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Analysis of foreign market entry strategy for Íslenska Gámafélagið

Market analysis

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Preface

This thesis is the final project for the master's degree in marketing and international business of the Faculty of Business of the University of Iceland. This thesis is 30 credits final project. I did this thesis under the supervision of Professor Dr. Ingjaldur Hannibalsson. I want to thank my supervisor for great guidance and support in writing this thesis. Working on this thesis under his supervision, was very productive and his support was very important throughout all my work. I also want to thank all participants who found time for participating in the interviews, without them, it would not be possible to complete this thesis.

Abstract

One of the main reasons for internationalization process of Íslenska Gámafélagið is the saturated domestic market, small domestic demand and increased competitors' pressure. In order to respond to this increased competitor pressure, company is considering to expand its operations into foreign markets. Companies that have no international experience are usually looking to expand their business operations in secured countries with stabile legal and economic environment in order to reduce their risk. Most companies would probably avoid investing in countries with high perceived risk. Countries that still have problems with their existing corruptive practices are certainly not safe environment for investments. Therefore, investing in economic environment of the countries of Eastern Europe is quite risky and represents challenge for companies with little or no international experience. On the other hand investing in these undeveloped markets can also represent good possibility for companies with certain experience and expertise where they can use their knowledge in order to achieve growth. Investing in undeveloped waste management industry in Balkan countries represents good opportunity for companies such as Íslenska Gámafélagið. Íslenska Gámafélagið has certain experience and expertise in the area of waste management, where it can use that expertise as advantage in its entry in these undeveloped countries. One of the objectives of this thesis is to assist Íslenska Gámafélagið in its foreign market entry and recommend the best possible entry strategy in one of the selected Balkan countries. After conducting the detailed analysis of the waste management industry and analysis of all factors that can have influence on the company's market entry it is recommended that Íslenska Gámafélagið enters the market by establishing partnership with one of the local companies in selected country. Considering the fact that Íslenska Gámafélagið have no international experience it is possible to conclude that partnership with domestic companies from selected foreign market would reduce the company's risk in its foreign market entry. The main reason for selecting the Croatia as good country to enter, compared to other selected Balkan countries, is the fact that Croatia represents secure environment for Íslenska Gámafélagið. Croatia undeveloped waste management practices, outdated technology and unskilled labour force represent good possibilities for Íslenska Gámafélagið to use its expertise as advantage in its market entry in Croatia.

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1 Introduction

The main objective of this thesis is to analyze possibilities for Íslenska Gámafélagið to expand its business operations and invest in the waste management industry in one of the selected Eastern European countries. Focus of the research will be on the countries of Balkan Peninsula or the four countries of former Yugoslavia. These countries are Croatia, Bosnia and Herzegovina, Serbia and Montenegro. This thesis will try to answer the following question:

> *What entry mode should Íslenska Gámafélagið use to enter the selected foreign market?*

Should it enter the market directly by acquiring some of the domestic companies or by forming the possible partnership or joint ventures with local companies? Or should it enter the market by selling its expertise and knowledge and offer consulting services for local companies. The main reason for analyzing the Balkan Peninsula countries is because these countries don't have well developed recycling system compared to the other European countries. That opens the possibilities for Íslenska Gámafélagið, to start its internationalization process, to expand their operations and enter these selected markets. Undeveloped waste management in these countries represents good opportunity for foreign investors who are willing to expand their operations and invest in the area of waste management.

Entering the Balkan countries represents potential risk for the Íslenska Gámafélagið, which don't have previous international business experience but on the on the other hand it represents great growth potential and good possibilities for the company to achieve growth, because these Balkan countries are mostly inexperienced in the field of recycling and have undeveloped waste management practices and infrastructure. That opens the possibility for companies with experience and expertise in the field of recycling and waste management to enter the market by selling their know-how, by establishing a joint venture or acquiring one of the local companies. One of the main weaknesses of the internationalization process of the Íslenska Gámafélagið is its lack of international experience and limited financial resources. The company's commitment by itself is not enough for successful internationalization process. Therefore, the company will need to conduct detailed research of all factors that may affect the company's foreign market entry into the selected countries. One of the objectives of this research is to provide all necessary information in order to analyze and to propose the best possible entry strategy to assist in the company's business expansion in selected market.

In the last decade we have seen the increased internationalization of the Icelandic companies. There are many reasons for starting the internationalization process of Íslenska Gámafélagið, but the most important would be the small and saturated domestic market which results in small domestic demand. In order to maintain their growth and to respond to the increased pressure from the competitors, Íslenska Gámafélagið needs to expand their operations in foreign markets and seize the possibilities that these foreign markets offer. Entering the foreign market(s) is quite challenging and risky and demands additional resources, skills, knowledge, experience, connections and capital, but most important is the experience of doing business internationally and dedication for internationalization. Without these requirements it would be very difficult for company to achieve successful internationalization.

Entering the Balkan countries would represent great challenge for Íslenska Gámafélagið in its internationalization process. This research will provide detailed analysis of waste management in these countries, and examine the possibilities for Íslenska Gámafélagið to enter the market in one of the selected countries. Undeveloped waste management, waste management infrastructure and practices will represent great potential and possibilities for foreign investors willing to take the risk and invest in these emerging markets. Analysis will include all external and internal factors that have and may have influence on the developing of the sustainable recycling and waste management system in these countries. Special focus of the analysis will be the corruption in these Eastern European countries and how it can have effect on the foreign investors and investment opportunities in these countries. Corruption represents additional risk for every potential foreign investor who is willing to invest in markets of these Balkan countries. Research methods used for this thesis will be based on international business theories, together with sources and databases from reliable and independent international sources. Additionally, phone interviews will be conducted with local experts and executives from local companies in the selected foreign market.

Research methods used for this thesis will be presented in the chapter 2, Research methodology, which will provide detailed review of all data sources and methods used for this study. The chapter 3, About Íslenska Gámafélagið will provide information about company's background and history together with the analysis of the company's current market position, growth strategy, internal strengths, weaknesses, possible threats and opportunities. Chapter 4, International environmental policies and international business theories represents description of modern waste management practices and environmental protection issues, together with analysis of foreign market entry modes in order to provide support for company's choice of foreign market entry. The chapter 5, Market segmentation and comparative analysis of selected countries will provide detailed analysis and insight into the selected foreign markets and analysis of internal and external factors that may have influence on the company's foreign market entry.

The chapter 6, Target market selection will provide recommendation and conclusions for target market selection that will be based on previous analysis of selected countries. The chapter 7, Entry strategy will provide detailed analysis of company's entry strategy into the target market. Phone interviews with local experts and executives of local companies from selected foreign market will be conducted in order to provide insight and additional information about that particular foreign market. In chapter 8, Recommendations for entry strategy, possible entry modes will be analyzed and recommended potential local companies for establishing the partnership in selected market. Market entry recommendations will be based on conclusions from concluded interviews supported with international business theories. The chapter 9, Conclusion and chapter 10, Recommendations for further research will be discussed together with research limitations. Conclusion of this thesis and foreign market entry recommendation will be presented to the management of the Íslenska Gámafélagið.

2 Methodology

Purpose of this thesis was to answer the research question:

> *What entry mode should Íslenska Gámafélagið use to enter the selected foreign market?*

2.1 Research method

For the purpose of this thesis international business theories and previous studies of companies' internationalization, expansion and foreign markets entries are used. For that purpose are used articles regarding foreign market entry and books from the experts in the field of international business, internationalization and foreign markets entry modes. These international business theories were used for the analysis of the possible foreign market entry that Íslenska Gámafélagið can use in its internationalization process. Additionally, in this thesis were emphasized all factors that may have influence on the company's foreign market entry in the less developed countries with special focus on the corruption as one of the main obstacle for entering the markets of these countries.

Furthermore, detailed analysis of selected country was conducted in order to analyze all factors that may have influence the company's entry strategy. Most of the information on the selected country was obtained from the database Euromonitor, which represents very reliable source of information. The access to this database was enabled by Íslandstofa. This data was compared to the information provided from the national statistic offices of the selected countries and other independent sources such as World Bank, European Bank for Reconstruction and Development, European Investment Bank, European Environmental Agency, Transparency International, World Economic Forum, Heritage foundation, Global Finance and many other sources.

The main reason for using these international institutions and databases is to gain information from independent and reliable sources in order to conduct detailed market analysis of selected countries. Additional information is obtained from the selected countries such as local environmental agencies, commercial chambers, local institutions and companies responsible for environmental protection and waste management in these selected countries. Entering the foreign market in Balkan Peninsula requires detailed market research. Therefore, one of the goals of this research is to analyze business conditions and to provide insight and clear picture of local business environment in these selected Balkan countries.

The main problems of this research is the lack of accurate data regarding waste quantities, waste disposal and recycled waste in Balkan countries, where these countries don't have developed efficient waste management system and statistics on it. As a result some of the data provided from selected countries statistic agencies is being estimated. Further analyses of the current political and economic situation in selected country were conducted in form of PEST, SWOT and competitors analysis in order to recommend the best entry strategy in the selected country. PEST, SWOT and competitors' analysis are used to analyze all internal and external factors that might influence company's market entry as well as possible opportunities, external threats and obstacles regarding the company's market entry strategy and business strategy in the selected country. Potential entry strategy will be analyzed in selected market. Current situation in the selected markets, market needs and trends, prospects for future growth and investments possibilities in waste management in target market will be analyzed. Initial contacts will be made with local companies that are interested for possible partnership in target market. Emphasized will be the corruption problem in selected country which represents one of the main unsolved issues that affects business environment and foreign investment in these selected Balkan countries.

This thesis is not solely based on international business theories and sources provided from the international organizations and databases. For the purpose of this thesis qualitative research in the form of telephone interviews were conducted in order to provide additional information and insight in the target market. Telephone interviews and initial contacts were made with the executives of local companies, top managers, local environment experts' government officials, and institutions responsible for environment protection and waste management in the selected market. The executive of Íslenska Gámafélagið was interviewed in order to acquire necessary information about the company, company's activities and commitment to internationalization. The main reason for conducting telephone interviews with local companies and experts is to provide insight into the selected foreign market, local knowledge, understanding, perception, expertise about selected foreign market and waste management industry in that market. Quantitative research method is not suitable for the purpose of this thesis, where purpose of this thesis is not to prove or establish certain hypothesis. For the purpose of this thesis it was not possible to use standardized question list for all participants. The main reasons for that is the small number of participants and their different occupation, background and expertise. Therefore, it was not possible to use the same questions for all participants. Where participants have different background and work in different institutions and companies. Some of participants were government officials and experts and others were companies' employees, top managers and executives.

2.2 Purpose of writing this thesis

Idea for writing this thesis came from the author's interest for Balkan countries or countries of former Yugoslavia. Author of this thesis is originally from Bosnia and Herzegovina and had the opportunity to spent most of his life in countries of the former Yugoslavia. Idea for analysing the waste management industries in Balkan countries came after the meeting with the CEO of Íslenska Gámafélagið J. Þ. Franson, who expressed his and the interest of his company to start internationalization process and expand its business operation in foreign markets. After concluding the interview with the company's executive, it was possible to conclude the company had interest and would like to consider possibilities of expanding its business operations in Balkan countries or countries of former Yugoslavia. J. Þ Franson has recognized the importance of expanding the company's operations beyond its local market in order to achieve growth and international experience. He also recognized the growth opportunities of doing business in foreign markets particularly in undeveloped markets of Eastern Europe. He has expressed the company's interest in conducting preliminary research of selected foreign markets conducted by author of this thesis and establishing preliminary contacts with potential local partners in target market. Actual work on this thesis started in may 2012, when reading the international business theories and previous studies regarding foreign market entry modes.

2.3 Data collection

Most of data for this thesis was acquired from the database Euromonitor and other reliable and independent sources such as World Bank, European Bank for Reconstruction and Development, European Investment Bank, European Environmental Agency, European commission, Transparency International, World

Economic Forum, Heritage foundation and Global Finance. This data was compared to additional information provided from government institutions and agencies of selected countries, local experts and companies operating in waste management industry in selected Balkan countries. Additionally for the purpose of this thesis, telephone interviews were conducted with local companies' top managers, local environment experts' government officials, local authorities' officials and institutions responsible for environment protection and waste management in the selected market. Interviews were conducted during the period from 30 May to 15 November 2012. Ten out of total 14 conducted interviews were conducted by phone, one interview was conducted in the participant's office and three participants have sent their answers by internet mail. Interviews lengths were from 7 minutes up to 38 minutes. One interview was seven minutes, nine interviews were over 15 minutes long, and one interview was over 30 minutes. All interviews were recorded in the audio note program in I pad. Ten interviews were conducted in Croatian language, one was conducted in Icelandic and three participants have sent their answers in Croatian language by internet mail.

Interviews were semi structured, where questions were prepared in advance within the certain framework and then adapted for each participant separately. These questions were adapted and changed in consideration to participant's area of expertise and position within the company or organization. Some participants didn't want to answer on all questions and some express desire to talk about other topics that are not directly related to waste management industry. The author of this thesis usually did ask questions about certain topics in certain order, however author also had to be flexible and take into considerations respondents answers carefully. The author began the interviews by introducing himself and explaining the reason for conducting the interviews and purpose for writing this thesis. The author asked the participants for their permission to publish their names and current employment. All participants were willing to take part in these interviews.

2.4 Participants

Participants of this study were directors, top managers, executives of local Croatian companies together with local experts and employees in government organizations and agencies responsible for environment protection and waste management industry in Croatia. Interview was also conducted with the CEO of Íslenska Gámafélagið J. Þ. Franson. Interviews were conducted in two languages, Icelandic and Croatian language. Questions were translated and adapted by author of the thesis who speak Croatian as a mother language and have a good knowledge of Icelandic language. Six interviews were conducted with executives and top managers of biggest local Croatian companies, one interview was conducted with executive of Íslenska Gámafélagið, four interviews were conducted with Croatian experts and employees in Government organizations and agencies and three participants have sent their answers by email. Preliminary contacts and phone interviews were made with the executives and top management of biggest waste management companies. Ten interviews with local experts and executives of local Croatian companies were conducted by phone and three participants have sent their answers by email. The reason for selecting the biggest local companies in Croatia was due to the fact that author could not establish contacts and conduct interview with executives of all 213 waste management companies currently registered in the selected foreign market. List of all participants with their companies' names is presented in appendix III.

2.5 Data analysis

Data analysis began as soon as all interviews were concluded. All interviews were recorded, listened to repeatedly and summarized. Interview analysis began with listening to recorded interviews and writing the abstracts of each interview. Due to fact that interviews were conducted in two languages, Croatian and Icelandic and thesis was written in English, author couldn't translate and transcript interviews exactly word for word. Therefore, instead of transcription and coding author decided to write abstract of each conducted interview and summarized abstracts in different themes. After summarizing and reducing the original data provided from interviews, main remarks and conclusions were further summarized in seven main themes and each theme is analyzed in details. Used method for this research is phenomenology. Main reason for using this method reflects in the fact that, phenomenology method starts with lived experience of researcher who conducts the study (Orbe, 1998). Phenomenology is based on lived experience of the researcher that provides him with insight into the phenomena that is focus of his research (Orbe, 1998). That means that researcher needs to possess certain previous knowledge of study that he is conducting. Considering the fact that author is personally involved and possess „lived experience" that provides him with the insight into the subject of the study, this method best suits the needs of this study.

Second reason for choosing this method is fact that phenomenology provides more natural and unstructured exchange between researcher and participants of the study, which provides more freedom and flexibility for researcher (Orbe, 1998). Therefore, this method is chosen as an appropriate method for this study, where author had to use more flexible approach in conducting the interviews. In this study used are more spontaneous questions and semi structured interviews. Phenomenology consists of three basic steps, description, reduction and interpretation. First step consist of conducting the interviews with selected participants or so called ,,co-researchers'' in order to gather data and descriptions of participants „lived experiences'' opinions and views. Second step is phenomenological reduction of original data provided from interviews with participants. Reduction is performed by choosing certain elements from description and where these elements are later divided in different themes. Third step represents the attempt to discover the interrelatedness between different themes and drawing conclusions on how these themes relate to one another and analyzing how each of these themes affects the main subject of the study (Orbe, 1998). Final conclusions and market entry recommendations are based on these interviews with participants, supported with theories of international business and foreign market entry modes. Summary of all interviews is presented in appendix II.

2.6 Interviews framework

After reading a number of articles regarding international business theory and previous studies related to foreign market entry mode, a draft of questions used for interviews was made. Author of this thesis selected several theories regarding foreign market entry modes which attracted his interest for conducting further research. Interview framework and questions were intended to describe and analyze possible motives for companies' internationalization and possibilities for establishing partnership between companies. The main reason for selecting these questions was to explore the possibility for Íslenska Gámafélagið to start its internationalization process and expand its business operation in selected target country proposed by author of this thesis. Interviews with local companies and experts from target market are conducted in order to provide support for company's decision regarding foreign market entry in to the selected foreign market. The interview framework with questions is possible to see in appendix I.

