

**UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS**

DIPLOMA THESIS

**DEVELOPMENT OF SLOVENIAN HOUSE CONCEPT- THE CASE OF MEXICAN
MARKET**

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STATEMENT

I, Matej Zupančič, student of the Faculty of Economics, state that I am the author of this diploma thesis, whose mentor was prof. dr. Maja Makovec Brenčič. I do permit this paper to be published on the faculty's web pages.

In Ljubljana, October 2009

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INTRODUCTION

International business offers companies new markets. Since the 1950s, the growth of international trade and investment has been substantially larger than the growth of domestic economies. Technology continues to increase the reach and the ease of conducting international business, pointing to even larger growth potential in the future. A combination of domestic and international business, therefore, presents more opportunities for expansion, growth, and income than does domestic business alone. International business causes the flow of ideas, services, and capital across the world, furthermore it opens up markets to competition (Czinkota et al., 2005, p. 6).

European market is getting saturated with companies and products. Economic growth is slowing down and companies started to look further, overseas. Many of them entered a race of exploring new potential markets. The main targets are fast developing countries in Asia and Latin America. Of course these markets are seen mostly as risky investments, but staying local today seems even greater one.

The twenty-seven states of the EU are Slovenia's most important trading partners, and together account for 70.7% of total exports and 78.9% of all imports. Among non-EU countries, Slovenia's most important trading partners are the republics of Former Yugoslavia, accounting for about 15% of total exports. Distant or overseas markets are represented by United States and Russia with only 6.7% of total exports (SIF, 2009).

Slovenian companies are loyal to markets that are close geographically and historically. Psychic distances in these markets are small, market knowledge is good and committing larger resources to them is not as risky as in other markets. Many companies have not decided to develop its operations in distant foreign markets, mostly because of lack of knowledge about these markets. That is why overseas markets have not been considered a chance, and many Slovenian companies still perceive them as big investment in unknown territory.

When developing the concept of my thesis I wanted to find a solution for this problem, to think about how it would be easier for Slovene companies to go global, because the potentials in these markets are enormous and there is still some place for newcomers. I developed a possible solution which I named Slovenian House concept.

Slovenian House concept has a global mission of being a link between Slovenian companies and foreign markets. Its main objective is to play the role of a mediator when companies would seek an entering point to a particular market. It has a mission to strengthen, first Slovenia as a brand and second through the country's name confirm the reputation of Slovene companies. Developing the picture of Slovenia as a country will exert a great influence on the future perception of home companies. With this concept we would gradually start to establish

a strong brand that would be recognized for its diversity, quality and innovation. Uniting under the Slovene brand would bring many benefits for companies. Investments of each company would be lower, first establishing costs would be divided, risk would be minimized, and knowledge would be shared. On each particular market the Slovene House would have its own unique concept but the basic idea would stay the same. The House that would be established would be a multifunctional facility. Slovenian companies would have their representative offices gathered together under one roof and part of the House would be exclusively for expositions and other events.

One of these distant fast growing potential markets where Slovenian House concept could be a possible entry strategy is also Mexico. Trade balance between Mexico and Slovenia is strongly on our side. Our exports to Mexico have been growing gradually, reaching up to 32,865 million Euros in 2008. While Mexican exports to Slovenia have been in decline and reached 8,063 million Euros in the same period (Izvozno okno, 2009).

The purpose of writing this thesis is to question why Slovenian companies do not fully develop its operations on a global level and to find a possible solution to change this. The goal of my writing is strongly related to its actual purpose. It is first to develop a Slovenian House concept, as a way of entering foreign markets together and second to examine a potential market, in this case a Mexican one and to discover the opportunities it possesses on the one hand and match these with potentials of Slovenian companies. And a final goal is to, find an interesting sector that our companies could participate in and spread its global presence.

In the past years, due to big changes in climate and environment, people started to think how to change the course that industrialization took. New trends of “going green” or “eco” emerged, developed and became a lifestyle. Today, people would like to live an eco way of life, and companies are trying to bring this even closer to them. There is no exact explanation of this trend; however, I will try to explain it in the continuation as everything that surrounds us walks the same path of better environment in the future. Slovenian House concept placed in Mexico would be therefore based on eco background. I decided to base this house concept on environmental changes and companies that are “going green”, and are developing products that are following the trends of clean environment. Despite the current economic crisis, renewable energy industries are growing worldwide and the trend due to forecasts will continue in the future.

By matchmaking between Mexican resources and market needs on the one hand and Slovenian companies participating in the corresponding sectors on the other, I found a solid ground for possible future investments. These are renewable energy sector; second homes and household appliances. Natural resources that Mexico has are free and could produce thousands of hours of energy. Warm climate and reasonable prices are opening a big market for second homes in various locations around Mexico. Household appliances are experiencing

sustainable growth, because of higher family income and industrialization of the nation (Promexico, 2009).

The content of my thesis is divided into 8 chapters. After the introduction follows the theoretical part. First I will explain some internationalization theories, their history, main motives, factors and models of internationalization. In the 2 chapter possible entry modes are evaluated. After learning when, how and in what way companies enter foreign markets I will look further and in 3 chapter explain how institutions in charge of foreign cooperation participate in their establishing a market. In Chapter 4 with help of PEST analysis the situation on Mexican market is examined. Chapter 5 analyzes important trade information of both countries, starting with Slovenian export activities, followed by Slovenian-Mexican trade information and quick facts of Mexican trade. Chapter 6 is devoted to explanation of the Slovenian House concept. In Chapter 7, after evaluating the information gathered in the preceding chapters, prospects for future trade between both countries are explored. In this chapter three interesting industries are explained on a global level, domestic level, and the possibility that I foresee for Slovenian companies participating in it. Chapter 8 is devoted to actual implementation of all the facts that were examined in the chapters before. The last part will be a conclusion of my thesis and explanation of results.

1 INTERNATIONALIZATION THEORIES DEFINITIONS

With the process of globalization companies are becoming present in new markets. Due to ease of doing business international trade is consistently growing and companies are expanding its operations and are not being dependent only on domestic markets. Companies are changing their structures and are becoming global enterprises with world presence. Internationalization is becoming increasingly important given the tendency to a “borderless world” (Anderson et al., 1998, p. 492). In other words: today there are no domestic markets only global ones (Root, 1994, p. 19).

All the companies that are participating in this global environment had to go through a process known as internationalization. In general we could say that this means some sort of transfer from only home- operating company to global participator on the market. There are many scholars that perceive internationalization in different ways.

For Colin Coulson-Thomas, internationalization is more than just a question of learning one or more foreign languages and spending time travelling abroad. In essence it is a frame of mind, an attitude and a perspective. It is a view of the business environment in a company with a vision and mission that extends beyond the territory of a single nation state. It is an approach that recognizes the global nature of business challenges and opportunities (Colin, 1992, p.22). Nordström claimed that a firm’s internationalization is an abstract and imprecise concept which includes all characteristics concerning the firm's growth and development from

a primary stage as an exclusively national to becoming a highly international firm (Nordström, 1991, p. 81). Internationalization process by Forsgren, Holm and Johanson may be defined as a process driven by the interplay between learning about international business operations on the one hand and commitments to international business operations on the other (Forsgren et al., 2005, p.60). Piercy and Turnbull describe internationalization as the outwards movement of a firm's operations. Johanson and Wiedersheim-Paul see internationalization process as a number of small incremental changes (Morgan et al., 1997, p.72). Welch and Loustarinen illustrate the complexity of internationalization to the extent of increased international involvement (Welch et al., 1993, p. 157).

Johanson and Vahlne claim that internationalization of a firm is a process in which firms gradually increase their international involvement (1977, p. 23). It is based on learning through the development of experiential knowledge about foreign markets, which is gained so as to reduce their “psychic distance”. Consequently, the firm is able to enter further overseas markets, previously characterized by greater levels of psychic distance, and thereby commit greater levels of resources to internationalization (Morgan et al., 1997, p.72).

1.1 Factors and motives for internationalization

When companies are thinking to internationalize and expand their operations over their borders, there are many different factors and motives influencing this decision process. In the next figure we can see the correlation and dependence between these various factors.

Figure 1: Factors of Internationalization



Source: S. Hollensen, *Marketing Management; a relationship approach*, 2003, p. 368.

As in the past as nowadays companies are looking for ways to enter foreign markets and the motives differ one from another. This table provides an overview of the major motivations to internationalize. They are differentiated into proactive and reactive motives. Proactive motives present stimuli to attempt strategy change, based on the firm's interest in exploiting unique competences or market possibilities. Reactive motives indicate that the firm reacts to pressure or threats in its home market or in foreign markets and adjusts passively to them by changing its activities over time (Hollensen, 2004, p. 31).

Table 1: Major motives for starting export

| Proactive motives | Reactive motives |
|---|--------------------------------------|
| Profit and growth goals | Competitive pressures |
| Managerial urge | Domestic market: small and saturated |
| Technology competence/ unique product | Overproduction/ excess capacity |
| Foreign market opportunities/ market info | Unsolicited foreign orders |
| Economies of scale | Extend sales of seasonal products |
| Tax benefits | Psychical distance |

Source: S. Hollensen, Global Marketing: a decision-oriented approach, 2004, p. 31.

The process of internationalization, from initial interest to full international operation, has been variously described and categorized (Anderson et al., 1998, p. 492). Therefore research in this area focused mostly on the process of internationalization, i.e. how internationalization evolves over time (Forsgren et al., 2007, p. 292).

1.2 Historical development of internationalization

Much of the early literature on internationalization was inspired by general marketing theories. Later on internationalization dealt with the choice between exporting and FDI (foreign direct investment). During the last 10-15 years there has been much focus on internationalization in networks, by which the firm has different relationships not only with customers but also with other actors in the environment. The so called evolution of the theory starts with the traditional marketing approach theory in the 50s (Hollensen, 2004, p. 50). This theory by the Penrosian tradition reflects the traditional marketing focus on the firm's core competences combined with opportunities in the foreign environment. The second theory in the process was "life cycle" concept for international trade in the 60s. Sequential modes of internationalization were introduced by Vernon's "product cycle hypothesis", in which firms go through an exporting base before switching first to market-seeking FDI, and then to cost-oriented FDI. The third and probably the most famous theory is The Uppsala school approach. The Scandinavian "stages" models of entry suggest a sequential pattern of entry into successive foreign markets, coupled with a progressive deepening of commitment to each

market (Hollensen, 2004, p. 51). More or less at the same time as the Uppsala school approach in the 70s, the internationalization/ transaction cost approach theory came out. The internationalization perspective is closely related to the transaction cost (TC) theory. The paradigmatic question in internationalization theory is whether, upon deciding to enter a foreign market, a firm should do so through internationalization within its own boundaries (a subsidiary) or through some form of collaboration with an external partner (externalization). Dunning's eclectic approach is the theory that was developed in late 80s. In his eclectic Ownership-Location-Internationalization (OLI) framework Dunning discussed the importance of location variables in foreign investment decisions. The above mentioned variables are according to Dunning important factors for international success. The word "eclectic" represents the idea that a full explanation of the transnational activities of firms needs to draw on several strands of economic theory. The network approach is considered as a newly described theory. The basic assumption in the network approach is that the international firm cannot be analyzed as an isolated actor but has to be viewed in relation to other actors in the international environment (Hollensen, 2004, p. 50-52).

The above quick summary of theories gave us some ground to understand the evolution of internationalization as a theory. I selected and will discuss in depth three major internationalization theories and a new more recent theory that is gaining more attention in the last decade. First, the Uppsala Internationalization Model, second, the Transaction Cost Analysis (TCA) model and as the last out of these three, the Network Model. The most recent one, which got more attention thanks to the globalizing environment, is Born Globals.

1.3 Internationalization models

1.3.1 The Uppsala Internationalization Model

Much of the existing literature on internationalization has been inspired by the work of Scandinavian researchers who are collectively referred to as the Uppsala School. These researchers generally suggest that the process of internationalization is founded on an evolutionary and sequential build-up of foreign commitments over time (Morgan, 1997, p. 71). The Uppsala Model is the internationalization theory that is most discussed and relevant even nowadays.

Studying the internationalization of Swedish manufacturing firms, their researchers developed a model of the firm's choice of market and form of entry when going abroad. With these basic assumptions in mind, they had noted, first of all, that companies appeared to begin their operations abroad in fairly nearby markets and only gradually penetrated more far-flung markets (Hollensen, 2004, p. 52). Johnson and Wiedersheim- Paul distinguish between four different modes of entering an international market, where each successive stage represents a higher degree of international involvement/ market commitment (Hollensen, 2003, p. 367):

- Stage 1: No regular export activities (sporadic export)
- Stage 2: Export via independent representatives (export modes)
- Stage 3: Establishment of a foreign sales subsidiary
- Stage 4: Foreign production/ manufacturing units

Table 2: The Uppsala model: an incremental approach to internationalization

| Mode of operation \ Market (country) | No regular export (sporadic export) | Independent representatives (export modes) | Foreign sales subsidiary | Foreign production and sales subsidiary |
|--------------------------------------|-------------------------------------|--|--------------------------|---|
| Market A | | | | → |
| Market B | | | | |
| Market C | | | | |
| Market D | | | | |
| Market N | ↓ | | | ↘ |

Source: S. Hollensen, Marketing Management; a relationship approach, 2003, p. 367.

It is believed by the Uppsala model that companies first enter new markets with lower commitments therefore starting with stage one, and after some time involving more and continuing on the stage scale up to final stage (Hollensen, 2004, p. 52).

The concept of market commitment is assumed to contain two factors- the amount of resources committed and the degree of commitment. The amount of resources could be operationalised to the size of investment in the market (marketing, organization, personnel, etc.), while the degree of commitment refers to the difficulty of finding an alternative use for the resources and transferring them to the alternative use.

The key features of the Uppsala Model are well-known: firms develop their activities abroad over time and in an incremental fashion, based on their knowledge development; and this development is explained by the concept of psychic distance, with firms expanding first into markets which were psychically close, and into more “distant” markets as their knowledge developed (Whitelock, 2002, p. 342).

1.3.2 The eclectic paradigm and Transaction Cost Analysis (TCA) model

The eclectic paradigm is set to provide a framework that would explain what determines foreign direct investments and international production (Dunning, 1988, p. 2). International

market entry decisions are therefore made in a rational manner, based on an analysis of the costs of the transaction. Transaction Cost Analysis (TCA) seems to be particularly useful in explaining vertical integration decisions, i.e. how firms evaluate whether or not to establish a manufacturing subsidiary in a market abroad (Whitelock, 2002, p. 343). The foundation for this model was made by Coase. He argued that a firm will tend to expand until the cost of organizing an extra transaction within the firm will become equal to the cost of carrying out the same transaction by means of an exchange on the open market (Hollensen, 2004, p. 57).

The TCA approach begins with the assumption that markets are competitive, i.e. there are many suppliers. Under these conditions, low control modes are favoured because the threat of replacement dampens opportunism and forces suppliers to perform efficiently. When the range of suppliers available to the firm is restricted, there is little threat of replacement and the transaction costs associated with low control modes are increased through the need for stringent negotiation and supervision of contractual relationship. The benefits of integration (control) must, however, be compared with the costs of integration (cost of resource commitments). TCA predicts that firms integrate when asset specificity is high, so as to retain control over the specific advantages they offer to the market. In relation to market entry, the eclectic paradigm suggests that firms make a choice based on an evaluation of the costs of an entry mode relative to its objectives. Consequently, TCA studies tend to investigate either export modes of production within the market. Johanson and Vahlne suggest that the eclectic paradigm has high explanatory power for firms having experience from many regions of the world (Whitelock, 2002, p. 343).

1.3.3 The Industrial Network Approach

Both the Uppsala model and the eclectic paradigm concentrate on the autonomy of the firm in developing its international marketing activity. It is the firm, or rather individuals within it, who determine how it will enter a specific market abroad (Whitelock, 2002, p. 343).

On the other hand business networks are a mode of handling activity interdependences between several business actors. The network differs from the market with regard to relations between actors. In a market model, actors have no specific relations to each other. The interdependences are regulated through the market price mechanism. In contrast, in the business network the actors are linked to each other through exchange relationships, and their needs and capabilities are mediated through the interaction taking place in the relationship (Hollensen, 2004, p. 60). Also Johanson and Mattsson believe that both the Uppsala model and eclectic paradigm leave out the characteristics of the firm and the market that seem important in industrial systems (Whitelock, 2002, p. 344). The industrial network differs from the hierarchy in the way that the actors are autonomous and handle their interdependences bilaterally rather than via a coordinating unit on a higher level (Hollensen, 2004, p. 60).

In this case the internationalization process is described as networking activity, as relationships with foreign intermediaries, customers, alliance partners, suppliers, government officials, and other entities need to be established, maintained, and extended (Welch & Welch, 1996, p. 13). The networks are more loosely coupled than are hierarchies; they can change shape more easily. Any actor in the network can engage in new relationships or break off old ones, thereby modifying its structure (Hollensen, 2004, p. 60).

A total of four groups of variables are identified as being influential in the interaction process: the elements and processes of interaction; the characteristics of the parties involved (buyers/suppliers); the atmosphere surrounding the interaction; and the environment within which the interaction takes place (Whitelock, 2002, p. 344).

When entering a network, the internationalization process of the firm will often proceed more quickly. In particular, SMEs in high-tech industries tend to go directly to more distant markets and to set up their own subsidiaries more rapidly. One reason seems to be that the entrepreneurs behind those companies have networks of colleagues dealing with the new technology. Internationalization, in those cases, is an exploitation of the advantages that this network constitutes (Hollensen, 2004, p. 60).

