population obviously increases the chance, but this is not always possible. Second, visits in the facilities of the respondents provide the researcher with a better understanding of the way the relevant industry operates. A (even short) contact with the facilities and the people gives an image of how things are done, which could be important for people new to the given industry. On the other hand, the rush of everyday's job may restrain the respondents from devoting the necessary time or thought for the research. To conclude, it can be suggested that a very good way to perform such research would be to have the questionnaires sent, then filled in on the respondent's convenience, and then have a face to face contact to discuss and elaborate more on the answers. Yet, the practical implications of such an approach are obvious.

5.5 Summary of Chapter 5

Chapter 5 has presented the criteria that prioritise the steps of the conceptual framework and determine the importance of the steps in terms of attention given to them during the data gathering and analysis process. Additionally, the fourth and parts of the fifth steps of the framework have been further elaborated in this chapter, and the primary data gathering of this research has been presented.

Chapter 6

PRESENTATION AND ANALYSIS OF THE DATA

6.1 Introduction

The current chapter will present and analyse the gathered data of the research, as this has been performed through various means, and has been described in chapters 2 and 5.

The presentation of the data will follow in detail the sequence of the conceptual framework of chapter 3. The same has been done in the presentation of the operationalisation of the framework's concepts. Thus, a coherent structure is completed for the presentation of the topics at stake, i.e. from the conceptual framework to the operationalisation, and then to the fulfilment of the operationalised factors, all under the same titles and order.

In all of the following subsections, it is stated whether the data are primary or secondary, as well as the major sources of data. It can be stressed here that emphasis in the data gathering process has been put on the aspects of the framework that are of greater importance for K Plants and the research questions of this project. For example, the national competitiveness environment has been approached by secondary data, since K Plants cannot directly influence it or change it, but the marketing mix of the internationalisation process is assessed through primary data, due to its higher relevance, importance and practicality.

This chapter also analyses the gathered data of the research. For each step of the conceptual framework the data are analysed (i.e. comments, judgements, conclusions, and suggestions of the researcher are given) under the prism of meeting the research objectives of this project. After this analysis, the decisions that K Plants will have to take (or not) to internationalise will be clear. These decisions and the deficiencies of K Plants compared to them will be the content of chapter 7.

6.2 Step-by-Step Presentation and Analysis of the Data

The gathered data of the research will be presented and analysed in the following sub-sections, taking care that the sequence of the conceptual framework is followed. The reader can refer to Table 3.2 for an overview of the framework's steps and the relevant sections and sub-sections of the report. The presentation of the facts in contrast to the analysis (conclusions) will be clearly distinguished throughout the chapter.

6.2.1 Will or necessity and problems to internationalise: Data

The description of the first step of the internationalisation process involved the operationalisation of two concepts (see 3.3.2 and 4.2.1). The data gathering for these concepts forms the first set of information concerning K Plants, and fulfils the requirements of the first step of the conceptual framework of this project.

Presentation of Data

First, the concept of the **motives for internationalisation** was assessed. This concept has been treated through a) literature, and b) primary research. The literature research results are based on the same paper that gave the operationalisation of the concepts (Leonidou et al., 2007), where the authors present answers of primary research that has been performed on this same topic. More important for the context of this project is the primary research that has been performed to identify the motives of K Plants to internationalise. This has been done through questionnaires that have been based on the abovementioned paper (see section 4.2.1), and have been filled by the three persons that belong to the management team of K Plants. The results of both data sources are presented in Appendix A (Table A.5). The classification that has been followed in both cases is a classification in five categories of importance, ranging from 1 (very low impact on internationalisation motivation), to 5 (very high impact on internationalisation motivation).

Second, the **barriers of internationalisation** were examined. This concept of the theoretical framework has been filled in by the same way like the previous one, i.e. through literature and primary research. The literature that has been used is Leonidou (2004) (also primary data are presented), and the primary research had the same respondents like in the previous step, i.e. the management team of K Plants. Results are also shown in Appendix A (Table A.6). The classification that has been followed in both cases is a classification in five categories of importance, ranging from 1 (very low impact on internationalisation process), to 5 (very high impact on internationalisation process).

Refer to Appendix A(Tables A.5 and A.6) for the detailed primary data.

Analysis of Data

The gathering of the data of the first step of the framework revealed important aspects of the identity of K Plants, its capabilities and its weaknesses. The exploration, on the one hand, of the motives that drive K Plants to internationalise, and on the other hand, the barriers to initiate international operations, showed the following interesting and important points:

- K Plants is mainly driven by its will to **expand** its **sales** and **grow** its operations abroad; a motive that coincides with the literature findings (Table 5.1).
- Another factor that ranks amongst the most important factors for the firm is the favourable conditions that exist inside the European Union for the initiation of international business (**no trade barriers, no tariffs**). This contrasts with the firm's belief (and the belief of the firm's cooperative companies, as this was stated in the various contacts that were performed with them during this research) that the Greek governmental institutions and the overall business environment in the country do not favour international expansion. It has to be stressed at this point that these opinions are backed up by the hard data that can be seen in Table 5.3. This point will be further analysed in the following subsection.
- In contrast to the **unfavourable governmental environment** (lack of incentives), K Plants believes that "**the industry**" (associations, traders, exporters, etc.) **encourages** internationalisation attempts. It has been stated that opportunities abroad have and can be identified by the industry.
- Other closely related important motives for K Plants (that have to do with the characteristics of its products) are the **reduction of the domestic risk** and the better utilisation of the **seasonal identity of its (plant) products**.
- It was evident many times in the course of this research that the firm strongly believes that its core capability is its **know-how in the production** especially of Citrus and (secondarily) olive trees. Yet, in the answers of the questionnaires it appears that K Plants does not think that the uniqueness of its products is the key competitive advantage it possesses. This was clarified in a discussion with the participants. They don't believe that Citrus or olive trees *per se* are unique products, but the specific trees of K Plants are of higher quality (appearance, uniformity, health) than those of competition.
- **Marketing** is also not considered a core capability in the firm.
- The firm believes that **information, data and reliable analyses** on foreign markets is relatively hard to obtain.

- Also, the **geographical position** of Greece makes it harder for the firm to reach the Northern and Western European markets, due to problems in direct communications, but also due to transportation costs.
- K Plants' managers think that they can serve the new markets with competitive prices, but they fear that collection times for the payments and control of the middlemen abroad will be a major problem for them.
- A topic that kept coming back during the data collection procedure was that of production and inventory management. The firm does not think that it can produce for the time being the excess quantities that will be needed for the international operations, nor will it reliably be able to manage its inventory and/or warehousing abroad.
- Paperwork, new product development and after sales services are not amongst the problems that the firm is expecting to severely affect its international operations.
- Lack of managerial time is expected to be an obstacle also.

6.2.2 Strategic analyses: Data

The second step of the framework (see 3.3.3 and 4.2.2) was approached though secondary data for its two initial components (national and industry environment), and through primary data for its third component (analysis of the firm).

Presentation of Data

First component (national environment): the point of reference for the assessment of the Greek environment was the Global Competitiveness Report of the World Economic Forum (edition 2009-2010) (Schwab 2009), a report that assesses the competitiveness of the world's economies against more than 100 factors, and ranks nations accordingly. The data that it contains are believed to be satisfactory enough in the context and objectives of this research. The ranking of Greece is presented in Appendix A (Table A.4). The prime problems that have been reported are: inefficient government bureaucracy, restrictive labour regulations, corruption, tax regulations, policy instability, access to financing, and tax rates.

Second component (analysis of the industry): A detailed report on the Greek floricultural industry would be interesting and useful for the formation of the strategy of K Plants, but this task lies outside the primary objectives and the time constraints of this project. The most complete secondary source of information on this subject, and the one that will be used for the description of the Greek industry is a 2007 report of the Greek Ministry of Rural Development and Food for the description and prospects of the Greek floricultural (concerning cut flowers and pot plants) industry. The report was published in the Greek language.

The most important and interesting points of that report are the following (Anonymous, 2007):

- The ornamental horticulture industry developed in Greece only during the last 2 or 3 decades, so no long term tradition exists
- The majority of the market (growers and buyers) is situated around Athens
- Heated greenhouses are gaining space in ornamental horticulture, although the energy costs remain one of the major expenses of growers
- Cut flower production has grown significantly during the last years, but not the production per hectare. On the other hand, the production per hectare has grown significantly for the pot plants
- Greece lies among low cost countries (cheap labour, excellent microclimate), and high tech countries (advanced technology, expensive labour) in terms of ornamental horticulture
- Greek ornamental horticulture exports account only for 8% of the imports
- Greek production serves 85% of the home market
- Ornamental horticulture accounts for 0,022% of all Greek cultivated land and it gives revenues equal to 2,57% of the total value of plant products
- Major problems of the Greek floricultural industry are the following: 1) Transportation and marketing of these products has many structural problems, such as the lack of organised markets, 2) Technical assistance and scientific research is not advanced, as well as the governmental support, 3) High heating expenses, 4) The high accumulated debts of the growers, 5) Input expenses (fertilisers, agrochemicals, etc.), 6) Low level of professional expertise of the growers, in production and marketing aspects, 7) Low rate of technology incorporation, 8) Low level of organisation of the businesses
- Greek floricltural industry has a high potential and can become one of the most dynamic parts of the plant products industry, if the problems will be solved, due to the possibility to serve the local market, and the European market, especially Eastern European countries that are becoming EU members
- A major advantage of Greek ornamental horticulture industry is the climate, which is better for many species compared to Northern and Eastern Europe
- The strategy for the Greek ornamental horticulture industry should be based on the following guidelines: 1) Modernisation of businesses and growing techniques (certified propagation material, use of modern greenhouses, etc.), 2) Improvement of infrastructure (mechanisation, link to natural gas networks, environmental friendly solutions in waste

management, etc.), 3) Improvement of added value (packaging, post harvest treatment, etc.), 4) Marketing and promotion efforts (market research in Greece and foreign countries, participation in advertising campaigns, etc., 5) innovative actions (exploitation of local Mediterranean species as ornamentals, use of green energy, electronic organisation of businesses, etc.), 6) Professional training and information on various production and marketing topics, 7) Cooperation and networking (creation of cooperatives, development of export system, etc.), 8) Research (fertilisation, physiology, pest management, etc.)

Third component (the characteristics of the firm): This analysis of K Plants has been realised through interviews and observations in the firm, its customers and associated companies. The outcome of this analysis follows:

To begin with, the **Procurement and Inbound Logistics** will be described. The main incoming loads of the firm are fertilisers, young plants, occasionally new equipment and machinery, but the main bulk is the new pots.

The firm has no regular schedule for procurement and incoming loads. The orders are being placed and served when they are needed. This is feasible mainly because of the time it takes for its products to grow. Almost no plant remains in the facilities for less than one year, and many stay for up to 7 years. This means that there is no urgent need to schedule incoming loads in a way that a production of cut roses (where the harvest is daily) for example would demand. This situation allows for a freedom in the selection of the suppliers but does not allow for long range agreements (and subsequent price reductions) with suppliers.

The main suppliers are situated in Athens, from where they send their loads through transport companies. The big exception is the supply of the pots, which come through direct cooperation with Italian firms, since it has been judged that the quality of the pots and the prices are favourable for K Plants. The firm has at this point the ability to order full truck loads of pots, so such cooperation is feasible.

The firm faces its major problems with its procurement with growers that grow its young plants. Although higher prices are constantly being offered to these growers by K Plants in exchange for higher quality plants, the level of cooperation in the products and in the procurement procedures (schedule, transport prices, and professionalism have been reported by the production manager as the main flaws of the cooperation) remains unsatisfactory.

Operations are the second activity that will be described. K Plants sells exclusively potted plants that it produces. All the plants are trees or woody shrubs, so no annuals are produced. There are 82 cultivars of 38 species produced, in 15 pot sizes ranging from 3,5 up to 1000 litres. The majority in pots of 12, 20, 30, and 50 litres. The plants that are produced in the biggest quantities belong to the genera Citrus and Olea. Some sample image of the products can be found in Appendix A (Table A.3).

The production can be generally divided in two big stages: the propagation/production of the young plants and the further growing of the young trees. Depending on the species or the cultivar involved, the first stage is either performed in the firm's facilities or is outsourced to growers from all over Greece, who specialise in certain species. In either case, this procedure is performed in a more or less controlled environment and in large quantities. It is the will of the firm's management to outsource this first stage of production since it does not constitute one of the firm's core competences (according to the general manager), but it has to be mentioned that the variation between the facilities and the professionalism of the growers is big enough to demand an examination in a case-by-case basis for the possibility of outsourcing. At this point in time it is not possible to outsource the propagation and production of young trees of all species.