2.7 Research limitations

The author of this thesis experienced certain difficulties in conducting telephone interviews with local companies and experts from selected foreign market. Even though, participants were willing to take part in interviews some of them didn't want to answer on all questions and some of participants only provided partial answers and talked about certain topics which were not directly related to main topic of this thesis. Some of them expressed their interest in establishing possible partnership with Íslenska Gámafélagið but refused to provide further answers by phone or email and have requested further meetings. Therefore, doing the telephone interviews with companies and experts from selected foreign market provided limited results and didn't provide all answers needed for conducting the detailed analysis. Research was limited only to selected biggest waste management companies in Croatia, due to the fact that the author of this thesis could not establish contact and conduct interviews with management of all the 213 companies operating in Croatian market. Furthermore, interviews were conducted with these biggest companies because author believes that these companies provide a precise picture of current situation in Croatian waste management industry.

3 Íslenska Gámafélagið

This chapter represents review of the company's history, activities and analysis of company's business operations, company's internal strengths and weaknesses, external threats and potential opportunities regarding company's expansion in foreign market.

3.1 Company's history and profile

Íslenska Gámafélagið was founded year 1999. According to the company's CEO, J. Þ. Franson, the main reason for establishing the company was to increase the competition in the Icelandic recycling industry and waste management (Franson, 2012). Íslenska Gámafélagið is one of the biggest players in the Icelandic waste and recycling industry with 10 years of experience and expertise. The company currently employs 200 people in ten operational units around the country. The company has today at its disposal approximately 2000 iron containers and about 10,000 plastic containers that are rented to companies, institutions and individuals. The company‘s service covers all aspects of general waste management from waste collection in the household to the collection and transport of hazardous waste, heavy machinery transport, street cleaning as well as providing the consulting services in the field of recycling and waste sorting for both companies and general population (Íslenska Gámafélagið, 2012).

The company's corporate strategy and vision is to be a leader in the areas of environmental protection, recycling and reusing the material. The company is constantly looking to provide new solutions in exploitation of green energy, in order to achieve sustainability and in order to use the resources with smallest possible impact on the environment. The company is trying to establish its leadership position in the market by improving its customer's services and providing better solutions for customers in the area of environmental protection and waste management practices (Íslenska Gámafélagið, 2012). The company's strategy is to incorporated so called ,,Green Values'' (Gleði, Reynsla, Ævintýri, Nákvæmni) into its daily business activities (Íslenska Gámafélagið, 2012).

Íslenska Gámafélagið offers its customers complete solutions in the area of environmental services such as waste management and recycling. It services range from consulting in the area of sorting and recycling, waste management, street cleaning, snow removal, as well as renting of the equipment and machinery. Íslenska Gámafélagið is specialized in the environmental consulting for businesses and organizations. Among the projects that Íslenska Gámafélagið performs is making manuals, plans, and reports and consulting in the area of sorting and recycling. Furthermore, the company organizes promotion and preparation of presentation materials for schools, businesses and organizations as well as providing the assistance in the export of the recyclable material and providing the assistance in recycling (Íslenska Gámafélagið, 2012). The company's main activities are: waste collection, recycling, composting, consulting, production of biofuel, street cleaning, and harbour construction. Waste collection is company's widespread activity which includes the large number of households and businesses. Íslenska Gámafélagið collects waste from about 100 000 homes and 3000 businesses around the country and is one of the largest companies in the country that operates in the area of waste collection and recycling (Íslenska Gámafélagið, 2012).

Íslenska Gámafélagið offers households, businesses, organizations and local authorities simple and efficient technique for composting of organic waste. Composting can save transportation cost for local authorities and where local municipalities don't have to be dependable on other municipalities in disposal of organic waste. The company is using the best composting technology which can be easily modified for different circumstances and local conditions (Íslenska Gámafélagið, 2012). Íslenska Gámafélagið has also successfully developed the production of biodiesel by recycling of used fried oil. Among other activities the company performs is street cleaning, which represent one of the company widespread activities and which is in constant growth. The company's biggest customers are: public and private companies, organizations such as schools and universities and local governmental and municipal institutions (Íslenska Gámafélagið, 2012).

Íslenska Gámafélagið is the first Icelandic waste management company that implemented the environment standard ISO 14001 as a part of its daily operations and the first Icelandic waste management company which has adopted ISO 9001 quality certificate. That also represents very important international recognition for Íslenska Gámafélagið especially for company's future internationalization process. The company was awarded as the company of the year 2010 and 2011 by the VR union (Íslenska Gámafélagið, 2012).

3.2 Current company's strategy

According to the company's CEO J. Þ. Franson, current company's growth strategy is based on performing the business operations in domestic market (Franson, 2012). Where company provide the solutions for customers and wide range of waste management activities and services regarding waste collection, recycling, consulting, composting and street cleaning which represents company's main source of income. However, since the main company's activities are performed in domestic market which is small and serviced by few strong competitors, company's top management is considering the possibilities for expanding its business operation in foreign markets. According to the J. Þ. Franson main goals of company's future internationalization process are:

- *to achieve growth*
- *expand their business operations and establish presence and strong position in foreign market*
- *establishing new contacts and business relations with foreign customers* (Franson, 2012).

Main reasons for internationalization according to the company's representative are:

- *growth possibilities in foreign markets*
- *small domestic market*
- *to use its existing experience in foreign markets* (Franson, 2012).

After conducting the interview with company's representative, it is possible to conclude that company's motives for internationalization are mostly reactive and are results of increased competitive pressure in its home market. In its internationalization process the company is willing to invest certain financial resources and its expertise and knowledge. The company's CEO has expressed his interests in conducting preliminary research of selected foreign markets conducted by author of this thesis and in establishing preliminary contacts with potential local partners in target market. The company is willing to consider possibility to enter one of the selected markets in Eastern Europe recommended by author of this research. Because of the limited financial resources, the company considers to enter only one of selected markets in selected Balkan countries.

Major focuses of company's business expansion are undeveloped waste management markets in East European countries. The main reason for entering these countries is potential growth possibilities that company can achieve by entering these foreign markets. These countries have undeveloped waste management systems and have good potential for investing in development of efficient waste management system and recycling practices. Their potential reflects in term of large amount of collected and disposed recyclable waste that can be recycled and reused. All these countries have recognized the benefits of modern waste management practices and are willing to invest and join efforts with potential foreign partners in development of their waste management system and environment protection practices. Investing in the development of waste management of these Eastern European countries represents great possibility for Íslenska Gámafélagið with its experience and knowledge in the field of modern waste management practices and environmental consulting.

According to the company's representative the main company's weakness for its future internationalization process is its lack of international experience (Franson, 2012). Entering the foreign markets in Eastern European countries represents potential risk for the company without previous international experience. Even though, company's representative has expressed his commitment for internationalization, commitment of top management to enter the foreign market by itself it is not enough for successful foreign market entry. In order to enter foreign market the company would need to conduct detailed research of selected markets, gather all necessary market information and conduct analysis of all external and internal factors that might have influence on company's foreign operation. Considering the company's lack of international experience it is possible to conclude that company's main threat is coming from inexperience regarding investing in foreign markets and the threats from local competitors in the selected foreign market.

3.3 Company's internal strengths and weaknesses

Company's main internal strength and weaknesses regarding its internationalization process are summarized in following order;

Internal company's strengths in the field of recycling and waste management industry are:

- Company's knowledge, experience and expertise in the field of recycling and waste management practices
- Technological advantage as a result of constant improving, embracing and implementation of new waste management practices and recycling technology
- Well developed waste management practices
- Company's well educated and skilled labour force
- Company with international recognition (ISO certificate) and adopted international environmental protection standards
- Long term experience in environmental protection consulting for companies, organizations and local governmental institutions
- Commitment of the top management for the internationalization process and willing to take risk.

Internal weaknesses that might hold back company's market entry in selected foreign country are:

- Lack of international experience
- Lack of necessary financial resources for company's internationalization process
- Lack of specific market knowledge regarding foreign waste management and recycling industry
- Undeveloped relations and business connections with potential local partners, local companies, customers, organizations and local governmental institutions
- Lack of knowledge of local laws, regulations and administrative procedures.

3.4 Company's structure

According to the company's CEO J. Þ. Franson the company's internationalization process would be under his responsibility. Company's structure and responsibility of departments is possible to see in figure 1:

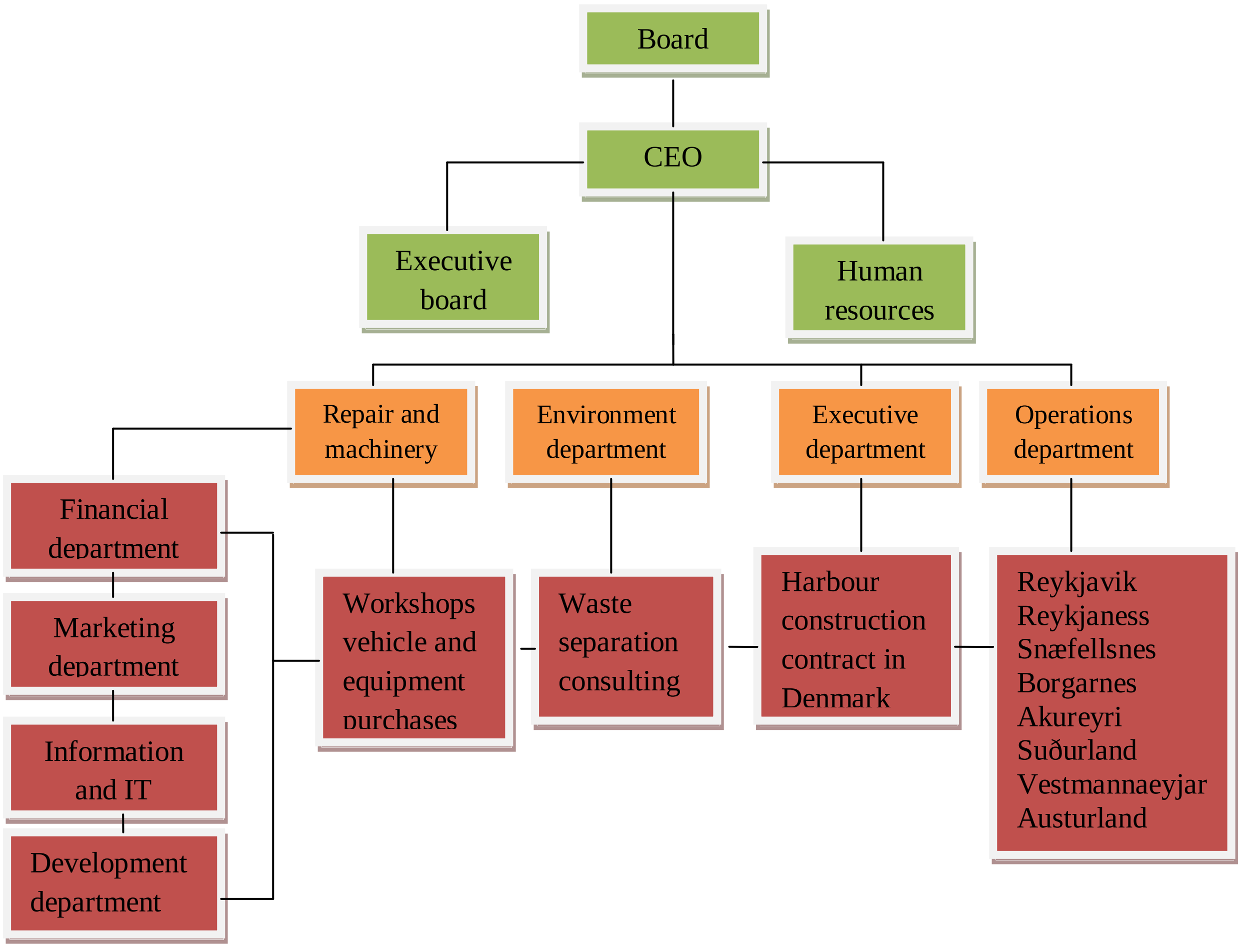

Figure 1. Company’s structure, source: (Íslenska Gámafélagið, 2012).

4 Environmental Protection Practices and foreign markets entry modes

This chapter represents overview of environmental protection policies and issues and review of major facts and benefits regarding recycling and modern waste management practices. Furthermore, international business theories and foreign market entry modes will be analyzed in order to provide support for company's foreign market entry decision.

4.1 International environmental policy and waste management theory

There are many definitions of waste and for the purpose of this thesis the official definition of waste provided from the European Topic Centre on Sustainable Consumption and Production will be used:

> Waste refer here to materials that are not prime products (products produced for the market) for which the generator has no further use for own purpose of production, transformation or consumption, and which he discards, or intends or is required to discard (European Topic Centre on Sustainable Consumption and Production, 2009).

According to the official journal of European Communities there are 20 main types of waste which can be further classified into many different groups and subcategories. List of all waste types and waste subcategories is provided by the official journal of European Communities (Official Journal of the European Communities, 2000). For the purposes of this thesis 11 main types will be focused on: Municipal waste, industrial waste, agricultural waste, hazardous waste, non-hazardous waste, packaging waste, waste from electrical and electronic equipment, construction and demolition waste, biodegradable waste, end of life vehicles and tyres and mining waste.

Municipal waste is generated from households, offices, and other public organizations and institutions. The major components are food waste, paper, plastic, rags, metal and glass. Municipal waste does not include industrial waste and waste collected from mining or construction and demolition processes (European Topic Centre on Sustainable Consumption and Production, 2009).

Industrial solid waste includes all types of materials used in production process which does not contain municipal, hazardous, radioactive and listed waste (European Topic Centre on Sustainable Consumption and Production, 2009). Packaging waste represents all types of materials which are used for protection, handling, transportation and presentation of commodities. Packaging waste arises from a various sources such as stores, retail outlets, manufacturing industries, households, hotels, hospitals, restaurants and transport companies (European Topic Centre on Sustainable Consumption and Production, 2009).

Waste electrical and electronic equipment (WEEE) represents end of life products and include a variety of electrical and electronic items such as: TV, refrigerators, IT and telecommunication equipment, freezers and other electrical, electronic equipment and tools. Agricultural Waste arises from agricultural production activities (European Topic Centre on Sustainable Consumption and Production, 2009).

Hazardous waste represents significant quantities of toxic chemicals which arise in production processes, industry, medicine, agriculture, and hospital and health-care facilities. Mining waste arises from mining activities such as extraction, excavation, handling and storage of minerals (European Topic Centre on Sustainable Consumption and Production, 2009). Non-hazardous waste represents waste which is not specifically intended to be hazardous (European Topic Centre on Sustainable Consumption and Production, 2009).

Construction and demolition waste arises from construction and demolition activities. Biodegradable Municipal Waste represents waste which arises from households and commercial activities that can be further used for biological decomposition. End-of-life vehicles are defined as used cars with maximum capacity of eight passengers and trucks that are used for transportation of commodities with maximum mass of 3.5 tons (European Topic Centre on Sustainable Consumption and Production, 2009).

Developed countries have established a number of different possibilities regarding treatment and management of waste and mostly used options are: waste prevention, minimisation, re-use, cleaner production, recycling, energy recovery, composting, incineration, and landfill (European Topic Centre on Sustainable Consumption and Production, 2009). According to the EU laws, landfill is seen as the last option and should only be used when no other options are available, that is, only material that cannot be re-used, recycled or otherwise treated should be disposed. Recycling, reuse of material and waste prevention are most common waste management practices in developed countries. Recycling is defined as the recovery and re-use of materials that would otherwise require disposal. Reuse is defined as operations in which once used materials are used again for the same purpose for which they were originally used. Waste prevention refers to the reduction or minimization of waste quantities (European Topic Centre on Sustainable Consumption and Production, 2009).

Most undeveloped countries are using landfill as the main or only waste management practice. Reasons for that is low awareness about environmental protection, lack of interest and willingness to invest in modern waste management system, lack of experience, outdated technology and machines and lack of financial resources for further investing in waste management (European Environment Agency, 2012). Most used waste management practices are presented in the figure 2.