1.3.4 Born Globals

The establishment of a new business that strives to be international from the beginning of its creation emerged in literature in the late 1980s (Svensson, 2004, p. 1311). Born Globals from their inception pursue a vision of becoming global and often globalize rapidly without any preceding long term domestic or internationalization period (Gabrielsson et al., 2004, p. 557).

Historically, the stage theory of internationalization has been particularly important in explaining the stages of internationalization for companies originating from relatively small and open countries. An alternative viewpoint is the rapid globalization theory. Until recently, there have been few studies on rapidly globalizing SMEs. However, recent research has indicated that all firms do not necessarily internationalize in stages as proclaimed by the Nordic School. In particular, this has been typical for high-tech companies. These exceptions can, however, be traced to a specific group of Born Global companies which operate in an environment where competition is global and products are highly specialized with a global appeal (Gabrielsson et al., 2004, p. 592).

These born global firms face a very different challenge than their more traditional, domestically-focused ones (Karra et al., 2004, p. 1). These companies do not necessarily have time to proceed according to the conventional “stage theory” pattern, and the early setting of global objectives and early entering of lead markets is therefore crucial. Firms entering foreign markets step-by-step can adjust their resources and capabilities gradually, whereas

born globals need to respond very fast to opportunities in the global marketplace. Rapid globalization is expected to put extremely high pressure on organizing financial resources for a faster, deeper, and more expansive global commitment (Gabrielsson et al., 2004, p. 593). The decision to become a born global is clearly a strategic one (Jantunen et al., 2008, p. 159).

An important question concerns the drivers of the new picture of internationalization process of firms. Why does this happen? Based on the literature the rise of born globals may be attributed to at least three important factors (Madsen et al., 1997, p. 565):

1. New market conditions; the increase in the importance of niche markets, global sourcing, changes in technology, and increased human-resource capacity to exploit the changes.
2. Technological developments; in the areas of production, transportation and communication.
3. More elaborate capabilities of people, including the founder/entrepreneur who starts a born global firm and internationally orientated employees (Jantunen et al., 2008, p. 159).

2 ENTRY MODES TO FOREIGN MARKETS

The rapid globalization of business in the last two decades has prompted an increasing number of firms to develop strategies to enter and expand into markets outside their home. Dynamic, emerging markets in Latin America and Asia, as well as large, stable markets in North America, Europe, and Japan now attract both small and large companies from around the world. But once a firm has decided to enter or expand in a foreign market, it must determine the structural nature of its operations in that nation (Osland et al., 2001, p.153).

Selection of overseas markets and entry modes lie at the very heart of any international strategy (Koch, 2001, p. 65). Therefore choosing the most suitable modes of entry in different countries is one of the most relevant strategic decisions that an enterprise must adopt during its internationalization process. The specific characteristics of each target country stand out as fundamental among the various factors determining that decision (Quer et al., 2007, p. 74).

Table 3: Evaluation of entry mode

| Entry type | Entry mode | Degree of control | Resource commitment | Risk | Profit potential |
|-------------------------|---------------------------|--------------------------|----------------------------|------------------|-------------------------|
| Export-based | Exporting | <i>Very low</i> | <i>Very low</i> | <i>Very low</i> | <i>Very low</i> |
| | Franchising | <i>Low</i> | <i>Low</i> | <i>Low</i> | <i>Medium</i> |
| Contract-based | Licensing | <i>Low</i> | <i>Low</i> | <i>Low</i> | <i>Medium</i> |
| | Joint venture-minority p. | <i>Medium</i> | <i>Medium</i> | <i>Medium</i> | <i>Medium</i> |
| Investment-based | Joint venture-majority p. | <i>High</i> | <i>High</i> | <i>High</i> | <i>High</i> |
| | FDI-independent entry | <i>Very high</i> | <i>Very high</i> | <i>Very high</i> | <i>Very high</i> |

Source: B. Kim, et al., Modes of foreign market entry by Korea's SI firms, 2002, p. 19.

In the international business literature, entry modes have long been regarded as closely associated with varying degrees of resource commitment, risk exposure (international and technological), control, and profit return. Past studies have shown that the choice of entry modes depends on different types of factors, including firm-specific factors, industry-specific and country-specific factors (Pan et al., 2000, p. 535).

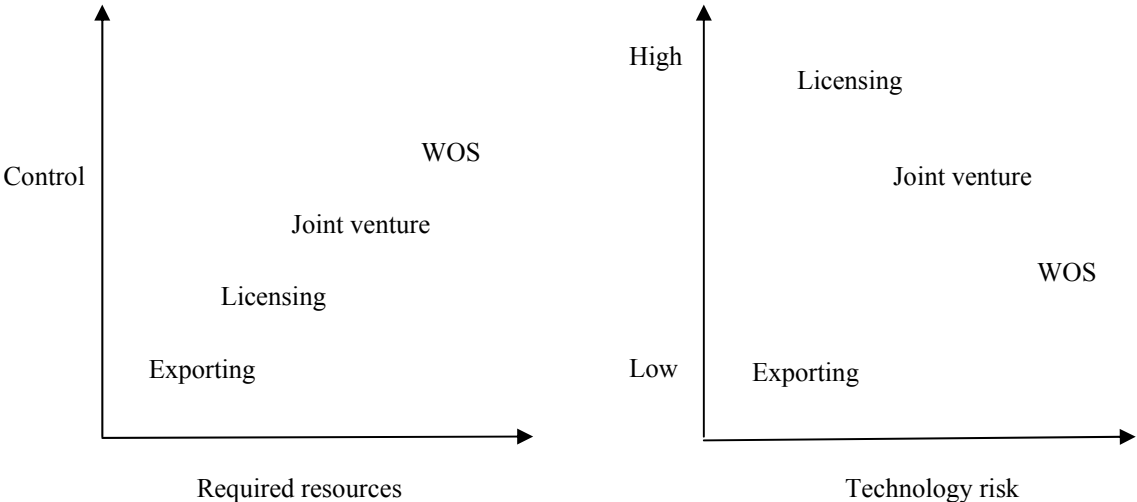
Entering foreign markets could be conducted through three main ways:

- Export entry modes
- Contractual entry modes
- Investment entry modes

Export entry modes may be direct or indirect. Contractual entry modes involve different alternatives including licensing, franchising, technical agreements, turnkey contracts, etc. Investment entry modes include the acquisition of an existing or the establishment of a new solely owned venture, or the acquisition or establishment of a joint venture in the foreign market (Darling et al., 2004, p. 34).

Exporting involves a company selling its physical products which are manufactured outside the target country to the target country. Licensing and franchising arrangements are nonequity associations between an international company and a party in the host country in which technology or management systems are transferred to the host party. A joint venture is an arrangement whereby the firm is required to share equity and control of the venture with a strategic partner. An additional entry alternative is full ownership of facilities in the host country, whereby the parent company takes a 100 percent equity stake in the operation in the foreign country. Full ownership can involve either acquiring an existing business or investing in new facilities in the host country (Taylor et al., 2000, p. 147).

Figure 2: Key characteristics of modal alternatives



Source: G. Osland et al.: *Selecting international modes of entry and expansion*, 2001, p. 155.

I can conclude by saying, that each entry mode provides the management with a trade-off. First, the management can retain full control of its operations through high commitment of resources (wholly owned subsidiary), resulting in exposure to total risk. Second, the management can share control and resources with another firm (joint venture arrangement) and avoid some of the risk. Finally, the management can shift control and risk to another firm and avoid most of the risks in that target market by opting for exporting (Ahmed et al., 2002, p. 809). Therefore one of the challenges of foreign market entry analysis is to identify the optimum entry mode that maximizes returns and minimizes risk (McDonald et al., 2002, p. 207).

Table 4: Entry modes

| | |
|---|---|
| EXPORTING | |
| Advantages | Disadvantages |
| Avoids the often substantial costs of establishing manufacturing operations in the host country | More profitable to produce goods in a country with preferable conditions |
| Helps a firm achieve experience curve and location economies | Transportation costs are becoming higher and higher |
| LICENSING | |
| Advantages | Disadvantages |
| No risk for development costs and other risk present when going abroad | Giving away the license, disables the tight overlook over manufacturing, planning |
| Useful when company does not have sufficient funds to enter a particular market | Possible disclosure of technological know-how |
| FRANCHISING | |
| Advantages | Disadvantages |
| Also a low cost, low risk entry mode | Lack of quality control and loss of reputation |
| Ability to develop new unfamiliar markets relatively quickly and on a larger scale | Limited on franchisor's profits |
| JOINT VENTURES | |
| Advantages | Disadvantages |
| Sharing the potential risk and development cost | Risk of giving overview, control of technology to its partner |
| Venture with local partner brings knowledge of the host country | Lack of strong control over newly opened subsidiary |
| WHOLLY OWNED SUBSIDIARIES | |
| Advantages | Disadvantages |
| No risk concerning the potential disclosure of the know-how | All the risks and costs that could arise have to be covered by the company |
| The potential profits are bigger | It is the most costly entry mode |

Source: C. Hill: International business; Competing in the global marketplace, 2003.

Entry modes that are shown above are often the ways for companies to enter foreign markets. But because market conditions are changing through time and process of doing business is specific in every market, sometimes these solutions for co-operation are not the best options.

Therefore the evolution of conducting business forces us to always adapt, change, innovate new possible ways of entering the market. The Slovenian House concept that will be explained in the following chapters is just one of the possible answers.

3 INSTITUTIONS IN CHARGE OF FOREIGN COOPERATION

When Slovenian companies decide to enter foreign markets, they can seek for secondary information in one of the organizations/ institutions that are in charge of international relations. These organizations are gathering information on a regular basis, about important facts that can later on contribute to better decision making of companies thinking about entering particular countries. These are mostly government-supported organizations that differ from also present consulting groups which most of the time offer knowledge that is more profound, structured and sector precise.

I examined three institutions from Slovenia and one from Mexico that are in my opinion the most involved in providing information for companies going abroad. These institutions are:

- **Ministry of Foreign Affairs.** They mostly operate throughout diplomatic relationships and connections, which includes WTO, EBRD, OECD, etc (MZZ, 2009).
- **JAPTI;** Public agency of the Republic of Slovenia for entrepreneurship and foreign investments, which is financed by Ministry of Economics. JAPTI is a mainstream development and implementation agency (Japti, 2009).
- **Slovenian Chamber of Commerce;** which is the most influential business association in Slovenia. As a member of Eurochambres and the ICC, as well as other international associations and organizations, the CCIS (Chamber of Commerce and Industry of Slovenia) is part of an extensive international network with innumerable contacts (GZS, 2009).
- **ProMexico;** is the most important institution from Mexico that is in charge of foreign companies investing in Mexico and Mexican companies going abroad (ProMexico, 2009).

3.1 Ministry of Foreign Affairs

The department coordinates, organizes, and manages the activities of diplomatic missions to promote Slovenian business and protect Slovenia's economic interests on foreign markets, and to provide assistance in the internationalization of Slovenian business. The division is responsible for the effective reciprocal flow of information between the Ministry, the network of diplomatic missions, other ministries, the Slovenian Chamber of Commerce and Industry, and other institutions and economic players involved in foreign trade relations. It monitors and coordinates Slovenian activities in bilateral and multilateral trade relations with regard to Slovenia's overall foreign policy, in light of the EU's common foreign and trade policies. This includes work in the UNCTAD, UN/ECE, EBRD, World Bank, IMF and WTO. The division

coordinates Slovenia's inclusion in the OECD at the national level and monitors and promotes cooperation between Slovenian ministries and the OECD's working bodies.

The department is responsible for the preparation of documents and information, for the cooperation in analytical and professional examination of gathered information within its field. The data gathered are afterwards sent to Ministries of different countries involved in economic relations with Slovenia. The data are also used for monitoring and evaluating work in Slovenian representative offices in the field of Economic Diplomacy. The Ministry communicates directly with them, and from their work field organizes meetings with leaders and diplomats for possible work opportunities in economic sector of representative offices. It also provides information on the working environment and procedures in foreign countries (MZZ, 2009).

3.2 Japti- Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments

Mission:

The main mission of Slovenian Public Agency for Entrepreneurship and Foreign Investments (JAPTI) is to increase business culture and establish a more competitive system which encourages innovation, in order to help Slovenian companies enter foreign markets, link Slovenian economy representative offices into one big network, making Slovenian environment a friendly place for foreign investments (Japti, 2009).

Activities:

Japti is a national organization for development of entrepreneurship and competitive environment in Slovenia.

The services they offer are conducted through different steps that are connected together into one strategic plan (Japti, 2009):

- Promotion and animation of Slovenian economic environment.
- Implementing so called "soft approach" services (consulting, information service).
- Direct financial investments for development of companies; to maintain big growth and competitive Slovenian environment.
- Support for direct foreign investment.
- Establishment of representative offices worldwide.

Representative offices of Slovenian economy are organizational units belonging to Japti. The main idea of opening these offices is to help small and medium companies go abroad and attract direct foreign investment. Japti has planned to open 8 representative offices in years 2007, 2008. The office that is responsible for Latin America is situated in Sao Paulo, Brazil (Japti, 2009).

3.3 Slovenian Chamber of Commerce

The Chamber of Commerce in its operating mission includes many ways of helping foreign companies enter Slovenia and companies from Slovenia enter foreign markets. Let us name some of the services that they offer for Slovenian companies going abroad. First, they are organizing many matchmaking events during the year. They are collaborating with other chambers around the world in search of appropriate companies abroad that could fulfill the expectations of Slovenian companies looking for suitable partner in that particular country. And an interesting piece of information is that in year 2008 there was a delegation that went to Mexico in the quest for potential business partners. They had several matchmaking events and visited 3 major cities (GZS, 2009).

3.4 ProMexico

Pro Mexico was established on June 13, 2007, through Presidential Decree, as a sectoral public trust under the Ministry of the Economy, and operates through a network of 52 offices throughout Mexico and 35 offices in 19 countries. ProMexico is the Mexican Federal Government institution in charge of strengthening Mexico's participation in international economy. With this objective in mind, the institution supports the exportation activity of companies established in the country and coordinates actions to attract foreign direct investment to national territory (ProMexico, 2009).

3.5 Slovenian House concept

The Slovenian House concept has a global mission of being a link between Slovenian companies and foreign markets. Its main objective would be the role of a mediator when companies would seek for an entering point to a particular market. It has a mission to strengthen, first Slovenia as a brand and second through the country's affirmation the reputation of companies. Developing a picture of Slovenia as a country is very important for the future perception of home companies. With this concept we would gradually start to establish a strong brand that would be recognized for its diversity, quality and innovation.

The Slovenian House concept is a general idea that tries to find an innovative answer on how could Slovenian companies enter foreign markets. To somehow visualize the purpose and function of this concept I tried to put theory into practice and therefore explained it on one particular market- Mexican one. Later on in chapter 6, I structured the whole concept and explained it in depth, describing the main ideas and how could those ideas be potentially implemented.

This kind of concept could also be taken into consideration as an upgrading from the already existing Japti. It could work as a special branch of Japti or become part of this organization.

4 PEST OF MEXICO

The world is made up of a variety of potential markets, country as well as product markets. Limited resources, however, mean that no company can serve all potential markets in the world in such a way that customers are satisfied and the firm's objectives are achieved. The company must select the most appropriate markets. Because of the great number and diversity of markets to choose from, the task of assessing the market's attractiveness and selecting the most interesting ones is rather complex (Mühlbacher et al., 2006).

The external context of strategic decisions is very broad-ranging. It can include governments, competitors, technological and social change and the dynamics of buyer and supplier market. One way for managers to analyze their exposure to a given set of potential contextual factors is through the application of a PEST analysis (Thomas, 2007, p. 10).

I decided to place Slovenian House concept in Mexico. The information that I gathered in PEST analysis and later on in chapter 5, where I clarified the potentials that some markets have, gave me enough insight about the market and encouraged me to place the first example of the Slovenian Houses concept in Mexico. Therefore I conducted my PEST analysis regarding the Mexican market.

4.1 Background-Mexico

Geography

Bordered by the US on the north, Guatemala and Belize on the south, Mexico lies in between North and South America, and is the northernmost part of Latin America. Mexico's topography ranges from low desert plains to high plateaus and rugged mountains, bordered by tropical coastal strips on the Pacific Ocean to the west and the Gulf of Mexico and Caribbean Sea to the east. Only 15% of the land is arable, but Mexico has significant deposits of silver, sulphur, lead, zinc, gold, copper, manganese, coal, and iron ore. Although best known as a petroleum exporter because of rich reserves of crude oil and natural gas, Mexico also exports a variety of agriculture products (PRS, 2007, p. 63). Table of Social indicators shows us a quick overview of population and its categorization in employment sectors.

Table 5: Social indicators

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2002-2006 Average |
|---|--------|--------|-------|--------|--------|----------------------|
| Social Indicators | | | | | | |
| Population (million) | 102.95 | 104.34 | 105.7 | 107.03 | 108.42 | 105.69 |
| Population Growth (%) | 1,4 | 1,4 | 1,3 | 1,3 | 1,3 | 1,3 |
| Agricultural Work Force (%) | 24 | 20 | 20 | 18 | 18 | 20 |
| Industry-Commerce Work Force (%) | 21 | 24 | 24 | 24 | 24 | 23 |
| Services Work Force (%) | 55 | 56 | 56 | 58 | 58 | 57 |
| Unionized Work Force (%) | 16 | 16 | 15 | 15 | 15 | 15 |

Source: PRS, 2007, p. 7.

Political situation

In year 2006 elections were held in Mexico. The new elected president became Felipe Calderon. The new leader confirmed that his top priorities will be guaranteeing public safety, and reducing poverty. Toward that end, he promised a crackdown on drug-trafficking and related crime, as well as tax reforms, infrastructure development, and other structural reforms aimed at boosting competitiveness and promoting the creation of quality jobs.