The second stage is the further growing and development of these young plants. Here is where the firm believes that it has one of its strongest competitive advantages. That is, in the quality and added value that it gives to its products, through constant care and accumulation of know-how that leads to improvement. This stage is performed through a scheduled transplanting of the plants to increasingly bigger pot sizes up to their final marketable size. During this process, all known jobs that plants demand to grow (i.e. pruning, irrigating, fertilising, management of pests, diseases and weeds etc.) are of course performed in an intensive manner. The intensity is explained by the fact that ornamental products have small margins for deficiencies mainly in their external appearance. For example, a tree that is to be planted in a commercial orchard could have a non-straight trunk, but an ornamental tree of the same species has to be straight and beautiful. This and other attributes have nothing to do with the botanical or physiological value of the plant, but with the preferences of the buyer. None of the jobs of the second stage is performed automatically, and man labour is used in the firm's facilities, of course with the aid of the necessary machinery and equipment (though not sophisticated).

It s estimated that around 35.000 plants are produced each year. This is an estimate and not an accurate figure, because of horticultural reasons that not allow living plants to be classified as strictly as other products. For example, it is not "clear" when a tree is produced, since it is never finalised, and even if it is not sold it can grow more, be transplanted in a bigger pot and sold as a different SKU.

What comes next is the description of the organisation of the **Outbound Logistics** of the firm. This activity takes care of the delivery of the products to the customers. The whole procedure is outsourced to a logistics provider situated near the firm. They have no formal contract for the arrangements, but the prices are prearranged and change on a yearly basis. K Plants has been given the freedom to arrange the exact amount that will be charged for the transport, depending on the percentage of the truck that has been filled by the order, and of course the prearranged amount for the full truck. The standard agreement is that customers of the firm pay for the transport, except for a few customers who are served under different agreements.

The logistics provider has stated in a first contact that this cooperation is a very good deal for his firm, because their main loads come from Athens to southern Greece and not the other way round, so a customer that needs loads to be transported *to* Athens fills an important capacity gap in their operations.

There are two main seasons when K Plants delivers products to its customers, which are March-April and September of each year. This coincides with the two main periods when plants are requested by the retailers. The firm has arranged its operations in order to have its plants in their best possible condition during these periods. During the rest of the year, the firm serves sporadic orders of usually few plants. It has to be mentioned here that because of the high prices of the plants (compared to small pot plants), even a small amount of plants can end up in a considerable amount of cash for the firm. Nevertheless, the firm tries to prevent its customers from ordering small orders and also prevent them from ordering outside the two main selling seasons.

As has been stated before, the majority of the customers are situated around Athens, whose distance from the firm's facilities is around 250 km. This means that usually loads are loaded and unloaded in the same day. Other customers, who are situated further away and in the islands, are served by the same provider up to Athens. Then, the trees are reloaded to other trucks and moved towards their final destinations. This task is accomplished under the responsibility of the logistics provider. Naturally, reloading of the trees causes mechanical damages to them, the most important of which (in a marketing perspective) is the possible loss of fruits that the trees are bearing, which is a feature that customers appreciate a great deal, as has been mentioned by the largest customer of K Plants in Athens.

To solve this problem, the firm has been undertaking a continuous effort to improve its capabilities of loading the plants in the trucks .This also serves as a cost cutting procedure, since more plants can be put in one standard truck, and the general manager has mentioned that nowadays, it is possible to load 15-20% more trees in the same truck, compared to the initial efforts of the firm. Additionally, when no full loads are ordered and a reload will take place, the trees are placed on a wooden base and wrapped with a special plastic, to prevent damage and facilitate reloads with reloading machines.

The following activity to be discussed is the **Marketing and Sales**. The strategic decisions of K Plants that have been described in its history section explain to a large extent the way its products are marketed and sold.

K Plants has a strict policy of not selling to individual customers. The large market of the firm is wholesalers and garden centres in the metropolitan area of Athens, the capital of Greece and the country's economical centre, which houses almost 40% of its population. There is a different pricing policy for different customers, depending on their role in the supply chain (wholesalers or retailers), their buying power and the history of the cooperation. Other markets for the firm are wholesalers and garden centres in Greek islands and some other parts of the country. The firm has also sold to customers in Germany and Switzerland, but only sporadically. Yet, the management has the opinion that these experiences, although few, have served as an important background to get to know the procedures (paperwork etc.) that are necessary to sell to EU and non-EU countries.

The firm promotes its products as uniquely grown and of high quality, under the main slogan that reads "Trees with identity". The firm wants to be identified by its supreme quality in the level of the products and the level of cooperation with its sellers and buyers. The trees are all accompanied to their buyers with a label with a photograph of the tree or its fruits, with information on its growing and care and with the firm's logo. The firm recently added a website (www.k-plants.gr) to its marketing tools, though still only in the Greek language.

As for the sales, these are mainly promoted through the general manager's business trips to Athens, to old and new (candidate) customers, together with the production or the marketing manager. The firm reports that its production has up to this point been easily absorbed by the current customers, so there was no urgent reason to search for new markets, nor was there enough production and stock to serve them, if they were to be found. Yet now, after the new investments, the production is expected to rise and there will be a need for more intensive marketing efforts.

Next comes the **Service** of K Plants to its customers. This term usually encompasses the maintenance of the sold product of a firm. In this case, the maintenance of plants is a rather different issue compared to industrial products. To begin with, no guarantee exists for sold plants, apart from the guarantee (also legally enforced) that the plants are healthy at the moment when they were sold. What K Plants intends is to help its customers serve their final customers, further in the chain, in terms of maintaining and taking care of their plants in the best possible way.

This is less important when a firm sells annual plants, but when a firm sells trees, which live for many years (some of them decades), the feature of long term maintenance and care become rather important. Furthermore, some of the species that K Plants produces are very demanding in their care, especially species that belong to the Citrus genus. Thus, advice on the care of these trees is of utter importance for the customers. The knowledge of the firm on the growing and care of Citrus trees is one of the core competences of the firm. The existence of this important competence has been identified by all major customers that have been interviewed at an initial stage of the research. Also, the firm "admits" that it considers this competence to be of great importance. A problem that has been identified is that all this knowledge is possessed almost exclusively by the general manager of the firm. This creates problems in the division of responsibilities and possibilities for expansion of the firm. This detail will be analysed further in the report.

Hence, to meet the customer's needs for advice, the firm has first of all been selling its products with the special label, which carries general information for the climatic needs and the care of each plant (on a cultivar by cultivar basis) on its back. Thus, customers can read (in Greek and in English) some basic characteristics of the plants and decide on whether to buy them and how to take care of them. Additionally, the firm offers for free both in print and online two booklets that it has prepared, with more detailed fact on all cultivars of Citrus and Olive cultivars that it produces. Apart from these efforts, after the sales, customers often contact the firm to ask for further advice on (mostly) Citrus and Olive trees. The problem lies of course that the answers can be given only by the general manager. It is a knowledge that has been gathered during a career in horticulture of more than 30 years, another fact that makes it hard to be communicated.

Moving to the support activities of Porter's value chain the **Infrastructure** and **Infrastructure Management** will be described**,** which is at the moment the most difficult activity to describe**.** This holds true because the firm is currently at the process of completely relocating its operations. The process is due to be finished by end 2010, with the completion of the administration's building. At the final stage, the firm will possess land of around 5 hectares, all gathered in the same place, around the mentioned building. This land will be occupied by the building; by plastic greenhouses for the sowing, rooting and initial growing of the plants; by area covered with nets suitable to protect grown plants from weather conditions; and by free area where plants are grown in the free air, though tied to metallic bases, to prevent them from falling by strong winds.

The greenhouses do not use sophisticated technology, nor is the equipment and the machinery of the firm very advanced, since it is believed that the labour costs in Greece allow for more labour work to substitute more advanced technologically solutions. Also, the climate of the region and the requirements of the produced plants do not call for highly controlled conditions in the greenhouses.

Currently, the operations are carried out in three different locations. The reason for that is that the firm grew little by little, with few funds and an initial high investment was not possible at the time. Thus, land could not be bought where and when it was needed. This division of locations has always created problems in the firm and loss of many valuable working hours, as well as loss of infrastructure's efficiency (machinery, tools, cars, communications, employee control, etc.). It is believed that these problems will be solved after the completion of the new facilities, built with the experience of all those years of operations.

As with some aspects of Human Resource management, other aspects of Infrastructure management are taken care from the production manager. Those aspects deal with decisions on maintenance of the facilities and the equipment. More serious aspects, like expansion of the facilities are being dealt completely by the general manager of the firm.

Next, the firm's **Human Resources and Human Resource Management** will be described. It was from the beginning observed that the management of this activity gives to K Plants some of its characteristics, which impose the way it currently works and the obstacles that need be overcome if a new strategy pattern is to be followed.

To clarify the statement: the founder and general manager of the firm is the complete "ruler" of the firm and the person that actually takes all decisions that have to do with the operational, tactical and strategic steps of the firm, except from minor everyday issues. There exists a second level of hierarchy between him and the workers, which consists of two persons that could unofficially (i.e. no such titles exist in the firm) be named production manager and sales manager. To allow for no misconceptions, it needs be said that these two persons are not what someone would expect to find in a big enterprise, i.e. their tasks vary greatly from day to day, and they fulfil various needs of the firm. For example, in the majority of the busy days it would be hard to distinguish the role of the production manager from the workers, and the role of the sales manager from the work of the secretary that also works for the firm. Yet, in general the production manager coordinates the operations and supervises the workers, whereas the sales manager takes care of the cooperation with the customers, the public services, the banks, etc.

As for the management of human resources, this can be divided in the recruitment, training and supervision of the workers. These tasks are performed by the general manager and the production manager, in close cooperation. The secretary takes care of the payrolls in the firm. The secretary works in close cooperation with the sales manager.

The general manager has identified considerable inefficiencies caused by the lack of middle management that would be responsible for more activities and has agreed that this activity will play a major role in the future of the firm.

Moving on to the description of activities dealing with **Technology** of the firm, things are rather simple, mainly for two reasons. First, as has been said, the firm does not make use of any sophisticated technology, and second, the know-how of the production is concentrated in the general manager, and to a far lesser extent in the production manager.

The firm tries to improve its operations and stays informed about advancements in the horticultural industry, to incorporate new products that it thinks could be of importance. These new products deal mainly with nutrient media, substrates, new species cultivars, agrochemicals, and some machinery. The trials are made in a way that serves mainly the objective of not wasting money and space for uncertain results. So, limited tests are done every year with new products, which are usually supplied for free by the manufacturers, to check for improvements in the production. The tests are made under the usual conditions of the firm, i.e. no controlled tests are performed, since the aim is not to acquire scientifically validated knowledge, but to enhance the financial outcomes of the firm.

Apart from what has been stated above for the activities of the firm, it has also to be mentioned that many activities that are not considered competences of the firm are outsourced. These include tax accounting assistance, legal advice, and preparation of investment proposals.

Analysis of Data

The analysis of the data that were gathered for this step led to the following important points:

- Greece's competitiveness is poor. 71st out of 133 countries, when being a member of the Euro zone cannot be a satisfactory ranking. And things appear to be even worse as this report is being written, since Greece is facing a severe financial and budgetary crisis. Without being aware of these official rankings or other reports from international institutions, Greek entrepreneurs (businesses that are working with K Plants) with which contacts were made during the data collection showed a generalised disturbance (to write the least) for the inability of the Greek governments to support them and offer them at least an (legal, tax, administrative, social) environment similar to that of their European competitors. Their feelings are supported by the secondary data gathered here.
- The worst points about Greek competitiveness are the burden and wastefulness of government spending, labour market efficiency (various factors), macroeconomic instability, corruption, bureaucracy, foreign direct investments and technology transfer, capacity for innovation and company spending on R&D.
- Some other bad points that are more relevant for the case of this project's context are the extent of staff training, state of cluster development, pay and productivity, reliance on professional management, willingness to delegate authority, quality of scientific research institutions, and number of procedures required to start a business.

- The relatively advantageous points for the Greek competitiveness are some facts that deal with tariff barriers, telephone lines, transportation infrastructure, enrolment in schools, and perhaps more importantly the domestic market size. And someone can be sure that he will not get malaria in Greece, since this is the only factor where the country ranks first.
- An important factor for this project's context that is not dealt with in the World Competitiveness Report but plays an important role for the business of K Plants is the climate. This is described in the factor conditions of Porter's diamond. It can be an important determinant of horticultural production and one that differentiates Mediterranean countries from the rest of Europe.
- The floricultural industry in Greece pictures the following interesting facts, for the interests and needs of the internationalisation of K Plants:
  - The ratio of imports to exports is low, and the Greek production serves 85% of the home market
  - The structural problems of transportation and marketing of the floricultural products, the limited technical assistance and scientific research, and the low rate of technology incorporation are the major obstacles for the industry.
  - Modernisation of businesses, improvements of infrastructure, efforts to add value to products, training, and cooperation are the major points that the Greek Ministry proposes as ways to enhance the industry's competitiveness.

In the case of K Plants, the two first steps of the framework led to the identification of the critical factors in its internal and external environment, the most important of which are summarised (based on the previously mentioned data) in the following SWOT analysis, in Table 6.1.