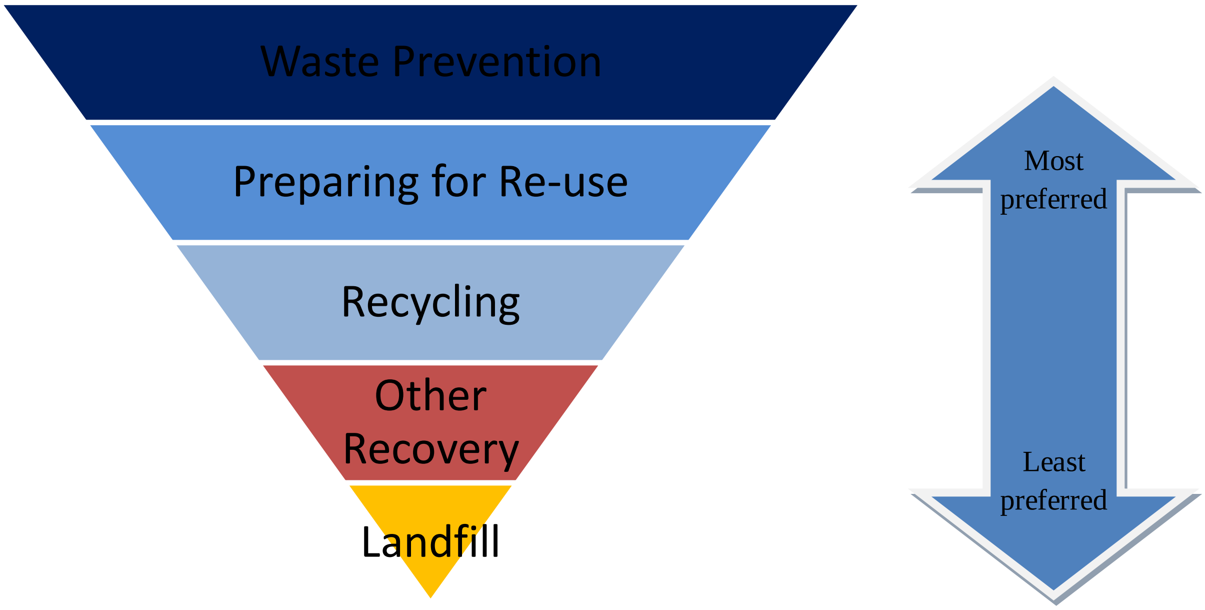

Figure 2. Waste management hierarchy, source: (European Environment Agency, 2012).

It is possible to conclude that environmental protection has been major issue in all developing countries in the world. It represents one of the main unsolved problems in most of undeveloped countries and emerging markets. One of the main reasons for increasing environmental concerns in developing countries are increased industrial production, constant population growth, scarce resources and increased consumer consumption which automatically leads to an increased pollution. Global financial crisis, increased industrial production and growing population results in growing need for more effective use of resources. It is possible to conclude that recycling and reusing of the materials represents good solution for countries and companies with scarce resources (European Environment Agency, 2012).

It is possible to conclude that most of undeveloped countries still have undeveloped waste management facilities and practices where most of waste is being disposed in illegal dumpsites which don't have any protection measures and therefore represents health threat for public. Introducing new environmental legislation, new waste management practices and investing in waste management facilities represent huge challenge for these countries (European Environment Agency, 2012).

4.1.1 Facts and benefits of recycling

There are numerous benefits of modern, efficient waste management system and recycling practices and some of those benefits are:

- Recycling and composting decreasing large quantities of material intented to be disposed to landfills and incinerators.
- Developing the modern, efficient waste management and recycling system creates job opportunity for large number of unemployed people in undeveloped countries.
- Paper recycling saves trees and forest.
- Recycling decreases air and water pollution by reducing toxic emissions into the air and water.
- Recycling saves the energy and reduces the reliance on fossil oils.
- Manufacturing with recycled materials, saves energy and water and reduces air and water pollution.
- Aluminium recycling saves the total energy needed to production of raw materials.
- Recycling reduces green gas emissions.
- Recycling saves and protects nature and natural resources and eases the demand for the resources (Knowledge Base, 2012; European Environment Agency, 2012).

After listing these benefits of recycling and modern waste management practices it is possible to conclude that modern waste management system and practices is the only alternative and it is in best interest for all countries to implement these practices and invest in their waste management system.

4.2 Foreign market entry modes

In this chapter possible entry modes that Íslenska Gámafélagið can use in its foreign market entry will be analyzed. Choosing the right market entry mode(s) is one of the most decisive factors that can influence company's success in foreign markets (Buckley & Casson, 1998; Chang & Rosenzweig, 2001).

Companies can enter foreign markets in many different ways. There are two different entries modes, foreign direct investment or so called equity mode and entry without direct investment or non equity mode (Rodriguez, Uhlenbruck, & Eden, 2005). Direct foreign investment is the type of foreign market entry where company that is registered in one country invests in assets in other country. In that case investor owns at least 10% of the asset or more and it has control over his foreign assets. If company chooses to invest directly in one country than it has two options, to invest in wholly own subsidiary or to invest in joint venture in cooperation with one or more partners (Rodriguez, Uhlenbruck, & Eden, 2005). In the case of non equity mode where company choose to enter foreign market without direct foreign investment, company has options to enter foreign market by exporting or licensing where foreign employees are acquired as intermediates in the business operations and transactions (Rodriguez, Uhlenbruck, & Eden, 2005). Direct and indirect foreign market entries can be further classified into three groups, export mode, intermediate mode and hierarchical mode. Export mode is the foreign market entry that provides high flexibility, low risk and low control. An intermediate mode is the foreign market entry that provides shared control and risk and split ownership. Hierarchical mode or so called investment mode is the foreign market entry that provides high control, high risk and low flexibility. Hierarchical mode represents direct foreign market entry and it is identified as the foreign market entry with biggest risk where company as a foreign investor have full ownership and control over its foreign investment (Hollensen, 2011).

It is not possible to conclude which entry mode is the best because there are many internal and external factors that can influence the companies' choice and companies that want to expand their operations in international markets may use more than one of these foreign market entries modes (Hollensen, 2011). Before the company can choose the best possible entry mode it needs to conduct detailed research of all internal and external factors, which can have influence on the company's performance in the selected foreign market. Conducting a detailed market research is a key to successful foreign market entry (Rodriguez, Uhlenbruck, & Eden, 2005). Company's foreign market entry choice depends on the many factors that are related to company's target market environment. These factors can be related to political and legal environment, economic environment, technical, nature and socio-cultural environment. Entering the foreign countries with unstable economic, political and legal environment represents greater risk for the company (Luo, 1999). This research will be focused only on those entry modes that are appropriate for company's entry strategy in selected foreign markets.

4.2.1 Intermediary entry modes

Sometimes companies are unable to serve foreign markets from their domestic market and therefore they start their operations in foreign markets with cooperation with local partners. In that case company don't have full ownership and control over its foreign operations instead, ownership and control are shared between partners. There are number of different arrangements or intermediate entry modes such as licensing, franchising, management contracts, joint ventures, turnkey contracts, technical know-how and contract manufacturing. These intermediary modes are mostly used in the case when one company poses certain competitive advantage and is not able to use that advantage because of some restraints, but is able to transfer or sell that advantage to third party. Company usually makes long term agreement with foreign partner, which results in transferring the knowledge and know-how between companies in different countries (Hollensen, 2011). The most encouraging motives for companies to start their production in foreign countries are, low production cost because of the low labour cost. Production in foreign countries can lower the transportation cost and companies that have established production in foreign country have advantage of being close to their foreign customers. Furthermore, some foreign customers prefer products that are produced in their home country rather than products imported from other countries (Hollensen, 2011).

4.2.2 Joint ventures

Joint venture is partnership between two or more business partners (Buckley & Casson, 1998). Prescott and Swartz (2010), describe joint venture as joint undertaking established by two companies in which they share risk, responsibility, profitability, control and management and where joint companies keep their independence. According to them it is mostly common that joint ventures are established when one partner buys 50 percent of the shares in existing company (Prescott & Swartz, 2010). They also concluded that in some cases only one of the partners is responsible for management of joint venture. In international business joint ventures can be located in many different countries which only complicate this cooperation. One of the main reasons for companies to take part in this partnership is to gain certain knowledge that can be acquired only through cooperation with local companies' from foreign markets. Establishing the partnership with domestic companies in their home markets can increase the speed of entry into these markets. Local partners possess knowledge and experience in dealing with their local governments, which reduce the political risk of the foreign market entry. Furthermore, local partners possess knowledge of the local business environment, have access to the specific market information and have developed local business network. Partnership can speed up research and development and product promotion in new markets and overall it can lower the costs of companies in new market entries and reduce business restrictions and risks. Furthermore, joint venture can be a good solution for entering those countries that have restriction of foreign ownership (Chang & Rosenzweig, 2001).

It can be very difficult for small and medium sized companies to enter distant foreign markets successfully without establishing a partnership with local firms from those foreign countries (Luo, 1999; Samli, 2004). Joint ventures represent very convenient way for companies to obtain necessary resources through a partnership with local partners from host countries but it also represents potential risk of opportunistic behaviour by these local partners (Zhang, Zhang, & Liu, 2007). Companies will prefer joint ventures over acquiring in the case when acquiring includes assets that are not useful for company, and if company enters the foreign market without any knowledge or experience of that foreign market (Chang & Rosenzweig, 2001). There are two types of joint ventures. First is so called contractual non-equity joint venture were two or more partner companies agreed to share investment, risk and profit without creating an independent company. In this case companies establish partnership in research and development, they conduct joint market research, and they provide technological assistance and training and companies make agreements about sharing supplies and raw materials for a long time period. And the other type of joint venture is the so called equity joint venture where two or more partner companies create new independent company in which the partners share control and ownership over their new company. This is the most common way for international companies to enter foreign markets. In this case international company creates joint company with local partner in foreign country and it possesses control over that joint company (Chang & Rosenzweig, 2001).

In order to establish a joint venture all partners need to invest financial resources, facilities, equipment, raw materials, knowledge, and workforce or land property (Luo, 1999). In some countries foreign investors are required by law to invest certain percentage of total asset. Joint venture in foreign market can be built from the ground or it can be merged with existing company (Luo, 1999). Choice of the partner depends on the partner's specialization and expertise in production and sale of the certain products and services, his reputation, low cost production, his popularity in his home market, financial resources and marketing knowledge. The main rule is that one partner has certain knowledge or a resource that the other partner is in demand for and main goal of joint ventures is that both partners benefits from that partnership. Before company enters the foreign market and establishes joint ventures it is important to evaluate three important issues regarding potential partner. First issue is to analyze, if the potential partner has any experience in international cooperation and partnership. Second issue is to analyze, if the potential partner is open for the idea of partnership with foreign companies and thirdly it needs to analyze why potential partner is interested in partnership. It is not recommended to establish a partnership with potential partner that doesn't have enough experience in international cooperation and partnership or with potential partner who is not entirely committed and open for partnership with foreign investors. If potential partner has ambitions and wants to use partnership with foreign investor in order to strengthen its position in the market that represents good indicator that partner has same objective as foreign investor and therefore it is a good candidate to establish joint venture (Luo, 1999; Samli, 2004).

If a company wants to enter the market of developing country then it is recommended that it enters that country with domestic partner because of the many uncertainty factors in the political and business environment of these undeveloped countries, which may have influence on company's market entry. According to a research conducted by Beamish (1987), it was concluded that 66 companies from developed countries have expanded their business operations in undeveloped countries through local partners from host countries. These partners needed to have certain experience and knowledge of their local markets. These local partners needed to provide information and knowledge of their market's business, legal and political environment and insight of their business connections and network and have to possess good business relations within their market (Beamish, 1987).

When a company wants to enter the foreign market it is recommended for the company to have contact with embassy or trade chamber of that country. After finding the possible partners it is recommended to establish a contact with them and send them request and brief description of the company's business and objective. After analyzing the potential partners company needs to choose one that best suits the company's requirements and objectives (Samli, 2004). It is very important to finalize negotiations and conclude contract with partner before starting the partnership. It needs to be clearly defined how will responsibility be shared between partners, how will marketing, distribution and accounting be organized and how will profit be distributed between partners. It is also very important to not reveal all business information to the partner so that he will not take advantage and misuse his position and partnership (Luo, 1999; Samli, 2004). Negotiation process in developing countries is quite different than negotiations in developed countries where decision makers make their decisions based on the facts, information and evidence. In negotiations process in developing countries it is very common to appeal to people's feelings and it is mostly used in verbal communication. In the case of disputes it is more common to make decisions based on feelings than on logic. In negotiations are very often used gifts or rewards where these rewards represent good will of negotiating parties and shows that both parties are prepared for successful partnership. Time in negotiation is not important factor, there is no final date and negotiations may continue in many sessions (Samli, 2004).

Average life circle of the joint ventures is seven years and 80% of joint ventures end their partnership when one partner buys the other partner's right in the joint company. There are many reasons for terminating the partnership and main reasons are, when one of the parent companies changes its business strategy or because of changes in companies management board, when company don't necessarily needs to stay in partnership any longer and because of the industry changes. Culture difference can also cause dispute. Therefore, it is very important that foreign investor has prepared its exit strategy out of the target market before it starts partnership with local companies (Hollensen, 2011).

4.2.3 Management contracts

A management contract is type of intermediary mode that Íslenska Gámafélagið can use in its internationalization process. It represents the collaboration arrangement where one company transfers its administrative know-how and personnel to assist another company for a certain payment (Daniels, Radebaugh, & Sullivan, 2011). These management contracts are usually arranged between three to five years and are based on fixed payments or payments based on volume. One company can pay for management assistance if it believes that another company can perform its operation better. Foreign management contracts are used when foreign company can perform better than the domestic company (Daniels, Radebaugh, & Sullivan, 2011). Main advantage of these contracts is that local company get the needed assistance without foreign companies taking the control of the operations. In return for the assistance company pays the certain payment.

4.2.4 Turnkey operations

Turnkey operations represent type of possible collaboration agreement where one company make contracts with another to build complete facilities. These arrangements are mostly used by industrial-equipment producers, construction and consulting companies (Daniels, Radebaugh, & Sullivan, 2011). In some cases, companies can choose to build facilities for other company or organization if they believe that they cannot perform investment by itself. This type of arrangement is mostly performed for governmental agency in developing countries (Daniels, Radebaugh, & Sullivan, 2011). This type of entry mode is suitable for Íslenska Gámafélagið regarding the fact that company has limited financial resources and it is considering entering the undeveloped markets in Eastern Europe.

4.2.5 Hierarchical entry modes

Companies can enter foreign markets directly without establishing the partnership with local partners in host countries. In that case companies are starting their business operation in foreign markets and have full control over its foreign investment. This entry mode requires large investment and includes high risk. Companies use this entry mode when managers want to have more control over its foreign investment and where this entry mode provides more control over foreign investment than export and intermediary's mode. Companies can choose between several different hierarchical modes and their choice depends on their goals of internationalization (Hollensen, 2011).

4.2.6 Acquisition

Acquisition represents one of the possible entry modes for Íslenska Gámafélagið. This foreign market entry mode is characterized with high costs and it exposes the company to high risk. Acquisition enables company to enter foreign market rapidly and provides company with easy access to new distributors, new customers, local knowledge, qualified labour force, existing management experience and in some cases with new brand name or reputation (Chang & Rosenzweig, 2001; Meyer & Estrin, 2001). It also provides foreign investors with possibility to keep current employees from acquired companies in their positions in order to preserve their knowledge, experience and expertise (Luo, 1999). Therefore, acquisition represents good way for companies with little international experience to enter a certain foreign market. This entry mode is suitable for entering the foreign markets that are characterised with strong competition and entry barriers (Luo, 1999). According to Root (1987), acquisitions can be performed in many forms. It can be horizontal, vertical, and concentric or conglomerate (Hollensen, 2011).

Horizontal acquisition is when products and operations of acquired and acquiring companies are similar. Vertical is when acquired company operates as supplier or costumer of the acquiring firm, concentric is when acquired company has the same market but different technology, or same technology but different market than acquiring company and conglomerate is when acquired company is in different industry than acquiring company (Hollensen, 2011). Main advantage of acquisitions is that it represents the fastest way to enter a foreign market and it represents suitable way for companies to quickly acquire local knowledge and business connections (Chang & Rosenzweig, 2001; Zhang, Zhang, & Liu, 2007).

Main disadvantages are high risks related to high investment cost, problems in communication, coordination and integration between acquired and acquiring firm (Meyer & Estrin, 2001). Due to high risk exposure and high investment costs this entry mode is not recommended for Íslenska Gámafélagið in its early internationalization process. Acquisition is not the best solution for small and medium sized companies with limited financial resources. Company should enter the market using the entry modes that does not require large financial resources, large investments and high costs. Company can select one of the intermediaries' entry modes that are characterized with shared risk, investments and shared resources. It can establish a partnership with one of the local partners in the foreign market and choose an entry strategy such as joint venture, consulting or joining efforts in joined projects with local partners in order to reduce the cost and risk of foreign marker entry. After establishing strong market position and gaining the experience, necessary connections and knowledge in the foreign market, company can choose to expand its business operations and presence in foreign market and decide to acquire local company. Therefore, acquiring can be achieved at later stages of company's market entry strategy and only if the company is willing to make further commitments and investments in the foreign market.

5 Market segmentation; comparative analysis and classification of selected countries

This chapter provides the comparative analysis and classification of selected countries. Detailed analysis will include all internal and external factors that have influence on the development of the waste management practices and infrastructure in selected countries. Analysis will include detailed review of the political, economic and legal environment of the selected countries as well as assessment of the current situation in the waste management practices, infrastructure and legal issues regarding the environment protection policies and waste management practices.