The plan is to improve the country's competitive edge, and this means a need for an efficient tax system, a labor market capable of employing the available workforce, an energy sector that can efficiently get the maximum benefit out of Mexican natural resources, and a dynamic and competitive telecommunications sector that operates under a regulatory body with clear rules (PRS, 2007, p. 11).

Investment Climate

Openness to Foreign Investment

Mexico is open to foreign direct investment (FDI) in most economic sectors and has consistently been one of the largest recipients of FDI among emerging markets. In recent years, however, Mexico has become less competitive relative to other emerging economies, particularly China, India and countries in Eastern Europe.

Foreign investment in Mexico has largely been concentrated in the northern states close to U.S. border where most maquiladoras are located, and in the Federal District of Mexico City. The Yucatan peninsula, historically an area for tourism investment, has seen industry in other sectors grow due in part to their ability to quickly send goods from its ports to the United States. Financial services, automotive and electronic sectors have received the largest amounts of FDI (PRS, 2007, p. 46).

The Government of Mexico has had some success in simplifying the process of investing in Mexico. The Secretariat of Economy (SECON) maintains a Spanish/ English-language website (www.economia.gob.mx) offering an array of information, forms, links and transactions. Despite progress, however, according to a World Bank study, it takes on average 58 days to complete all paperwork required to start a business in Mexico; compared to an average OECD figure of 25 days (PRS, 2007, p. 47).

Legal Framework

Right to Ownership and Establishment

Foreign and domestic private entities are permitted to establish and own business enterprises and engage in all forms of remunerative activity in Mexico. Private enterprises are able to freely establish a business, and acquire and dispose of interests in business enterprises. The two most common types of business entities are corporations (Sociedad Anonima) and limited partnerships (Sociedad de Responsabilidad Limitada). Under these legal entities, a foreign company may operate an independent company, a branch, affiliate, or subsidiary company in Mexico. The rules and regulations for starting an enterprise differ for each structure (PRS, 2007, p. 56).

Environmental Issues

The government has increased spending on environmental protection and stepped up enforcement of environmental regulations. However, Mexico's rapid industrial expansion, pollution controls and infrastructure changes have so far been inadequate for its rapid economic growth, especially since environmental regulations received little attention until recently. The government reports that as much as 11% of Mexico's potential GDP is lost because of environmental problems, but adherence to environmental regulations has become increasingly more important, particularly in larger cities and their suburbs (PRS, 2007, p. 56).

Infrastructure

Mexico has an adequate transportation network that is being modernized. It is developing a modern highway system, connecting the main industrial areas located in the triangle Mexico City-Guadalajara-Monterrey. The main land-border crossings with the U.S. have the highest passenger traffic in the world. Laredo/ Nuevo Laredo is by far the most popular land-border crossing for goods, with approximately 40% of all U.S.-Mexican trade clearing customs at this point.

The main maritime ports in the Gulf include Altamira, Tampico, Veracruz and Progreso, and in the Pacific Coast, the ports of Ensenada, Lazaro Cardenas, Manzanillo and Puerto Madero.

All these ports have infrastructure and equipment to facilitate intermodal, door-to-door merchandise transportation (PRS, 2007, p. 56).

4.2 Climate for trade

Trade Barriers

Tariff and Non-tariff Barriers

Under the North American Free Trade Agreement (NAFTA), there are virtually no tariff barriers for U.S. exports to Mexico. U.S. companies do, however, face certain non-tariff barriers when exporting to Mexico (PRS, 2007, p. 62).

Taxes and Fees Assessed on Imports

Import Tariffs. Under the terms of the NAFTA, Mexico eliminated tariffs on all remaining industrial and most agricultural products imported from the United States on January 1, 2003. Mexico's average duty on U.S. goods has fallen from 10% prior to the NAFTA to less than 0.1% today (PRS, 2007, p. 62).

International Agreements

Mexico is the country with the largest network of free trade agreements (FTAs) in the world. Mexico has FTAs with 33 countries, including the European Union, European Free Trade Area, NAFTA, Israel, and 10 countries in Latin America. The agreement with the European Union was modeled after NAFTA and provides EU goods with tough NAFTA parity from 2003 onwards. Mexico is holding free trade discussion with additional Latin American and trading partners including Brazil, Argentina and Panama. Mexico's membership in the WTO, APEC, OECD, Free Trade Area of the Americas (FTAA) negotiations, and its pursuit of bilateral investment treaties give further testimony to Mexico's commitment to economic liberalization (PRS, 2007, p. 62).

Bilateral Investment Agreements

Mexico has enacted formal bilateral investment protection agreements with 21 countries: 13 European Union Countries (Austria, Benelux, Czech Republic, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, Sweden), as well as Australia, Argentina, Cuba, Iceland, Panama, South Korea, Switzerland and Uruguay. Mexico continues to negotiate bilateral investment treaties with China and India (PRS, 2007, p. 62).

4.3 Economical situation-Forecast

Table 6: Domestic economic indicators

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2002- 2006 Average |
|-------------------------------------|--------|--------|--------|--------|--------|-----------------------|
| Domestic Economic Indicators | | | | | | |
| GDP (Nominal, \$bn) | 648.63 | 638.80 | 683.07 | 767.68 | 840.03 | 715.64 |
| Per Capita GDP (\$) | 6300 | 6122 | 6462 | 7173 | 7748 | 6761 |
| Real GDP Growth Rate (%) | 0.7 | 1,40 | 4,20 | 2,6 | 4,9 | 2,8 |
| Inflation Rate (%) | 5,00 | 4,60 | 4,7 | 4 | 3,7 | 4.4 |
| Unemployment Rate (%) | 2 | 2,4 | 2,7 | 3,6 | 3,6 | 2,9 |

Source: PRS, 2007, p.7.

Economic growth:

A sharp weakening of economic activity under way since mid-2008 will intensify in 2009, resulting in a contraction in real GDP growth of 0.2% next year and recovering only slowly to 1.8% in 2010. The projections are that GDP growth turns positive only in the fourth quarter of 2009; thereafter, a gradual recovery of US real import demand will spur stronger exports and domestic demand. However, the recovery will be slow and credit conditions will remain tough, restricting real GDP growth in 2010 to 1.8%, well below the 2004-07 average of 3.8% (Bloomberg, 2008).

Inflation:

The anticipated year-end inflation in 2008 was 7.1%. It is expected to fall to 5% in 2009 and declining to 3.6% in 2010. Although a decline in global commodity prices and a severe slowdown in the domestic economy will ease demand-side pressures, inflation will fall only slowly. Conditions in the domestic economy, should, however, limit the ability of producers to pass on rising costs, allowing annual inflation to moderate in 2009. It is not expected that annual inflation could fall back within the 2-4% target range until the second half of 2010 (Bloomberg, 2008).

Exchange rates:

The projection for the end of 2008 was an exchange rate of Ps13:US1, amounting to 16% depreciation over end-2007. With oil prices falling, the economy weakening sharply, and the dollar benefiting from heightened risk aversion, it is not anticipated to bounce back in 2009, taking the exchange rate to Ps13.83:US1 by the end of the year. With only a gradual recovery of Mexican exports and international financial markets expected in 2010, the peso will be slow to recover the lost ground, resulting in an end-2010 rate of Ps13.54:US1. These forecasts

envisage that the average real exchange rate will weaken by around 12% over 2009-10 as a whole. Projections assume that the pace of depreciation will be tempered by a sizeable reserves cushion and sustained-if much reduced- inflows of foreign direct investment (FDI) (Bloomberg, 2008).

5 TRADE FLOWS OF SLOVENIA AND MEXICO

5.1 Slovenian Export Activities

In the first part of my thesis I was explaining different internationalization theories. There were many different approaches, explanations and visions of how companies develop its foreign presence on the market. To summarize them I would say that in general the process of internationalization develops gradually; market knowledge and size of investment are correlated. Countries which are culturally closer and there is more knowledge about the market conditions are more favorable to enter. In these countries companies develop their operations faster, and the amount of investment is greater. On the other hand countries with bigger psychic distance, therefore lower market knowledge are not as attractive for big investments. The potential risk is too high and investment is sized to minimum.

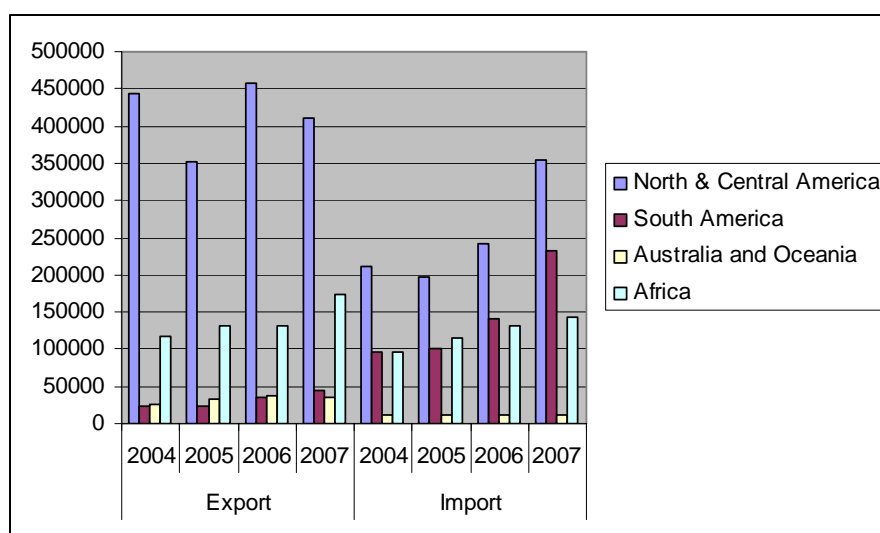
Looking at some important economical data about Slovenia we can find a correlation between the explained theories and the real situation. The twenty-seven states of the EU are Slovenia's most important trading partners, and together account for 70.7% of total exports and 78.9% of all imports. Only 29.3% of goods were exported outside the EU. Among non-EU countries, Slovenia's most important trading partners are the republics of Former Yugoslavia (accounting for about 15% of total exports). Distant or overseas markets are represented by the United States and Russia with only 6.7% of total exports (Slovenia in Figures, 2008, p. 74). In the table below we can see that in year 2007 exports amounted to a total of 19406 million Euros, out of which a bit more than 18 billion Euros of goods and services were exported to Europe. Asia was second with 673.284 million Euros, followed by North & Central America with 411.268 million Euros. Exports to Africa had a value of 174.691 million Euros and exports to South America accumulated for 43.573 million Euros. Australia and Oceania imported 36.167 million Euros of goods and services from Slovenia (SURS, 2009).

Table 7: Slovenian export/ import information by continents

| | Export | | | | Import | | | | 1000 EUR |
|------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2004 | 2005 | 2006 | 2007 | 2004 | 2005 | 2006 | 2007 | |
| Europe | 11703859 | 13364724 | 15535746 | 18058968 | 13138533 | 14586431 | 16902718 | 19338968 | |
| Asia | 470240 | 492454 | 554159 | 673284 | 603862 | 790182 | 910828 | 1411122 | |
| North & Central America | 442811 | 351228 | 458688 | 411268 | 210126 | 198310 | 241935 | 354496 | |
| South America | 24038 | 24324 | 34848 | 43573 | 97187 | 101790 | 140191 | 232179 | |
| Australia and Oceania | 25281 | 33461 | 37044 | 36167 | 10585 | 11963 | 11506 | 12668 | |
| Africa | 116838 | 130861 | 132176 | 174691 | 95321 | 116110 | 131163 | 142653 | |
| Total | 12783088 | 14397054 | 16757167 | 19405894 | 14143039 | 15804786 | 18340809 | 21507584 | |

Source: SURS, 2009.

Figure 3: Slovenian export/ import information by continents



Source: SURS, 2009.

Analyzing the above mentioned data, it can be seen that internationalization of Slovenian companies has not fully developed in terms of global trade. Of course I cannot generalize it, but I can assume that some companies that have global potential have not yet taken full advantage of it. I could say that companies are loyal to markets that are close geographically and historically. By observing these numbers I can conclude that Slovenia has two main markets; Former Yugoslavia countries and the EU common market. Former Yugoslavia had a strong home market, where companies were selling mostly all the products. People got used to brands, products and even today feel a sentimental value towards them. Although the borders have changed and the countries got their own independence, this market is still important for Slovenian companies, because of historical background. But becoming a

member of the European Union, Slovenia entered a common market of EU countries, with all the benefits that it possesses. Therefore Slovenian companies gradually increased their presence, and are today exporting significant amounts of goods to this market.

The European market is getting saturated with companies and products. Economic growth is slowing down and companies started to look further, overseas. Many of them entered a race of exploring new potential markets. The main targets are rapidly developing countries in Asia and Latin America. Of course these markets are seen mostly as risky investments, but staying local today seems even greater one. With globalization and all the information that is available today, the risk of not knowing the potential markets is getting smaller. The world has never been so close and consulting companies, chambers of commerce, foreign affairs ministries etc., are opening the unknown and bringing those markets closer to us.

The potentials in these markets are enormous and there is still some place for newcomers.

Table 8: Slovenian export/ import with USA, Mexico, Brazil and Argentina

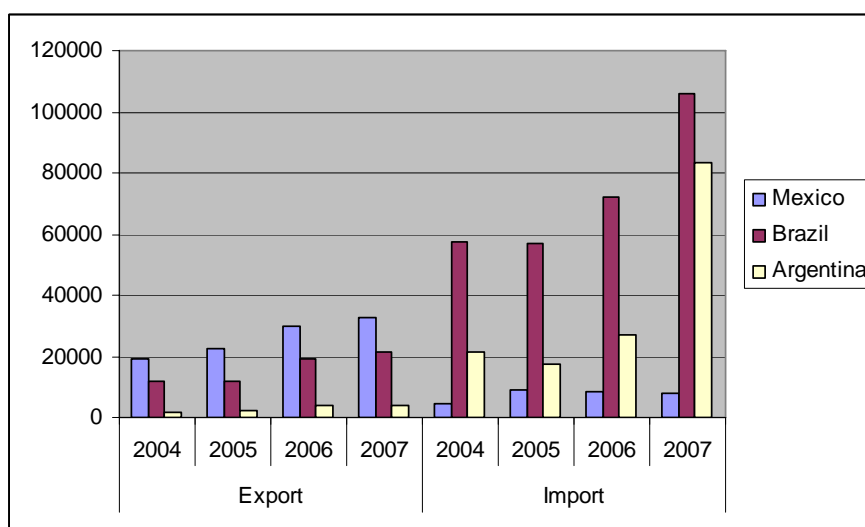
| | Export | | | | Import | | | | 1000 EUR |
|------------------|---------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|----------|
| | 2004 | 2005 | 2006 | 2007 | 2004 | 2005 | 2006 | 2007 | |
| USA | 399745 | 294014 | 384048 | 329318 | 165601 | 145352 | 199157 | 280315 | |
| Mexico | 19036 | 22536 | 30087 | 32865 | 7095 | 8959 | 8468 | 8063 | |
| Brazil | 11649 | 11801 | 18883 | 21602 | 57422 | 57014 | 72364 | 105896 | |
| Argentina | 1665 | 2354 | 3825 | 3876 | 21416 | 17289 | 27121 | 83128 | |

Source: SURS, 2009.

Mexico is seen as one of these potential markets for many reasons. It is open to foreign direct investment in most economic sectors and has consistently been one of the largest recipients of FDI among emerging markets (PRS, 2007, p.47). Mexico has an adequate transportation network that is being modernized (PRS, 2007, p. 56). It is the country with the largest network of free trade agreements (FTA's) in the world, including the European Union. For Slovenian companies that wish to internationalize, Mexico is a good opportunity because it has a free trade agreements to North and Central American markets.

Nevertheless it is Slovenian most important trading partner in Latin America. Exports to Mexico are increasing yearly and are 50% higher than exports to second most important trading partner Brazil. In the table 8, and figure 4, I wanted to show that out of all countries in Latin America, Mexico shows the highest potential for future investments. USA is being present in the statistic above to demonstrate and remind that entering Mexico could mean also possible future expansion over the border to USA in that case companies would enter the market with almost 500 million consumers (SURS, 2009).

Figure 4: Slovenian export/import information of Mexico, Brazil and Argentina



Source: SURS, 2009.

5.2 Slovenian-Mexican trade: data view

It is interesting to look at the trade balance between Mexico and Slovenia and examine where Slovenia found its potential for investing to Mexico. If we look at the numbers below and at figure 5, the trade balance is strongly on the Slovenian side. In 2003 Slovenia had a surplus of 5.860 million Euros and it was growing and resulted to a surplus of 24.790 million Euros in 2007.

We can note that exports to Mexico were growing substantially over the years. In 2003 the estimated export was 18.205 million Euros. At 2005 reaching 22.536 million, and finishing year 2007 at 32.853 million Euros.

In year 2007 the most frequently exported goods from Slovenian economy to Mexico were: air and vacuum pumps, compressors and ventilators (38.2%), parts for rotary electrical machines (17.1%), parts for tractors, buses and cargo vehicles (15.7%), paper and cardboard (3.3%), lighting, signalization and windshield cleaners (2.5%) and tools for hand driven mechanical machines (2.3%). The biggest exporters in first 7 months of the year 2006 were: Danfoss Compresors d.o.o., Kolektor PRO d.o.o., TBP d.d., Cimos d.d., Impol d.d. and Lek d.d.