	Positive Impact	Negative Impact
	Strengths	**Weaknesses**
Internal origin	– Know-how and quality of production of Citrus and Olive trees – Value to price ratio – Home market position	– Marketing capabilities – Ability to gather market data – Delegation of management – Inventory management – Level of personnel skills
	Opportunities	**Threats**
External origin	– No tariffs and trade barriers inside the EU – Geographical position (climate) – Market possibilities in the home market – Reduced competition in the home market	– Unfavourable home governmental environment – Lack of cluster development – Geographical position (distance from N-W Europe) – Technological education of lower employees

Table 6.1 SWOT analysis for K Plants and its internationalisation (Source: Own construction through primary research)

The first two steps of the conceptual framework form the "theoretical basis" of the internationalisation efforts, i.e. they are the research (which provides the facts) that a firm needs to possess in order to evaluate its environment and itself. This means that after the completion of these steps the firm has all the necessary data that are needed to a) decide if it is going to continue the internationalisation process, and if yes, to b) continue to the next three steps of the framework. The three following steps are those that the firm can most importantly influence, and those that lead to specific operational and marketing decisions.

6.2.3 Strategic decisions: Data

The operationalisation of this step (see 4.2.3) revealed an extensive list of variables that can be operationalised if a firm is to decide from a zero basis which foreign markets to enter.

Presentation of Data

To begin with, the results that deal with the **market selection procedure** will be outlined.

In the **screening** of the markets, numerous countries were eliminated due to geographical criteria, leaving European countries as the ones that should be further selected. This decision was based on the lack of experience in international business (more distant markets were conceived as more dangerous), and basically on the identity of K Plants' products. The firm produces (heavy) pot plants, for which more long distance transports are not widely used and apparently not economically feasible (each tree weighs from 5 to more than 1000 kg), as may be the case with fresh fruit, vegetables and flowers, which are also alive when transported, yet much lighter. Other selection criteria (e.g. political environment, industrial structure, culture, and lifestyle) that can be found in Table 4.1 also led to confirmation of the notion that European countries can be favourable for the initiation of the internationalisation process of K Plants.

Moving to the **identification and selection** of the markets, it was market size and consumption per capita that were identified as appropriate parameters to narrow down the screened markets even more. These variables presented in Table 6.2, and refer to the consumption and market size of the floricultural industry in Europe. More detailed data especially for the Citrus and Olive ornamentals were not found.

The next step is to present the results that will lead to the **market entry mode** selection.

First, the results on **internal** variables, which deal with the in-house characteristics of the firms, will be presented. The firm is (according to the classification of the European Union) a micro firm, and it possesses no unique resources, apart from the Greek climate, of which it takes advantage. Management does not seem willing to delegate authority. No profit or market share targets for the

	Consumption per capita				Estimated market value		
	Cut flowers	Plants	Cut flowers and plants	Population	Cut flowers	Plants	Cut flowers and plants
	Euros			million	million Euros		
Austria	44	34	78		355	272	627
Belgium	44	26	70	10	436	264	700
Croatia	7	7	14	5	34	36	70
Czech Rep.	9	5	14	10	92	51	143
Denmark	40	43	83	5	200	214	414
Finland	34	28	62	5	171	139	310
France	33	20	53	59	1929	1151	3080
Germany	38	46	84	83	3129	3777	6906
Greece	16	7	23	11	179	77	256
Hungary	13	7	20	10	125	65	190
Ireland	31	11	42	4	122	43	165
Italy	33	10	43	58	1920	557	2477
Netherlands	60	33	93	16	958	534	1492
Norway	58	56	114	4	233	224	457
Poland	7	3	10	39	277	125	402
Portugal	17	7	24	10	166	68	234
Russia	3	1	4	146	423		423
Slovakia	7	2	9	5	37	11	48
Slovenia	25	16	41	2	50	33	83
Spain	19	10	29	40	768	412	1180
Sweden	34	43	77	9	305	385	690
Switzerland	94	42	136	7	658	297	955
UK	40	12	52	60	2394	738	3132
Europe	25	16	41	606	14962	9471	24433

Table 6.2 Per capita consumption and estimated market value of cut flowers and pot plants in Europe (Source: Heinrichs, 2006)

international operations are set. International experience is at an infantry level (only sporadic exports), and no international co operations exist.

The data on **external** variables deal with the new market's characteristics (the analysis of this step necessitates an iterative approach in connection with the analysis of the market selection data in subsection 6.2.3). All the markets that have been selected after the preliminary research rank well in the external variables. Political and investment risk are believed to be low, market barriers almost do not exist (because of the European Union's regulations), and qualifications of local partners is believed to be of a high level, since these countries are pioneers in various industries, and also in horticulture. Also, they have a relatively high estimated market size, most of them use the Euro as their currency (as Greece does), and they have similar political- social environments with Greece, but also high demanding customers and tradition in the horticultural industry.

Finally, the results on external/internal variables indicate that information at this point is only at a basic level for K Plants. International skills of the firm and the staff are at a beginning level. The firm's competencies lie mainly in the production part of its value chain.

Analysis of Data

First, the **market selection decisions** will be referred to. The determinant of this choice will be the data of Table 6.2. Although the data do not refer explicitly to Citrus and Olive ornamental plants, they are the more relevant available data, and can be considered as a good proxy for the consumption of these species also. This notion has been derived by discussion with members of the industry (mainly in IPM Essen 2010), where they didn't present any reason why the consumption patterns should be different than of other pot plants.

As a consequence, it can be derived from the Table that the countries with the highest consumption per capita for plants are:

- Norway (56 € per capita)
- Germany (46 € per capita)
- Sweden (43 € per capita)
- Denmark (43 € per capita)
- Switzerland (42 € per capita)
- Austria (34 € per capita)
- The Netherlands (33 € per capita)

Whereas the countries with the highest estimated market value for plants are the following:

- Germany (3777 million €)
- France (1151 million €)
- Spain (768 million €)
- UK (738 million €)
- Italy (557 million €)
- The Netherlands (534 million €)
- Sweden (385 million €). An interesting fact is that only consumers in Sweden, Denmark and Germany spend more for plants than for flowers.

The operationalisation of the third step of the market selection decisions (i.e. selection of markets) was analysed as follows: "product adaptation to the firm's existing portfolio (there must be accordance between the firm's competences and the characteristics of the products that the customers value as more important)". This statement implies that in order to precisely select the final markets that are to be entered, market research should be made in all the identified markets, to relate the desired product properties with the firm's offerings. First, this was not feasible given the constraints of this project, nor will it be feasible for the first steps of K Plants in internationals markets. Second, this kind of specified selection of market need not be done at this point, and this has to do with the distribution channels that were finally identified as more appropriate for K Plants. It has been decided for this project that firms that are situated in **the Netherlands** are the most appropriate channel for K Plants to enter international markets (see following subsection). Thus, K Plants should care about establishing contacts with the traders-distributors that will buy the firm's products and then distribute them to their customers around Europe.

Second, the data that deal with the **market entry mode** will be analysed. It has been repeated that exporting was the way that this research presumed as suitable for K Plants, yet here some supporting facts for this notion will be presented.

As for the internal variables, it is clear enough already that K Plants has no important international experience, and that it is a small firm that has based its success in the Greek market on the favourable climatic conditions of its location and on its know-how on producing Citrus trees on a certain scale. Internationalisation marketing efforts need to be initiated from the beginning, a fact for which the management does not seem able to offer the necessary time commitment.

The data of the external variables indicate that all the markets to be entered show the same fundamental characteristics at this point of the research. This makes them similar when it comes to the decision on the market entry mode in them.

The results on the external/internal variables just confirm the hints of the previous steps, i.e. the firm is not internationally experienced, and it bases its success on the climate of southern Greece and its know-how.

A for the market entry mode, that licensing, franchise or wholly owned subsidiaries are not viable options for K Plants, because the firm has to stay in Greece (due to the climate, thus no licensing or franchise is possible), and it lacks the funds and the experience to establish a wholly owned subsidiary in a new country (that could possibly take care of the logistics, etc.). On the other hand, **exporting** and **joint ventures** would be possible options. Of them, joint ventures necessitates experience and will for the participating firms, which K Plants does not have for the time being (Yet, at this point it can be said that there are joint ventures between Citrus growers and firms that take care of their logistics in the Netherlands). So, exporting is the way for K Plants to begin, with the possibility of joint venture open for after it will have gained experience on international business.

6.2.4 Establishment in foreign markets: Data

The fourth step of the framework was answered mainly by primary data and secondary data to a lesser extent. The gathered data will be now presented. As has been repeated, 6 traders of ornamental plants in the Netherlands responded and gave the primary information that answered the issues of this step.

Presentation of Data

The secondary data that belong to this step are the following:

- The Netherlands are the major trade channel for ornamental plants in Europe (van der Vorst, 2006). See also Table 6.3, where major European trade channels are presented. Take into consideration that after 2005 (the last point of reference of the Table), Florahollland and VBA have merged, making the position of Dutch trading even stronger in world markets.

Market organisations	Country	1995	2003	2004	2005
		Trends in turnover (million Euros)			
Floraholland	Netherlands		1919,5	1909,3	2005,5
VBA, Aalsmeer	Netherlands	1163,7	1597,7	1630,4	1689,6
Landgard	Germany		715	808	820
Comicent, Pescia	Italy	120	93,9		
New Covent Garden	UK		88,2	94,3	95,1
Oost Nederland	Netherlands	36,2	62,4	59,5	58,9
Blumenhöse Zürich	Switzerland	18,9	25,6	25,5	27,1
Vleuten	Netherlands	22,4	23,5	25,2	26

Table 6.3 Trends in turnover of selected European flower markets (Source: Heinrichs, 2006)

- More data are presented in Table 6.4, which quantifies the trade channels of ornamental plants in the Netherlands, giving the percentages of participation in the trade for every chain participant. Note that the table refers to all ornamental plants and not only Citrus or Olives. Also in this table it can be seen that the main participants are auctions, garden centres, and wholesalers/importers.

As for the primary data, these have been gathered from traders of ornamental plants in the Netherlands, as has been described. The answers of the traders to the questionnaires are presented in Appendix B (Table B.1), where also the questionnaire that has been used is presented. The names of the respondents are not presented, nor are the names of their companies. Some of the most interesting quotes from the respondents are outlined here:

- "...There is a big difference between what supermarkets want and what garden centres want. Supermarkets demand big volumes with no-perfect quality, whereas garden centres search for top quality and niche tree sizes..."
- "...As long as the quality is supreme, there is a market for every plant..."

Channel in %	DE	FR	UK	AT	BE	CH	CZ	FI
Buyers from auction	9,4	1,3	2,6	4,1	42,6	1		1,6
Cash and carry markets	3,8	5,5	8,9	0,1	2,4	1,7	6,3	
Flower shops	8,1	9,8	5,2	4,4	7,7	3,6	2,3	1,3
Flower shops (chains)	4,9	2,6	1	10,5	0,02	1,1	3,4	
Garden centres/Building markets	5,5	5,3	9,6	1,7	5,9	6,1	0,3	12,2
Garden centres/Building markets (chains)	21,4	16,4	20,1	18,5	0,2	2,8	15,7	6,6
Producers with trade business	2,9	4,8	5,5	15,6	3,9	10,2	9,9	5,6
Supermarkets	24	16,6	21,8	21,8	4,3	22,1	3,7	7,9
Wholesale trade, import	19,8	37,5	25,1	23,3	33	51,2	57,6	58,5
Other channels	0,3	0,2	0,2	0,04	0,1	0,2	0,7	6,4
Total	100	100	100	100	100	100	100	100
Channel in %	**IT**	**NO**	**PL**	**PT**	**RU**	**SE**	**SI**	**SK**
Buyers from auction	1,7			4		0,1		
Cash and carry markets	2,9		5,7	1,6	26,2	8,5		17,3
Flower shops	1		1,1	1,3	1,1	5,4	1,8	2,2
Flower shops (chains)	0,2			0,02	0,02	0,7		
Garden centres/Building markets	13,6	0,3		33	0,4	7		1
Garden centres/Building markets (chains)	1,1		7,8	0,9	2,3	4,5	19,5	10,9
Producers with trade business	14,5	15,5	11,9	4,8		9	1,6	0,2
Supermarkets	4,6		13,2	7,1	6,1	4,8	1	3,7
Wholesale trade, import	59,9	84,4	60,3	47	63,5	54	76,1	64,7
Other channels	0,6	0,01	0,1	0,3	0,5	6		
Total	100	100	100	100	100	100	100	100

Table 6.4 Trade channels (2005) for pot plants from the Netherlands (Source: Heinrichs, 2006)

– "...Appearance or price? Don't put it that way. It's about value for money..."
– "...We are always looking for new products, if they are interesting enough..."
– "...The cost for a good label is the same of a bad and only a very small part of the production price. Make a good one with the right information..."
– "...Why limit buyers group without a certification?..."
– "... CC containers are the standard of the industry. But Southern Europe is not so advanced with logistical systems..."