5.1 Croatia

Croatia is situated on the northeast coast of the Balkan Peninsula sharing its northern border with Slovenia and Hungary, southeast border with Bosnia and Herzegovina, east border with Serbia and Montenegro and with its west border on the Adriatic cost. Croatia has 4.48 millions of residents and has the population density of 78 people per km². Croatia lies on the territory of the 56 540 square kilometres and it has over 1000 islands. Capital of Croatia is Zagreb, official language is Croatian and currency is Kuna, which was introduced in May 1994 (Croatian Bureau of Statistics, 2012). Croatia was a part of former Socialist Federative Republic of Yugoslavia until 1991, when the country proclaimed its independency and established a parliamentary democracy. Croatia has considerable natural resources and a long business tradition in many different sectors, which was the reason for recovery from a four year local war that caused the fall of former Yugoslavian republic. After declaring the independency Croatia has experienced stable economic growth with continuing growth of the GDP. As a result of that growth and stable macroeconomic environment Croatia was able to attract foreign investments and successfully progressed into the European Union signing the stabilization and association agreement year 2001. Croatia started negotiation for full EU membership in the year 2005, which managed to finish successfully and is expected to join EU by year 2013 (European Commission, 2012).

The government signed a treaty which will make it the 28th member of the EU by the year 2013. Becoming the member of the EU will boost the economy growth. Croatia is also member of many foreign associations and organizations such as the United

Nations, WTO, Council of Europe and NATO (US. Department of State, 2012). Nevertheless, Croatia still has some challenges such as high unemployment rate, heavy dependence on tourism and import, increased trade deficit, weak demand, household and external depth and corruption (Euromonitor International, 2010). Like other Balkan countries, Croatia is struggling with corruption both in private and public sector. Regardless of attempts to address corrupted practices, the country is still experiencing corrupted practices and inefficient public administration, which has negative effect on foreign investments (Transparency International, 2012; United Nations Office on Drugs and Crime, 2011).

Main challenges for Croatia are also in the areas of privatisation, commercialisation of infrastructure, sustainable energy, and improving skills and flexibility of the labour force. Croatia made small progress in privatisation because of global environment challenges (European Bank for Reconstruction and Development, 2010). Croatian economic growth was stable until global financial crisis took part in the year 2008, when this crisis caused problems such as continued weakness in domestic demand and increasing amount of household debt. Household debt is one of the highest in Central Europe and it has negative impact on the consumption. As a consequences of financial crisis, household debt and weak demand, Croatian GDP declined 6% of economic growth and is expected to contract by 0,12% in 2012 (Euromonitor International, 2010).

Large government deficit and public debt increase the country's reliance on the foreign exchange reserves and income from the touristic season. As a consequence of global crisis unemployment is increased in many industry sectors. High unemployment rates and ageing population have negative effect on the possibilities for future economic growth, but Croatia is expecting to benefit from regional energy projects and further privatization of state companies (Euromonitor International, 2010). According to the United Nations Development Program (UNDP) human development index for year 2011, which represents comparative measure of life expectancy, standard of education, literacy and quality of life, Croatia ranked 46th and it is the country with very high human development (United Nations Development Programme, 2012). According to the Euromonitor, Croatian economy is yet to recover from global financial recession. In spite of difficult financial situation inflation rate remains stable and is under 3% estimated for year 2012 (Euromonitor International, 2012). Summary of Croatian statistics and economic data are presented in table 1.

Table 1. Croatian economy index, source: (Global Finance, 2012).

Population	4,480 043 (July 2011 est.)
Central bank	Croatian National Bank
Government type	presidential/parliamentary democracy (2009)
Currency	Kuna (HRK)
Average exchange rate /EURO Average exchange rate /USD	7,48369 HRK (2012) 6,13147 HRK (2012)
Real GDP growth rate in 2011	-0.5% (2012 Q1)
GDP GDP (purchasing power parity PPP) GDP (per capita PPP)	61. 822 billion US$ (2011 estimate) 80,95 billion US$ (2011) 18 331US$ estimate (2011)
GDP composition by sector:	
Agriculture	5,5%
Industry	24.4%
Services	70.1%
Inflation rate	2,2% (2012)
Average monthly salary (gross) Average monthly salary (Net)	€1044 €734
Unemployment rate	13,5% (2012) estimated
Total export	11.51 billion US$ (2010)
Total import	25.84 billion US$ (2008)
FDI inflows	US$583 million (2010)
Public deficit Public debt	-4.7% (2012)estimate 52.8% (2012 estimate)
Main import partners	Italy 16.2% Germany 12.8% Russia 7.2% China 7.2% Slovenia 6.4% Austria 5.8%
Main export partners	Italy16.6% Bosnia and Herzegovina 12.7% Germany 10.4% Slovenia 8.2% Austria 4.4%
Corruption perception index Transparency international (2012)	Ranking 62^{nd} Out of 176 countries Score 46
Global competitiveness index World Economic Forum	Ranking 76^{th} Out of 142 countries (2011/2012)
Best countries for doing business	80^{th} out of 183 countries (2012)
Index of economic freedom Heritage Foundation	Ranking 83, score: 60.9 moderately free (2012)
Human development index (HDI) UNDP (2012)	Ranking 46^{th} Very high human development (2012)

As it is possible to see in the table 1, in year 2012, Croatia ranked 83 out of 179 economies in the Heritage Foundation's Index of Economic Freedom ranking below all Central European countries except from Serbia. The index is based on 10 measures of economic openness, regulatory efficiency, the rule of law, and competitiveness

(The Heritage Foundation, 2012). In 2012 Croatia ranked 136 out of 183 countries in protecting the investors' index and 50 out of 183 countries in enforcing contract index (The World Bank, 2012). According to the World Bank, Croatia is the country with the upper middle income. Industry, trade and tourism are the main drivers of the Croatian economic growth (Croatian Bureau of Statistics, 2012).

5.1.1 Waste management in Croatia

Croatia is a tourist country and Croatian natural environment with its special role in tourism is very important resource and one of the main drivers for the Croatian economy and economic development. Absence of the heavy industry has helped the country to preserve natural environment. Nevertheless, environmental protection in Croatia is in general lower than in the EU (European Environment Agency, 2011). As it was mentioned before Croatia has enjoyed strong economic growth since 1990. But that increased growth resulted in increased consumption and pollution. This increases demand for effective environmental protection and building the country's environmental infrastructure. In particular there is increasing demand for effective and reliable environmental services such as solid waste management (European Environment Agency, 2011). Therefore it is possible to conclude that building and investing in the sustainable waste management infrastructure is one of the priorities for Croatian nature and tourism and further economic growth.

In the year 2005 Croatia passed the law of nature protection in line with EU nature protection practices, which regulates nature protection (Official Gazette, 2005). This act opened the door for building and investing in modern and effective nature protection projects and facilities consistent with best EU environment protection practices. Furthermore, Croatia became a member of many regional environmental protection treaties due to its membership in Europe Union. Croatia signed the Kyoto treaty year 1999 which obligates the country to improve its environmental protection policies (Croatian Environment Agency, 2012). These treaties obligate Croatia to change and adopt its environmental protection in accordance to international environmental strategies and to invest resources in environment protection. These international environment associations helped in developing of Croatian environmental strategy.

Croatia parliament adopted the National Environment Strategy which represents the crucial document for environmental protection (Official Gazette, 2002). In the year 2005 the Croatian parliament adopted National waste management strategy, which assesses the situation, analyzes the problems and sets up the main waste management's objects for the period 2005-2025, this strategy includes development of an integrated waste management system (Official Gazette, 2005).

In the year 2007 the government of Croatia adopted National Waste Management Plan, which is applicable for the period of 8 years and which is responsible for the evaluation of the individual waste management projects and analyzing how they fit into the regional waste management system (Official Gazette, 2007).

Waste management responsibilities in Croatia are divided between the following institutions: the Croatian parliament and the Government of the Republic of Croatia (Official Gazette, 2004). Croatian ministry of environmental and nature protection, Ministry of construction and physical planning together with government funds and state agencies for nature protection are government's institutions responsible for national environmental policy protection (Official Gazette, 2004).

Government bodies and agencies responsible for waste management are: Environmental Protection and Energy Efficiency Fund (EPEEF) and the Croatian Environment Agency (CEA). In the year 2003 the Environmental Protection and Energy Efficiency Fund (EPEEF) was established, which represents additional budget institution owned by Republic of Croatia with its role to finance environmental projects and programmes (Environmental Protection and Energy Efficiency Fund, 2012). Croatian Environment Agency (CEA) is established year 2002 by the government and its purpose is to collect process and provide data regarding implementation of the environmental protection policy and it is in charge for developing and coordinating of the environmental protection system (European Environment Agency, 2012). Croatian municipalities and towns are also responsible for managing their municipal waste system and preparing waste management plans for their areas. According to the public utility service act established by law on public utility management, public utility services can be performed by:

- Public utility companies established by local self-governments units
- Public institutions established by local self-governments units

- Companies or individuals on the basis of a concession agreement
- Companies or individuals on the basis of the contractual agreement (Official Gazette, 2004).

Participants involved in waste management are companies registered and licensed for collection, transport, recovery and disposal of waste or for the management of the special categories of waste (Official Gazette, 2004).

Waste management represents one of the biggest challenges for Croatian environment protection policy and one of the demanding chapters in terms of adjustment to the EU standards. Building a sustainable and efficient waste management is one of the requirements of the EU. Main issues regarding the waste management that country is facing are increase of the solid waste, limited recycling programs, unreliable data regarding the flow and quantity of waste, lack of organized disposal sites and management issues (Official Gazette, 2007). Municipal waste management in Croatia is currently going through major changes from decentralized disposal of illegal and unorganized landfills on numerous locations to a centralized and well organized waste management and so called Waste Management centres (Official Gazette, 2007).

According to a Croatian waste management strategy in 2005, it is expected that the entire population takes part in collection of municipal waste, it is also expected that recycled and treated waste increases which will lead to decrease of the municipal and disposable waste (Official Gazette, 2005). A main goal of Croatian waste management strategy is to reduce the quantity of waste and to build efficient waste management system. Croatia is expecting to build waste management centres and restructure existing ones by 2018 (Official Gazette, 2007). According to this strategy main issues regarding Croatian waste management are:

- Undeveloped awareness about environment protection and recycling
- Lack of finance for investing in modern waste practices and facilities
- Increased volume of waste being disposed on landfills
- Limited waste separation, along with little recovery and recycling
- Lack of community waste recovery and waste recovery facilities
- Inadequate commitment of waste producers to cover the cost of their waste disposal

- Lack of accurate data, undeveloped information and reporting systems (Official Gazette, 2007).

5.1.2 Croatian waste management statistics

Data presented for waste management are estimated because there are still some municipalities and public utility companies that do not provide accurate data on actually measured quantities of waste. Lack of accurate data and waste measurement represents one of the main problems for developing the efficient waste management in Croatia. Improving the waste collection data is one of the priorities of the national waste management strategy for 2007-2015 (Official Gazette, 2007). Croatia lacks effective waste management system where large quantities of the produced waste are exported to other European countries (Official Gazette, 2007). These practices create high cost for the country, which could be decreased by building the proper infrastructure and technology. However, Croatia already started with implementation of effective waste management systems (Official Gazette, 2007). Another factor concerning the inefficient implementation of an effective waste management plan and a current problem is that there are no accurate and updated data. The most used waste management practices in Croatia are:

- Landfill
- Recycling
- Physical reprocessing
- Composting
- Energy recovery
- Incineration (Official Gazette, 2007).

Recycling in Croatia is usually used but there is still need for effective infrastructure, services and use of new technologies and practices that can increase the energy production (Official Gazette, 2007). Croatia has still long way to increase the amount of recycled products specially in recycling the complex products such as computers and electronic equipment. Recycling of these products is much more complex because of additional dismantling and separation. One of the main issues regarding the recycling is lack of the proper facility in order to recycle the material after being collected. To achieve sustainable results in the future it is necessary to raise the awareness about environmental protection, educate the population about recycling and to increase the investment in effective methods in recycling. The most common waste management practice in Croatia is disposing waste in landfills. Landfills were often established in abandoned or unused quarries and mines. Sustainable and well-organized landfill needs to be a hygienic and low-cost way of disposing of waste (Official Gazette, 2007). Total generated waste quantities and main sources of waste are presented in the table 2.

Table 2. Croatian waste statistic, source: (Croatian Bureau of Statistics, 2012; Croatian Environment Agency, 2012).

Total generated waste	3 157 963 tones
Municipal waste (2010)	1 629 915 tones
Municipal waste per capita Kg./capita	367 kg.
Industrial waste (2010)	1 534 294 tones (estimated)
Electrical waste (2010) Processed electronic waste	17 747 tones 17 613 tones
Waste packaging	125 258 tones
Hazardous waste	58 314 tones
Non-hazardous waste	1 534 294 tones
Imported waste	225 224 tones
Exported waste Hazardous Non-hazardous	622 892 tones 18 937 603 955
Number of active companies	213
Total number of employees	22 392

According to the Croatian Environmental Agency (CEA), 96 % of total population was covered by organized collection and disposal of municipal waste and only one municipality was not included in the organized waste management system (Croatian Environment Agency, 2012). Production of the municipal waste for year 2010 has decreased for 6,5% compared to the year 2009 due to the global financial crisis which affects consumer consumption and industrial production. Current infrastructure for waste collection, disposal and waste management does not satisfy EU standards. According to the data provided by the Croatian CEA for year 2010, there are 146 landfills registered and there are around 3000 illegal, unorganized dump sites out of which 750 are recovered by removing the waste. According to the Croatian Environment Agency, in the year 2010 there were 213 active companies responsible for sewerage, waste management and remediation activities (Croatian Environment

Agency, 2012). Separately was collected 227 651 tons or 14% of total municipal waste, of which 68 947 tons were handed to the recovery operator (Croatian Environment Agency, 2012). Out of the total quantity of imported waste (225 224 t), 41.3% were imported from the EU member states and 58.7% from other countries. Out of the total imported waste, 63.6% consisted of construction and demolition wastes (Croatian Environment Agency, 2012).

Out of the total quantity of exported waste (622 892 t) most of the waste were exported to Italy, Slovenia, Austria, Germany and France. Mostly was exported waste from wood, metal, packaging waste, paper and cardboard's waste. Out of the total quantity of exported nonhazardous waste, most of the waste exported was metal 60 percent and wood 20 percent (Croatian Environment Agency, 2012).

In 2007 and 2008, progress was made in activities to develop and establish an integrated hazardous waste management system in Croatia. About 58 314 tons of hazardous waste is generated in Croatia per year. Currently, the Waste register is not yet able to provide complete and integral data regarding the quantities, types and flows of the generated waste in 2011, where total of 18 937 tons of hazardous waste was exported. Lead accumulators and nickel/cadmium batteries represented over 30 percent of exported hazardous waste. Most of the hazardous waste is exported to Slovenia 33%, Austria 31% and Germany 28% (Croatian Environment Agency, 2012).

According to the data provided from CEA for the year 2010, total amount of collected EE waste is 17 747 tons, where 17 613 tons of EE waste is processed and 3 533 tons of EE waste is exported. Total amount of collected EE waste is constantly increasing compared to last couple of years which represent progress in collection of EE waste that represent fastest growing type of waste (Croatian Environment Agency, 2012).

According to the Croatian bureau of statistics total amount of investments made in environmental protection in year 2011 are 2 829 231 000 KN. Where 30.5% out of that total amount are investments made in the waste management (Croatian Bureau of Statistics, 2012). Total environmental revenue for year 2011 amounted to 2 472 888 000 KN. Revenues from providing environmental protection services accounted for 81.8% of the total environmental revenues, where waste management amounted to 60% of the environmental protection services (Croatian Bureau of Statistics, 2012).

Total amount of waste management activities amounted for 1 456 041 000 KN. (Croatian Bureau of Statistics, 2012).

Investments are planned to be made in building of regional and county waste management centres, waste energy plants and in the establishment of the waste management system. Funding for these projects would be provide from both the public (county and municipalities, as well as the Environmental Protection and Energy Efficiency Fund) and private resources public and private partnership, concessions and international funding institutions (European Commission, 2012). It is expected that EU provide financial assistance for these projects through its pre-accession IPA funds (Environmental Protection and Energy Efficiency Fund, 2012). One of the biggest investor in projects in Croatia is European Bank for Reconstruction and Development (EBRD) having invested over 2 billion Euros since the start of operations in 1994 (European Bank for Reconstruction and Development, 2010). Foreign companies are not present in large numbers in the Republic of Croatia.

It is not possible to evaluate the accurate market value of the recycling industry in the Croatia due to absence of accurate information about the quantity of total generated and recycled waste. Data that are used for this research are estimated and provided by the local municipals authorities and public and private utility companies. Nevertheless it is possible to conclude that some of the economic indicators such as large number of foreign tourist and increased awareness about environment protection together with adoption of EU environment protection standards and practice emphasize the need for efficient and modern waste management infrastructure. This emphasizes the need for investment in Croatian waste management and creates the opportunity for foreign investors to invest in building the modern, sustainable waste management infrastructure in Croatia. Currently most of Croatian public utility companies have outdated technology. They don’t possess necessary experience, knowledge, and skilled labour force, proper infrastructure which opens the possibility for the companies with expertise, experience and technological advantage in the field of recycling and waste management to invest in the Croatian waste management industry.