As for imports from Mexico, they were high in 2003 comparing to later years and were estimated at 12.345 million Euros. In 2005 they downsized by almost 30 percent, to 8.959 million Euros. There was a small decline in 2007 when imports from Mexico represented the value of 8.063 million Euros. In year 2007 the most frequently imported goods from Mexico to Slovenia were: antibiotics (33.1%), medical, surgical, veterinarian instruments (15.8%),

products from vulcanization crude rubber (12.7%), cars and other motorized vehicles for public transportation (7.3%), carbonated acids (7.2%) and electrical machines for landline telephones and telegraphs (5%). The biggest importers in the first 7 months of 2006 were: Danfoss Compresors d.o.o., Johnson & Johnson d.o.o., Krka d.d., Smart Com d.o.o., Goodyear Engineered Products Europe d.o.o. and ETA Cerkno d.o.o. (Izovzno Okno, 2009).

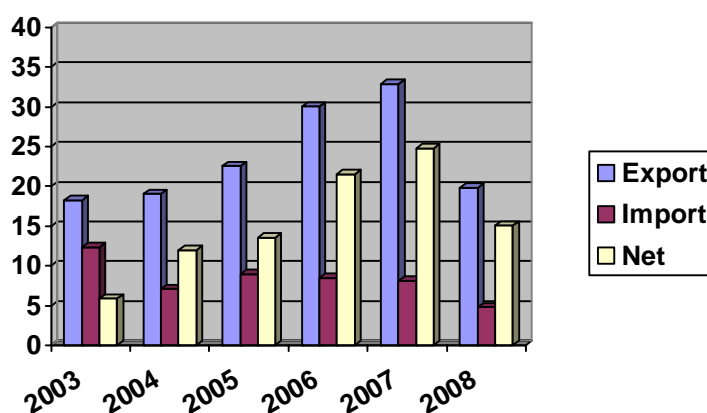
When I looked at the level of commitment of Slovenian companies and the amount of resources they invested in the Mexican market I came to the conclusion that most of them were exporting through their local sales agents. The majority of exporters did not invest significant numbers to establish their operations on the market, though there are some exceptions. Two companies have their manufacturing plants in Mexico:

TBP S.A. de C.V. (branch office of Slovenian company from Lenart). It is manufacturing parts for automotive industry. It is situated in state of Queretaro and is employing between 100- 120 workers.

Armeton Mexico S. DE R.L. DE C.V. (branch office of Slovenian company Armeton d.o.o. from Sežana), which manufactures concrete weights for house hold appliance industry. It is situated in state of Nuevo Leon (Monterrey). It employs 30 people (MZZ, 2009).

Figure 5: Trade balance between Slovenia and Mexico

| Year | Export (mil EUR) | Import (mil EUR) | Net (mil EUR) |
|------|------------------|------------------|---------------|
| 2003 | 18.205 | 12.345 | 5.86 |
| 2004 | 19.036 | 7.095 | 11.941 |
| 2005 | 22.536 | 8.959 | 13.577 |
| 2006 | 30.01 | 8.468 | 21.542 |
| 2007 | 32.865 | 8.063 | 24.802 |
| 2008 | 19.86 | 4.797 | 15.063 |



Source: Izovzno Okno, 2009.

5.3 Mexican trade; Quick facts

Total imports in 2007 were estimated 281.9 billion USD. The most imported commodities were: metalworking machines, steel mill products, agricultural machinery, electrical equipment, car parts for assembly, repair parts for motor vehicles, aircraft, and aircraft parts. The biggest import partners in 2007 were: US (49.6%), China (10.5%), Japan (5.8%), and South Korea (4.5%) (CIA Fact book, 2009). In the past years due to information in table 9, foreign trade was constantly rising.

Table 9: International economic indicators

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2002-2006 Average |
|--|--------|--------|--------|--------|--------|----------------------|
| International Economic Indicators | | | | | | |
| Foreign Direct Investment (\$bn) | 19.34 | 15.35 | 22.30 | 19.64 | 18.94 | 19.11 |
| Exports (\$bn) | 161.05 | 164.77 | 188 | 214.23 | 250.29 | 195.67 |
| Imports (\$bn) | 168.68 | 170.55 | 196.81 | 221.82 | 256.13 | 202.80 |
| Trade Balance (\$bn) | 7.63 | 5.78 | 8.81 | 7.59 | 5.84 | 7.13 |

Source: PRS, 2007, p. 7.

6 SLOVENIAN HOUSE CONCEPT

6.1 Mission of Slovenian House concept

Many Slovene companies do not decide to develop its operations in distant foreign markets, mostly because of lack of knowledge about the market. Therefore overseas markets have not been perceived as favorable to enter by many Slovenian companies that still look upon it as a big investment in unknown territory. Slovenian House concept is therefore based on the idea of uniting; it is developed as a possible solution to encourage exports to long distant markets like Mexico.

The Slovenian House concept as already explained in Chapter 3 has a global mission of being a link between Slovenian companies and foreign markets. It has a mission to strengthen the image of Slovenia as a brand in the world and through this reputation build awareness about Slovenian companies. I believe that with Slovenian House concept we would have a solid ground to start accomplishing that. For a single company it is much harder to achieve recognition of a brand and to build a brand image, if it is not a global brand already known in these markets. Therefore Slovenian House could with a good strategy, country branding, bigger financial resources, global plan, achieve these goals easier and put Slovenian companies on the map.

6.1.1 Country Branding

Developing this project, I could not overlook the importance of country branding. This short paragraph has the intention of briefly explaining the importance of it.

Image is a set of beliefs, ideas and impressions that a person holds regarding an object (Kotler, 1997, p. 607). Country image is influenced by exogenous factors such as a country's economic development, national identity, and its people, in short its cultural environment (Jaffe et al., 2001, p. 95).

As the globalization of marketing efforts continues, the relationship between country, brand and product images on purchasing behavior become more important (Jaffe et al., 2001, p. 38). There is no consensus definition of the country image effect, it is generally understood to stand for the impact that generalizations and perceptions about a country have on a person's evaluations of the country's products and/or brands (Jaffe et al., 2001, p. 41). Industries and furthermore their products are because of country of origin, perceived in a special way and the country puts additional added value on these products. When we hear particular words we associate them with some countries; wine- France, cars- Germany, watches- Switzerland and so on. Today in mass production world that we live in, the country of origin plays a role that it had never had before.

6.2 About the concept

The Slovenian House Concept is an idea, a need, a vision and a potential future project.

The idea of this concept is to establish (buy, rent, build, construct) a house in a foreign market that would feed the purpose of two things. First, the basic initiative for this house is that Slovenian companies would unite under one roof and together enter distant foreign markets. These markets are perceived as very risky; therefore uniting would bring many benefits for companies. Investments of each company would be lower, first establishing costs would be divided, risk would be minimized, and knowledge would be shared. A house on each regional market would have its own unique concept but the basic idea would stay the same. The house that would be established would be a multifunctional facility. There Slovenian companies would have their representative offices gathered together under one roof and a part of the house would be exclusively for expositions.

A need for this house that would be constructed is that on the one hand it would be an office space for companies but most of all it could serve the purpose of an round -the- year- fair. It would be the exposition space of Slovenia, represented by its companies. Companies would have space for exhibiting their products, so the potential clients would have the opportunity to be introduced to them on the spot. There are many additional activities that could take place

in the house ranging from: launching new products, promotion activities, tourism expositions, cultural events, hosting conferences etc.

A vision that Slovenia through this concept would build its recognition and gradually develop into a global brand. This is just one of the many ways in which Slovenia as a country can start its global presence through companies connecting the markets, and being present on all 5 continents.

A potential project is the implementation of all the suggestions mentioned above. It would be the first house concept that would see the light of the day and could set an example of how companies can unite and function together. I chose Mexico, because of all the potentials that this market possesses. Slovenian House concept located in Mexico would be based on eco background. After matchmaking the potential of growing Slovenian companies and Mexican natural potentials, I decided to base this house on environmental changes and companies that are “going green”, and are developing products that are following the trends of clean environment. The main basis would be renewable energy, including solar power, geothermal power, and biofuels. Besides that I would invite companies from different industries that are facing big potential growth and can somehow associate with “going green” trend. One of these fast growing markets are: market of second homes and household appliances. Sectors that are complimentary to those industries and have an eco background could also be included in the concept.

The implementation of this house would actually mean building a brand new house or rent a suitable one on a desired location. The goal is to interact with all the products in a functional way, so they would actually be there and suit the purpose. Photovoltaic modules would be placed on the roof and would provide electricity, a geothermal device would contribute its part to heating, interior design companies would have to furnish the offices and other facilities with their products, household appliances would be used or exhibited. There would still be an expo- space for companies that could not fully interact with the house.

In my opinion, the house should primarily be for companies trying to establish themselves and be present on the market independently or via distributors. Participating companies could be presented also with associated products as a complimentary option. These companies could also offer consulting services, project planning and so on. But nevertheless the idea is to make this house a lively place, as a center of attention where something interesting happens. The house could host cultural events, tourist presentations, matchmaking events etc. Newcomers would have the chance to present themselves, special branch weeks could be organized and companies would participate in them. Normal functioning of the house will bring operational expenses, with these kinds of activities steady partners in the house could profit while offering these services.

6.3 The House Concept ownership

Company ownership in foreign markets is related to the question of entry mode strategy. In the first part of my thesis it is explained that the basic question of different entry modes is the level of committed resources in a particular market. Entry modes are ranging from small committed exporting and licensing to large commitment of resources such as joint ventures, and wholly owned subsidiaries. The concept of the house is going to be a strategic alliance between Slovenian companies, more specifically a joint venture, because it is supposed to last for a longer period of time. It can be seen as a corporate entity formed by two or more international companies for the purpose of doing business in a third market.

It would be a good solution to elect one person as a director of the house. The owners depending on their stake would have the right to choose a person who would be in charge of operational things regarding the normal functioning of the house. Also an additional board of directors could be an option.

6.3.1 Company locations and facilities

Company location would be in the capital of Mexico in Mexico City. There are 3 main economic centers in Mexico; these are a city in the north of the country Monterrey, Mexico City with its central position and Guadalajara that lies in the west.

In Mexico City I decided to place the house in Polanco. It is a lively district where a lot of foreign companies have their headquarters, where all luxury brands have their shops and where there are plenty of restaurants, galleries etc. I believe that the district that has a combination of business environment and leisure is the perfect mix for our idea.

6.4 Why Eco?

In the past years, due to big changes in climate and environment people started to think how to change the course that industrialization took. How to prevent the ongoing pollution of our planet? At that point a new trend emerged on the horizon, the trend about going green or in other words eco trend. What eco actually means? Well, there is no exact explanation what it means and what everything it involves. Any product in any industry that takes care about environment and is planned to be environmentally-friendly could be considered as eco. In the beginning only specific sectors like renewable energy were considered. But today even in heavy industries that were seen as big polluters, eco research and eco programs are being implemented. So I see eco as everything that surrounds us and walks the same path of better environment in the future.

Going green became a lifestyle. People started to “live green”, and involve their everyday life decisions around this trend. In which house to live, what kind of car to drive, what kind of food to eat, clothes to buy, products to use...

Why Mexico?

Mexico boosted its image as a global leader in climate change in December 2008, when it announced it had set the goal of reducing greenhouse gas emissions to 50% below 2002 levels by 2050 (The World Bank, 2009).

Now Mexico is embarking on a comprehensive strategy to cut emissions and reduce energy use while also potentially putting the Mexican economy on a low carbon growth path. The plan will get a \$500 million boost from a new Clean Technology Fund supported by eight governments, managed by the World Bank, and administered by the World Bank Group and other multilateral development banks (The World Bank, 2009).

Mexico is among the first countries to tap the \$5.2 billion fund that provides grants and low-interest financing to pilot and scale up low carbon technologies and make other changes that reduce energy use and pollution. The strategy involves every sector of the economy, but the \$500 million from the Clean Technology Fund endorsed in January will boost the country's efforts on cleaner urban transportation, energy efficiency, and renewable energy, especially wind power (The World Bank, 2009).

CTF funds will also boost efforts to develop renewable energy, particularly wind power and mini-hydro installations, which promise to eventually create hundreds of thousands of new jobs, according to the CTF investment plan. Whereas 22% of energy produced in Mexico comes from hydroelectric resources, the wind sector is virtually untapped, providing only about 7% of Mexico's electricity output. But recent laws setting targets and policies for renewable energy provide a “window of opportunity” for accelerating wind power development in Mexico (The World Bank, 2009).

In the following paragraphs I will explain why I believe that eco sector is experiencing a big potential growth and is a suitable choice of industry that could penetrate the Mexican market. It is hard to measure real statistics in all sectors of all industries that are going green. That is why my data are concentrated only on the following renewable energy sectors: wind power generation, photovoltaics, biofuels, and biomass. I examined the situation in EU and Slovenia to show the enormous possibilities that these sectors possess.

ECO-industry in EU

Eco-industry is only one element in a much wider trend. The long-term trend in the EU is towards environmentally-friendly production where eco-innovation and eco-products such as

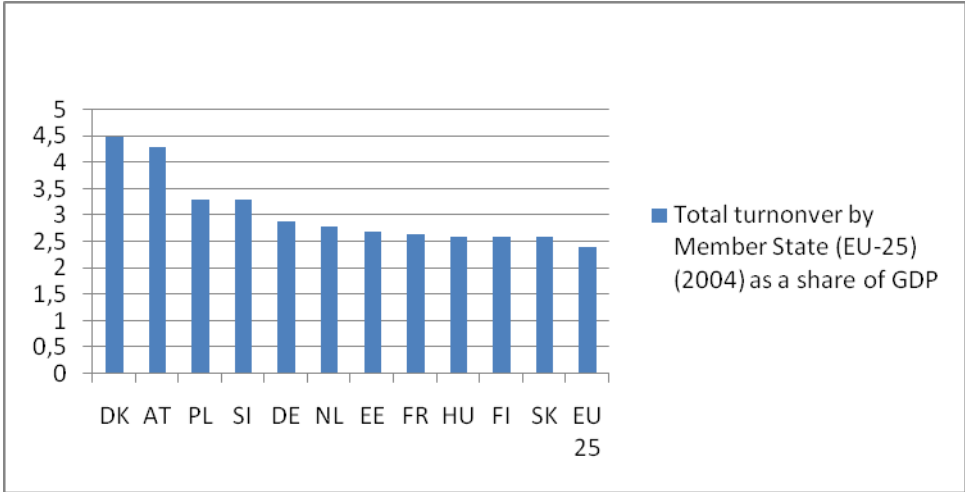
cleaner cars, energy-efficient light bulbs and resource-efficient production techniques are becoming more prevalent (Facts and Figures, 2008, p. 4)

The EU eco-industry has grown to become one of Europe's biggest industrial sectors. It contributes to EU economic growth and employment while leading to a cleaner environment. It has an annual turnover of over 227 billion Euros or about 2.2% of the EU’s Gross Domestic Product (GDP) (Facts and Figures, 2008, p. 1).

Production trends:

With annual growth of up to 5%, the eco-industry was one of the most dynamic sectors of the EU's economy in the 1990s (Facts and Figures, 2008, p. 1).

Figure 6: Member State turnover



Source: Facts and Figures, 2008, p. 1.

In the figure above we can see that Slovenia is in the fourth place and almost 3.5% of total GDP is contributed from eco-industry. This shows us the undoubted potential that Slovenia possesses.

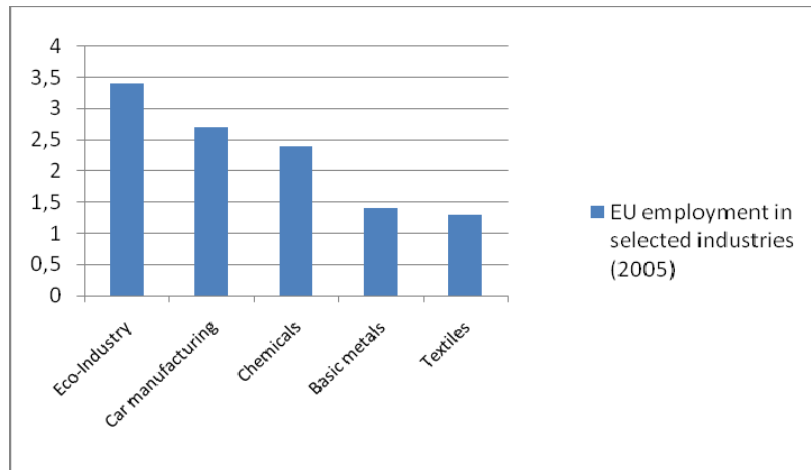
Total employment in eco-industry

Eco-industry accounts for 1.7% of total paid employment in Europe or about 3.4 million full-time job equivalents. This is substantially more than prominent sectors such as car manufacturing or pharmaceuticals as seen in figure 7 (Facts and Figures, 2008, p. 5).

Employment in the sector grew at around 5% per year in the 1990s. Since 2000, growth has originated from smaller but more dynamic sub-sectors. The share in workforce distribution is

highest in Austria where it represents more than 3% of the total workforce. It is followed by Denmark, Estonia and Slovenia (Facts and Figures, 2008, p. 5)

Figure 7: EU employment in selected industries in millions



Source: Facts and Figures, 2008, p. 5.

The number of jobs linked to environment protection goes beyond the eco-industry itself.

The renewable energies sector

The manufacturing and maintenance of wind turbines employed 25,000 in 1998. This grew to 72,000 in 2002. The increase in the number of jobs in the wind and photovoltaic energy sectors is a direct result of the record growth experienced by these two sectors. For example, wind power generation capacity increased by nearly 19% in 2006 and photovoltaic solar power capacity shot up by 57%. Employment in the renewable energies sector is predicted to increase quickly since the shift towards clean energy production. It is expected that the sector will have up to 2 million additional jobs by 2010 taking into account jobs lost in the conventional energy sector (Facts and Figures, 2008, p. 7).