Analysis of Data

First, the **products** and the **prices** that can be offered by K Plants. The respondents indicated the main species and cultivars (of Citrus and Olea genera) that are traded through them, and these are:

- Lemon tree (*Citrus limon*)
- Orange tree (*Citrus sinensis*)

- Kumquat (*Citrus fortunella* margarita)
- Calamondin (*Citrus × microcarpa)*
- Olive tree (*Olea europaea*).

The knowledge of the traders on the species and cultivars of Citrus and Olives depends on the level of their expertise on the species. There have been reports of not accurate data on the traded plants (i.e. different species were recorded under the same coding).

Additional remarks concerning the products include the following:

- These species are traded in many different pot sizes, ranging from 3 litres up to 150 litres. The majority seems to lie between 3 and 12 litres.
- There is no difference for the traders between black or red pots for the plants.
- The traders are willing to include new products (new species, cultivars, pot sizes) in their assortment, as long as they are visually appealing, healthy and in competitive prices.
- There has to be a good value for money for the products. The price that can be asked for the plants depends on the market that is to be aimed. There are markets that require top quality, exclusive plants, and are willing to pay something extra for that (although with constraints); and there are markets that require plants that are cheaper and not of the outmost high quality. This links of course with the relation between price and appearance of the plants.
- The major distinction is made between garden centres and retailers/ super markets/ do- it-yourself shops. The garden centres require more exclusive plants of high quality, since they sell them "by piece", whereas the retailers focus on cost effective products that can be efficiently transported, stored and sold. Garden centres cannot compete with retailers in those high volume products, thus they have chosen to focus on the more expensive and exclusive plants.
- For some of the respondents it was important that the plants bear fruits when they arrive to them, whereas others have indicated that it is not the most important feature. Of course, all said that it is better to have plants with fruit at the selling moment.
- "Unnatural" (i.e. awkwardly pruned) plant shapes have been indicated as not an important part of the market.
- These species are usually maintained in their pots after the selling to the final consumer. They put them outdoors during the summer and indoors during winter.
- The respondents have indicated that "there is a market for every plant".

In the case of prices, there were no explicit questions in the questionnaire for the gathering of the primary data, due to the "sensitive" essence of the topic for commercial firms, but the above mentioned remarks indicate good points for the way the determination of the prices is done in this industry.

Next, the **distribution** issues for the ornamental Citrus and Olive plants will be presented.

The general flow of products that has been identified through the primary research is depicted in Figure 5.1. It can be seen in this Figure that plants that are finally sold to garden centres or retailers are transported to wholesalers, either directly from the growers or through intermediaries in the Netherlands (auctions) or intermediaries in the producing countries. The role of each of the chain participants has been described as follows:

- **Growers**: Firms producing Citrus and olive ornamental plants, located in Italy, Spain or Portugal
- **Wholesalers or Intermediaries in producing countries**: Agents that gather plants from various growers and then arrange the sales to the Netherlands
- **Intermediaries in the Netherlands** (auctions): Act as middlemen between growers and wholesalers around the world for a commission. The activities of Dutch auctions are described in Appendix D, due to their significance for the trade of ornamental plants.
- **Wholesalers**: firms that buy various plants from growers or the intermediaries and sell them to garden centres and retailers around the world. they can be located in the Netherlands or elsewhere.
- **Garden centres, Retailers, Super markets**: Firms that sell plants to the final consumers.

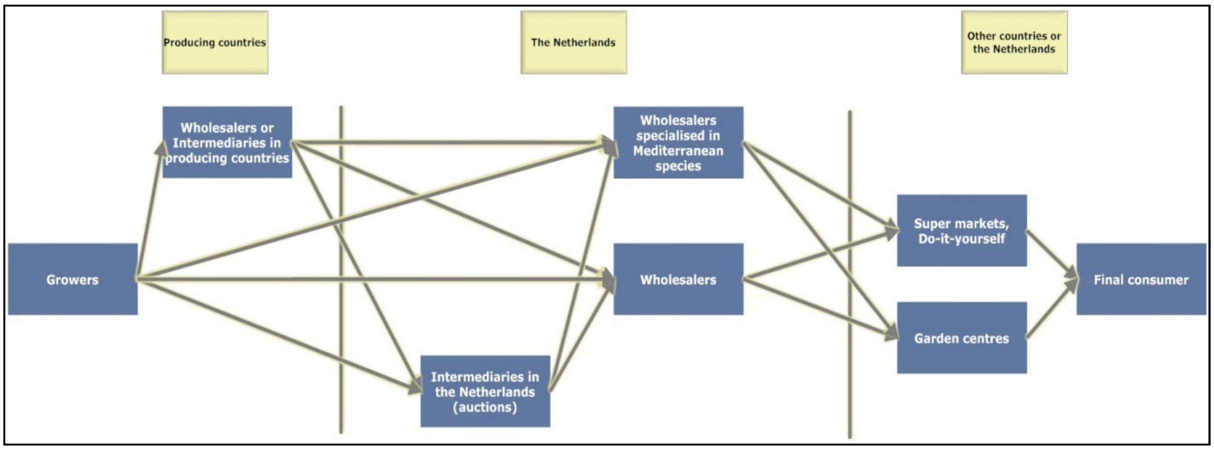

Figure 5.1 Distribution of ornamental Citrus and Olive plants in European markets through the Netherlands (Source: own construction after primary research)

Interesting and important remarks that have been made concerning the distribution channels include the following:

- There is a peak season for these products, which ranges from around February until June or July every year. That is the time that coincides with good weather conditions for Northern Europe.
- When the size of the plants permits, special containers are preferred for the transport, due to ease of handling
- Track and trace systems are not widely used in the producing countries of these species.
- The traders differed in the way they treat their order management. Others order in short notice (days), others have agreements for weekly or biweekly deliveries, and others have long term contracts for deliveries.
- Traders keep the plants in their facilities for the minimum amount of days possible, to avoid taking care of them.
- The trucks that deliver the plants have controlled temperature.

Finally, the **promotion** of these products will be discussed. The significance of a label on the plant that describes the species' characteristics and basic information for the care of the plants by the end consumers has been identified as an important tool for enhancing the positioning of the product. The respondents showed a preference for labels that don't link to the grower directly. If there should be a brand or logo, this should be linked with a broader marketing message related to the positioning of the product (brand it as special/healthy/green, etc.). In general, it was not believed that prices can be significantly influenced through promotion activities.

In general, several important points have been identified that have to do with the fourth step of the framework. The analysis of these data will be presented now:

- K Plants already produces most of the species that have been identified as the most important ones in the primary research. Of them, only Calamondin is not produced, whereas other species are produced, which have smaller contribution to the volumes of Citrus and Olive ornamentals like for example mandarin trees. Also the sizes that are mainly traded belong to the range that K Plants produces.
- It was clear from the responses of all the respondents that the products of K Plants and the core competence of the firm (quality plants in smaller quantities) fit the requirements of garden centres and not the requirements of super markets or do-it-yourself centres.
- The firm does not transport its products in trucks with controlled temperature, due to the small distances within Greece, yet this seems to be necessary for transports to the Netherlands.
- Also, the firm is not using containers for the transport of the products, which also seems to be an important issue especially for the transportation of the smaller sizes.

- The labels that k Plants is using have the logo of the firm on them, and are written in Greek and English. The research indicated that the logo is not wanted, and Greek is of course of no use for the new markets.

These remarks represent almost straightforward guidelines for K Plants to follow and change things in its operations.

6.2.5 Performance measurement, sustainable presence and improvement: Data

The final step of the framework has been addressed through primary data, which came both through the answered questionnaires in the Netherlands and through observations in K Plants (to assess the current situation).

Presentation of Data

The answers to the questionnaires are presented in Table B.1 in Appendix B, whereas the contents of the interviews in K Plants are not presented in this report. Some of the most interesting quotes from the respondents are outlined here:

- "…and remember: tell them that someone should speak English in the firm. We have had problems with Italian and Spanish growers..."
- "…A good website helps for sure…"
- "…After sales communication and support seems to gain more and more importance…"
- "… We know more about these products than a lot of the producers…"

Analysis of Data

The answers of the questionnaires revealed the following remarks that are of relevance for this step:

- Quality certifications are a means to prove quality, although their importance seems to be declining as we move from the grower to the final consumer (i.e. the wholesalers might want them, but the final consumers wouldn't care much). The presence of certifications has been said to broaden the spectrum of possible clients anyway, and for some clients it would be necessary. The most commonly referred certification was MPS (www.my-mps.com).
- All respondents pay a lot of attention to the legal issue of the transactions, and especially to the phytosanitary passport that Citrus species need in order to be transported in the EU.
- Legal issues are dealt with care from K Plants and the phytosanitary passports are in place already (they are necessary also for trade within Greece.

- Some traders travel occasionally to check the plants where they are produced. Others do that in a more systematic manner, and others said that they had no time for that.
- After sales support didn't rank as highly important for traders; yet, it has been mentioned in one case that there are efforts to train staff (especially of) retailers on the care of different plant species. It proved to be a case where no clear conclusion could be drawn from the given responses. It seems that some importers had problems in the past with growers of these species.

The observations in K Plants revealed that there is no formal system of measuring performance in the firm. All the information is assessed by the general manager and decisions are taken based on his judgement. The firm needs to build from scratch a system that will measure its (international) performance, assess its presence in the new markets and incorporate the new reality into everyday's decisions of the firm.

6.3 Summary of Chapter 6

Chapter 6 has presented and analysed the data that will support the decisions of K Plants. The steps of the conceptual framework have been followed and for each one of them relevant information has been presented (gathered through primary and secondary sources). Some steps have been dealt in greater detail than others, depending on their relevance with the research questions and objectives. This analysis led to the following important facts for each of the steps of the conceptual framework:

- **First and second steps**: SWOT analysis for K Plants as presented in Table 6.1, after the evaluation of the data from the relevant analyses.
- **Third step**: K Plants can target the major European markets through traders of ornamental plants that are situated in the Netherlands, due to their extensive power and established network around Europe. This will be done by exporting and the possibility if joint ventures for the logistics part can be assessed in the future.
- **Fourth step**: The products of K Plants fall within the plants traded through the European channels, and the firm needs to make specific adjustments to its operations to meet the requirements identified in this research (controlled temperature trucks, new labels, maybe use of containers). As for the target group that is to be reached through the traders, this is the garden centres that need plants of higher quality, like the ones that K Plants wants to produce.

- **Fifth step**: K Plants should follow the ad-hoc exporting structure for its first steps. Yet, it should be clear that this will only be the first step, and if the firm grows it will have to move on to the next structures that have been named. Also, the firm needs to establish a system that will control its international performance, based on identified success factors.

At this point, all the information is at hand, in order for K Plants to take the decisions that will lead or not to its internationalisation and this is the content of the following chapter.

PART IV

CONCLUSIONS AND DISCUSSION

The final part of the report meets the research objective and gives a summarised view on the research questions and answers.

In chapter 7, the analysis of the research data is transformed into business decisions for K Plants. The chapter gives an answer to the question of whether the firm should internationalise or not, and then proceeds to elaborate further on the link of the research data analysis with the actual situation and K Plants. This link gives the opportunity for suggestions to the firm, under the prism of its internationalising efforts.

In chapter 8, the entire project is discussed and ideas (or necessities) for further research are outlined. Furthermore, the constructed framework is evaluated. The evaluation is based on the framework's relevance for the objectives of the research, its applicability (this research is practice oriented, so applicability is an important aspect of the procedure), and, most importantly, on its ability to cover all aspects of the business internationalisation process. No new information is presented in this chapter, and it serves as a conclusion of the project.

Chapter 7
FROM RESEARCH DATA TO BUSINESS DECISIONS

7.1 Introduction

If the management of K Plants was to deal only with one chapter of this report, this would be it, as it portrays the actual decisions that are recommended to the firm after the completion of the research.

The analysed research data of the previous chapter are brought into the activities of K Plants and transformed to business decisions. This is done after the firm's value chain is confronted with these research data, and the competences of the firm are compared with the critical success factors for the completion of the research objective. Furthermore, recommendations on the necessary steps for K Plants to accomplish its internationalisation goals are given in this chapter.

7.2 Success Factors for K Plants to Internationalise

The data that have been gathered and analysed in order to complete the conceptual framework of this research and meet the research objective led to the following important points and success factors for the internationalisation of K Plants into the European markets of ornamental Citrus and Olive plants:

- The firm has expertise in producing high quality plants, but does not consider marketing as one of its core competences
- The location of the firm offers the advantage of the weather but the disadvantage of the distance from Northern Europe
- The firm relies heavily on the knowledge and personal work of its founder and general manager, with no serious delegation of management
- The Greek national entrepreneurial environment is not positive for the attempts of K Plants

- There are several markets/consumers in Europe that spend considerable amounts on ornamental plants
- The initial internationalisation steps of K Plants may be done through the Netherlands with the form of exports, accompanied by appropriate structural and control systems.