5.1.3 Corruption practices as an entry barrier

As it was mentioned earlier, one of the main issues affecting the foreign investment in Croatia is corruption which deserves further review and analysis. In order to provide independent, objective and accurate information regarding corruption practices in Croatia, used is report published in the year 2011 by the United Nations Office for Drug and Crime (United Nations Office on Drugs and Crime, 2011).

This chapter contains review of the corruption as one of the main factors that have influence on the foreign investment and market entry in Croatia. After analyzing the economical, political, demographic and legal factors one of the most important factors infecting business environment and foreign investments is corruption practices where corruption represents one of the main unsolved issues in Croatia. Corruption in public and private sector still has negative effect on foreign investments in Croatia and it represents one of the most important issues and obstacles for the foreign investors to invest in Croatia. Even though Croatian government has recently done significant effort in fighting the corruption, there are still many negative examples of corrupted practices both in public and private sector. According to the results of the report provided by the UN Office on Drugs and Crime (UNODC), corruption in Western Balkan represents third most important problem after poverty and unemployment. Fighting the corruption represents one of the major challenges for Croatian governmental institutions especially because of the frequent corruption behaviour in public administration (United Nations Office on Drugs and Crime, 2011). Corruption appears in many forms, at all levels of the society and it affects lives of most citizens. Public exposure to the corruption is possible to see in the tables 3, 4 and 5.

Table 3. Croatian corruption factsheet 2010-2011, source: (United Nations Office on Drugs and Crime, 2011).

Indicators	Total
Percentage of population having contact with public administrations	87,1%
Prevalence of bribery	11,2%
Average bribe as % of GDP/capita	2,7%
Average bribe as % of average nominal monthly salary	27%
Average number of bribes	3.6
Average amount paid (EUR)	280
Average amount paid (EUR-PPP)	410

Table 4. Percentage of bribery paid by purpose of payment, source: (United Nations Office on Drugs and Crime, 2011).

Speed up procedure	35,1%
Receive better treatment	18,1%
Avoid payment of fine	16,9%
Receive information	13%
Finalization of procedure	8,8%
Reduce cost of procedure	4,4%
No specific purpose	1,1%
other	2,5%

According to the same study most of public officials who received bribe are: doctors, police officers, nurses, judges and prosecutors. Even though corruption is widely spread only very small percentage of citizens are reporting their corruption experience to authorities and according to the report provided UNODC main reasons for that are: because citizens received benefit for accepting the bribes, because of the common believe that nobody would care, bribe is also perceived as sign of gratitude and where bribe is perceived as common practice (United Nations Office on Drugs and Crime, 2011). Additionally people's lack of trust in the authorities also can be identified as one of the main reasons for low percentage of reported corrupted practices. According to the study provided by the UNODC, main source of corruption are common citizens as it presented in table 5.

Table 5. Percentage of distribution paid by type of bribe request, source: (United Nations Office on Drugs and Crime, 2011).

Citizen made offer	58,5%
Public official made implicit request	26,5%
Public official made explicit request	7,7%
Third party made explicit request	4,2%

Croatian public sector is the largest single employer in the country with thousands of employees. Therefore it is no surprise that there still exists high percentage of corruption. Main reasons for corruption in the public sector are: lack of transparency in recruitment procedures, lack of competence and inexperience of public sector employees, opportunistic behaviour of employees and low wages (United Nations Office on Drugs and Crime, 2011). As it is possible to conclude the corruption in public sector can represent a problem for foreign investors such as Íslenska

Gámafélagið. As it was already mentioned most of companies performing waste management operations in Croatia are public municipal companies. These public companies are owned and under jurisdiction of their local municipal and regional authorities. Establishing a partnership, cooperation or joint business operations with local public utility company can represent potential risk for Íslenska Gámafélagið in the lights of the relatively high corruption in public administration in Croatia.

If company chooses to join its operation with local utility enterprise it would have to deal with local administration as well as with management of local companies. Dealing with local administration can cause potential conflicts of interests and administrative delays where foreign companies need to apply for a permit from respective local authorities. On the other hand choosing a public utility company can represent advantage in terms of easier access to the resources such as landfills, labour force, facilities and other municipal infrastructure and resources where these public utility companies have exclusive right to access and exploitation. Corruption in Croatia is widespread therefore Íslenska Gámafélagið would need to be very careful in its choice of potential partner and it would have to conduct very detailed research before it enters the market and conclude a possible agreement with potential local partners.

5.1.4 External opportunities and threats for Íslenska Gámafélagið in Croatian market

This analysis will include all external factors that have influence on company's business operation in Croatia. Analyzed will be all factors from company's external environment that can influence company's performance in this country.

Opportunities that increase the possibility for company's entry in Croatia are:

- Undeveloped waste management industry compared to other EU countries
- Outdated technology, unskilled labour force, and outdated waste management and recycling practices
- Increased number of foreign tourist which increases the consumer consumption and demand for effective waste management practices
- Relatively large amount of generated waste that can be recycled and reused in production
- Adopted EU environment legislation and membership of EU which increases the demand for modern waste management practices

- Entering the EU in 2013 represent the significant economic support for Croatia and expected investment in regional projects which will increase the industrial production, consumer consumption and therefore the demand for efficient waste management practices
- Access to the EU funds for environmental projects in Croatia
- Government willingness to improve existing waste management system and practices
- Government institutions and large number of local utility companies need foreign assistance in building new and improving existing waste management system and practices.

Threats that represents potential barrier for entering the Croatian market are:

- Language barrier
- Corruption within the local governmental institutions and public companies
- Complex administrative processes and regulations that may create possible delays regarding issue of permission and registering company's activity
- Financial crisis decreases consumer consumption, which will result in decrease of the total quantity of municipal waste and decrease the demand for new waste management practices and recycling
- Strong local competition which represents potential entry barrier
- Large geographical distance between company's home market and Croatia, where local Croatian companies and local governmental institutions have well developed connections and relations with neighbouring countries and companies from Austria and Italia. These companies and local institutions may prefer companies from their neighbouring countries.

5.2 Serbia

Republic of Serbia is located in the heart of the Balkan Peninsula. Total population of Serbia is 7,39 millions of residents with the population density of the 78 residents per square kilometre. Serbia lies on the territory of the 88 361 km². Serbia has two autonomous regions, Vojvodina on the north of the country with 21 506 km² and Kosovo on the south of the country with 10887 km² which is currently under temporary administration of the UN under the UN Security Council resolution 1244. The capital is Belgrade with 1,5 millions of resident's, the official language is Serbian and the currency is Serbian dinar. Serbia is situated on the corner of the main traffic and railroads of the southeast Europe. The main economic activity of the Serbia consists of services 65%, industry 24% and agriculture 11% (European Environment Agency, 2011). Serbian economy is often perceived as less stable, losing foreign investments to neighbours such as Hungary, Romania and Bulgaria (Euromonitor International, 2010). The World Economic Forum's global competitiveness index 2012 ranked Serbia 95th out of 142 countries, which represented a significant decline compared to the country's ranking of 85th place in the 2008-2009 (World Economic Forum, 2012). Political instability related to ethnic tensions and the uncertain autonomous status of the province of Kosovo combined with corruption practices are among the major challenges in the business environment (Euromonitor International, 2010).

In 2012, Serbia ranked 80th out of 176 countries in Transparency International's corruption perception index (Transparency International, 2012). Serbia is struggling to recover the economy from a recession as the global financial crisis weakens demand for exports and decreases capital inflows. Unemployment, corporate restructuring, corruption and debt crisis are the one of the main reasons for slow growth recovering (Euromonitor International, 2011) .

Nevertheless, a major progress is made in terms of starting a business. As is possible to see in table 6, Serbia ranked 95th out of 183 countries in the World Bank doing a business report and 91st place in starting a business (The World Bank Doing Business Report, 2012). This is result of numerous major reforms, including a one-stop-shop service for company and tax registration. As a result, it takes 7.0 procedures, 13.0 days and 7.1% of per capita income to start a business in Serbia, which is lower compared to other Eastern European countries (Euromonitor International, 2010; The World Bank Doing Business, 2012). Property registration is more complex, requiring 6.0 procedures and 111 days, compared to 5.7 procedures and 59.7 days on average in Eastern Europe and Central Asia. The registration of a property costs 2.8% of the property value, compared to a regional average of 2.2% (The World Bank Doing Business, 2012; Euromonitor International, 2010).

In terms of ease of getting credit, Serbia has good business environments (The World Bank Doing Business Report, 2012). Serbia's law is specifically created to make easy access to credit, and credit information available is of very high quality. Closing a business is quite complicated, taking 2.7 years and costing 23% of the value of the estate. Serbia has helpful investment legislation whose goal is to encourage foreign investment by offering guarantees of fair treatment and transparency (Euromonitor International, 2010). Various incentives have been introduced to stimulate investment, such as cash grants for every work place created by manufacturing enterprises of over 50 employees (Euromonitor International, 2010). World Bank ranked Serbia 79th out of 183 countries in terms of protecting investors and 102nd of 183 countries in terms of enforcing contracts (The World Bank Doing Business Report, 2012). Serbia is a member of the Central European Free Trade Agreement, and in December 2009 Serbia signed trade agreement with the EU, which is a step towards Serbia's political and economic integration in the EU (European Commission, 2012). Serbia is not expected to join the European Union before 2014. Summary of Serbian statistics and economic data are presented in the table 6.

Table 6. Serbia economy indicators, source: (Global Finance, 2012).

Total population	7 261 000 (2011)
Government type	Republic
Bank	National Bank of Serbia
Currency	Serbian dinars (RSD)
Exchange rate RSD/EUR RSD/USD	1EUR/116 RSD 1USD/90.3 RSD
GDP	US$ 43.192 billion (2010 estimate)
GDP per capita	$10,811 International Dollars (2002 estimate)
GDP composition by sector	agriculture:12.3%, industry: 22.5%, services: 65.2%, (2011estimate)
Inflation	4.1% (2012)
Unemployment rate	23.9% (2012)
Public debt (government gross debt as % of GDP)	53.7% (2012)
International reserves	US$ 13.308 billion (2010)
FDI inflows	US$1,329 million (2010)
Total export	US$9.7 billion (2010 estimate)
Total import	US$18.35 billion (2007 estimate)
Major commercial partners	Russia, Germany, Italy
Corruption perception index Transparency international (2012)	80 out 176 countries
Best countries for doing business World Bank	Overall ranking: 95 out of 183 countries (2012)
Index of Economic Freedom Heritage Foundation	Ranking: 101 Score: 58 (Mostly unfree) (2012)
Global competitiveness ranking World Economic Forum	95^{th} Out of 142 (2012)

5.2.1 Waste management in Serbia

Just like in other countries of the Balkan region poor waste management is one of the most important environmental problems in Serbia, due to its previous inadequate waste practices. Lack of funds, high costs, poor service regarding waste disposal and handling of waste, low public awareness and inadequate care for the environment protections are main reasons for the undeveloped waste management. Local municipalities are the institutions responsible for managing communal waste (European Environment Agency, 2011).

Waste management is a major public issue. Nevertheless, people in Serbia consider waste as somebody else's problem, so people are expecting from its government its agencies, local authorities and industry to solve this problem. Therefore it is necessary to build strong awareness about environmental protection issues and educate people that waste is everybody's responsibility. There is a need for cooperation in solving the problems of waste in Serbia. Effective waste management requires additional labour force and large investments (European Environment Agency, 2011). The first National Waste Management Strategy was adopted in 2003 and its goal was to adjust national waste management with EU strategy and practices and implement EU waste handling practices (European Environment Agency, 2011). Strategy determines the basics for future framework of waste management in accordance with EU policy. The National Strategy of Sustainable Development was adopted by the government in 2008 and the Action Plan in March 2009. Goal of the strategy is to achieve economic growth, environmental protection, social equality and establishment of legal and institutional framework (European Environment Agency, 2011). Waste Management strategy short-term objective for 2009-2013 is the establishment of an integrated waste management system. Waste Management Strategy long-term objective for 2014-2018, is to recycle 25 % of the total amount of packaging material waste – glass, paper, carton, metal and plastic. Government expects that waste disposal prevention start with a public awareness campaign (European Environment Agency, 2011).

The most commonly used financial method for waste management currently in Serbia is charging people for the collection and disposal of municipal waste. Charging is conducted by public utility companies that are responsible for waste collection, transport and disposal. Similar system is used in other neighbouring countries such as Bosnia, Croatia and Montenegro. Serbia lacks practice of modern financial instruments for waste management. The country needs to improve the current situation, by reorganising the existing and introducing the new economic instruments (European Environment Agency, 2011).

The most common waste practice is waste disposal at landfills. Most landfills in Serbia do not satisfy basic hygiene and technical standards, and some are already overloaded. In order to develop a national database on landfills, the Environmental Protection Agency set up two projects in 2006 for:

- the establishment of a register of waste disposal sites
- the establishment of a register of illegal, unofficial and old landfills and dumps (European Environment Agency, 2011).

Serbia has 164 landfills that are used by local utility companies for the disposal of wastes. Twelve of these are situated within 100 m of populated areas –which increases the risks for the local population from contamination and possible diseases around landfills (European Environment Agency, 2011). Waste covering is practised at 117 landfills and is done mostly with earth. Daily covering is practised at 15 landfills, monthly covering at one landfill, and covering is only done occasionally at 101 landfills (European Environment Agency, 2011). There are more than 3 500 of identified illegal dump sites in Serbia. This huge number is a result of undeveloped waste collecting system, because public utility companies and waste collecting systems are not operating in most small settlements situated mainly in mountains and isolated locations (European Environment Agency, 2011).

5.2.2 Serbian waste management statistics

The first accurate data regarding waste collection and disposal was delivered, in 2010 (European Environment Agency, 2011). As it has already been mentioned Serbia is moderately open for foreign investors. Serbian government was successful in improving the business conditions for foreign investors in order to attract foreign investments. Any international company who is willing to invest in Serbia' waste management infrastructure would need to apply for concession from the government authorities and register its activities in government institutions.

Foreign companies willing to invest in Serbian waste management infrastructure and waste management projects can apply for funds from European Investment Bank and European Bank for Reconstruction and Development. These European banks together with World Bank represent one of the biggest foreign partner and investors in Serbian environmental protection and waste management projects (European Bank for Reconstruction and Development, 2007). These banks provide financial support to potential foreign investors who are interested in investing in the waste management infrastructure projects. Total amount of generated waste are presented in table 7.

Table 7. Serbia waste management statistic, source: (Statistical Office of Republic Serbia, 2012).

Indicator	Year
	2010
Total amount of generated municipal waste (million tons)	2.65
Total amount of collected and landfilled waste (million tons)	1.59
The average percentage of population covered by waste collection (%)	72%
The number of households from witch waste is collected	1.757.758
Average daily amount of generated waste Kg/ per capita	0,99
Number of employees in waste management	25.018
Number of companies in waste management	483
Total amount of generated industrial waste (tons) Hazardous (tons) Nonhazardous (tons)	33 721 344 11 149 603 22 571 742
Amount of collected packaged waste in tons Amount of re-used packaged waste (tons)	327 937 84 087

5.2.3 External opportunities and threats for Íslenska Gámafélagið in Serbian market

This analysis is used for overview of all external factors that have influence on company's performance in Serbian waste management industry.

Opportunities that can have positive influence on company's decision to enter Serbian waste management industry are:

- Undeveloped waste management and recycling industry
- Outdated technology, unskilled labour force and outdated waste management practices
- Relatively large total amount of generated waste
- Adopted EU environmental protection legislation
- EU country candidate which represents important support for the economic growth, increased industrial production and consumer consumption in the near future (country is set to benefit from regional infrastructure projects approved and funded by the EU funds)
- Access to the EU funds for environmental projects
- Country needs foreign assistance in building the modern waste management system

- Successfully made foreign investments in waste management funded by EU funds and foreign companies
- Good legal environment for foreign investors (according to World Bank ranking in terms of ease of getting credit, Serbia has good business environments in the world)
- Various incentives have been introduced to stimulate investment, such as cash grants for every work place created by manufacturing enterprises of over 50 employees
- Government willingness to improve waste management system and practices.

Threats that can hold back company's entry into the Serbian waste management and recycling industry are:

- High level of corruption in public and private sector
- Political and economical instability caused by disputed status of Kosovo
- Low public awareness about environment protection and waste management practices
- Language barrier
- Great geographic distance between company's home market and Serbia where companies from Serbian neighbouring countries may have advantage in negotiation process and reaching agreements.

5.3 Bosnia and Herzegovina

Bosnia and Herzegovina is situated on the west part of the Balkan Peninsula between Croatia on the west, north and south of its border, Serbia and Montenegro to the east of its border and it enters the Adriatic Sea with small part of the coastal area of 12,2 km². In Bosnia live 3.8 million residents, with the population density of 72 residents per km². Structure of population consists of Bosnians, Serbs, Croats and other nations. Bosnia lies on the 51 210 km². The capital of Bosnia is Sarajevo and it has 421 289 residents. The official language is Bosnian Serbian and Croatian, Bosnian and Croatian are written in Latin writing, while Serbian is written in Cyrillic. Currency is convertible mark (BAM). Governments' structure in Bosnia was established by the Dayton peace treaty from 1995 which ended the three year war in the Bosnia and Herzegovina (Agency for Statistics of Bosnia and Herzegovina, 2012). Bosnia enjoyed a period of growth in 2003-2008 when real GDP growth was on average 6%

per year. However, the economy declined into recession in 2009 (Euromonitor International, 2012).