6.2 Future prospects between Slovenia and Mexico

Analyzing Mexican trade characteristics, looking at the PEST analysis and furthermore examining investment climate through the ProMexico government institution, I found industries that have a big potential and are developing fast. By matchmaking between Mexican resources and market needs on the one hand and Slovenian companies participating in these sectors on the other, I found a solid ground for possible future investments.

In the following pages I will describe the market potential of 3 industries that are going to dominate in upcoming years and the correlation that I see with Slovenian companies. These

are renewable energy sector; second homes and household appliances. Natural resources that Mexico has are free and could produce thousands of hours of energy. Warm climate and reasonable prices are opening a big market of second homes in various locations around Mexico. Household appliances are experiencing sustainable growth, because of higher family income and industrialization of the nation (Negocios, 2008).

The competition in Mexico is present and increasing in all three markets. But on the other hand markets that I am analyzing are showing fast growth in a steady pace. The demand is booming and will so in the future. Markets are prosperous and the figures show that their growth will be high in the following years, despite the financial crisis we are facing at the moment. What these markets need are new investments of innovative and high technology products and services.

7 MEXICO: MARKET ATTRACTIVENESS

The goal of a market analysis is to determine the attractiveness of a market and to understand its evolving opportunities and threats as they relate to the strengths and weaknesses of the firm (Netmba, 2009).

7.1 Renewable energy sector

| | |
|---|--|
| <p>2007 statistics</p> <ul style="list-style-type: none"> • 148 billion USD of worldwide investments • 60% increase from 2006 • 17 billion USD attracted for R&D • 253 research centers worldwide • 28% increase in aeolic energy from 2006 • 63% increase in solar energy from 2006 | <p>Predictions</p> <ul style="list-style-type: none"> • 450 billion USD by 2012 and 600 billion USD by 2020 of annual investments • 2% of generated total electricity in 2004, will rise to 7% of total in 2030 • 7.2% annual compound growth |
| <p>National infrastructure program 2007-2012</p> <ul style="list-style-type: none"> • Intends to increase the total capacity of: • 158 MW- geothermal energy • 588 MW- wind power | <p>Mexico- predictions</p> <ul style="list-style-type: none"> • 40,000 MW- potential to generate through wind force • 87 MW- today installed capacity • 5 KWh/m2- average sun exposure (could power average home) • 2,400 MW- potential in geothermal energy • 843 MW- today installed capacity • 14 KW/m3- Atlantic Ocean possibilities • 13 KW/m3- Pacific Ocean possibilities |

If there has ever been a time and place for renewable energy to take a big step toward becoming the main provider of global energy it is here and now. The increasing relevance of global warming as well as the worldwide economic crisis and the rise of oil prices have given alternative energy producers the opportunity to become once and for all part of mainstream energy generation (Negocios, 2008, p. 36).

Since the 70s, renewable energies have gained strength as an alternative to traditional ones. Their current and future availability, as opposed to fossil fuels which require thousands of years to be generated, and their lower impact on environment are two of the main profits encouraging this revolution (Negocios, 2008, p. 6).

7.1.1 Profile of the renewable energy sector worldwide

During 2007, worldwide investments in renewable energy were nearly 148 billion USD, representing a 60% increase compared to the previous year. According to New Energy Finance intelligence report, annual investment could reach 450 billion USD by 2012 and 600 billion USD by 2020. Based on the global goals for reducing greenhouse emissions, it is estimated that investment in the renewable energy sector will show solid growth over the coming years (Negocios, 2008, p.38).

During 2007, renewable energy contributed 23% of new capacity of installed electrical power generation at the worldwide scale, (31GW), at present, renewable energy accounts for 5.4% of total installed capacity worldwide (241 GW).

The countries with greatest installed capacity and equipment manufacturers are: Germany, Japan, United States and China.

Research and development in the sector attracted 17 billion dollars in 2007 (30% more than in 2004). At present there are approximately 253 research centers worldwide. Mutual funds earmarked for this type of investment rose to 35 billion dollars in 2007 (Negocios, 2008, p.38).

Eolic energy

Eolic energy is the most important renewable source of electricity. In 2007, capacity to generate eolic energy grew by 28%, with a total investment of 33 billion dollars (Negocios, 2008, p. 32).

Solar energy

The world wide capacity for installed generation of solar energy grew by 63% in 2007, according to the European Photovoltaic Industry Association. The value of the electricity generated stood at 20 billion, whereas the cost of investment in solar plants reached nearly 2 billion. The McKinsey consulting firm expects that in the coming 3 to 7 years, solar energy in

locations with a favourable climate will be competitive in terms of cost as compared to other alternatives (Negocios, 2008, p. 41).

Biofuel and others

Between 2005 and 2007, biofuel production increased by 43% as compared to 2005. Other sources of renewable energy include geothermal energy and biomass (Negocios, 2008, p. 32.)

7.1.2 Renewable energy in different forms

Generally speaking, the term renewable energy is applied to all energy generated by natural resources that replenish themselves cyclically such as solar heat, wind, tides, rain, geothermal heat as well as biomass and biofuel.

Among the many advantages of renewable energy these are some truly beneficial qualities (Negocios, 2008, p. 40):

- They are considered endless sources of energy.
- The installation necessary to transform a natural source into a usable product are far less expensive to build and maintain.
- Most of them are considered green energies, meaning their creation releases little to no pollutants into the atmosphere.

Renewable energy comes in many different ways. A list of industries that have shown the most progress in the last few decades: wind power, solar power, geothermal power and biofuels are further explained as an appendix under number 6.

7.1.3 Renewable energy potential in Mexico

Due to its great biodiversity and vast natural resources, Mexico offers the ideal scenery for taking advantage of several possibilities in this sector. From Solar, to Aeolian, Mexico has great potential in the creation of clean energy. The Mexican territory has been blessed with abundant natural resources and characteristics that make it one of the potential leaders in renewable energy production (Negocios, 2008, p. 34).

For instance a study by the National Renewable Energy Laboratory (NREL) of the United States shows that Mexico has the potential to generate over 40,000 MW through wind force, although today it only has an installed capacity of 87 MW. It is also estimated that half of the country's territory has an average sun exposure of 5 KWh per square meter, which could easily power an average Mexican home (Negocios, 2008, p. 34).

In geothermal energy, the present installed capacity stands at 843 MW and according to the NREL, the estimated potential reaches up to 2,400 MW. The benefits of its prized geographic location can also be measured in the amount of KW that the surrounding ocean could produce

thanks to tidal motions: 14 KW/m³ in the Gulf of Mexico, and 13KW/m³ in the Pacific Ocean (Negocios, 2008, p. 37).

Therefore Mexico is not planning to stay behind in this revolution: governments, private investors and the general public have reached common ground. Governments are willing to finance research and development of non-traditional methods of energy generation that turn out cheaper and more effective. In an attempt to utilize all these natural advantages, the Mexican government has issued a series of plants that will allocate important sums of money into the development of renewable energy programs. The government is also looking for private investors, both local and foreign (Negocios, 2008, p. 36).

For instance, the National Infrastructure Program (2007-2012) intends to increase the total capacity of geothermal energy by 158 MW as well as raising current wind power to 588 MW. Other goals include the improvement of 673 MW of renewable energy, based on self-provided and co-generated permits. This means that private companies will be able to generate energy without Mexican government investment of any kind (Negocios, 2008, p. 38).

In addition, renewable energies are outlined not only as environmental solution, but also as a sector with great opportunities for the development of new businesses.

The only constant in this sector is the expectation of robust growth. According to the World Energy Outlook 2006 Report, produced by the International Energy Agency, the role to be played by renewable energy in the generation of electricity will rise from 2% of the total in 2004 to 7% of the total in 2030, with an annual compound growth of 7.2%, of which eolic and solar energy show the highest expansion prospects (Negocios, 2008, p. 39).

7.1.4 Competition in renewable energy sector in Mexico

The Mexican government is well aware of the investment opportunities available in this industry. Therefore it has made several reforms that include incentives and credits to foreign companies willing to invest (Negocios 34).

Generally, investment opportunities in renewable energies can be divided into two large groups:

- A) Generation of electricity
- B) Fabrication of the equipment necessary to generate electricity, as well as research and development.

Among those who have seized the opportunity and are well established in the country are Vientek- a joint venture between Mitsubishi and TPI Composites, which specialized in the fabrication of blades for wind powered turbines; Kyocera, a solar panel manufacturer; and Q-Cells, which will invest 3.5 billion USD to build up and operate a solar energy plant that will create 4500 direct jobs and over 13000 indirect ones.

There are also Spanish companies like Union Fenosa, Eoliatec and Gamesa who are among most active investors. Together they will spend 4.500 billion USD until 2013 (Negocios 34).

The need for alternative renewable energies in the world is well proven, and only those who move quickly into this rapidly growing market will have the upper hand over the others.

7.1.5 Slovenian potential in renewable energy sector

Renewable energy sector is a fast developing sector in Slovenia, known more for its innovation in technology than natural resource possibilities. Therefore since the beginning companies are looking for more suitable markets abroad. In photovoltaic industry companies are gathered into an association ZSFI (Združenje slovenske fotovoltaične industrije) that has 20 members. In solar energy there are a couple of home producers ranging from small but fast growing companies such as Bisol d.o.o. which extended its operations abroad mostly to Spain and Belgium, to companies like Trimo d.d. whose photovoltaic modules are just one segment in their product range and are present in many countries worldwide. In geothermal power, Gorenje mostly known for its household appliances is also developing geothermal machines that are being gradually installed in Slovenian homes. As for wind power, the Seaway group, known for its innovative sailboats, is planning to produce parts of the machinery in the future. Analyzing the possibilities and the potential of Slovenian companies I believe that our companies could compete with growing competition in Mexico. Strategic alliances with complementary products, due to the size of the market, could be a good strategy to enter.

To explain the potential of the sector I closely looked at past operations and future plans from one of the leading companies in Slovenia, Bisol d.o.o. The following numbers clearly show that this is an industry with high potential growth.

Table 10: Statistical data of Bisol d.o.o.

| | Workforce | Income (mio. EUR) | Production (MW) | Profits (mio. EUR) |
|------|-----------|----------------------|--------------------|-----------------------|
| 2007 | 45 | 10 | 4 | 0,7 |
| 2008 | 55 | 30 | 10 | 2,4 |
| 2009 | 112 | 66 | 24 | 5,7 |
| 2010 | 153 | 102 | 40 | 10,2 |
| 2011 | 228 | 152 | 65 | 16,7 |
| 2012 | 327 | 215 | 100 | 23,6 |

Source: Bisol d.o.o. financial report , 2007, p. 16.

7.2 Second Homes

| | |
|---|--|
| <p>General Info</p> <ul style="list-style-type: none"> • 2 million- second homes were sold worldwide in 2006 • 600 thousand- homes to be sold per year despite the crisis • 100 thousand- units are sold in Spain/largest market • Mexico, Costa Rica, Belize, Croatia, Turkey- new popular destinations | <p>Mexico 2007</p> <ul style="list-style-type: none"> • 18 thousand- sold second homes in 2007 • 52.5%- growth in sales from 2006 • 6.4 billion USD- volume of the sales • 22%- growth in trusts for developing this sector <p>Prediction- Mexico</p> <ul style="list-style-type: none"> • Real estate segment of the highest potential growth in the coming years • 22.7 billion USD by 2015 • 63 thousand sold units per year by 2015 |
|---|--|

7.2.1 Profile of the Second Home Sector worldwide

The term second home refers to residential properties acquired by individuals who already own their main home; the former are inhabited sporadically for recreational and rest purposes. The accelerated growth that the second home market is experiencing at the worldwide level can be explained to a good degree by the economic boom in recent years and the aging of the population in industrialized countries (ProMexico, 2009).

Softec data indicate that during 2006 approximately 2 million homes were sold worldwide, with intended use as vacation homes. It is estimated that despite the economic slowdown in international markets, no fewer than 600 thousand housing units are due to be sold per year. According to information contained in the National Association of Realtors (NAR), the largest market is Spain; on average 100 thousand units per year are sold. But The Second or Vacation Home market worldwide has witnesses the participation of new destinations that are attracting the attention of international buyers, thanks both to cost and their natural and cultural attractions. These are: Honduras, Costa Rica, Belize, Panama, south of Mexico, Croatia and Turkey (ProMexico, 2009).

7.2.2 Second or Vacation Home in Mexico

Thanks to its touristic attractions such as beaches, historical sites and mild weather as well as opportunities in real estate with a lower cost than other countries of the region, Mexico is becoming the main market of second homes in Latin America, which are mainly bought by retired workers from United States and to a lesser extent Canada and Europe (ProMexico, 2009).

In 2007, 18 thousand second homes were sold within the country; this represented a growth of 52.5% in comparison with the previous year. The volume of these sales rises roughly to 6.4 billion dollars.

Studies produced by Softec forecast that the Second Home market for vacationing in Mexico will be the real estate segment of highest growth in the coming years. It is expected that sales will reach some 63 thousand units per year, valued at 22.7 billion dollars in 2015. Additionally it is estimated that the same upward trend will continue for at least one more decade before reaching the saturation curve. According to research made by ProMexico, such demand is due to the demographic profile in the United States where between 2008 and 2017 a wide range of its population will be around 50 to 70 years old (ProMexico, 2009).

Here are some quick facts about the market (ProMexico, 2009):

- Mexico is now the favorite destination of Americans buying an international second or vacation home.
- Mexico is the tenth destination most visited by international tourism and the first for Latin America
- Mexico has a great variety of destinations to handle the array of international tourist preferences: beaches, colonial cities, archeological sites, and more.
- Mexico has the potential to develop and become the American leader in the second home market- what Spain is to Europe.

7.2.3 Competition of Second Homes market in Mexico

Mexican government, through ProMexico trade and investment promotion agency, carry out an intense campaign with investors from the United States, Canada, Spain, Portugal, France, Italy, Germany and the United Kingdom.

Spanish enterprises are already investing nearly 6 billion dollars in various real estate projects in Mexico. The main Spanish enterprises already investing in this sector are: Grupo Hansa Urbana, Desarrollador Fadesa, Grupo Piñeiro and grupo OHL (ProMexico, 2009).

7.2.4 Slovenian potential in Second Homes industry

Considering second home and real estate development, I see all companies that are somehow related to houses from actual construction to final interior decoration as potential entrants. Here opens the opportunity for a number of sectors that could complement one another.

7.3 Household Appliances

| | |
|--|---|
| <p>General info</p> <ul style="list-style-type: none"> • Constant price increases in raw materials • High increasing transportation costs • Annual growth, because of real estate boom in recent years | <p>Mexico</p> <ul style="list-style-type: none"> • Total home appliances sales amounted to over 252 million USD during 2007 • It generates about 35 thousand direct jobs and 110 thousand indirect jobs • Companies Mabe, Whirlpool and Sunbeam which together represent 80% of the domestic market |
|--|---|

7.3.1 Profile of the household appliances sector worldwide

The problem for many household appliance companies in the worldwide market has been to keep being competitive and that is mainly due to constant price increases in raw materials and transportation costs.

Today home appliances such as refrigerators, washers and heaters are essential devices that save time, improve quality of our activities and make housework easier (Negocios, 2008, p. 32).

7.3.2 Mexican market of household appliances

In the middle of the financial storm circling the world with the strength of a hurricane, it is always encouraging to know that there are industries that remain solid and continue growing, regardless of whatever turbulence there might be. That is the case of the home appliance industry in Mexico (Negocios, 2008, p. 6).

Due to the incomparable qualities offered by Mexico, it is not surprising that more and more home appliance manufacturers establish themselves within the country. Transportation fees around the world have increased substantially; turning cost reduction programs into a priority for companies. This is why several firms take Mexico into account as the ideal destination for investments (Negocios, 2008, p. 6).

According to data supplied by INEGI (The Statistics, Geography and Data Processing Institute), an average of 68 hours per week are devoted to housework in every Mexican home. And a study by home appliance manufacturer Easy found that Mexicans spend 22,800 hours of their lives washing clothes. That means that home appliance manufacturing companies have a potentially lucrative market in Mexico. The country's real estate boom has also opened the door to these products. The fact is that total home appliances sales in Mexico amounted to over 252 million USD during 2007 (Negocios, 2008, p. 31).

Directors of transnational companies have found a good solution in Mexico, thanks to its skilled workforce, strategic location, large suppliers and supply chains, and logistics easiness. These factors significantly reduce their production costs.

Clusters: competitive centers

Home appliance clusters have provided companies with advantages that make them competitive. First, companies are located in the same geographic center, allowing them to group as a sector and cooperate amongst themselves. These same sites also incorporate suppliers, auxiliary industries, recycling and training institutions and many other services, substantially improving their competitiveness (Negocios, 2008, p. 32).

For example, Nuevo Leon is the leading state in home appliance production in the country. Within Mexico, Nuevo Leon has 20.9% of the industry's employment and 32.2% of its gross internal product (GIP). The state employs more than 15,000 people in this sector, which makes up to 4.6% of the manufacturing personnel in Nuevo Leon (Negocios, 2008, p. 32)

Nuevo Leon's government established a home appliance cluster in 2006, made up of companies such as Whirlpool, Hussmann, Carrier, Criotec, IMPCO, York, Mabe and LG Electronics. The appliance cluster also partners with the educational institutions on such things as human resources programs that connect the sector with students (Negocios, 2008, p. 32).

Special niche on the market

Refrigerator manufacturers will have considerable sales increases thanks to PFAEE (the Financing Program for Electric Energy Saving), which plans to replace 1.8 million obsolete appliances with energy saving ones. In order to carry out the program, it received governmental support of 200 million USD. The idea is to replace inefficient refrigerators with new ones that save up to 70% more electric energy (Negocios, 2008, p. 36).