And the "core issue" of critical success factors:

- The quality of the plants (or value for money) is the important factor that will determine the success of K Plants in the new markets, along with its ability to meet the requirements of the agreements with the importing traders. Uniformity, appearance and health of plants seem to determine the quality of the plants; whereas replenishment times, legal issues, ability to handle the peak season and appropriate labelling seem to determine the establishment in terms of cooperation with the importers.

7.3 Should K Plants Internationalise?

The research objective, the research questions and the analysed data of this research indicate a fairly clear answer to this question: K Plants should not internationalise at this moment. Rather, it should prepare its strategy, prepare its activities and prepare its mindset in a way that will ensure that the entry will be like it has been described in the research issue and the research objectives: it will lead to its establishment in the markets and it will not be a series of sporadic sale in the new markets.

To make sure that this will happen, there are a series of things that K Plants is lacking. Yet, it is important to stress here that this research has come to the conclusion that the firm also has specific characteristics that indicate that it can eventually succeed in the new markets, i.e. it is not an impossible or highly unlikely outcome.

To summarise: K Plants should not try to internationalise now, but it can accomplish this objective after appropriate preparation in the right direction. The following section gives the details that explain this hint.

7.4 Insufficiencies and Recommendations for K Plants

The steps that K Plants need to take in order to meet the success factors or the "core issue", as has been presented in this chapter, are divided to the characteristics of the plants' production and to the characteristics of the cooperation with the importers. What K Plants needs to do so as to establish a sustainable presence in the European markets will be described now. The following remarks are based on the findings of this research as these have been presented in chapter 6, and in some points (inevitably) on the researcher's judgement, which was enhanced through the involvement with the relevant issues in the course of this research.

As for the plants' production, it has been mentioned that K Plants should focus on importers and traders that sell to garden centres and florists, since the products that they sell have the characteristics that K Plants believes that its plants have, i.e. high quality in smaller amounts. Yet, the firm has to establish a production planning system which will allow for the management and marketing functions to be able to make (long term) arrangements with international traders. Of course, it is to the knowledge of all chain participants that agricultural production differs significantly from any other form of production, due to large uncertainties that are caused by biotic and abiotic factors that are hard or impossible to predict or fight. This brings obstacles to long term planning of agricultural production, yet a more rigidly established production planning system would allow for better arrangements with all chain participants.

Another important issue that K Plants will need to face is the introduction of quality certifications, preferably MPS (second choice would be an ISO certification). This will allow for the possibility to reach more clients, enhance the image of a quality firm, and minimise possible "country effects" issues.

As for the cooperation with the traders, the firm needs first of all to establish contacts with them and have more in depth discussions with them, having as a starting point the outcomes of this project. It is believed that the success of the internationalisation efforts will depend more on the specific agreements with specific traders, due to the differences among them and the specific requirements that each one has.

Another issue is the marketing of the products. The idea that has been repeatedly referred to during the empirical research is that of a marketing message that would follow the plants rather than only their botanical name. This possibility has to be assessed with caution by K Plants, since the costs to support it will increase the overall production costs.

The judgement of the researcher is that the present situation in the firm would not allow for the successful accomplishment of the abovementioned issues. The reason for this is that the firm operates under a highly concentrated management system, which has performed well under the given set of parameters in the Greek market, but which does not seem willing to adapt to the changes that international operations would demand. The solution that is proposed through this report is that, should K Plants decide to internationalise, there should be an employee (probably new) appointed to the management of the quality certifications, internationalisation management, and international marketing.

In any case, there are two fundamental remarks that need to be made for the described situation and the relevant results that have been presented in this text:

- As far as this research is concerned, it is possible for K Plants to succeed in the European markets, if it takes the appropriate steps forward.
- A basic obstacle is the management model the firm follows until today.

In summary, the recommendations for K Plants in a stepwise manner are the following, based on the research data analysis and after the observations on the firm's activities and culture:

Step I

- **Reorganise the management system**. It was been reported in the theoretical framework of this research that inappropriate management structures are a barrier for internationalisation. The general manager should appoint a person (preferably a new employee) responsible for the international development of the firm. This person should get familiar with the firm's operations and then lead the international expansion, by coordinating the production, logistics, sales and marketing operations into the new markets.

Step II

- **Allocate (production) resources to products for international markets**. At the same time, the firm has to make sure that it will allocate enough (time, human, financial, land) resources to be able to establish a reliable production planning system. Preferably, the products that will be intended for the European markets should be given a separate place in the production facilities of the firm. This will facilitate the production planning and overall management. Also in the literature the resource commitment has been an important success factor for internationalising firms.
- **Introduce quality certifications.** It has been stressed by most of the respondents of the primary research of this project that quality certifications are a good way of showing that the firm wishes to present quality products and reliable cooperation. Especially for new firms that enter new markets quality certifications are a way to establish a good reputation faster. Since K Plants has no reputation in the European markets, a quality certification would allow the firm to have more chances of beginning to cooperate with foreign firms.

Step III

- **Build a professional international network.** One of the main tasks of the person responsible for the international development that has been proposed here should be the build-up of an extensive network of international partners inside the industry of ornamental horticulture. The significance of such networks has been analysed in the literature referred to in the theoretical framework of this report. Regular trips abroad, visits and later participations in international exhibitions (Germany, the Netherlands, Italy and France hold the most important ones in Europe), use of social media etc. could be ways of accomplishing this step.

- **Assess possibilities for building a new marketing image.** Respondents of this research have indicated that a branding image (put differently, a message) that is forwarded through the plants (and their labels and supporting website) is preferable compared to the identity of the grower. Such a decision has significant costs and its viability for K Plants should be carefully assessed.

Step IV

- **Establish quantified goals and a control system suitable for the international operations.** Though this step may seem self evident and one that is continuously repeated in the literature, it will be of great importance for K Plants to manage to work under such controlled and quantified systems, since it has never done it so far formally. Yet, this process is believed that will help the firm significantly in its quest to establish a sustainable, long term presence in the European markets. This step should be detailed and quantified after the initial contacts with the industry have been made and better picture of the industry has been acquired.
- **Establish contacts with European traders.** Through the network that will (hopefully) be built, K Plants should be able to make its initial contacts with the right traders and begin discussing the possibilities for cooperation and sales.

Step V

- **Initiate international activity and sales.** The abovementioned steps are supposed to have given the firm an adequate understanding of the European markets and an adequate improvement in its internal way of working so as to be prepared to initiate its efforts into the international markets and establish a sustainable presence in them.

Figure 7.1 gives a diagrammatic view of what has been presented in this section.

7.5 Summary of Chapter 7

This chapter has presented the business decisions that were derived from the performed research. The research data have been summarized and coded into understandable decisions that K Plants should take in order to enter and succeed in the European markets of ornamental Citrus and Olive plants.

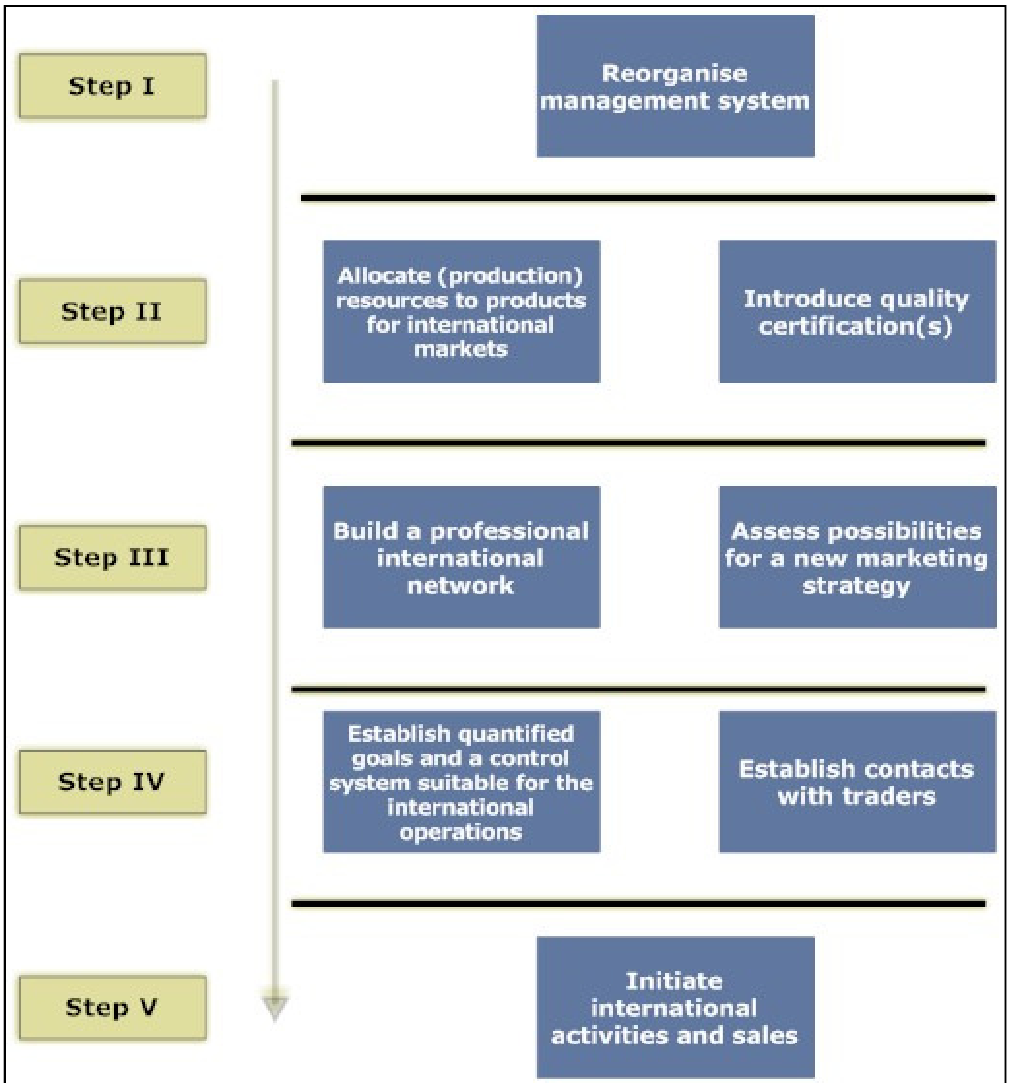

Figure 7.1 Internationalisation steps for K Plants

It has been supported that K Plants at this point should not initiate its internationalisation efforts; rather it should prepare its way towards the new markets, following the directions that have been presented, so as to reach the status of the success factors on a long term, sustainable basis. Also, a scheme has been presented to guide the firm through this process.

Chapter 8
DISCUSSION AND FEEDBACK ON THE CONCEPTUAL FRAMEWORK

8.1 Introduction

The final chapter of the report adds no new data to this research. This chapter goes back to the research objective and research questions, with the intention of trying to examine if these have been answered adequately or where there are deficiencies to be covered. Also, this chapter provides a feedback on the conceptual framework (the basic theoretical outcome of the research) that has been used for the entire process of the research, and discusses the project in its entity so as to mark interesting facts of the research and the research process; to stress points that could be improved in similar research attempts, and to suggest further research that could be done in the field of business internationalisation and by K Plants in its quest for the completion of its internationalisation objectives.

8.2 Revisiting the Research Objective and the Research Questions

The research questions were presented in subsection 2.2.2.

The first research question dealt with the conceptual model of the internationalisation process. This has been presented in section 3.4. Extensive commenting on this part of the research can be found in the following section (8.3).

The second research question was about the operationalisation of the variables. This was done in the subsections 4.2.1 to 4.2.5. It proved to be the more extensive aspect of the research, thus demanding for a careful prioritisation of its concepts, since it became clear that the conceptual framework contained so many variables that it would be impossible to examine each and every one of them in big detail. The prioritisation and the criteria that drove it were presented in chapter 5. The correctness of this prioritisation was a crucial issue for this research (and for any similar future project), heavily affecting its validity and reliability. These aspects were commented more in subsection 2.2.5.

The third research question deals with the critical success factors for the research objective. These were presented in section 7.2. This research was based on secondary data, as well as in data that were derived from conducted interviews. Not all the data were quantitative, which makes inevitable the fact that the researcher's judgement interferes with the interpretation of the data. Caution has been given to present the gathered data in detail before moving into opinions and recommendations. Again the validity and reliability of the project are important when considering the answers on this question.

The final research question is about the recommendations for K Plants. They are presented in section 7.4. Effort has been given in order to derive the recommendation from the findings in the literature, as these could be linked with the data from the primary research for this project. This proved to be a decisive issue of the research, and a great amount of its success or not depends on the management of this issue. On the other hand, literature research can prove endless and contradictory (indeed it seems that in some cases it is possible to find data to support any possible argument), so the researcher has to take the decision to prioritise and select the most relevant pieces of the literature for the given case.

As for the research objective: In theory, the best test to test the effectiveness of the research on terms of meeting the research objective would be to check if K Plants would finally be successful in international trade after following the given recommendations. Yet, this would be an experimental approach, and is definitely not a suitable way of testing in social sciences. In this case, the comments that were made in this report concerning the validity and reliability of the research (2.2.5), and the comments of this chapter (8.2, 8.3, and 8.4) support the argument that (given the constraints of social sciences research in terms of findings' validation) this research fulfilled its objective in an (at least) adequate way.