A weak recovery began in 2010 but it will take more than a decade before the level of economic activity reaches pre-war levels. Real GDP has increased by 2.2% in 2011 supported by increased exports of metals and minerals (Euromonitor International, 2012). Economic growth depends on the international assistance going to the country, but this financial support has been reduced and has now more constraints. Bosnia and Herzegovina have a small open economy and therefore it is especially vulnerable to the crisis in EU markets. Stabilisation and Association Agreement (SAA) between Bosnia and Herzegovina and the EU came into force in 2008, which resulted in reducing or abolishing import tariffs on many products imported from EU (Euromonitor International, 2012). Bosnia and Herzegovina (BiH) officially became potential candidate country for EU membership on June 2003 (European Commission, 2012). However, Croatia's entry in the EU in 2013 could hurt Bosnian exporters when Croatia bans all Bosnian imported products that do not fulfil the EU's quality rules (Euromonitor International, 2012).

According to the data provided from the World Bank, Bosnia belongs to the group of countries with the middle GDP of 3577 euro's. Bosnia and Herzegovina ranking 72nd out of 176 countries in the 2012 corruption perception index and it suffers from more corruption than its neighbouring countries (Transparency International, 2012). In the 2012 index of economic freedom introduced by the Heritage Foundation, Bosnia and Herzegovina ranked 104th out of 179 (Heritage Organization, 2012). This index is based on 10 measures of economic openness, regulatory efficiency, the rule of law, and competitiveness. Bosnia and Herzegovina ranked 93rd out of 183 countries by the terms of protecting the investors and 124th out of 183 countries by the terms of enforcing the contracts (The World Bank Doing Business, 2012). According to the World Economic Forum, Bosnia ranked 100 out of 142 in the Global competitive index (World Economc Forum, 2012). The most important industries in Bosnia are manufacturing, agriculture and mining. Bosnia's main exports are wood, paper, metals and metal products (Agency for Statistics of Bosnia and Herzegovina, 2012). The financial sector in Bosnia is dominated by foreign banks and it is under pressure because of the global financial crisis. Economic reforms are taking place more slowly than expected (Euromonitor International, 2012).

One of the main problems in Bosnia is poverty where around 18% of the population still live in poverty and another 30% (mainly employees in state companies) are in slightly better position (Euromonitor International, 2012). Poverty in Bosnia is widespread, largely as a result of a very high unemployment rate. Bosnia has one of the highest unemployment rates in Europe. Over 50% of younger population is unemployed. More than 75% of the unemployed have been out of work for over two years. A main problem for labour force in Bosnia is lack of skills and outdated procedures for collective negotiations (Euromonitor International, 2012). Public debt in 2011 is estimated to BAM 10,053 million, or 38.9% of GDP. As the result of global financial crisis and weak domestic demand the value of private consumption fell by 0.8% in 2011 (Euromonitor International, 2010). The global economic crisis 2008-2009 has had negative effect on Bosnia & Herzegovina, as consumer spending has decreased and unemployment rates have increased.

Bosnia received more than US$5 billion in international help after the war and still depends on international help. Bosnia also relies heavily on financial support from its overseas workers (Euromonitor International, 2012). However unlike many countries in the region, Bosnia and Herzegovina is yet to experience an economic expansion. This is due to investors' cautiousness, caused by weak property rights and inadequate property registration, as well as the widespread problems with corruption and slow, corrupt and inefficient bureaucracy. Therefore stable annual growth is not to be expected before 2020 (Euromonitor International, 2011). Summary of Bosnian economic data and statistics are presented in the table 8.

Table 8. Bosnia and Herzegovina economy index, source: (Global Finance, 2012).

Total population	3.9 million
Central bank	Central bank of Bosnia and Herzegovina
Currency	Convertibilna mark (BAM) Symbol: KM
Government type	Emerging federal democratic republic (2009)
Gross Domestic Product - GDP	US$ 17.431 billion (2010 estimate)
GDP per capita - PPP	$8,251 (2010 estimate)
GDP - composition by sector	agriculture: 10.1% industry: 25.8% services: 64.1% (2011 estimate)
International Reserves	US$ 4.383 billion (2010)
FDI inflows	US$63 million (2010)
Total exports	US$4.804 billion (2010 estimate)
Total import	US$11.94 billion (2008 estimate)
Export major partners	Croatia 15,1%, Slovenia 18,3%, Italy 14,8%,Germany 13.9%, Austria 12,4%, Hungary 5.7% (2007)
Import major partners	Croatia 20%, Slovenia 13.1%,Germany 13,3%, Italy 9,7%, Austria 6,2%, Russia 7,7% Hungary 4,8%
Export commodities	metals, clothing, wood products, paper
Unemployment rate	27.6% (2012)
Inflation	2.2% (2012)
Public debt	43.4% (2012)
Exchange rate BAM/USD BAM/EUR	1$/1.50 KM 1€/1.95 KM
Corruption perception index Transparency international (2012)	72nd out of 176
Best countries for doing business World Bank	Overall ranking: 110th out of 183 countries (2012)
Global competitiveness index	100 out of 142 (2011/2012)
Protecting investors	93rd out of 183 (2012)
Enforcing contracts	124th out of 183 (2012)
Index of Economic Freedom Heritage Foundation	Ranking: 104th Score: 57.5 (Mostly Unfree) (2012)

5.3.1 Waste management in Bosnia and Herzegovina

Waste represents one of the major environmental protection issues in Bosnia and Herzegovina. Bosnian waste management is confronted with the same problems, just like the other countries in the Balkan region, problems regarding the insufficient management, lack of infrastructure, outdated technology, lack of technological expertise, lack of funding and investments and public attitude toward environment protection and waste (European Environment Agency, 2011). The current insufficient waste management lead to increase quantities of waste dumped and disposed illegally at roadsides, in rivers, abandoned mines, and similar places, which represent health and environment threats. Currently there are no waste incineration facilities working in Bosnia and Herzegovina. Recycled waste separated from the mixed municipal waste is less than 5 % of the total municipal waste (estimated amount), where at least 95 % of the collected mixed municipal waste is disposed of mostly on illegal and sites that are not planned for waste disposal (European Environment Agency, 2011).

As a country in transition and post-war period, BiH is faced with many social, economic and other problems, together with environmental protection issue which is one of the most important. In the pre-war period, BiH with its basic natural resources such as water, air and soil was the centre of the former Yugoslav heavy industry. Being the centre of former Yugoslav heavy industry and by providing the raw materials and energy that served as the basis for the economic development of former Yugoslavia, these natural resources together with environment was subject of serious pollution. Large surfaces in urban areas were exposed to serious pollution, because of expansion of construction and building, manufacturing industry and power industry (European Environment Agency, 2011).

The responsibility for waste management policy is divided between entity ministries responsible for the environment and cantonal ministries in the Federation of Bosnia and Herzegovina (FBiH). Bosnian waste legislation consists of the Law on Waste Management of the Federation of Bosnia and Herzegovina and the Law on Waste Management of Republic Srpska which is almost identical. These laws are adjusted with EU legislations and they cover the management of all types of waste following the basic principles of EU environmental protection policies (European Environment Agency, 2011). The main problem with implementing of these laws is lack of funding, which has resulted in minimal progress. World Bank has provide financial support for waste management project (Solid Waste management programme –I) by financing the reconstruction and building old dump sites in major cities in Bosnia and Herzegovina (European Environment Agency, 2011). Main cities receiving financial support were Sarajevo, Zenica, Bihac, Tuzla and Banja Luka. Because of the successful implementation of the project, World Bank approved second loan of 40 USD million in 2008 (Solid Waste Management Programme 2 – SWMP II) which goal is to support rebuilding of landfills in 6-10 regions (European Environment Agency, 2011).

New regional landfills are operating in Sarajevo and Zenica Bijeljina, Banja Luka and Tuzla. In the year 2009, EU provided technical assistance to BiH government for preparation of studies for reconstruction of regional sanitary landfills and feasibility studies in 7 regions of BiH. EU assistance is needed because of the lack of technical and financial capacity of the local utility companies and municipalities (European Environment Agency, 2011). Bosnia needs to create an environmentally friendly and efficient integrated waste management system in order to reduce municipal waste disposal and start recycling. Some of the recommendations for the Bosnian authorities and local municipal officials in order to improve the waste management system are:

- separate collection of municipal waste (paper, plastics and hazardous waste)
- possible recycling of municipal waste, such as paper, plastics, glass, metal and organic waste, and industrial waste
- separating and incinerating medical waste
- composting organic waste
- introducing standards for municipal waste disposal
- introducing new economic instruments
- improve existing financial mechanisms for the overall waste management system (European Environment Agency, 2011).

Main emphasis is on reducing the waste generation and reducing the disposal in illegal dump sites. As economic conditions in Bosnia and Herzegovina improve, consumption is increasing and as a result of that municipal waste is increasing. People are buying more packaged food and other products and they tend to dispose more quantity of waste. The amount of plastic and packaging waste in municipal waste is extensively increasing (European Environment Agency, 2011).

According to the data provided by the Agency for statistics in Bosnia, recyclable waste separated from the mixed municipal waste amount to less than 5% of the total municipal waste. At least 95% of municipal waste is disposed at landfills (European Environment Agency, 2011). Absence of exact data regarding waste quantities represent serious obstacle in analyzing the current situation and capacities for building the sufficient waste management strategy in Bosnia and Herzegovina. Bosnia and Herzegovina still don’t have developed separate waste collection process. The only separation that takes place is carried out by several companies and it includes paper, plastics and metals from municipal waste (European Environment Agency, 2010).

5.3.2 Bosnian waste statistic

Estimated quantity of generated municipal waste in 2010 is 1.521.878 tones or 396 kg per capita annually or 1.08 kg per capita per day as it is possible to see on the tables 9 and 10. In 2010, public companies collected 1.499.023 tons of municipal solid waste, which is 10% more than previous year (Agency for Statistics of Bosnia and Herzegovina, 2011). The percentage of residents who are covered by municipal waste is around 68%. The rest of the population, which is not covered by communal service, is mostly situated in rural areas because local utility companies don't provide service in rural areas. Of the total collected waste, mixed municipals waste accounts for 92.4%, separately collected waste 6.0%, waste from gardens and parks 1.1% and packaging waste with 0.4%. In 2010 1.516.423 tons of waste were disposed at landfills, which is 6,6% more than previous year. As presented in the table 11, estimated quantity of industrial waste is 58 343 502 tones. Out of that amount mining and quarrying participated with 95% in total quantity, manufacturing industry with 2% and electricity, gas and hot water supply with 3%. According to the Agency for Statistics of Bosnia and Herzegovina 2012, the quantity of generated hazardous waste was 525 125 tons. Most of the hazardous waste comes from: electricity, gas, steam supply and air conditioning and it amounts to 491.401 tones. Currently there are 2949 employees in waste collection treatment and disposal activities and other waste management services in Federation of Bosnia and Herzegovina (Federal office of Statistics, 2011).

It is possible to conclude that insufficient management, lack of infrastructure, outdated technology and lack of technological expertise, represents possibility for foreign investors who are willing to use its experience and expertise in waste management technology in order to enter the Bosnian market. Other positive indicators such as adoption of EU environmental protection standards, increased consumption and production which lead to increase of disposal waste support the proposition to enter this market. Furthermore, international companies that are willing to invest in Bosnian waste management infrastructure and environment protection projects can apply for financial support from international institutions such as World Bank, European Bank for Reconstruction and Development and European Investment Bank that are main foreign partners in reconstruction of the Bosnian waste infrastructure. However, high perceived corruption index represent main concern for potential foreign investors willing to invest in Bosnian waste management. All data regarding waste management are presented in following tables 9, 10 and 11.

Table 9. Amount of generated municipal waste for year 2010, source: (Agency for Statistics of Bosnia and Herzegovina, 2011).

Total generated municipal waste	1.521.878 tonns
Separately collected waste types	91 125 tones
Garden and park wastes	17 292 tones
Packaging waste	5960 tones
Waste from households	1.155.948 tones
Waste from public communal services	10 080 tones

Table 10. Amount of disposed waste for year 2010, source: (Agency for Statistics of Bosnia and Herzegovina, 2011).

Total	1.516.423 tones
Permanently disposed on landfill	1.514.515 tones
Removal of waste in other way	495 tones
Recovered waste	1413 tones

Table 11. Amount of industrial waste for year 2010, source: (Agency for Statistics of Bosnia and Herzegovina, 2012).

Total industrial waste	58 343 502 tones
Mining and quarrying	55 437 710 tones
Manufacturing	1.322.672 tones
Electricity gas and water supply	1 583 120 tones
Hazardous Waste	525 125 tones

5.3.3 External opportunities and threats for Íslenska Gámafélagið in Bosnian market

This analysis represents overview of all factors from external environment that may have influence on company's performance in Bosnia and Herzegovina.

Opportunities for the Íslenska Gámafélagið in Bosnian waste management and recycling industry are:

- Undeveloped waste management and recycling industry
- Outdated technology, unskilled labour force and outdated waste management practices

- Relatively large amount of total generated waste which can be recycled and reused
- Large amount of industrial waste which can be reused in production process
- Increased pollution which raises environmental concerns and the need for modern waste management
- Adopted EU environment protection legislation and approved new waste management strategy
- EU member candidate which represents boost for economy growth and future regional projects
- Access to the EU funds and assistance for environmental protection projects
- Need for foreign assistance in building the modern waste management system
- Relatively low number of foreign companies in Bosnian waste management industry
- Government willingness to improve waste management practices and to build modern and efficient waste management system.

Threats that can obstruct company's market entry in Bosnia are:

- High level of corruption in local governmental institutions and public companies
- Political, economical and social instability causing high risk for foreign investor
- Large geographic distance between company's home country and Bosnia Neighbouring countries and their companies have been present in Bosnia for many years and have established trust and developed connections with local governmental institutions and companies. For this reason Bosnian companies and local government institutions may prefer these neighbouring countries and their companies
- Complicated administrative procedures regarding issuing the permits and company's registration which can cause delays
- Language barrier
- Low public awareness about environmental protection issues
- Recession affecting the consumer consumption and industrial production which can decrease the total amount of generated waste and demand for recycling and effective waste management practices.

5.4 Montenegro

Montenegro is located on the south of the Balkan Peninsula and it shares its border with Serbia on the northwest, with Croatia on the west, with Bosnia and Herzegovina on the north-west, Kosovo on the east and with Albania on the southeast. Montenegro size is 13 812 km², total number of population is 625 266 thousands with population density of 50 residents per km². Capital of Montenegro is Podgorica. Official language is Montenegrin and currency is euro which is unilaterally adopted (Statistical Office of Montenegro, 2012). Montenegro is classified by the World Bank as a middle income country with GDP per capita of 11 677$ per capita. Montenegro applied for membership of the EU on 15th December 2008 and signed a stabilisation and association agreement with the EU on 1st May 2010. The country's candidate country status was confirmed by the EU member states on 17th December 2010 (European Commission, 2012).

Montenegro's economy began a slow economic recovery in the year 2011. Unemployment was high in 2011 and it declined very slowly in 2012 as the economy recovers. Montenegro experienced a property boom in 2006 and 2007 with wealthy tourist and investors from Russia and Europe starting to buy property along the coast. In spite of that, the economy slipped into recession in 2009 when real estate prices fell by more than 50%. Real GDP fell by 5.7% over the year. Slow recovery began in 2010. During the global financial crisis public debt has increased to 39% of GDP and could rise even more. Government imposed very restricted cuts in capital spending and wages in order to stop this trend. Unemployment was very high in the year 2010 reaching 19.9% and it has decreased to 18.8% in 2011 (Euromonitor International, 2011). The Montenegro economy is still going through large reforms (Euromonitor International, 2011). Montenegro government has made privatisation programme and plans in order to modernise labour laws and to improve labour flexibility. The government has passed new law which will improve the environment for business development, investment and economic growth. The elimination of waiting times at borders would make it possible for producers to increase their exports. Nevertheless, the labour market in Montenegro remains inflexible, decreasing the ability of firms to restructure. The technical and administrative skills of the agencies providing business services are still limited (Euromonitor International, 2011). According to the World Bank-Doing Businesses report 2012, Montenegro ranked 29th out of 183 countries in terms of protecting investors and 137th out of 183 countries in terms of enforcing the contracts as it is possible to see in table 12 (The World Bank Doing Business, 2012). Summary of Montenegro economic data and statistics are presented in table 12.

Table 12. Montenegro economy index, source: (Global Finance, 2012).