7.3.3 Competition of household appliances in Mexico

The competition in Mexico is becoming stronger in the past years. All the companies that we mentioned above that are gathered in so called clusters are competing between themselves. And these are all major international companies. It is also interesting to know that if we look into an American, Mexican or Canadian home, we would find that most appliances are made in Mexico. For most companies, North America represents an attractive share of the electro-domestic market. Mexico, the US and Canada represent 27% of over 47.4 billion USD that LG sold in 2007. The company's three plants in Mexico supply 90% of LG products sold in

Mexico and 80% of those sold in the US. LG also manufactures for Latin America, which represents 10% of the company's total sales worldwide (Negocios, 2008, p. 33).

7.3.4 Slovenian potential of household appliances

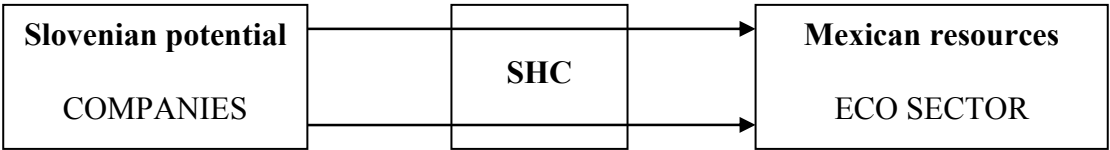
From my research study of Slovenian market potential, I can conclude and divide the potential into two ways:

1. End products potential; this is a potential business opportunity for Gorenje d.d. A global participant with many world awards for their innovation, design, and quality. Gorenje worked with many renowned designers such as Ora-ito and Pininfarina, and has launched an eco-care line of energy saving products. The company has been present on the Mexican market and has had a success. Now their strategy is to again enter Mexican market, at the moment they are looking for a suitable partner.
2. As second, we would like to mention that the Mexican market is also interesting for companies that are not producing only end products. And one of these niche markets has been found by a company Armeton d.o.o. that has a manufacturing plant and has been very successful in producing weights for household appliances.

8 IMPLEMENTATION PLAN

After all the investigation, examination and long research it is time to draw some conclusions. In the chapters above I showed relevant data that Mexico and Slovenia have synergies that should be further examined. I showed present situation, potential growth and future predictions that these sectors have. On the other hand Slovenia has companies that could participate and be competitive in these sectors. Now it is time that some Slovenian companies realize that, unite and implement my project of the Slovenian House concept.

Figure 8: SHC as an intermediate



Company ownership

The concept of the house is going to be a strategic alliance between Slovenian companies, more specifically a joint venture, because it is supposed to last for a longer period of time.

There should be taken into consideration also the involvement of Slovenian Government. I think that having a tourist office in this concept would be an interesting idea for promoting Slovenia.

Company locations and facilities

Company location would be in the capital of Mexico in Mexico City in the area called; Polanco. It is a lively district where a lot of foreign companies have their head-quarters, where all luxury brands have their shops and where there are plenty of restaurants, galleries etc.

In the pictures above you can see two potential houses that are situated in Polanco district. First house is size of 1200 square meters and second one is a bit smaller, it has 800 square meters.

Figure 9: Houses in Polanco



Product and Service description

All eco products would be taken into consideration, ranging from technical equipment to even spring water. The idea is to construct the house that would be made out of these products and to offer the clients also the whole concept of buying the eco house- the whole package, and of course only individual products. All the products that can relate to words such as: ecological, environmental friendly, green, would be welcome to join.

The house would provide all the services that would be needed from the beginning to the end of the process of buying our products. That would include a period starting with consulting about the products and its possibilities, to the actual implementation, construction of the desired products and customer service/ care in the future.

Future Products and Services

There are many ways our business could expand. We could start building our own wind or sun plants or even building a resort of eco houses.

Market Trends

Global market trends because of big propaganda are lately focusing on preserving our environment. World's politicians, big multinational companies, celebrities are recruiting us to join the race to save our planet. Governments are financially supporting companies that are developing environmental friendly products. If I generalize it I can say that, the trend in every industry is to produce an eco product. Mexico is no exception, and Slovenian companies launching those products neither.

Organizational Structure

Slovenian House would be hierarchy structured. A General Manager would be elected from the board for a specific period of time. He would be in charge of managing the house and would not have a role as a representative of a company. The members of the board would be representatives of the companies. How many people would be employed, would depend on how many companies would have their representative office in the house and what would be their strategy. There could be one person representing more companies in the same field, or each company would have its own representative.

To make some sort of implementation overlook, I will assume that industries mentioned in my thesis will attract some Slovenian companies, and therefore I would be able to make approximant cost analysis for this to happen.

Duration of implementation: 1 year

- 1 to 3 months: gathering potential companies
- 4 to 6 months: organizing implementation plan: Organizational structure, Company ownership, facilities etc.
- 7 to 12 months: preparing for actual implementation of the idea/ opening

Sectors involved: Renewable energy sector, Second homes, Household appliances, and other related sectors in ECO industry.

Hypothetical Example of 20 Slovenian companies entering Mexican market each having its employee and the basic costs per month.

Table 11: Implementation plan

| Reference | Description | Costs |
|----------------------------|--|------------------------|
| Rent of the house | 800 square meters house | 18 000 EUR/20= 900 EUR |
| Monthly wage of 1 employee | net | 3 000 EUR |
| Rent of the apartment | 60 square meters apartment | 500 EUR |
| Operational costs | Costs for office functioning, corporate entertaining | 900 EUR |
| Total per company | | 5300 EUR per month |

CONCLUSION

Today we live in a specific environment, where due to the process called globalization, we become more and more united. Every country is just one plane ticket away. All the benefits that we see in this as consumers are, however, big challenges for companies. Fierce competition pushes companies to accept the race and compete in one big market.

In writing this thesis, one of my aims was to explore how companies start to expand to different markets. What is the process that they need to undertake, and how different theories perceive it. How does internationalization correlate with entry mode decisions and what are important factors that influence those decisions? I discovered that market knowledge and psychic distance play an important role in deciding which markets to enter and how. Usually countries that are psychically closer and companies possess sufficient market knowledge about them are considered favorable to enter. Companies feel more comfortable in these cases and the entry modes that they choose are the ones with higher investments.

After analyzing the information that I gathered from Slovene companies, my conclusion about their process of internationalization was well in agreement with what was just said. So I went one step further and tried to find a way that our companies would see long distant markets as a preferable entry option, in my case Mexican. As an answer I developed the Slovenian House concept, a concept whose main mission is to unite companies and to present them as companies of Slovenian origin. My observation after writing this thesis would be that: uniting makes us stronger, better, more competitive and recognizable. The answer for going global is to form strategic alliances in all sorts of ways. My concept is just one option that would suite that purpose, and is not only targeting distant markets; I believe that this could be a considerable option also in markets where Slovenia is known.

While conducting interviews with some Slovenian companies, I discovered that for big companies the country of origin does not play an important role. Their brand is well known for itself, at least in countries that they have been present for a long time. As for smaller companies, it is much harder to become notable if they decide to enter the market individually. Therefore it would be good to start building and adding value to our country brand. Opening this kind of houses where in the long run when Slovenia would be recognized as a brand could make the path easier for the newcomers. Bigger companies with their recognition could play an important role in strengthening the brand.

I tried to develop this concept in Mexico. Partly because of my special feelings towards the country where I spent my time studying, but even more because of all the possibilities that this market offers. In my thesis I analyzed three interesting markets that show big potential growth in the future. After all the research conducted in this thesis I strongly believe that uniting and entering the Mexican market is a good future expansion possibility. And even more today, in the time of financial crisis where companies must seek further and expand to foreign markets that will boost production when the crisis is resolved.

In the end I would like to add, that today is a perfect day to start building our brand. Slovenia. While taking the interviews or even talking to random people about my thesis, they all claimed that Slovenia is unknown in the global sense. That actually not a lot of people in USA, China, Brazil etc. know where our country is. Therefore exposing Slovenia as a brand has so far not been a good branding strategy, because in the end what Slovenia actually represents, and how would the people that might know something about Slovenia react to certain products that have our origin has not been identified. I think that even we do not know how we would like them to react. Because we do not have a branding strategy, we do not know what we should represent. Many products in the world market are being largely successful also because of the country of origin. When we buy a certain product we associate it with the country, what it represents, its history and culture.

I strongly believe that building Slovenian brand is a necessary step that needs to be done. We as a country have already stayed behind those countries that have put their name on the map and new countries are passing us by. We need to start, think, analyze, construct, and implement the brand of our country. So one day Made in Slovenia would mean something, but what exactly would that “something” be?

POVZETEK

1 UVOD

Globalizacija je pomembno vplivala na razvoj zunanje trgovine in spremenila vizijo poslovanja podjetij. Slednja so postala vse bolj multinacionalno usmerjena ter sprejela svetovni trg kot eno delujočo enoto. Podjetja, ki so prisotna samo na domačem ter širšem regijskem trgu, postajajo redkost, saj še nikoli do sedaj ni bilo tako enostavno poslovati globalno.

Evropski trg postaja zasičen. Zato so se podjetja odločila da poiščejo nove priložnosti na oddaljenih trgih. Glavne tarče za nove potencialne naložbe so tako postale države v razvoju na področjih vzhodne Evrope, Azije ter Latinske Amerike. Slovenska podjetja še vedno dojemajo te države kot rizične, kar pogojuje tudi manjši obseg investicij, a ostati samo na lokalnem trgu predstavlja danes še večjo nevarnost.

27 članic Evropske unije predstavlja najpomembnejši trg za slovensko gospodarstvo. V njih letno izvozimo 70,7 % ter uvozimo 78,9 % celotnega izvoza ter uvoza. Drugi, za Slovenijo pomemben trg, so države na območju bivše Jugoslavije. Tja letno izvozimo okrog 15 % celotnega izvoza. Na druge, bolj oddaljene trge, slovensko gospodarstvo največ izvozi v Združene države Amerike ter Rusijo, in sicer 6,7 % celotnega izvoza (SIF, 2009).

Slovenska podjetja večinoma poslujejo na trgih, ki so jim blizu, tako geografsko kot zgodovinsko, saj je znanje o trgih veliko in investiranje v večjem obsegu manj tvegano. Vstop na bolj oddaljene trge večinoma še vedno dojemajo kot zelo tvegano, kar je možno razbrati tudi iz zgoraj navedenih podatkov. To gre pripisati predvsem nezadostnim informacijam o samem trgu ter neizkušenosti poslovanja v takšnem okolju.

Namen diplomske naloge je preučiti, zakaj slovenska podjetja nerada vstopajo na daljne tuje trge in zakaj so finančna sredstva pri takšnih investicijah omejena. Cilj diplomske naloge pa je analizirati določen trg, njegove potencialne, proučiti katera slovenska podjetja bi lahko uspešno vstopila na ta trg, ter ponuditi zanimivo rešitev, da bi se odnos do teh sicer manj znanih a nadvse hitro rastočih trgov, spremenil. V ta namen sem razvil koncept *slovenske hiše*, ki skuša na inovativen način združiti tuje trge ter slovenska podjetja, ki vidijo potencial vstopa nanje. Ideja koncepta je, da bi slovenska podjetja skupaj vstopila na določen trg v sklopu t.i. Slovenske hiše, ki bi predstavljala večnamenski objekt. Podjetja bi imela svoje poslovne prostore ter dodatne prostore, namenjene predstavitvi izdelkov, konferencam, sejmom itd. Menim, da bi se skozi Slovensko hišo podjetja lažje odločila za vstop na določen trg, saj bi bil obseg začetnih investicij manjši, in znanje o trgu deljeno. Poslanstvo Slovenske hiše je torej predvsem povezovanje ter postopno uveljavljanje znamke Slovenija kot države izvora.

Eden izmed teh potencialnih, hitro rastočih trgov je tudi Mehika. Blagovna menjava med Slovenijo in Mehiko je močno na naši strani. Izvoz v Mehiko se je z leti povečeval ter v letu 2008 znašal rekordnih 32,865 milijonov evrov, medtem ko je mehiški izvoz v Slovenijo v upadu in je dosegel 8,063 milijona evrov v istem obdobju lani (Izvozno okno, 2009).

V zadnjih letih države, gospodarstva in podjetja namenjajo vse več pozornosti razvoju okolju prijaznih produktov. Novi trend eko produktov se razvija v vseh industrijah, tudi v tistih, ki

so še ne dolgo tega veljale za največje onesnaževalce okolja. Zato je tudi koncept Slovenske hiše osredotočen na eko produkte. Z analizo potencialov in potreb mehiškega trga sem podrobneje analiziral tri industrije, ki beležijo visoko rast in sovpadajo z eko industrijo. To so industrija obnovljivih virov energije, proizvodnja počitniških hiš ter gospodinjski aparati. Trg obnovljivih virov energije je neposredno povezan z ohranjanjem ter pozitivno uporabo okolja in njegovih virov, medtem ko počitniške hiše ter gospodinjski aparati bolj posredno.

2 VSEBINSKI PREGLED DIPLOME

Diplomsko nalogo sem razdelil na osem poglavij. V prvem poglavju predstavim teorije internacionalizacije. V njem podrobneje razložim vzroke ter motive podjetij o vstopih na tuje trge, zgodovinski pregled internacionalizacije ter različne modele internacionalizacije. V naslednjem poglavju se osredotočim na vstopne strategije podjetij. Izbira vstopne strategije podjetja je tesno povezana z internacionalizacijo podjetja, saj določa način vstopa na tuj trg. Način je odvisen predvsem od obsega investicij, saj se z večjim finančnim vložkom poveča tveganje in potencialni zaslužek ter obvladovanje podjetja. V tretjem poglavju sledi analiza institucij, ki skrbijo za mednarodno poslovanje. Ko se slovenska podjetja odločajo o vstopu na tuje trge, se v iskanju sekundarnih virov lahko obrnejo tudi na vladne institucije, ki skrbijo za povezavo s tujino. Predstavil sem delovanje Ministrstva za zunanje zadeve, javne agencije Republike Slovenije za podjetništvo in tuje investicije: Japti, Gospodarsko zbornico Slovenije ter mehiško vladno institucijo ProMexico. Kot dodatek obstoječim institucijam sem opisal tudi koncept Slovenske hiše, kot prikaz drugačnega načina promoviranja slovenskega gospodarstva. V četrtem poglavju je predstavitev Mehike s PEST analizo, ki zajema politične, ekonomske ter socialne značilnosti Mehike in prikaže okvirno sliko stanja v državi. Peto poglavje je namenjeno analizi blagovne menjave Slovenije, Mehike in njune medsebojne menjave. V tem poglavju je prikazana struktura izvoza v latinske države, ki kaže pomembnost mehiškega trga za slovenska podjetja. V šestem poglavju opisujem koncept Slovenske hiše. O samem delovanju hiše, viziji in poslanstvu projekta ter utemeljitvi, zakaj ravno eko industrija in zakaj mehiški trg. Mehiški tržni potencial v treh izbranih industrijah je podrobneje razdeljen v sedmem poglavju. Vsaka industrija je razdeljena na opis svetovnega sektorja, lastnosti industrije, mehiškega tržnega potenciala, konkurence na mehiškem trgu ter nazadnje slovenskih zmožnosti konkuriranja na trgu. Zadnje poglavje je namenjeno okvirnemu načrtu izvedbe projekta, ki mu sledi zaključek diplomske naloge.

V sklopu tega povzetka sem se osredotočil na poglavja, ki se nanašajo na praktični del moje naloge, in poglavja, ki prikažejo idejo koncepta, potencial mehiškega trga ter samo implementacijo Slovenske hiše.

3. BLAGOVNA MENJAVA SLOVENIJE IN MEHIKE

Kot sem že v uvodu omenil, ima Slovenija dva strateško pomembna trga, kamor izvozi večino svojih produktov. To sta trg Evropske unije in trg nekdanje Jugoslavije. Okrog 70 % celotnega izvoza je namenjenega na trg Evropske unije, 15 % na trg nekdanje Jugoslavije ter ostalih 15 % na ostale svetovne trge. V letu 2007 je celotni izvoz slovenskega gospodarstva znašal 19,406 milijona evrov. Od tega je bilo več kot 18 milijonov evrov proizvodov in storitev izvoženih na evropski trg. Azija je bila na drugem mestu s 673,284 milijoni evrov. Njej je sledila severna ter srednja Amerika s 411,268 milijoni evrov izvoza. Izvoz v Afriko je znašal 174,691 milijona evrov in vrednost izvoza v južno Ameriko 43,573 milijona evrov.

Avstralija in Oceanija sta z vrednostjo 36,167 milijona evrov predstavljali najmanjši del slovenskega izvoza (SURS, 2009).

Slovenska podjetja, gledano na latinsko ameriški trg, v Mehiko izvozijo največ produktov in storitev. Izvoz se letno povečuje in je za 50 % višji kot izvoz v drugo, izvozno pomembno partnerico Brazilijo. Mehika geografsko meji na ZDA, kar je še dodatna priložnost za slovenska podjetja. Če namreč, združimo ta dva trga, dobimo skupaj skoraj 500 milijonov potrošnikov. V spodnji preglednici je prikaz izvoza in uvoza v Mehiko v zadnjih petih letih (SURS, 2009).

Tabela 1: Blagovna menjava med Slovenijo in Mehiko

| Leto | Izvoz (mil EUR) | Uvoz (mil EUR) | Neto (mil EUR) |
|-------------|------------------------|-----------------------|-----------------------|
| 2003 | 18,205 | 12,345 | 5,86 |
| 2004 | 19,036 | 7,095 | 11,941 |
| 2005 | 22,536 | 8,959 | 13,577 |
| 2006 | 30,01 | 8,468 | 21,542 |
| 2007 | 32,865 | 8,063 | 24,802 |
| 2008 | 19,86 | 4,797 | 15,063 |

Vir: Izvozno okno, 2009.