More comments on the entity of the project can be found in section 8.4.

8.3 Feedback on the Conceptual Framework

The conceptual framework of the research (see 3.4) is a tool that aims to describe the internationalisation process of commercial firms, from the initial formation of the will to expand the activities to new countries, up to the effectuation of the expansion and until the point where the activities in the new markets need to be controlled. It is believed to be the basic contribution of this research with a general application and outside the direct scope of the ornamental plants' industry and of K Plants.

The construction and use of the conceptual framework during the course of this research has led to the following comments on its characteristics:

- The framework is extensive and hopefully covers the entire spectrum of the internationalisation efforts of firms. It is widely accepted (Kumar, 2005) that validation is a difficult thing to establish in social sciences research, so the above notion is based on the fact that during the whole period of the (desk and empirical) research, there was not found a piece of information on internationalisation (in the literature or in the interviews) that could not be fitted in the framework. Of course, this notion needs to be confirmed and validated by further research that would provide better data to support it
- The fact that the framework is extensive calls for the need to focus on specific aspects of it, if it is to be used in a practical manner. It will be rather impossible to be able to address all the components of the framework in detail and through primary data, no matter how large the given set of constraints would be. This means that:
  - The operationalisation of the framework needs to be extensive only for the steps of the framework that will be of the highest importance for the researcher for any given objective. The rest of the steps need to be addressed through the most easily available (yet to-the-point and reliable) data
  - There needs to be a careful construction of the research instrument that will answer the steps of the framework that will be covered by primary data. For the given case, this was done basically for the part of the marketing mix and the sustainable presence in the new markets
- Still, the steps that will not be treated with the outmost care play their important role in the understanding of the entire process and help the decision-maker to keep a holistic view on the topics at stake
- The framework needs to be seen in its true essence, which is iterative and not linear, especially within its second stage. This means that:
  - There are steps that are strongly interrelated, especially the third and the fourth. Also in this research it has been stated that the decisions of the fourth step 9and especially the distribution) determined to a large extent the decisions of the third step (markets to enter) as well
  - Decision on each and every step affect decisions in other steps, and a holistic view on the process and consequently on the entire supply chain) needs to be maintained
- It was very important (i.e. it revealed many unique features of the trade within the industry) that the fourth and fifth steps were operationalised specifically for the Citrus

and Olive ornamental plants industry, and this is what is recommended to be done if the framework is to be applied for other (related or not) industries

- Some points for the specific steps:
  - Step 1 of the framework proved to be more effective than expected, in the sense that it revealed many of the firm's characteristics that were not clear in the firm, and helped in the construction of the SWOT analysis.
  - Step 2 analyses can be essential also for SMEs, especially if clustering is important in a given industry/country. In this case, the characteristics of the related companies will play an important role in the internationalisation decisions. This was not the case for K Plants.
  - Step 3 is of great practical importance, yet it is hard to collect data that fit to specific products and firms (mainly for firms that lack the resources to do extensive research) and it also may be hard to evaluate/quantify the data, especially for the "market entry mode" decisions. A more careful operationalisation of this step in a relevant research would probably help
  - Steps 4 and 5 were the basic points of attention for this research, and this is believed to be true for any firm in its infant steps in international trade, since these steps determine specific requirements of buyers/customers concerning the desired products and the terms of cooperation.

8.4 Discussion on the Project and Further Research

This project was supposed to assess the possibilities of K Plants to internationalise its activities. An appropriate conceptual framework has been developed and applied to the given case. The current discussion will give some final comments on the entity of the project.

The research strategy, the construction of the framework and of the report's presentation gave the possibility for a step-by-step approach to the research issue. Thus, it was possible to reach the research results in a way that allowed for a clear understanding of the process under research. On the other hand, the extensive nature of the framework did not allow for a detailed analysis and operationalisation of each one of its steps and their components. It is an assumption of this research that the parts that have not been explicitly operationalised for this research are not the ones that were crucial concerning the given research questions and did not affect the reliability of the research and the usefulness of the research answers.

Moving to a different topic, one basic thing that needs to be mentioned here is a key point that has to do with the characteristics of SMEs, and especially micro companies, like K Plants, in their efforts to enter new markets. The point is the following: Although the framework is extensive and can handle internationalisation efforts of any size (after appropriate operationalisation), micro companies have to be constantly aware of the fact that they may need one, or a few buyers in the new market that could absorb their production, have a long lasting cooperation with them and develop competences that suit these buyers' needs. This means that statistical or any other analysis of small or big samples that lead to generalizations on the overall situation do not necessarily give the best possible solutions for the firm. Valuable information can be lost in the process of generalization, for example on the needs of a specific buyer that could be just the right one (and enough) for the firm, but the research may have misjudged the relationship between this buyer's needs and the competences of the firm. To avoid that, a careful recording of the collected data may prove valuable for future reference also.

As for further research that is suggested after this project, this is divided in two categories:

- Research concerning the conceptual framework. This research instrument is believed to be adequate for similar researches and, as has been repeatedly stated in this text, with the proper operationalisation it should be able to handle any internationalisation process, irrespectively of the firm's size, the industry, the markets or the products at question. Still, this notion needs to be validated by other research that would aim at the following:
  - Operationalising and/or applying the framework to different industries, bigger companies or other markets.
  - More specifically, the second step of the framework could be operationalised more in detail for the Greek market (with a study on the Greek horticulture or floriculture's characteristics) thus creating a sound piece of analysis that could make the decisions more elaborate
  - The relationship that has been assumed in this research, between the consumption of pot plants and the consumption of Citrus and Ornamentals needs to be validated. This was a critical assumption for the research that determined the outcome of the third step of the framework. Yet, the respondents of all parts of the empirical research carried out did not claim anything different than what has been assumed.
- Research concerning K Plants. The firm has found out a great deal of information concerning its own operations as well as concerning the international environment of its industry. Future steps that could further elaborate this piece of information include the following:

- First, and based on the conceptual framework, the firm has the possibility to do research on the possibilities to enter the European markets through channels other than those of the Dutch importers/traders. It was a presumption of this research that the beginning should be made like that, but again it can be pointed out that other channels could serve its goals. The operationalisation of the framework provides a tool to do so.
- Search for new buyers and use the given questionnaire as a starting tool for the communication with them. It is expected that more importers will reply if the call is for a commercial cooperation and not a research project. The list with all the buyers that have been identified in the Netherlands has been given to K Plants, but is not included in this report, for reasons of privacy of the importing firms
- Possibilities for niche markets of these products should be assessed. Even if the market channels remain the same, markets with special needs for Citrus or Olives could determine relevant changes in the decisions for the firm. This can be done gradually after the first contacts and the networking within the industry
- Possibilities for clustering in the Greek market should be assessed in more detail. The firm has already a large network in Greece, so it is possible to have these possibilities monitored. Clustering is expected to aid internationalisation processes, if done correctly. This analysis falls outside the scope of this research.

8.5 Summary of Chapter 8

The final chapter of this report served as a finalizing feedback and discussion on the project and its components. Feedback on the conceptual framework has been given, where its basic characteristics, good and bad points have been mentioned. Also, the entire project has been discussed, where some general remarks on the project, its use, its strong and weak points, was followed by suggestions for further research, for the improvement of the conceptual framework and for the improvement of the results relevant for K Plants.

PART V

APPENDICES AND REFERENCES

Appendix A: Information and Data of the Research

Importing: From:	AT	BE/LU	CZ	DE	DK	ES	FI	FR	HU	IT	NL	PL	SE	GB	EU-others	EU-total	NO	CH
AT		110	297	1049	54	49		58	250	140	127	12	36	39	531	2752	2	5472
BE/LU	4346		437	28642	4050	3713	3104	109683	250	11285	43126	1468	1921	38359	4448	254832	2142	12342
CZ	298	26		4786	43			97	19	2		19	10		1759	7059		14
DE	44751	12587	6527		20504	1237	5899	17847	1853	9636	46284	6944	11516	10648	5144	201377	5305	41600
DK	7474	5139	1444	61974		3096	12041	21283	1853	5977	10765	2151	60705	28014	2086	224002	7040	13202
ES	53	4175	11	16635	394		140	35231	24	9400	11758	304	240	1112	7047	86524	82	1620
FI		26		5	131	0		18			60		129	26	60	455	11	
FR	799	10183	105	7491	491	5774	43		47	5317	2971	51	26	8562	1128	42988	82	9419
HU	934	272	497	504	0	22	53	375		60	372	85		123	320	3617		717
IT	8209	12665	2104	56540	5072	17013	43	61040	1965		14768	511	245	24491	14573	219239	124	18148
NL	84448	142428	22191	529620	74073	50090	17705	231979	18376	111035		35560	47123	262223	66732	1693583	22691	64930
PL	191	85	1069	20154	3779	29	154	581	220	138	6084		639	272	1431	34826	145	63
SE	3	11		16	2104		2647	7		0	9			0	35	4832	173	
GB	31	779	0	454	930	153		1064	37	142	917	68	103		9334	14012	448	21
EU, others	1313	1191	2832	25709	37	1573	715	5394	173	1209	726	163	363	6504	698	48600	20	123
EU, total	152886	37514	37514	753577	111663	82749	42544	484657	25067	154342	137966	47335	123055	380373	115326	2838732	38267	167673
NO				3	110		23			1	49	1	341	11	7	544		
CH	469	69	1	550				99	1	108	16	0	1		0	1315	0	
WORLD	153760	202889	38135	778158	115164	95671	43517	492294	25563	170219	291248	49431	124808	392737	118200	3091793	39018	169390

Table A-1 Imports of ornamental plants for European countries in 1000 Euros (2005) (Source: AIPH report, 2006)

Exporting: From:	AT	BE/LU	CZ	DE	DK	ES	FI	FR	HU	IT	NL	PL	SE	GB	EU-others	EU-total	NO	CH
AT		4879	199	40141	5793	122		922	194	9729	50819	1	3	41	185	113028		23
BE/LU	25		21	10163	2343	3118		6371	101	11067	95286	146		166	1002	129811		32
CZ	321	499		4076	1313	19		170	479	1172	9892	556		0	1086	19584		0
DE	2720	34103	1370		81467	14547		14336	758	65010	639875	6156	1031	630	1848	863852	2	1251
DK	90	2603	13	12476		184		578		4606	48382	4221	430	66	75	73724	151	
ES	67	6777	0	962	4061			10325	22	23465	51600	13		343	896	98533	7	6
FI		2911	0	4769	19389	70		60	51	59	10632	229	2123	0	595	40888		
FR		160544	71	22854	11113	40099			579	76082	209234	462		74	4240	525352		138
HU	810	548	54	1376	1350	1350		252		3142	12350	222		0	240	20457		6
IT	1327	14851	37	9247	20583	1350		8479	102		107317	70		122	923	178419	1	127
NL	336	60557	161	54930	14005	11091		6395	128	31794		8599	2	489	7269	195756	52	72
PL	85	816	74	3530	1877	342		105	45	498	19276		8	0	34	26690		
SE	67	1944	3	8841	96431	247	348	55	16	625	40465	926		0	76	150044	401	
GB	29	50392	26	7649	28429	1818		12202	182	29167	223201	194	18		7361	360651	23	3
EU, others	640	7134	2539	3755	2390	11796	42	1505	364	21491	55311	515	3615	12960	424	120885	6	
EU, total	6518	348558	4569	184768	290544	98928	391	61756	3022	277907	1573641	22311		14892	26253	2917672	643	1657
NO	2	2715		4651	14946	53	16	58		49	29477	145	1010	397	189	53708		
CH	5467	11103	11	41549	11520	1877		7322	14	17404	64228	61	0	26	92	160673		
WORLD	12711	370982	6292	241649	322693	111083	561	76654	6548	324246	1846116	35635	4638	17718	30115	3407641	660	1728

Table A-2 Exports of ornamental plants for European countries in 1000 Euros (2005) (Source: Heinrichs, 2006)

Table A-3 Sample images of K Plants products (Top row: two Citrus trees; bottom row: two olive trees)