Total population	620 029
Central bank	Central Bank of Montenegro
Currency	Euros (EUR) (2009)
Government type	Republic (2009)
Gross Domestic Product – GDP	US$ 4.278 billion (2009 estimate)
GDP per capita – PPP	$11,677 International Dollars (2009 estimate)
GDP - composition by sector	Trade 12,2% Transportation 9,6% Real estate sales 8,7% Agriculture 7,7%
International Reserves	US$ 556.155 million (2010)
FDI inflows	US$760 million (2010)
Total exports	454.4 million euro (2011)
Total import	US$601.7 million (2003)
Export major partners	Serbia (79,8 mil.€), Hungary (76,9 mil.€) Croatia (45,9 mil.€).
Import major partners	Serbia (518,5 mil.€), Greece (144,1 mil.€) Bosnia and Herzegovina (138,7mil.€)
Export commodities	Metals 219.4 million euro (2011)
Unemployment rate	18.8% (2011)
Inflation	2% (2012)
Public debt	48.9% (2012)
Corruption perception index Transparency international	75th out of 176 countries (2012)
Best countries for doing business World bank	Overall ranking: 57 out of 183 countries (2012)
Global competitiveness ranking World Economic Forum	60 (2011/2012)
Index of Economic Freedom Heritage Foundation	Ranking: 76 Score: 62.5 (Moderately Free) (2012)

5.4.1 Montenegro waste management

Waste management is one of Montenegro's biggest problems. In regard to the environment protection, Montenegro needs to implement large reforms because the current situation is defined as incompatible with the other member of the EU (European Environment Agency, 2010). The government developed National Waste Management Plan for the period 2008 to 2012 and this plan include development of 8 regional landfill sites for 8 waste regions (Official Gazette, 2008).

Waste is a serious problem in Montenegro, which has a negative long-term impact on both environment and human health. The regional sanitary landfill for the cities of Podgorica, Danilovgrad and Cetinje was built in 2007 and is currently used to dispose of waste collected within the cities of Podgorica and Danilovgrad. In other towns waste is mostly disposed at sites where some of these dump sites represent serious threat to public health and the environment. Most of these sites are inadequately managed. None of these site locations were selected in accordance with environmental protection standards and there are no appropriate technical protection measures, where collected waste is directly disposed on the ground, with no protective measures (European Environment Agency, 2010). Main issues regarding Montenegro waste management are:

- improper disposal, usually on simple waste dumps both legal and illegal, which represent significant source of soil and groundwater pollution
- undeveloped awareness regarding environmental protection
- lack of financial support and technological expertise in waste management system and management of landfills (Official Gazette, 2008).

Montenegro institutions need to adjust legal framework and introduce new waste management law which is comparable to the EU laws and regulations. The Waste Management Law regulates types and classification of wastes, planning of waste management, conditions for waste collection, transport, treatment, storage and disposal, rights, duties and responsibilities of legal and private persons involved in waste management and conditions and procedures for waste management permits. The law came into force year 2011 (Official Gazette, 2011). National waste management plan (NWMP) was adopted year 2008 and it represents detailed overview of current situation in waste management in Montenegro (Official Gazette, 2008).

The government institution responsible for waste management is Ministry of Sustainable Development and Tourism and the Ministry of Spatial Planning and Environment (Official Gazette, 2011). Environmental Protection Agency (EPA) which was recently established also has important responsibility in implementing the waste management law and practices through its permitting, monitoring, inspection and communication responsibilities (Agency for Environment Protection of Montenegro, 2012). Local administrations are responsible for development of local waste management policy and public utilities companies are responsible for collection, transport and disposal of waste. The Project Implementation Unit (PIU) has recently been established to help municipals and public utilities companies with development and management of investment projects in waste management system (Official Gazette, 2008).

5.4.2 Montenegro waste management statistic

According to the Montenegro statistical office (MONSTAT) total amount of generated municipal waste for year 2011 is 297 428 tons (Statistical Office of Montenegro, 2012). This amount represents decrease of 9,8% compared to last year. Total number of employees in field of waste management, controlling the waste removal process and similar activities in Montenegro is 1009 (Statistical Office of Montenegro, 2012). According to the Strategic Master Plan, the expected quantity of waste generated by tourists is 1.5 kg/visitor/day. Total quantity of generated industrial waste for year 2011 is 557 635.81 tons (Statistical Office of Montenegro, 2012). Recycling of municipal waste, with small exceptions, is not done and there are no proper waste recycling facilities (European Environment Agency, 2010).

As it was mentioned before Montenegro has undeveloped waste management infrastructure and environment protection practices. As one of the requirement for EU accession, Montenegro government started with improvements of its environment protection law and expressed intention to build sustainable waste management. That opens the possibility for potential investments in waste management infrastructure in Montenegro. Montenegro was very attractive country for foreign investors especially in the real-estate market and tourism. Increased number of tourist and increased consumption leads to increased amount of disposed waste which supports the need for effective waste management infrastructure. That opens the possibility for foreign investors who are willing to invest in Montenegro waste management to enter the Montenegro market. International companies willing to invest in waste management facilities and waste management projects in Montenegro can apply for financial support from EU and funds provided by European Investment bank and European

Bank for Reconstruction and Development which supports environmental protection projects in country candidates for EU membership. These banks represent main international investment partners and investors in Montenegro. Like in the other neighbouring countries Montenegro is dealing with widespread corruption practice both in public and private sector and this corruption is main concern of the foreign investors willing to invest in Montenegro waste management.

5.4.3 External opportunities and threats for Íslenska Gámafélagið in Montenegro

This analysis will provide overview of all external factors that can have influence on performance of Íslenska Gámafélagið in Montenegro waste management and recycling industry.

Opportunities that have positive influence on company's market entry in Montenegro are:

- Undeveloped waste management and recycling industry
- Outdated technology, unskilled labour force and outdated waste management practices
- Large number of foreign tourist which increases the consumption and need for modern waste management system
- EU country candidate
- Adopted EU environment protection laws and accepted national waste management strategy
- Access to the EU funds for environmental protection projects
- Relatively small number of foreign companies in Montenegro waste management industry
- Large number of public utility companies that need consulting in field of waste management and recycling
- Government willingness to improve existing waste management system and practices.

Threats that represent potential barriers for company's entry in Montenegro waste management industry are:

- High level of corruption in public and private sector
- Large geographic distance

- Language barrier
- Low public awareness about environment protection and waste management practices
- Complicated administrative procedure regarding issuing the permit which can cause administrative delays.

As it is possible to conclude from this countries comparative analysis, all these selected countries are confronted with same problems and challenges regarding undeveloped waste management system and all of them have recognized the need for modern and efficient waste management practices. These selected countries share same problems regarding waste management and there are no significant differences between them. All of them have express their interest for EU membership, have interest in foreign assistance and are open for foreign investments in their waste management sector which, represent good investment opportunity for companies interested in investing and expanding their business operation in these Balkan countries.

6 Target market selection

After analyzing all factors regarding waste management in selected countries, the author of this thesis recommends Croatia as the most attractive country for investment. The most important factor for country selection is the secure environment for foreign investors. Main reasons for this conclusion are following: after successfully closing negotiation chapters with EU, Croatia will officially become a member in May 2013 (European Commission, 2012). While other selected countries are still candidates in negotiation process, which means that those countries don't fulfil all requirements set by the EU. Furthermore that means that Croatia has achieved most progress in adapting its laws, rules and procedures with the EU legislation and practices. Standardization and changing its laws and administrative procedures and practices and regulating its market according with the EU recommendations and laws, Croatia has made enormous progress compared to its neighbouring Balkan countries that are still in transition and negotiation process with the EU. If we compare corruption perception index in Croatia with other selected Balkan countries it is possible to conclude that Croatian suffers from less corruption than other Balkan countries, as it is possible to see on the table 13.

According to the EBRD Croatia is classified as advanced transition country in EBRD region (European Bank for Reconstruction and Development, 2010). Therefore it is possible to conclude that Croatia has most developed legal environment and most developed and secured market for foreign investment and as a potential destination for foreign investments it is the country with least political and economic risk as compared to other selected Balkan countries. Croatia Ranked 47th in enforcing contracts which is very high comparing to other selected Balkan countries and it is ranked 82nd in Heritage Foundation's index of economic freedom which is relatively high as compared to other selected Balkan countries. According to the World Economic Forum, Croatian economy is ranked 76th and is more competitive than other selected Balkan countries besides Montenegro which ranks 60th. Croatia also have considerably larger amount of collected municipal waste than other selected countries.

As it has already been mentioned Croatia is one of the first Balkan countries that has accepted waste act and established new waste management strategy and waste management plan. Entering the EU next year will open up Croatian market for foreign investors, release additional funds from EU funds needed for further projects and speed up privatisation which will enhance Croatian economy growth, industry production and consumer consumption.

Foreign companies who have already invested in Croatia waste management are from Croatia neighbouring countries such as Austria and Germany. Every foreign company who is willing to invest in Croatia can apply for financial assistance from Croatian government and EU funds that are designed for investing and supporting environmental protection projects. Another important factor that needs to be considered in the selection of Croatia as a desirable investment destination is the large number of foreign tourists that are coming every year to Croatia. Croatia is a tourist's country and large number of tourist leads to increase in consumer consumption which increases the need for effective modern waste management.

After comparing the waste management industry in selected countries it is possible to conclude that Croatia has the most developed waste management industry and it represents the most secured environment for foreign investment in waste management industry. Therefore it is possible to conclude that Croatia represents the most secure country to invest in and investing in Croatia is less risky compared to other selected Balkan countries. In Croatia there are numerous public utility companies who operate in the area of waste management in their municipalities and most of these enterprises don't possess adequate equipment, experience and expertise regarding modern waste management practices such as recycling, reuse and waste prevention. Therefore Íslenska Gámafélagið has a good possibility to use its experience and expertise, to enter Croatia in partnership with local companies or by selling consulting and selling its knowledge and expertise (know-how). Comparison of selected countries and main factors used for target market selection are presented in the table 13.

Table 13. Comparison of selected countries data and waste management statistics

country / index	Croatia	Serbia	Bosnia Herzegovina	Montenegro
Total amount of waste in tons 2010 (estimated) Municipal Industrial	1 629 915 1 534 294	2 650 000 33 721 344	1 521 878 58 343 502	297 428 557 635.81
EU candidates, adopted EU laws and regulation and environmental protection standards	**Officially EU member from year 2013**	Still in negotiation for EU membership	Still in negotiation for EU membership	Still in negotiation for EU membership
Corruption perception index	**62nd**	80th	72nd	75th
Global competitive index 2012	76th	95th	100	60
Best country for doing business 2012	80th	95th	127th	57th
Protecting investors	136	79	98th	29th
Enforcing contracts	**50th**	102nd	117	137
Index of economic freedom (2012)	**83rd Moderately free**	98th Mostly unfree	104th Mostly unfree	72nd Moderately free

6.1 Competitor analysis in Croatian market

This chapter will provide overview of biggest waste management companies operating in Croatia. Analysis will include only those companies that operate primarily in waste management industry, which represent direct competitors in the market. Those companies who perform waste management activities as secondary or additional activity would not be subject of this analysis as they don't represent direct competition. According to the Croatian chamber of commerce and the Croatian environmental protection agency (EPA), the biggest waste management companies in Croatia are: C.I.O.S. group, EKO-Flor Plus, Drava International, Metis, Unikom, Cistoca Zagreb, Flora-Vtc, Univerzal, Pula Herculanea d.o.o. and CE-ZA-R Zagreb.

6.1.1 Eko-Flor Plus

Eko-Flor Plus is one of the biggest privately owned waste management company in Croatia. Since the establishment of the company in the year 1997, the company became respectable and reliable partner in waste management with more than 300 employees and hundreds of vehicles for different purposes (Eko Flor Plus, 2012).

Company possesses ISO 9001 and 14001 certificates and it serves more than 3 500 corporations and institutions and about 60 000 users of municipal waste transport and collection. In the year 2003 the company expanded its waste management operation into Macedonia and in the year 2007 into Serbia (Eko Flor Plus, 2012). Company's main strengths are long term experience and expertise in waste management activities, established contacts and relations with local customers in Croatian market and strong market position. Company's main activities are:

- waste collection were the company has concession for waste collection in 70 local regions and municipalities
- managing the industrial waste (collecting, sorting, transport and providing for waste)
- composting of biodegradable waste
- collection of secondary raw materials such as wood, plastic, glass, metal, paper
- cleaning of separators and fat collectors and transportation of used oil, collection and recycling of construction waste
- maintaining and reconstructing landfills
- disinfection
- cleaning services
- maintaining green areas
- maintaining sewage systems
- servicing and selling the equipments and parts for municipal vehicles
- renting and selling municipal equipment (Eko Flor Plus, 2012).

6.1.2 C.I.O.S. Group

C.I.O.S is a leading regional company for collecting and preliminary processing of industrial waste and domestic and international trade of industrial waste. C.I.O.S was established in 1991 and is a leading group in collection and recycling of iron and steel scrap and other waste materials with mostly metal components (C.I.O.S. Group, 2012). Group operates with 22 affiliates in the region and it employs 1300 workers. C.I.O.S operates in Croatia, Bosnia, Serbia, Montenegro, Macedonia, Kosovo and Albania. Main activities of the group are: collection, production, processing and trading of iron and steel, secondary raw materials and collection, processing and recycling of special waste categories (C.I.O.S. Group, 2012). The C.I.O.S. Group processes about 700 000 tons of scrap metal annually, where 300 000 tons of total amount are processed in Croatia.

According to the company's plans, the planned treatment by 2015 will be up to one million tons. The main recycling centres are in Croatia, Serbia, Bosnia and Herzegovina and Albania and are equipped with facilities for shredding and separation of materials (C.I.O.S. Group, 2012). C.I.O.S. group uses more than 100 excavators, 2,000 tanks for collecting scrap metal and more than 240 trucks. Key locations of C.I.O.S. groups have direct access to the railway tracks, which ensures the easier access to international markets. C.I.O.S is a mixed Croatian-German privately owned company. The Scholz group AG Essingen owns 51.43%, and the company CIOM from Zagreb, owns 48.57%. C.I.O.S's Headquarters are in Zagreb and the location of group affiliates are in all major Croatian cities. Company's capital is 150 000 000 KN (over 19 million EUR). Some of the largest waste management companies in Croatia are member of the C.I.O.S group. These companies are CE-ZA-R (centre for recycling Zagreb), Felix products and Depos (C.I.O.S. Group, 2012). Main company's strengths are: company's persistency in establishing partnerships with local and foreign partners, good developed distribution channels, good relations with local and foreign partners, good knowledge of local and regional markets and good relations with foreign and local customers and institutions.

6.1.3 Metis

Metis is one of the biggest Croatian companies responsible for collecting, recycling and selling waste. The company was established in the year 1948 and it owns license for collection and management of hazardous and nonhazardous waste (Metis d.d., 2012). Company possess ISO 9001 and 14001 quality certificates and provide employment for 150 employees. Main activities of company are: waste collection and collection of electronic waste, electronic equipment and devices for Istria region, collection of old end-of-life vehicles, collection of batteries and accumulators, collection of waste tyres, collection of waste oils, collection, storage and transportation of packaging waste and collection of waste that contains asbestos (Metis d.d., 2012). Metis is one of the largest exporters or raw materials in Croatia with successful export of raw materials in to the EU. Metis also provides environmental protection consulting for companies and organizations. Company's capital is 13 425 400 KN which is around 1.7 million EUR (Metis d.d., 2012). Company's main strengths are good connections with local customers and institutions local market knowledge and connections with foreign customers.

6.1.4 Unikom

Unikom is one of the biggest local waste management companies. It was established in the year 1984 and has now 348 employees. The company is in major ownership of the municipality of Osijek. Company possesses ISO 9001 and 14001 certificates and has a long term experience in the area of waste management. Company operates mostly in Croatian city Osijek and its main activities are: cleaning, waste collection and disposal, recycling and maintenance of public green areas and parks. The company also produces garden compost, grass seeds and decorative plants. Company's capital is 64 011 100 KN which is around 8.5 millions EUR (Unikom d.o.o, 2012). The main company's strengths are long term experience, good connections with local customers and community.

6.1.5 Univerzal

Univerzal is a waste management company which performs recycling of metal waste, transporting of secondary raw materials and collection and storage of hazardous and non-hazardous waste. The company was established in the year 1951, it has a long term experience in waste performing waste management activities and it is now mostly operating in North West region of Croatia. The company has 133 qualified workers, possess modern technology, machinery and vehicles for waste collection and transporting. The company possesses license for collection of hazardous and non-hazardous waste and it possess quality certificate ISO 9001 and ISO 14 001. The main customers of Univerzal d.o.o. are big industrial companies, construction companies and automotive companies. Company's main outputs are; various metal products, steel products, ferrous and non-ferrous products (Univerzal d.o.o, 2012). Company has good connections with both domestic and foreign customers, has experience in metal waste processing and good knowledge of local market.