4 KONCEPT SLOVENSKE HIŠE

Kot sem že v samem uvodu na kratko predstavil, ima koncept Slovenske hiše poslanstvo povezovalca med slovenskimi podjetji ter tujimi trgi. Vloga koncepta je graditi znamko Slovenija kot državo izvora po svetu, in skozi to prepoznavnost seznanjati tujce s slovenskimi podjetji. Menim, da bi s postavitvijo Slovenskih hiš na tujih trgih to prepoznavnost tudi uspešno začeli graditi. Posameznemu podjetju, ki še ni svetovno znana znamka, je dosti težje doseči prepoznavnost in si ustvariti tradicijo na svetovnem trgu. Zato bi *slovenska hiša* z dobro strategijo, globalnim tržnim planom in večjim finančnim vložkom lažje dosegla te cilje ter postavila slovenska na svetovni zemljevid.

Koncept Slovenske hiše je ideja, potreba, vizija ter potencialni projekt prihodnosti.

IDEJA koncepta je ustanoviti (kupiti, najeti, zgraditi) hišo na izbranem tujem trgu, ki bi služila združevanju slovenskih podjetij in skupnemu vstopanju na daljne trge. Te trge slovenska podjetja še vedno dojemajo kot zelo tvegane za večje investicije, a vendar skupni nastop podjetij bi prinesel veliko ugodnosti za podjetja. Investicija posameznega podjetja bi bila nižja, začetni stroški bi se delili med večimi podjetji, rizik bi se s tem zmanjšal in skupno znanje povečalo. Vsaka *slovenska hiša* na regionalnem trgu bi imela svoj unikatni koncept, a osnovna ideja bi ostala enaka. Ustanovljena hiša bi bila večnamenski objekt. V tem objektu bi imela slovenska podjetja svoje poslovne prostore in ob njih bi bil del hiše namenjen izključno predstavitvi proizvodov.

POTREBA: Koncept *slovenske hiše* je mogoče videti kot možnost zagotovitve poslovnega prostora več slovenskih podjetij, predvsem pa v obliki celoletnega predstavitvenega objekta slovenskih produktov oziroma storitev, saj bi hiša pomenila slovensko oglaševalsko okno v svet. Potencialne stranke slovenskih podjetij bi imele tako odlično priložnost neposredno

spoznati značilnosti izdelkov iz njihove ponudbe. Obenem bi *slovenska hiša* zagotavljala zelo raznovrstno paleto aktivnosti, med drugim: lansiranje novih produktov, promocijske aktivnosti podjetij, turistične predstavitve, gostila pa bi tudi kulturne dogodke in poslovne konference.

VIZIJA koncepta *slovenske hiše* je predvsem usmerjena v krepitev prepoznavnosti Slovenije kot znamke ter razvoja celostne podobe Slovenije kot države izvora. To je le eden izmed načinov, da Slovenija kot država začne krepiti svojo prepoznavnost na globalnem trgu.

PROJEKT PRIHODNOSTI je dejanska implementacija vsega, zgoraj navedenega. Postavitev *slovenske hiše* na mehiški trg bi predstavlja prvi takšen projekt, ki bi prikazoval, kako se lahko slovenska podjetja povežejo ter skupaj vstopijo na tuje trge. Koncept *slovenske hiše* v Mehiki bi temeljil na eko industriji. Po opravljeni analizi slovenskega potenciala s strani podjetij ter potenciala mehiških naravnih virov sem zasnoval hišo, ki se ukvarja z naravnimi spremembami ter produkti, ki promovirajo ohranjanje okolja. Obnovljivi viri energije bi predstavljali rdečo nit hiše, vključujoč sončno, vetrno in geotermalno energijo. Poleg teh bi bilo povabljen k sodelovanju vsako podjetje, ki izdeluje in trži eko produkte.

Pri izvedbi projekta je predvsem smiselna umestitev vseh razstavljenih produktov v operativni del hiše. Produkti bi bili interaktivno razporejeni in bi dejansko služili njihovem prvotnemu namenu - uporabi. Tako bi fotovoltaične celice, nameščene na streho, pridobivale potrebno energijo, geotermalne naprave bi svoj namen prikazale z ogrevanjem hiše, proizvajalci gospodinskih aparatov in notranje opreme bi z svojimi produkti opremili poslovne prostore itd. Kljub temu pa bi hiša imela predstavitveni prostor za vse ostale produkte.

Ideja koncepta je, da bi predstavljal živečo enoto, saj ima možnost gostiti vrsto prireditev, kot so kulturni dogodki, turistične predstavitve. Novo vstopajoča podjetja bi lahko predstavila dneve odprtih vrat njihovih produktov, lahko bi prirejali poslovne konference itd. Na ta način bi se hiša lahko tudi sama delno financirala.

4.1 ZAKAJ EKO, ZAKAJ MEHIKA?

V diplomski nalogi sem skušal dokazati in opravičiti izbor eko industrije ter njene implementacije na mehiški trg. V tem poglavju diplomske naloge sem podrobneje razložil razvoj eko industrije v Evropi in potencial širitve na globalno raven ter mehiške napore k reorganizaciji industrije, ki jo trenutno uvršča v vrh držav onesnaževalk.

Mehika si je do leta 2050 zastavila cilj, da zmanjša emisije izpušnih plinov za 50 % in s tem pokaže pripravljenost k izboljšanju okolja. Program, ki je bil sprejet decembra 2008, predvideva zmanjšanje emisij, porabe energije ter prestrukturiranje industrij k okolju prijaznejšim. Program bo deležen 500 milijonov dolarjev pomoči od New Clean Technology fonda, ki ga podpira osem držav in z njegovimi sredstvi upravlja Svetovna banka. Tako je Mehika ena izmed prvih držav, ki je pridobila sredstva iz fonda vrednega 5,2 milijardi dolarjev, namenjenega zmanjšanju uporabe težkih industrij in preskok k obnovljivim virom energije (The World Bank, 2009). Mehiške naravne danosti so ogromne. Izpostavljenost sončnim žarkom omogoča Mehiki, da skoraj na vsem svojem ozemlju izrablja sonce za pridobivanje energije. V zvezni državi Oaxaca se konstantna hitrost vetra uvršča med pet največjih na svetu. Tudi Atlantski in Tihi ocean s plimovanjem ter reke s tokom so zmožni proizvajati elektriko (ProMexico, 2009).

V Evropski uniji beleži eko industrija konstantno rast in je postala ena od največjih sektorjev znotraj EU. Pripomore k večji ekonomski rasti, obsežnemu zaposlovanju ljudi in ohranjanju okolja. Skupni letni prihodki za industrijo znašajo več kot 227 milijard evrov ali okrog 2,2 % BDP Evropske unije (Facts and Figures, 2008, str. 1).

Z letno rastjo, več kot 5 %, je bila eko industrija ena izmed bolj dinamičnih industrij prejšnjega desetletja in tak trend se nadaljuje še naprej (Facts and Figures, 2008, str. 1). Slovenija je bila v letu 2008 na četrtem mestu med vsemi članicami EU po obsegu eko industrije in deležu celotnega BDP (skoraj 3,5%). Eko industrija zaposluje skupno 1,7 % od celotne zaposlitve v Evropi, kar znaša približno 3,4 milijona zaposlenih. To je bistveno več kot zaposlujeta avtomobilska (2,7 milijona zaposlenih) in farmacevtska (2,4 milijona zaposlenih) industrija (Facts and Figures, 2008, str. 5).

Mehika je odprta za tuje investicije v večini sektorjev in že vrsto let spada v države z največjim obsegom le teh. Je država z največ podpisanimi sporazumi o trgovanju na svetu, kar še dodatno potrjuje vse možnosti, ki se odpirajo na tem trgu.

5 MEHIKA: TRŽNI POTENCIAL

V raziskavi tržnega potenciala Mehike sem se osredotočil na tri sektorje. Sektor obnovljivih virov energije, sektor gradnje počitniških kapacitet ter sektor gospodinjskih aparatov. S poglobljeno raziskavo sem skušal potrditi, da je Mehika potencialno zanimiv trg, ki ponuja možnost vstopa novih podjetij ter da slovenska podjetja z svojimi izdelki lahko konkurirajo na njem.

Obnovljiv viri energije

Globalno ogrevanje, rastoče cene naftnih proizvodov in ekonomska kriza so dejavniki, ki so pripomogli k obsežnem razvoju obnovljivih virov energije. Alternativni viri energije postajajo enakovredni ter z nenehnimi inovacijami vse bolj priljubljen način pridobivanja energije.

V letu 2007 so investicije v alternativne vire energije na svetovni ravni dosegle približno 148 milijard USD, kar pomeni 60 % porast glede na prejšnje leto. Po podatkih New Energy Finance Intelligence report, bi letne investicije lahko dosegle 450 milijard USD do leta 2012 ter 600 milijard USD do leta 2020. Mehika je s svojimi naravnimi danostmi ena izmed potencialno najbolj zanimivih držav za razvoj te tehnologije. Po ocenah je mehiški potencial vetrne energije primeren za proizvodnjo 40,000 MW električne energije. Sončna energija ima možnost generacije 5 KWh/m² energije in geotermalna energija 2,400 MW energije. V spodnji preglednici je prikaz industrije obnovljivih virov energije (Negocios, 2008, str. 38).

| | |
|---|--|
| <p>Statistika za leto 2007</p> <ul style="list-style-type: none"> • 148 milijard USD svetovnih investicij • 60 % zvišanje glede na leto 2006 • 17 milijard USD namenjeno za razvoj • 253 razvojnih centrov po svetu • 28 % porast veterne energije glede na leto 2006 • 63 % porast sončne energije glede na leto 2006 | <p>Pričakovanja</p> <ul style="list-style-type: none"> • 450 milijard USD do leta 2012 ter 600 milijard USD do leta 2020 skupnih letnih investicij • 2 % delež svetovno pridobljene energije v letu 2004, rast do 7 % do leta 2030 • 7.2 % letne rasti |
| <p>Mehiški nacionalni program 2007- 2012</p> <ul style="list-style-type: none"> • Povečanja kapacitete za: • 158 MW- geotermalna energija • 588 MW- veterna energija | <p>Pričakovanja- Mehika</p> <ul style="list-style-type: none"> • 40,000 MW- pridobljene elektrike z veterno energijo • 87 MW- danes vgrajene kapacitete • 5 KWh/m2- povprečna izpostavljenost soncu (dovolj energije za povprečno gospodinjstvo) • 2,400 MW- potencial geotermalne energije • 843 MW- danes inštalirana kapaciteta • 14 KW/m3- zmožnosti atlantskega oceana • 13 KW/m3- zmožnosti pacifiškega oceana |

Počitniške hiše

Zaradi visoke gospodarske rasti ter starajoče populacije je bil sektor gradnje počitniških hiš eden izmed hitreje rastočih v gradbeništvu. Približno 2 milijona hiš, namenjenih dopustovanju, je bilo prodanih na svetovnem trgu v lanskem letu. Največji svetovni trg je Španija, s približno 100 tisoč prodanimi enotami letno. Študije, ki jih je opravil Softec, predvidevajo, da bo v Mehiki ravno sektor počitniških hiš najhitreje rastoči segment znotraj gradbeništvu. V letu 2007 so se prihodki povečali za 52,5 %, glede na prejšnje leto, in so znašali okrog 6,4 milijard dolarjev. Pričakuje se, da bo prodaja do leta 2015 zrasla do 63 tisoč prodanih enot v vrednosti 22,7 milijard dolarjev letno (ProMexico, 2009). Spodnja preglednica prikazuje pregled trga ter njegove potenciale.

| | |
|--|---|
| <p>Splošne informacije</p> <ul style="list-style-type: none"> • 2 milijona počitniških kapacitet, prodanih na svetovnem trgu leta 2006 • 600 tisoč hiš, prodanih na leto, kljub trenutni krizi • 100 tisoč enot prodanih v Španiji/največjem svetovnem trgu • Mexico, Costa Rica, Belize, Croatia, Turkey - nove potencialne lokacije | <p>Mehika 2007</p> <ul style="list-style-type: none"> • 18 tisoč prodanih počitniških kapacitet v letu 2007 • 52.5 % - rast prodaje glede na leto 2006 • 6.4 milijard USD - obseg prodaje • 22 % - rast investicijskih skladov, namenjenih razvoju <p>Pričakovanja- Mehika</p> <ul style="list-style-type: none"> • nepremičninski segment, z najvišjo potencialno rastjo v naslednjih letih • 22.7 milijard USD do leta 2015 • 63 tisoč enot, prodanih letno do leta 2015 |
|--|---|

Gospodinjiski pripomočki

Danes si življenja brez gospodinjiskih pripomočkov ni moč predstavljati, saj nam prihranijo čas in olajšajo vsakdan. Kljub trenutni finančni krizi je zaradi razvoja države in njenega nepremičninskega trga prodaja gospodinjiskih aparatov v Mehiki v porastu. Po raziskavah INEGI (The Statistics, Geography and Data Processing Institute) vsaka mehiška družina

nameni v povprečju 68 ur na teden hišnim opravilom, kar jo uvršča med velike potrošnike bele tehnike. V letu 2007 je bilo prodanih za več kot 252 milijonov dolarjev gospodinjskih aparatov (Negocios, 2008, str. 31).

Svetovno znani proizvajalci gospodinjskih aparatov so ustanovili skupne raziskovalne centre na severu Mehike. Geografsko so se združili ter tako poenostavili poslovanje in zmanjšali stroške. Na primer zvezna država Nuevo Leon je vodilna v proizvodnji gospodinjskih aparatov in zaposluje kar 20,9 % ljudi iz te stroke, kar pomeni 15 000 ljudi (Negocios, 2008, str. 32).

PFAEE (the Financing Program for Electric Energy Saving) ima namen nadomestiti 1,8 milijonov obstoječih hladilnikov z novimi varčnejšimi in tako prihraniti 70 % več energije. Mehiške oblasti bodo projektu namenile pomoč v višini 200 milijonov dolarjev (Negocios, 2008, str. 36). To je predvsem zanimivo za slovensko podjetje Gorenje, ki v svojem prodajnem programu namenja veliko pozornosti okolju prijaznim, varčnim produktom.

| Splošne informacije | Mehika |
|---|---|
| <ul style="list-style-type: none"> • zvišanje cen surovin • zvišanje transportnih stroškov • zmerna letna rast zaradi povečane prodaje nepremičnin v zadnjih letih | <ul style="list-style-type: none"> • prodaja gospodinjskih pripomočkov je skupno znašala več kot 252 milijonov USD v letu 2007 • zaposluje neposredno 35 tisoč ljudi ter posredno omogoča delo približno 110 tisočim delavcem • podjetja, Mabe, Whirlpool in Sunbeam skupaj predstavljajo 80 % domačega trga |

6 PLAN IMPLEMENTACIJE PROJEKTA

Lastništvo

Koncept hiše bo strateško sodelovanje med slovenskimi podjetji, saj je predviden za daljše časovno obdobje.

Ob tem se tudi poraja vprašanje sodelovanja Vlade Republike Slovenije. Na kakšen način in v kakšni meri bi bila pripravljena sodelovati. Turistična organizacija Republike Slovenije je samo ena izmed možnosti sodelovanja, saj je tudi postavitve *slovenske hiše* namenjena ne samo promociji slovenskega gospodarstva marveč tudi Sloveniji kot državi.

Lokacija

Postavitve *slovenske hiše* je predvidena v glavnem mestu Mehike; Mexico Cityu. V četrti z imenom Polanco, ki je živahni del mesta, z odličnim prepletom multinacionalnih podjetij, mondenimi trgovinami, veliko restavracijami, galerijami ter kulturnimi prireditvami. V tem delu mesta živi finančno zmogljivejši del populacije.

Produkti in storitve

Vsi eko produkti so zanimivi ter primerni za umestitev v koncept hiše. Razpon le teh je lahko zelo širok, od specifične tehnične opreme pa vse do izvirske vode. Ideja je konstruirati hišo, ki bi že pri sami gradnji ter kasnejšem obratovanju vsebovala nekatere produkte v ponudbi hiše, ter kupcem ponuditi hišo kot celovit produkt. Vsi produkti, ki se lahko poistovetijo z izrazi kot: ekološki, naravni, okolju prijazni, so dobrodošli in lahko postanejo del *slovenske hiše*.

V prihodnosti bi lahko našo ponudbo razširili in začeli z gradnjo vetrnih ali sončnih elektrarn ali celo gradnjo letovišča z eko hišami.

Tržni trendi

Globalni trendi se zaradi vse večje propagande osredotočajo na ohranitev našega okolja. Svetovni voditelji, multinacionalna podjetja, zvezdniki, nas na vsakem koraku opozarjajo na to, kako z nevednostjo ter malomarnostjo uničujemo naš planet. Vlade ter svetovne organizacije finančno podpirajo podjetja, ki razvijajo okolju prijazne produkte. Če poenostavim, bi lahko rekel, da je danes v vsaki industriji trend proizvodnja okolju prijaznih produktov. Mehika ni izjema, kakor tudi ne slovenska podjetja s proizvodnjo le teh.