Factor	Ranking of Greece (out of 133 countries)
Global Competitiveness Index	71
Basic Requirements	56
1st pillar: Institutions	70
Property rights	47
Intellectual property protection	42
Diversion of public funds	86
Public trust of politicians	78
Judicial independence	75
Wastefulness of government spending	107
Burden of government regulation	125
Efficiency of legal framework in settling disputes	90
Efficiency of legal framework in challenging regulations	84
Favouritism in decisions of government officials	93
Transparency of government policymaking	95
Business costs of terrorism	87
Business costs of crime and violence	68
Organized crime	55
Reliability of police services	80
Ethical behaviour of firms	101
Strength of auditing and reporting standards	56
Efficacy of corporate boards	104
Protection of minority shareholders' interests	33
2nd pillar: Infrastructure	47
Quality of overall infrastructure	54
Quality of roads	52
Quality of railroad infrastructure	57
Quality of port infrastructure	66
Quality of air transport infrastructure	39
Available seat kilometres	33
Quality of electricity supply	68
Telephone lines	13
3rd pillar: Macroeconomic stability	103
Government surplus/deficit	98
National savings rate	126
Inflation	27
Interest rate spread	39
Government debt	127
4th pillar: Health and primary education	41
Quality of primary education	65
Education expenditure	107
Life expectancy	15
Business impact of malaria	1
Malaria incidence*	1
Business impact of tuberculosis	12
Tuberculosis incidence	38
Business impact of HIV/AIDS	28
HIV prevalence	54
Infant mortality	15
Primary enrolment	5
Education expenditure	107
Efficiency enhancers	57
5th pillar: Higher education and training	43
Secondary enrolment	19
Tertiary enrolment	3
Quality of the educational system	90
Quality of math and science education	47
Quality of management schools	80
Internet access in schools	73
Extent of staff training	101
Local availability of research and training services	84
6th pillar: Goods market efficiency	75
Intensity of local competition	68
Extent of market dominance	61
Effectiveness of anti-monopoly policy	59
Extent and effect of taxation	78
Total tax rate	81
No. of procedures required to start a business	120
Time required to start a business	56
Agricultural policy costs	121
Prevalence of trade barriers	

Tariff barriers	5
Prevalence of foreign ownership	79
Business impact of rules on FDI	111
Burden of customs procedures	61
Degree of customer orientation	75
Buyer sophistication	50
7th pillar: Labour market efficiency	116
Cooperation in labour-employer relations	120
Flexibility of wage determination	128
Hiring and firing practices	113
Rigidity of employment	111
Firing costs	40
Pay and productivity	120
Reliance on professional management	94
Brain drain	83
Female participation in labour force	88
8th pillar: Financial market sophistication	83
Financial market sophistication	58
Financing through local equity market	52
Venture capital availability	75
Restriction on capital flows	47
Ease of access to loans	58
Soundness of banks	45
Regulation of securities exchanges	50
Legal rights index	98
Strength of investor protection	115
9th pillar: Technological readiness	53
Availability of latest technologies	64
Firm-level technology absorption	98
Laws relating to ICT	78
Mobile telephone subscriptions	22
Internet users*	52
FDI and technology transfer	101
Personal computers	63
Broadband Internet subscribers	35
10th pillar: Market size	34
Domestic market size index	29
Foreign market size index	52
Innovation and sophistication factors	66
11th pillar: Business sophistication	66
Local supplier quantity	64
Local supplier quality	61
State of cluster development	87
Nature of competitive advantage	36
Value chain breadth	58
Willingness to delegate authority	94
Control of international distribution	55
Production process sophistication	63
Extent of marketing	54
12th pillar: Innovation	65
Capacity for innovation	101
Quality of scientific research institutions	77
Company spending on R&D	101
University-industry collaboration in R&D	90
Government procurement of advanced tech products	91
Availability of scientists and engineers	20
Utility patents	37
Key indicators: Population: 11,2 millions, GDP per capita: 32.004,6 $,	

Table A-4 Indicators of Greek competitiveness (World Competitiveness Report 2009-2010, WEF)

			Leonidou et al. (2007)	Average K Plants	General manager	Production manager	Marketing manager
Internal	Human resource	Special managerial interest/urge (P)	4	4,3	4	4	5
		Utilisation of special managerial talent /skills/ time (P)	3	2,7	3	2	3
		Management trips overseas (P)	1	1,3	1	1	2
	Financial	Stagnation/decline in domestic sales/profits (R)	4	3,0	3	2	4
		Potential for extra sales/profits from exporting (P)	5	5,0	5	5	5
		Potential for extra growth from exporting (P)	5	5,0	5	5	5
		Possession of financial competitive advantage (P)	4	3,0	3	2	4
	Production	Accumulation of unsold inventory/overproduction (R)	2	1,0	1	1	1
		Achievement of economies of scale (P)	4	3,0	3	3	3
		Availability of unutilised production capacity (R)	4	1,0	1	1	1
		Smoothing production of a seasonal product (R)	3	4,0	4	5	3
	Research & Development	Possession of proprietary technical knowledge (P)	4	4,0	4	4	4
		Possession of a unique/patented product (P)	5	1,0	1	1	1
		Extending life-cycle of domestic products (P)	1	3,0	3	3	3
	Marketing	Possession of a marketing competitive advantage (P)	3	1,7	1	1	3
		Ability to easily adapt marketing for foreign markets (P)	2	2,3	3	1	3
External	Domestic market	Saturation/shrinkage of domestic market (R)	4	3,3	3	3	4
		Need to reduce dependence on and risk of domestic market (R)	5	4,0	4	3	5
		Possibility of reducing the power of domestic customers (P)	1	3,0	2	3	4
		Unfavourable state of domestic economy (R)	1	3,0	3	3	3
		Favourable foreign exchange rates (R)	2	1,0	1	1	1
	Foreign market	Possession of exclusive information on foreign markets (P)	3	2,0	2	1	3
		Identification of better opportunities abroad (P)	4	4,0	4	3	5
		Close physical proximity to foreign markets (R)	2	1,7	2	1	2
	Home government	Government export assistance/incentives (P)	2	2,0	2	2	2
		Ministry of Commerce/trade mission activity (R)	2	1,3	1	2	1
		Encouragement by government agencies (R)	1	1,0	1	1	1
	Foreign government	Relaxation of foreign rules and regulations in certain foreign markets (R)	1	3,7	4	3	4
		Reduction of tariffs/non-tariffs in certain overseas countries (R)	1	5,0	5	5	5
	Intermediaries	Encouragement by industry, trade, and other associations (R)	3	3,3	4	3	3
		Encouragement by banks/financial institutions (R)	3	2,7	2	3	3
		Encouragement by brokers/agents/distributors (R)	3	3,3	4	3	3
	Competition	Intense domestic competition (R)	2	3,3	3	4	3
		Initiation of exports by domestic competitors (R)	2	2,0	2	1	3
		Entry of a foreign competitor in the home market (R)	1	1,0	1	1	1
		Gaining foreign expertise to improve domestic competitiveness (P)	1	2,3	2	3	2
	Customers	Receipt of unsolicited orders from foreign customers (R)	5	1,3	1	2	1
		Receipt of orders after participation in trade fairs (R)	3	1,0	1	1	1
	Miscellaneous	Proximity to international ports/airports (R)	3	1,3	2	1	1
		Patriotic duty of local firms (P)	2	4,7	5	4	5

Table A.5 Internationalisation motives and ranking for K Plants (Source: Leonidou et al. (2007) and primary research)

				Leonidou et al. (2007)	Average K Plants	General manager	Production manager	Marketing manager
Internal	Informational		Limited information to locate/analyze markets	5	4,0	4	4	4
			Problematic international market data	3	4,0	4	3	5
			Identifying foreign business opportunities	5	3,0	3	4	2
			Inability to contact overseas customers	5	2,7	3	3	2
	Functional		Lack of managerial time to deal with exports	3	3,3	4	3	3
			Inadequate/untrained personnel for exporting	3	2,3	3	2	2
			Lack of excess production capacity for exports	2	4,3	4	5	4
			Shortage of working capital to finance exports	3	2,0	2	2	2
	Marketing	Product	Meeting export product quality standards/specs	2	1,7	2	1	2
			Meeting export packaging/101labelling requirements	1	1,3	1	1	2
			Offering technical/after sales service	3	2,0	2	3	1
			Developing new products for foreign markets	1	2,0	2	2	2
			Adapting export product design/style	1	2,0	2	2	2
		Price	Offering satisfactory prices to customers	4	1,3	1	1	2
			Difficulty in matching competitors' prices	5	1,3	1	1	2
			Granting credit facilities to foreign customers	4	4,0	4	3	5
		Distribution	Complexity of foreign distribution channels	3	2,3	3	3	1
			Accessing export distribution channels	4	2,7	3	2	3
			Obtaining reliable foreign representation	4	4,0	4	4	4
			Maintaining control over foreign middlemen	1	4,0	4	4	4
			Difficulty in supplying inventory abroad	1	5,0	5	5	5
			Unavailability of warehousing facilities abroad	1	5,0	5	5	5
			Excessive transportation/insurance costs	5	3,7	4	4	3
		Promotion	Adjusting export promotional activities	3	3,7	4	4	3
External	Procedural		Unfamiliar exporting procedures/paperwork	4	1,7	2	2	1
			Problematic communication with overseas customers	3	2,0	2	3	1
			Slow collection of payments from abroad	3	3,3	4	3	3
	Governmental		Lack of home government assistance/incentives	3	5,0	5	5	5
			Unfavourable home rules and regulations	4	5,0	5	5	5
	Task		Different foreign customer habits/attitudes	5	3,3	4	3	3
			Keen competition in overseas markets	3	4,0	4	4	4
	Environmental	Economic	Poor/deteriorating economic conditions abroad	5	3,3	4	3	3
			Foreign currency exchange risks	4	1,0	1	1	1
		Political/Legal	Political instability in foreign markets	5	1,0	1	1	1
			Strict foreign rules and regulations	4	4,0	4	5	3
		Sociocultural	Unfamiliar foreign business practices	3	3,7	4	4	3
			Different sociocultural traits	3	2,0	2	2	2
			Verbal/nonverbal language differences	2	2,7	3	4	1

Table A.6 Internationalisation barriers and ranking for K Plants (Source: Leonidou et al. (2007) and primary research)

Appendix B Questionnaire used for the Research and Research Responses

Questionnaire

This questionnaire contains open-ended questions. This implies that you are kindly asked to feel free to complete the space for answers with as much information as you think that is relevant for the given questions, and even facts, experiences, thoughts or opinions that relate in any way to the given questions. In some questions some explanations are given to clarify them.

Thank you very much for your cooperation!

General Description of the Supply Chain

1. Please describe the general **flow of products** from producers up to consumers for Citrus and Olive ornamentals *(Do you buy from wholesalers, producers, or from both? Do you sell to garden centres, to other wholesalers, to retailers, to auctions? Do you export?)*

2. What is your feeling about which of the chain participants are **the driving force** of the trade of those species? *(Do you trade what is available from the producers, or do your direct customers indicate what they want, or are the final consumers those who finally indicate what you trade?)*

Species, Cultivars, Sizes

3. Please indicate the **species** and **cultivars** of importance for your firm, regarding Citrus and olive ornamentals *(Which species and cultivars do you trade?)*

4. Please indicate the **sizes of the plants and the pots** that are of importance for each species that you trade. Are these sizes standardised in the industry or is there flexibility in the determination of the sizes? *(Small or big sizes? what measure is used for plants and pots (e.g. litres, diameter, height?)*

5. Are you interested in presenting **new products** (new species, cultivars, pot sizes) in the market or do you think that this is not important for the specific market?

External Characteristics of Plants

6. Do you believe that the **external appearance** is the most important characteristic that your customers value in these species? If you had to decide, would you go for the appearance at the moment of sale or for a healthy plant on the long run? *(see also question nr.10)*

7. What kinds of **plant shapes** are preferred for Citrus and Olive ornamentals (spherical, triangular, etc.)? Do you prefer heavily changed foliage shapes or more natural? *(e.g. there are some ornamental that have been shaped into various forms (e.g. three balls of foliage in olive plants))*

8. Is it important that plants are **bearing fruits** the moment you are buying them? Is this true for all the species?

9. What is the preferred **pot colour** for these species?

Marketing Characteristics and Price

10. Do you believe that the customers of these products consider **price** as the most important characteristic of the plants? How do they react to marketing efforts, promotions and price changes?

11. Is it important (i.e. does it affect the cooperation or the response from the market) that the plants carry **individual label** with their botanical characteristics?

12. Are these products **branded** in any way? Do you believe that branding would affect the sales or the price of these products? *(Should the individual labels carry logos? Of whom? The producer's, your logo, the retailer's logo?)*

13. Is it important (i.e. how does the market react) that the plants and the producers are certified under certain **quality certification** schemes? Which ones (e.g. MPS, ISO 9001, ISO 14001)?

Logistics and Transportation, Order Management

14. Is the **demand** of these products evenly distributed around the year or are there **peak seasons**, and which?
15. How long before the shipment do you usually **place your orders**? Do you work on a contract basis?
16. Is there a **track and trace system** for these products important? How is this done (Through barcodes, RFID trolleys)? How plants should be put in the trucks (trolleys, pallets, or only on pots? How does this vary per size)?
17. How are the **products stored** after you receive them? Do you have infrastructure to support them until sold? How long it take before they are again transported to your clients?
18. In which type of **trucks** are these products transported? *(Do they need controlled temperature?)*

Other issues

19. Do you pay attention to the **legal issues** of the cooperation and especially to the phytosanitary documents required for these species?
20. In the markets that you serve, are these products placed **indoors or outdoors** (by the final customers)?
21. Are you willing or interested to **travel** to the producer's facilities to see the plant before buying?
22. Are these products supported **after sales** by the producers? Is there technical coverage of the intermediaries by the producers *(Probably Northern European sellers are not familiar with the needs of these plants)*? Would this be important or useful?
23. **Other issues. Please feel free to complete any aspect of the trade of ornamental plants that you feel has not been covered by the previous questions.**

THANK YOU FOR YOUR COOPERATION!