Organizacijska struktura

slovenska hiša bo zasnovana hierarhično. Generalnega direktorja bo izbral upravni odbor, za časovno določeni mandat. Njegova naloga bo upravljanje hiše, in ne bo imel vloge predstavnika enega izmed sodelujočih podjetij. Upravni odbor bo sestavljen iz predstavnikov sodelujočih podjetij. Število zaposlenih je odvisno predvsem od števila sodelujočih podjetij ter njihove strategije. Vprašanje je, ali bi vsako podjetje želelo imeti svojega zaposlenega izključno zase ali pa bi eden predstavljal interese več podjetij v isti branži.

V **hipotetični predstaviti** sem predvideval, da bodo analizirane industrije privabile zadostno število podjetij, in tako stroškovno ocenil njihove investicije.

Časovni načrt: 1 leto:

- 1 do 3 mesece: izbiranje zainteresiranih podjetij
- 4 do 6 mesecev: organizacija načrta; urejanje lastništva, lokacije, organizacijske strukture itd.
- 7 do 12 mesecev: priprave na dejansko delovanje hiše

Industrije, prisotne v projektu: Obnovljivi viri energije, sektor počitniških hiš, gospodinjski aparati ter ostali sektorji v eko industriji.

Hipotetični primer zajema 20 slovenskih podjetij pri vstopu na mehiški trg. Vsako podjetje ima svojega predstavnika ter sodeluje v projektu slovenske hiše. Ocenjeni stroški so naslednji:

Tabela 2: Razvojni načrt

| Namen | Opis | Stroški |
|-----------------------------|---------------------------|------------------------|
| Najem hiše | 800 kvadratnih metrov | 18 000 EUR/20= 900 USD |
| Mesečna plača 1 zaposlenega | neto | 3 000 EUR |
| Najem stanovanja | 60 kvadratnih metrov | 500 EUR |
| Operativni stroški | stroški na delovnem mestu | 900 EUR |
| | | 5300 EUR/ mesečno |

7 ZAKLJUČEK

Naloga mojega diplomskega dela je bila proučiti, kako se podjetja odločajo za širitev na tuje trge ter kakšni faktorji vplivajo na te strateške odločitve, kako si različne teorije internacionalizacije razlagajo te pristope in kakšna je njihova soodvisnost z vstopnimi strategijami podjetij. Zaključujem, da poznavanje trga ter psihična distanca igrata zelo pomembno vlogo pri izbiri, na kakšen način in predvsem na kateri trg bo podjetje vstopilo. Države, ki so kulturno bližje državi, iz katere izhaja podjetje in kjer je poznavanje trga večje, so večinoma preferirane. Podjetja se v takšnih primerih počutijo bolj varna, kar kažejo tudi vstopne strategije podjetij z večjimi investicijskimi sredstvi.

V ta namen sem zasnoval koncept, ki sem ga poimenoval *slovenska hiša*. Skušal sem razviti idejo, s katero bi se slovenska podjetja lažje odločila za vstop na daljne tuje trge, ki kažejo velik potencial v prihodnosti. Zato je nastala ideja hiše ter povezovanja vstopajočih podjetij. V nalogi spoznavam, da nas združevanje naredi močnejše, boljše, bolj konkurenčne, prepoznavne itd. Odgovor na to, kako vstopiti na tuje trge, je v povezovanju med dvema podjetjema ali med več podjetji, saj so slovenska podjetja večinoma premajhna, da bi lahko konkurirala večjim na svetovnem trgu. Koncept *slovenske hiše* pa je dobrodošel tudi na trgih, kjer je Slovenija že prisotna, saj bi pripomogel k povečanju prepoznavnosti.

Pomembno je, da se začne graditi znamka Slovenije kot države. Smo mlada države, ki si še oblikuje svojo zgodovino, zato je zdaj čas, da ugotovimo, kaj naj Slovenija predstavlja v svetu, na kaj naj ljudje pomislijo, ko zaslišijo besedo Slovenija. Specifičnim produktom zaradi njihovega izvora in zgodovine matične države (Švica, Francija, Nemčija, Japonska itd.) bolj zaupamo in jih bolj cenimo. In zdaj ta korak čaka tudi nas.

Potrebno je razviti strategijo in zgraditi znamko Slovenija ter jo začeti tržiti globalno.

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APPENDIX

- APPENDIX 1: Map of Mexico
- APPENDIX 2: Political fact sheet
- APPENDIX 3: Interview n.1
- APPENDIX 4: Interview n.2
- APPENDIX 5: Interview n.3
- APPENDIX 6: Renewable energy in different forms

Appendix 1: Map of Mexico.



REV2003

Appendix 2: Political Fact Sheet

Political Fact Sheet

CAPITAL:

Mexico City

CONSTITUTION:

February 5, 1917

ADMINISTRATIVE SUBDIVISIONS:

31 states and 1 Federal District

POPULATION:

2006: 108.42 million

AREA:

1,972,538 sq. km.

OFFICIAL LANGUAGE:

Spanish

STATUS OF PRESS:

Partly controlled. The federal government retains direct control over the press through its monopoly of newsprint and its ability to control government advertising.

SECTORS OF GOVERNMENT PARTICIPATION:

petroleum, petrochemicals, electricity, communications, transportation, banking, and agriculture

CURRENCY EXCHANGE SYSTEM:

free-floating

EXCHANGE RATE:

3/30/2007 \$1=11.0650 pesos

ELECTIONS:

Presidential and Senate elections are held every six years; last July 2, 2006; next, scheduled July 2012. Chamber of Deputies elections are held every three years; last, July 2, 2006; next, scheduled July 2009.

HEAD OF STATE:

President Felipe Calderón Hinojosa (2006)

HEAD OF GOVERNMENT:

President Calderón (2006)

OFFICIALS:

Alberto Cardenas Jimenez, Agriculture
Luis Téllez Kuenzler, Communication & Transport

Eduardo Sojo Garza-Aldape, Economy
Georgina Kessel Martínez, Energy
Juan Rafael Elvira Quezada, Environment,
Natural Resources & Fisheries

Agustín Carstens Carstens, Finance & Public Credit

Patricia Espinosa Cantellano, Foreign Relations
José Angel Córdoba Villalobos, Health

Francisco Javier Ramírez Acuña, Interior
Javier Lozano Alarcón, Labor & Social Welfare

Guillermo Galván Galván, National Defense
Genaro García Luna, Public Security

María Beatriz Zavala Peniche, Social Development

Rodolfo Elizondo Torres, Tourism

LEGISLATURE:

Bicameral Congress: 128-member Senate and 500-member Chamber of Deputies. Seat distribution in the Chamber: National Action Party (PAN), 206; Democratic Revolutionary Party (PRD), 127; Institutional Revolutionary Party (PRI), 106; Ecologist Green Party of Mexico (PVEM), 17; Convergence, 17; Workers' Party (PT), 12; New Alliance, 9; Social Democratic and Peasant Alternative Party, 5; independent, 1. Seat distribution in the Senate: PAN, 52; PRI, 33; PRD, 26; PVEM, 6; Convergence, 5; PT, 5; independent, 1.

Appendix 3: Interview n.1

RIKO – Mr. Janez Pucelj (Plant Manager)

1. Have you ever thought of entering the Mexican market? If so, what was your strategy?

No, Mexican market has never been in our expansion strategy. Our main factor that we take into consideration when entering distant markets is transportation. Cost of transportation and the restrictions in size due to overseas transportation are crucial for us. Furthermore, the shapes and sizes of our houses do not correspond to that market. Our main market is Europe, ranging to Russia.

2. What is your opinion on collaboration with other Slovenian companies in the process of joint entering into foreign markets (particularly Mexico)? Do you consider group gathering a good opportunity to share the risk of investment, further costs, knowledge...?

In Riko we strongly agree with collaboration with other Slovenian companies. We already collaborate with companies that comply with our products and we have had very positive experience so far. Slovenian companies are generally willing to cooperate and see that as a good option to expand. There are many positive but also some negative aspects (disclosure of know-how) in these types of projects. We also have to keep in mind that loyalty and trust play an important role in such cases.

We are currently cooperating with some Slovenian companies in Italy, in the region that was damaged by the recent earthquake, and are working on a possible future project in Japan.

3. Do you expect any governmental support (financial or otherwise) or support from other institutions in this process and if so, when and in which situations exactly?

Of course, we always expect some support from the government, but in reality there is a lack of such assistance. However, we do receive some support in the form of Slovenian ambassadors that are present in a particular country or region. Slovenian Chamber of commerce should definitely play a more significant role in presenting Slovenian economy abroad.

4. Is the Slovenian House concept in Mexico that would first position the country as a brand (ECO Slovenia), and further reflect the branding strategy to particular companies through “ECO Slovenia house”, an interesting solution for entering Mexico? Would that be a good opportunity for new entrants to become known and get wider recognition in a specific sector?

The concept of companies gathering from similar sectors, assimilating in a group and participating as a group is without any doubt the future strategy for Slovenian companies in order to successfully enter and compete on foreign markets. We simply need to gather because we are too small to compete on our own. As for Riko our basic principle was and still remains that our customers first relate to the company and afterwards to the country of origin.

5. The presented idea is that companies gather under one roof, establish representative offices, and furthermore have exposition place for its products, launches (all year round fair), project planning groups, consulting services etc. Would this multifunctional approach suit your company, as a possible entry strategy?

This is an entry possibility that could be interesting for Slovenian companies. We have also had in mind a similar project in recent years but it has never got to the point to be actually realized. There should be more companies involved that are big enough to deal with above mentioned costs, which end up to be the main factor in not choosing this option and remain relying only on business partners that companies have in particular countries. Clearly, the companies have to be in the same branch but not as a direct competition, more as a complimentary solution. The market has to be big enough to cumulate those expenses.

6. We are in the middle of financial crisis. Expansion is not the priority, but reaching new markets will boost production when the crisis is resolved. Do you believe that now is the right moment for Slovenian companies to gather and enter distant markets (particularly Mexico) together?

Yes, it is always preferable for companies to gather and compete in foreign markets as a coherent unit and even more in the situation we are facing today. We are already gathering and will do so in the future.

Appendix 4: Interview n.2

GORENJE d.d. - Tatjana Močenič (Area Sales Manager)

1. Have you ever thought of entering the Mexican market? If so, what was your strategy?

Gorenje was present in Mexico several years ago. At that time our business operations were very successful, but we faced some problems with functionality of our products due to different climate.

At the moment we are in contacts with some potential distributors and we are looking for options to cooperate and be present in the Mexican market again.

2. What is your opinion on collaboration with other Slovenian companies in the process of joint entering into foreign markets (particularly Mexico)? Do you consider group gathering a good opportunity to share the risk of investment, further costs, knowledge...?

Entering foreign countries with partners is an interesting solution, but it has to be well defined. Independent decisions have to remain a priority for every company. As for Gorenje, until this day, we have full ownership on all daughter companies abroad.

3. Do you expect any governmental support (financial or otherwise) or support from other institutions in this process and if so, when and in which situations exactly?

We are cooperating very well with Slovenian Chamber of Commerce. They are useful in sharing information about contacts in foreign countries and are organizing matchmaking events. Also the Center for Latin America has been a good partner in the past.

4. Is the Slovenian House concept in Mexico that would first position the country as a brand (ECO Slovenia), and further reflect the branding strategy to particular companies through "ECO Slovenia house", an interesting solution for entering Mexico? Would that be a good

opportunity for new entrants to become known and get wider recognition in the specific sector?

From the marketing point of view this is an interesting idea for Gorenje. To be present in the House with the showroom and present our products would be a good opportunity to arise awareness of the brand. This could suit us as complimentary brand positioning and would be in the agreement with the possible distributors on the Mexican market.

5. The presented idea is that companies gather under one roof, establish representative offices, and furthermore have exposition place for its products, launches (all year round fair), project planning groups, consulting services etc. Would this multifunctional approach suit your company, as a possible entry strategy?

When we are deciding to enter a specific market the first step is to gather all the necessary information and prepare a business plan. Afterwards it is presented to our Board of Directors and they are the one that decide in the end. So at this point it would be hard for me to say what would be our exact strategy. But in my opinion, a house concept with all these services mentioned above would be an interesting solution in entering and marketing Slovenian products.

6. We are in the middle of financial crisis. Expansion is not the priority, but reaching new markets will boost production when the crisis is resolved. Do you believe that now is the right moment for Slovenian companies to gather and enter distant markets (particularly Mexico) together?

At the moment our main priority is to strengthen business ties with present partners and continue the good collaboration. Nevertheless, we are constantly looking for new business opportunities and new clients all over the world as well as in Mexico.

Appendix 5: Interview n.3

SLOVENIAN CHAMBER OF COMMERCE- Marko Jare (Area Director)

1. Have you ever thought of entering the Mexican market? If so, what was your strategy?

Mexican market is very interesting due to its size and closeness to the United States. It is good to hear that there are some Slovenian companies already present on the market via production plants or local distributors. All of them are being successful, so I believe that this should encourage also other companies that could penetrate the market. I think that the main problem is that companies do not have proper information about the market. They do not know the market and there are many niche markets that could be an interesting entry possibility.

2. What is your opinion on collaboration with other Slovenian companies in the process of joint entering into foreign markets (particularly Mexico)? Do you consider group gathering a good opportunity to share the risk of investment, further costs, knowledge...?

Of course, collaboration is an essential in dealing in distant markets. Our experience shows that companies that are already present in one market are willing to help newcomers to avoid problems they had to go through. It happened many times these companies later on started to make business between them. Our Chamber arranges networking informal gatherings where newcomers can meet the already present companies in a particular market.

3. Do you expect any governmental support (financial or otherwise) or support from other institutions in this process and if so, when and in which situations exactly?

Slovenian chamber of commerce is the largest institution that is divided into different branch sectors.

In November 2008, we organized a matchmaking event in Mexico. We had a delegation of 12 people coming to Mexico and participating in business meetings with governmental institutions and companies interested in possible cooperation. In 2007 we also had a forum on possibilities of investing in Mexico.

The Chamber of Commerce itself does not have financial resources to budget international projects. We form a delegation of companies in a particular branch; arrange in cooperation with other chambers of commerce meetings with institutions, companies of another country. The Government then provides us with financial support that this kind of projects can be realized. Also media coverage is better where there are bigger gatherings, a group of companies, rather than just one independent company entering the market.

4. Is the Slovenian House concept in Mexico that would first position the country as a brand (ECO Slovenia), and further reflect the branding strategy to particular companies through "ECO Slovenia house", an interesting solution for entering Mexico? Would that be a good opportunity for new entrants to become known and get wider recognition in the specific sector?

I agree that there would have to be a brand, but the question is if Slovenia as a country is the right one. With a good strategy it would be necessary to start establishing a brand. It could also be Slovenia but I would connect the name with something (industry, natural specification etc.). There would also need to be a strong marketing campaign behind this. We have to think in a global way, and start to establish a global brand

5. The presented idea is that companies gather under one roof, establish representative offices, and furthermore have exposition place for its products, launches (all year round fair), project planning groups, consulting services etc. Would this multifunctional approach suit your company, as a possible entry strategy?

This is a good solution that has to be taken as a whole package/project. This could be a good solid ground for companies that are ready to penetrate a specific market. But it would be also good to consider other possibilities that this house can offer. In my opinion, this would have to be a “live space”. This means that the House would host presentations of new companies, host tourist conferences, weeks devoted to a special branch. To have expositions, shows, presentations, cultural nights, different ideas, approaches and products.

It would be necessary to organize a managerial structure. Someone would need to be in charge of the House operations, also divide the ownership stakes, to have a budget for the expenses. All the things mentioned in the first paragraph could help to somehow finance part of these operational costs.

6. We are in the middle of financial crisis. Expansion is not the priority, but reaching new markets will boost production when the crisis is resolved. Do you believe that now is the right moment for Slovenian companies to gather and enter distant markets (particularly Mexico) together?

I don't think that in the time of financial crisis companies do not think about expansion. In my opinion and experience I see that now companies are looking for all possible market entries, solutions etc. When economy will start to function in a normal way, those companies that are present now, or are thinking of expansion in the time of crisis will have the market advantage in the future. Maybe it turns out that this could also happen through Slovenian House.

Appendix 6: Renewable energy in different forms.

Wind power

This type of energy takes advantage of wind flowing through turbines. It usually takes many turbines gathered together on wind farms in order to generate a decent amount of giga watts (GW). The construction costs of turbines are extremely low and they need almost no maintenance. Wind power is the world's most used renewable energy source. In 2007, it generated 28% more electricity worldwide than the previous year, with a total annual investment of 33 billion USD. Globally, the long-term potential of wind energy-, which today has a worldwide capacity of over 100 GW-, is believed to be five times bigger than the total current amount of energy produced worldwide. Wind power does not release any greenhouse gases during its production (Negocios, 2008, p. 41).

Solar power

Solar power plants and photovoltaic cells have evolved tremendously over the past few decades and are one of the most trusted renewable energy options. According to the European Photovoltaic Industry Association, the world's capacity of installed solar energy grew by 63%

in 2007. The amount of electricity generated reached the equivalent of 20 billion USD in earnings, while investment made in plants and equipment reached a little over 2 billion USD (Negocios, 2008, p.41).

Geothermal power

Geothermal power uses the heat generated inside the Earth's core and transforms it into usable energy. Although the necessary facilities are not as cheap as other renewable energy sources, processing plants, its maintenance costs are close to non-existent.

Geothermal power sources only exist in certain geologically active regions of the world such as Mexico, Iceland, New Zealand, Italy, the Philippines and some areas in the United States (Negocios, 2008, p. 41).

Biofuels

Agriculturally produced biomass fuels, such as biodiesel, ethanol and biogases are generally burned in internal combustion engines or boilers. Typically, biofuel is burned to release its stored chemical energy. Between 2005 and 2007, worldwide biofuel production increased by 43%. This growth is a direct result of the increase in oil prices as well as global warming concerns regarding fossil fuels (Negocios, 2008, p. 41).