Respondent / Question	A	B	C	D	E	F
1	Growers-(wholesalers)-our company-garden centres/wholesalers around Europe.	Growers-(wholesalers)-our company-wholesalers around Europe.	Contact person in Italy (collects plants from growers, sends them), also from importers. Sell to wholesalers, auction, and garden centre. NL, UK, D	Wholesalers- our company-wholesalers around Europe	Growers or wholesalers- our company-wholesalers or retailers	Growers-our company-exporters, wholesalers worldwide
2	Growers and wholesalers indicate availability.	Depends on availability but wholesalers ask for certain products.	Recommendations from growers (what is good) Buy what demand asks Try to sell what they offer.	Depends on availability.	Combination. Try to sell the available but also ask for specific pr0ducts.	Retailers (do it yourself, S/M): volume wise, low margin, 10-12cm pot size, 50cm height, economic volume on trolleys Garden centres: top quality, all other pot sizes, niche sizes, value
3	-Olea europaea -Citrus calamondin, sinensis, limon, 'Kumquat'	-Olea europaea -Citrus calamondin, cumquat, limon	-Olea europaea -Citrus calamondin, cumquat, limon	-Olea europaea -Citrus calamondin, cumquat	-Olea europaea -Citrus cumquat, limon	-Lemon lime, vulca-meriana, calamo-ndin, cum quat -Olea europaea
4	-Citrus: P15 (30 cm) till P50 (175 cm) -Olea: P15 (25cm) till C 150 litre (225 cm)	-Citrus: all sizes till 50 cm -Olea: 22-30cm	-Citrus: 14-26 cm more:19-21cm -Olea: 22-26cm., 35-40cm	-Citrus: 19-26 cm -Olea: 22-26cm	-Citrus: 19-26 cm -Olea: 22-26cm	-Olea 12-20cm, more 14-17cm -Citrus 14, 17, 20cm
5	When the products are better/more visual.	Only if they are more good looking and delivery is guaranteed.	Always look for new products Need to be healthy, strong	Always, if they are interesting.	For nice, healthy plant always interested.	Always looking for new products Life cycle important
6	Always a combination of these 2 items. Not visual, no selling to consumers. Bad experiences with a product no second buying by the consumers	Appearance is important and if good, they pay something more	Value for money. Depends on the market. Average or Perfect quality. Garden centres better plants. S/M: more plants, cheaper.	See nr.10	A combination Value for money is important Not bad looking plants for sure	Depends on market Mass product: strong in mass production, low cost If exclusive: need to find market that will pay for it
7	Almost every garden plant must be cultivated and shaped	No market for us	Strange shapes: expensive, No big market	Only in special orders	No	No special shapes
8	It helps, a good etiquette helps too	Yes, but difficult for all products	Yes	Yes, customers like them	Good customers buy even without them	Depends on market Consumers want fruits
9	Black or red	Black or red, no ceramic pots	Red or black. Decoration for bigger pots	Black or red	Black or red	Black or red, good quality
10	Consumers, detaillists and wholesalers always look at the price. Of course they want to pay more for a healthy good looking plant. But as always there is a limited. I think it will be difficult to raise the price by extra promotion, but of course it will help	See nr. 6	See nr.6	There is a higher margin in exclusive products	Good prices in top quality plants	See nr.6
11	Garden centre 95% of the plants has a photo label. Make a good one with the right information. The cost for a good label is the same of a bad and only a very small part of the production price. Especially for those products.	Absolutely, especially with those bigger plants	It must have a label, especially for garden centres with characteristics (care, water, etc)	It's a must nowadays for any plant	Yes, it helps in garden centres	It's a prerequisite

Respondent / Question	A	B	C	D	E	F
12	Logo is not very important. I find a photo label a good label when it does not lead to the producer or wholesaler. The label is for the consumer to give him the right info. When it is possible a consumer website (no link to the wholesaler/producer)	Very difficult task in plants, needs attention because it's possible to spend money and fail	Maybe for garden centres, clients ask for specific plants	Garden centres may ask for certain brands, but production planning needs to be good!	A marketing concept behind the etiquette serves well, but expensive (and a website)	Depends on buyers Marketing concept behind it!
13	Only a very small (declining?) percentage of the consumers are looking for this kind of info	Consumers don't care much, but important for the chain	Important for growers Increasing value Customers don't ask for them a lot	For new growers is important	MPS is a good passport to many markets	More and more important If focus on retailers: must! Depends also on retailer MPS, GlobalGap, Fairtrade You limit buyer group without it
14	During March till August	March to July	Peak season: February-June, July	February to August	February to June	Citrus: Weeks 2-24 (earlier) Olive: Weeks 9-39 Good weather in Holland
15	The wholesaler or grower can decide what he wants to sell through our system. When they decide to work with our system there must be a quick delivery (within 24 hours)	Order on demand, deliver weekly	Weekly, 2 times per week Order Friday, next Friday here Depends on demand	Deliver weekly or more in peak seasons	Order weekly, deliver next week. Long term planning dangerous! We need reliable partners	Long term or weekly or daily. Depends on agreement
16	We only work with CC trolley. The European law tells us that a "plantenpaspoort" is needed for most of the citrus.	CC containers, bigger plants free on truck	CC containers (easy to unload, load)	CC containers	Containers or free for bigger plants	CC trolleys, no extensive logistics in Southern countries
17	A product stays here max 1 day	Some have tried joint ventures to store them here, we don't do it	2-3 days storage, no care Residue sold in auction	Max. Few days storage here	A few days store-sensitive plants some of them	No storage here E.g. 1 truckload for 1 week stored On the trolley
18	Controlled	Controlled	Controlled	Controlled	Controlled	Temperature controlled
19	Yes	Yes (Plant passport)	Yes (Plant passport)	Yes (Plant passport)	Yes (Plant passport)	Yes
20	Mostly outdoors	Olives inside or outside, Citrus inside in winter	Olives outside, Citrus inside in winter	Olives outside, Citrus inside in winter	Olives outside, Citrus inside in winter	Citrus inside in winter Olea outside or inside
21	No time to do that	No	Once or twice per year	Some times	Two-three times per year	Depends on agreement Check sometimes per year Season of loading: people on the spot
22	No, our experience is that we know more about these products than a lot of the producers	No	No	After sales service important. A good website would help a lot	Not so much, difficult to connect consumers to growers	Beginning to be important
23						

Table B.1 Responses to the questionnaire (Data quoted or summarised)

Appendix C: Extra Tools Suitable for the Conceptual Framework

The concept of the nine strategic windows of internationalisation

This concept gives a general **overview** of the conditions that determine the decision for the continuation of the effort. This step is presented diagrammatically in Table B-1.1. This description is based on Solberg (1997) and provides the firm with nine strategic windows for their international operations, based on two parameters: Industry globalism and preparedness for internationalisation. Industry globalism cannot be influenced by the firm and is mainly affected by the international marketing and trade environment. It spans from local to global industries, depending on the interdependencies between customers, markets, suppliers, the number of the competitors etc. On the other hand, preparedness for internationalisation depends mainly on the firm's own capabilities, and it refers to soft (language, culture of managers, etc.) or hard skills (financial resources, experience, etc.) of the firm. The preparedness spans from immature to mature firms, based on the question whether the firm has the possibility to succeed and expand its presence in the foreign markets. An interesting point in this classification of Solberg is its strong argument towards the need for the firm to seriously consider the possibility of staying at its home market, if it has a weak point in the home market and a limited international experience (box 1 in the table). This classification provides the firm with an initial correct mindset for its other decisions towards internationalisation.

		Industry Globality		
		Local	**Potentially global**	**Global**
Preparedness for internationalisation	**Mature**	3.Enter new business	6. Prepare for globalisation	9. Strengthen global position
	Adolescent	2.Consolidate export markets	5. Consider international expansion	8. Seek global alliances
	Immature	1. Stay at home	4. Seek niches internationally	7. Prepare for a buyout

Table C-1 The nine strategic windows of internationalisation (Source: Solberg (1997)

The operationalisation is done here through two articles of Solberg (1997, 2002). There, the author gives indicators for the two drivers of the necessary information that lead to the placement of firms in one of the nine strategic windows, i.e. Industry globality and preparedness for internationalisation. These indicators are presented in Table C-2.

	Industry globality	Preparedness for internationalisation
Indicators	– concentrated industry – homogeneity and cross-border demand – liberal trade & investment policy – market interdependence – The extent to which the industry competes on the international arena – The level of concentration of competitors in the export market – The degree to which suppliers and customers will become internationalised and concentrated	– international sales ratio – market presence in key markets – modes of operation: level of control and involvement – dominant market position – The degree to which a firm has a foothold in the export market – The degree to which top management is involved in international operations – The degree to which a firm's operations are taking place abroad

Table C-2 Operationalisation of the nine strategic windows framework (Source: Solberg 1997and 2002)

Porter's diamond

The parameters of the diamond are broken down to four categories, influenced by government decisions and chance. The operationalisation of the concepts as well as variables to measure them can be seen in Table C-3 (Brouthers and Brouthers, 1997; Grant, 1991):

Parts of Porter's diamond	Variables	
Factor conditions	Basic	Natural resources
		Climate
		Location
		Demographics.
	Advanced	Communications
		Infrastructure
		Sophisticated skills
		Research facilities
(Home)Demand factors	Composition	
	Demand size and growth	
	Internationalisation	
Related and supporting industries	Existence of clusters	
	Number of clusters	
	International competitive strength	
	Strength of linkages	
Firm strategy, industry structure and rivalry	Orientation of firms' goals	
	Structure	
	Management towards reinforcing sources of advantage	

Table C-3 Variables of the national competitive environment (Source: Porter, 1985; Brouthers and Brouthers, 1997; Grant, 1991)

Some explanations on the conditions categories follow.

- **Factor conditions** refer to factors of production, i.e. materials, land and labour
- (Home)**Demand factors** refer to the nature of the domestic customers. Sophisticated and demanding customers train the company to be competitive in the international environment (Johnson et al., 2008).
- **Related and supporting industries** refer to mutually supporting industries, leading to the creation of competitive advantage.
- **Firm strategy, industry structure and rivalry** refer to the characteristics of the industry and its firm on order to explain another possible source of competitive advantage.

Porter's five forces

Porter's five forces model has been presented by Porter (1980), and as has been broken down by Johnson et al. (2008).

Porter's forces	Variables
The threat of entry	Scale and experience
	Access to supply or distribution channels
	Expected retaliation
	Legislation or governmental action
	Differentiation
The threat of substitutes	The price/performance ratio
	Extra-industry effects
The power of buyers	Buyer competition threat
	Concentrated buyers
	Switching costs
The power of suppliers	Concentrated suppliers
	Switching costs
	Supplier competition threat
Competitive rivalry	Competitor balance
	Industry growth rate
	Fixed costs
	Exit barriers
	Differentiation

Table C-4 Variables of the industry analysis (Source: Porter, 1980; Johnson et al., 2008)

Some explanations on the categories of the industry analysis follow.

- **The threat of entry** is how easy it is to enter an industry and it is described by the barriers to entry.
- **The threat of substitutes** is products of other industries that can reduce demand of the focal industry.
- **The power of buyers is the buyers'** bargaining power.
- **The power of suppliers is** converse factors compared to buyers' power.
- **Competitive rivalry is a** description of the competition

Appendix D: Dutch Auctions: Description of Operations

<u>Note</u>: the following description is not an official statement by the auction, and its contents describe only the way the author understood the auction's operations. Thus, any misinterpretations are a responsibility of the author of this report.

There are two ways through which a grower/ a firm can participate in the Dutch auction system: a) through the "clock" of the auctions, or b) through direct sales. In both cases the auction takes a commission depending on the value of the transaction, and the "commitment" of the grower to the auction (i.e. the percentage of the production that is sold through the auction).

When a firm participates in the "clock" system of Dutch auctions, they sell their products (flowers or plants) through a bidding process (prices begin high and drop until a buyer decides to buy) that takes part every day in the facilities in the Netherlands. This system guarantees the selling of the products, yet not in prices that can be prearranged.

In the contract supply system of the auctions, the growers set the price they want to receive for their plants or flowers; they take advantage of the international sales force of the auctions; and they need a longer term planning of their production.

In either case one has to be member of the cooperatives that run the auctions. There are two types of membership: full membership and contract suppliers. Full members have the right to vote for the auction's decisions; pay the lowest commission; and the auction has the obligation to sell their produce. Contract suppliers have more freedom, they also sell by other channels, but have no right to vote and the produce is not sure to be sold.

The auctions have contacts with all participants in the relevant chains, and they sell to exporters and traders, but not directly to large retailers.

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