6.1.6 Pula Herculanea

Pula Herculanea is a public waste management company established in the year 1962. It has a long term experience in performing waste management activities and it operates in city of Pula and its surroundings. The company's main activities are: sewage, waste collection, waste disposal, recycling and wholesale of waste. Company's secondary activities are: cleaning and distribution of water, technical testing and analysis and sale of containers for waste collection. The company provides services of design and supervision of water supply facilities, sewage and wastewater treatment plants. Company owns certificate ISO 90001 and ISO 14001 and it has 233 employees. Company’s capital is 68 852 600 KN which is around 9 millions EUR (Pula Herculanea d.o.o, 2012). The main company’s strength is in the local market knowledge and good connections with local customers and institutions.

6.1.7 Cistoca Zagreb

Cistoca Zagreb is a public waste management company established in the year 1947. It has a long term experience in performing the waste management activities. Company operates in the city of Zagreb and it has 1579 employees. Main company’s activities are: waste management, waste collection and disposal, recycling, maintaining the public and traffic areas. The company possesses standard certificates, ISO 9001 and 14001. Company is planning to expand its activities in the area of waste recycling, separate collection of waste and providing consulting services (Zagrebacki Holding Podruznica Cistoca, 2012). Main company’s strengths are long experience, good connections and knowledge of local market.

6.1.8 Flora-Vtc

Flora-Vtc is one of the biggest waste management companies in Croatia. The company was established in the 1987. It is now mostly operating in Croatian city Virovitica and the main activities of the company are waste collection, storage, treatment, disposal and transportation of different types of hazardous, nonhazardous and technological waste. Company is also engaged in cleaning the public areas, parks and plantations. Flora-Vtc is also responsible for maintaining and cleaning the Virovitica city pool and surrounding cemeteries (Flora-vtc, 2012). The company possesses ISO 9001 and 14001 certificates. Company owns a large garden centre and provides the services of design and arrangement of gardens, parks and landscapes. Flora is the only national concessionaire that can collect all types of electronic waste which represents company’s main strength. Flora is also concession holder for the collection of all types of waste oil, batteries and accumulators, end-of-life vehicles and regional concessionaire for the collection of packaging waste and waste tyres. Company’s main income comes from collection and managing of all types of waste. On the year basis flora collects around 10 000 tons of electronic waste. Company’s strengths are long term experience in waste management industry and good local knowledge and connections with customers and local institutions. City Virovitica is 100% owner of the company, company capital is 4 655 300 KN which is around 500 thousands EUR and it has 122 employees (Flora-vtc, 2012).

It is possible to conclude that in Croatia are currently present some strong local waste management companies. Main strengths of these local companies are their long-term experience and knowledge of the Croatian waste management industry. Competing with these local companies can represent possible entry barrier for Íslenska Gámafélagið where these companies have already established strong market position and have good connections with customers. Nevertheless, regarding to the large quantity of collected waste it is possible to classify Croatian waste industry as relatively undeveloped compared to developed EU countries.

Therefore it is possible to conclude that there are still numerous possibilities for foreign companies such as Íslenska Gámafélagið to enter the market and develop a strong market position. As it was mentioned before Croatian entry in to the EU requires implementation of EU's environmental protection laws and practices which means that all companies and municipalities in Croatia would have to improve their waste management practices. There are large numbers of Croatian companies, organizations and municipalities both public and private that need to fulfil these requirements imposed by EU, which opens the door for foreign companies such as Íslenska Gámafélagið to use their experience and expertise in the field of environmental consulting and processing of all types of waste. It is also important to mention that in the Croatian waste management industry currently operates large number of public companies that don't fulfil these waste management and environment protection standards established by the EU. Furthermore all companies who are willing to invest in Croatian waste management can apply for EU access funds (IPA funds) that are specially designed for financial support in regional projects in Croatia such as building and improving the Croatian environmental protection and waste management. In the table 14 is possible to see list of the biggest Croatian waste management companies currently operating in Croatian waste management industry.

Table 14. Biggest waste management companies in Croatia, source: (Croatian Chamber of Commerce, 2012).

Company name	Contact person	Main activity	Size	Number of employees	Total capital	License and certificates
C.I.O.S. d.o.o	Petar Pripuz director	Recycling, Processing export of raw materials	large	1300	150 millions HRK	ISO 9001 ISO 14001 Hazardous and nonhazardous waste collection, processing and export
Metis	Jerry Pajic director	Recycling processing	Middle	159	13 Millions HRK	ISO 9001 ISO 14001 Hazardous and nonhazardous waste collection, processing
Drava International d.o.o	Zvonko Bede director	Recycling processing	Large	343	Not available	ISO 9001 ISO 14001 Nonhazardous waste collection and processing
Ce-ZA-R Zagreb	Petar Pripuz	Recycling, Processing, export of raw materials	Large	230	Not available	ISO 9001 ISO 14001 Hazardous and Nonhazardous waste collection and processing
Univerzal	Goran Hlevnjak board president	Recycling processing, export of raw materials	Middle	138	Not available	ISO 9001 ISO 14001 Hazardous and Nonhazardous waste collection
Eko-flor-plus	Ilija Spikic Board president	Waste collection, Recycling, processing	Large	293	Not available	ISO 9001 ISO 14001 Hazardous and Nonhazardous waste collection
Cistoca Zagreb	Branimir Valasek director	Waste collection, recycling processing	Large	1579	Not available	ISO 9001 ISO 14001 Nonhazardous waste collection
Unikom	Tomislav Glavas director	Waste collection, recycling, processing	Middle	348	64 Millions HRK	ISO 9001 ISO 14001 Nonhazardous waste collection
Pula Herculaea	Igor Stari director	Waste collection, recycling, processing	Large	233	68 millions HRK	ISO 9001 ISO 14001 Nonhazardous waste collection
Flora Vtc	Zeljko Iharos director	Waste collection, processing	Middle	122	4 665 300 HRK	ISO 9001 ISO 14001 Nonhazardous and EE waste collection

7 Entry strategy for Croatian market

Recommendations for the entry strategy of Íslenska Gámafélagið in Croatia waste management industry will be based both on international business theories and conclusions made from conducted interviews with experts and local companies' executives from Croatia. This chapter represent second step in Phenomenology method or so called reduction, where original data provided from participants were summarized and divided in seven different themes. Each theme will be analyzed in details. Third step of phenomenology method, so called interpretation will be presented as the conclusion chapter.

7.1 Reduction

Chapter is divided by the themes where each theme reflects participants' opinions, conclusions, and remarks. Conclusions and recommendations for entry strategy will be based on concluded interviews and participants' conclusions supported with international business and entry modes theories.

7.1.1 Human factor

Many respondents agreed on the fact that one of the main reasons for undeveloped waste management industry in Croatia is human factor or unskilled labour force. Compared to other EU countries, labour force in Croatian waste management industry is still behind in terms of performance, efficiency, productivity and education. Most respondents were agreed that poor performance of labour represents one of the main obstacles for development of waste management in Croatia. According to J. Kufrin from the department of environmental monitoring within the Croatian Environmental Agency (CEA), human factor is the main reason for undeveloped waste management in Croatia and biggest problem for further development of Croatian waste management. She believes that undeveloped labour skills together with low awareness regarding nature protection are main weaknesses of waste management and that needs to be more improved. She stated that Croatian government can do more to improve public awareness regarding nature protection and waste management practices. According to her:

...human factor is main reason for slow reforms and incompetency in Croatia.

According to R. Vukelic from the department for development, projects and international cooperation of the Croatian Environmental Agency (CEA) wages in Croatian waste management sector are below the average compared to other industry sectors. Low wages represents one of the main reasons for poor labour performance and lack of motivations. According to him:

...waste management companies in Croatia attract mostly unskilled labour due to low wages which is the one of the reason for inefficiency and incompetence within the companies.

He concludes that Croatian waste management companies cannot successfully compete with companies from developed EU countries due to poor labour force and labour's lack of skills.

A. Cilic, which is the assistant of director of the Environmental Protection and Energy Efficiency Fund (EPEEF), stated that:

There has been made progress in waste management system in Croatia in terms of improved infrastructure and facilities but workforce still needs improvement in terms of performance and skills.

She also criticized the management of Croatian waste management companies for not doing enough in attracting potential foreign investors and partners. She stated that:

Croatian local companies rely too much on Croatian government and its agencies to attract foreign companies were themselves don't put enough effort in attracting foreign strategic partners.

Most of interviewed companies' executives agreed that their labour force should perform better and that companies are trying to improve working conditions in order to increase labours efficiency and productivity. According to their opinions one of the main problem that have influence on labours efficiency are poor working conditions and lack of motivations, which is the direct outcome of low wages in waste management sector. According to B. Valasek executive from Cistoca Zagreb which is public waste management company in Zagreb:

> *…our employees are mostly satisfied …we are constantly trying to invest in our work force and improve working conditions.*

He also concluded that wages in private sector are somewhat higher than in public sector but generally wages are below the average as compared to other industry sectors. He concluded that company is doing its best to keep its employees by improving working conditions within the company. Other interviewed executives of privately owned companies shared his opinion and conclude that employees' moral within the companies is relatively high and most of companies' employees work in the company for a long-term. It is possible to conclude that participant's had different opinions regarding the labour force and their motivations and skills but most of them agreed that labour force in Croatian Waste management industry could perform better if they want to compete successfully with companies from other EU countries. Unskilled local labour force is very important factor that Íslenska Gámafélagið needs to take into consideration if it decides to establish partnership with local companies. Unskilled labour force can cause certain problems such as incompetency and low productivity and it would require months of additional training to increase labours productivity. On the other hand, unskilled labour force opens the possibility for Íslenska Gámafélagið to enter the Croatian waste management industry by providing the consulting services and professional employees training. After conducting the interviews with local experts and companies, it is possible to conclude that mostly public companies still suffer from low productivity caused by unskilled labour.

7.1.2. Outdated technology and lack of finances

Most of the participants agreed that outdated technology is main concern for further development of waste management in Croatia. Many local companies still use old technology and equipment for waste processing and collection. Most of them agreed that main reason for using the old equipment is lack of finances for acquiring new technology. They also agreed that outdated technology has negative effect on companies' performance and productivity and puts the local companies in unfavourable position compared to companies from other EU countries.

According to J. Kufrin from CEA, overall situation regarding technology used is still not satisfying compared to technology and practices used in EU countries. She stated that:

> *…beside the fact that Croatian waste management has improved and made progress in terms of improved recycling and waste procession technology and increased quantities of recycled waste, Croatian waste management still needs to increase its efficiency and improve its technology.*

She also concludes that large quantities of hazardous and EE waste are exported to EU countries because of poor local technology and practices. According to her, only few companies in Croatia owns license for EE and hazardous waste processing and main reason for that is lack of adequate technology and companies' inexperience. Her opinion shared both A. Cilic from EPEEF and R. Vukelic from CEA and they agreed that current technology is undeveloped and requires further improvement and investment.

According to company executive from Eko-Flor-Plus, D. Tomasevic:

> *Our company owns the license for Hazardous waste but it is still not completely engaged in collection and processing of all hazardous waste types due to lack of experience.*

She concluded that company would be interested in establishing potential partnership with foreign partners who have experience and technology for hazardous and EE waste processing.

B. Valasek from Cistoca Zagreb also confirmed that company is interested in technology improvements but due to current financial situation and expensive equipment currently, it is not possible to realize these investments.

Executive from Pula Herculanea I. Stari concluded:

> *Investing in new technology is something that we cannot realize now due to very high interest rates and lack of support from our city. We can hardly do it without support from city.*

Only few participants were satisfied with their current technology but, nevertheless they express that they are interested in acquiring new technologies and practices in order to improve their productivity.

According to D. Tomasevic from C.I.O.S:

> *Our company is always looking to improve technology and we are quite satisfied with current practices and equipment. But possibilities for acquiring new technology are always open for us.*

All participants agreed that main problem for technology improvements are expensive equipment and lack of finances. According to I. Stari:

> *…recently we were interested in acquiring new vehicles but we had to put it on hold due to financial difficulties and lack of support from banks and our city.*

It is possible to conclude that outdated technology and lack of financial resources represent main obstacles for local companies to improve their practices and productivity, where most of them are still using outdated technology. That also represents one of the main obstacles for further development of Croatian waste management. Technology improvement is the main requirement that local companies need to fulfil in order to compete with companies from EU. That also represents opportunity for Íslenska Gámafélagið in terms of technological advantage compared to most of local companies in Croatian waste management industry. Large quantity of hazardous waste is still exported out of Croatia to EU countries for further processing and use due to lack of adequate facilities and lack of expertise and experience in processing of this type of waste. Outdated technology and lack of facilities in Croatian waste management opens the possibility for Íslenska Gámafélagið to use its experience and knowledge in processing of hazardous waste to establish the partnership with local Croatian companies. That represents the possibility for Íslenska Gámafélagið to use its strengths to enter the Croatian waste management industry.

7.1.3. Foreign assistance

Most participants agreed that foreign assistance is important for local companies in order to improve their technology and to compete successfully with foreign companies from other EU countries. Without foreign assistance it would be difficult for most local companies to adopt new technologies and practises and to compete successfully.

According to J. Kufrin from CEA:

> *...foreign assistance is still needed for development of waste management and therefore foreign companies with experience are needed in Croatian waste management industry.*

D. Tomasevic from C.I.O.S. concluded:

> *C.I.O.S strategy is based on establishing cooperation with foreign partners and adopting new technologies and assistance outside of Croatia. These co operations helped us to establish our leadership position now.*

I. Stari from Pula Herculanea concluded:

> *Financial and technological assistance is very important to us. Companies with experience and expertise are always welcome here.*

Most big waste management companies in Croatia have established relations with foreign customers by exporting secondary raw materials and processed waste. C.I.O.S, Eko-flor plus, Univerzal and Metis have long term experience of exporting waste and raw materials in EU countries and have certain experience with foreign companies. Establishing contacts with foreign companies helped them to build their strong market position. Main export countries for Croatian waste are Germany, Austria Italy and Slovenia.

After doing the interviews it is possible to conclude that some of the local Croatian companies already have developed contacts and good relations with neighbouring countries. These good established relations and contacts with companies from neighbouring countries can present possible barrier for Íslenska Gámafélagið to establish contacts and relations with local Croatian companies. From interviews with some of the local executives it was possible to conclude that local companies may prefer companies from neighbouring countries such as Slovenia and Austria to establish partnership instead of companies from Iceland. Interviewed executives of the local companies that don’t have any contacts with foreign companies, did expressed their interest in establishing contacts with foreign companies. All interviewed participants were aware of the importance and necessity of the assistance from foreign companies that have certain experience and technological advantage. Most of them agreed that assistance from foreign companies that are interested in investing in local Croatian companies represent good solution and possibility for local companies to compete successfully in EU market.

7.1.4. EU entry

One of the most important factors that have influence on Croatian waste management is fact that Croatia will officially become EU member next year. That opens the possibility for companies and investors from EU countries to enter the Croatian market without any legal or administrative barriers. Most participants agreed that Croatian EU entry will put additional pressure on their business activities, where competing with foreign companies from EU may present potential threat for their future growth.

According to D. Krcmar from the ministry of economy:

> *…there are no legal barriers for foreign investments in Croatian waste management and for establishing partnership with local companies, where any foreign company from EU willing to invest in Croatian waste management can apply for permission from the local authorities.*

R. Vukelic from EPA agreed to her opinion and stated that:

> *Croatian EU entry would only enhance future regional projects in Croatian waste management and investments in waste management represent good opportunity for local and foreign companies.*

He also made comments about Croatian EU entry and acknowledged that EU entry represents additional pressure on Croatian government to adjust their waste management practices with EU laws and standards.

According to D. Krcmar from the ministry of economy:

> *Croatian laws and regulations are adjusted with EU laws therefore equal regulations apply for both domestic and foreign investors and companies.*

She also mentioned that foreign companies who are willing to invest in Croatia can use incentive measures provided by the government. She also mentioned that there are no legal or administrative barriers for foreign companies who want to establish a partnership with local companies.

All participants agreed that EU entry will have significant impact on Croatian waste management industry and it will increase pressure on the local companies in order to improve their current technology and waste management practices. After analyzing these interviews it is possible to conclude that most local companies in Croatia are not prepared for EU entry where most of these companies still use outdated technology and practices, have mostly unskilled labour and insufficient financial resources. It is obvious that companies from EU country have technological advantage and therefore, they represent potential threat for local Croatian companies. It is possible to conclude that EU entry and threat of new entrants represent one of the main reasons and motivation for local companies' to collaborate and establish partnership with foreign partners. That represents good opportunity for Íslenska Gámafélagið with its knowledge and experience to establish contacts and possible partnership with local companies.

7.1.5. Motivation and willingness for establishing partnership

Most of interviewed participants express their interest in establishing potential partnership with foreign companies. Most of them have similar motives and interest in establishing potential partnerships. As it is possible to conclude from conducted interviews, these motives are: acquiring technology and financial assistance.

A. Cilic from (EPEEF) concluded that:

> *Most local municipalities and waste management companies has expressed their interest in attracting the foreign investors and establishing the public-private partnership in the waste management sector.*

She believes that best possible solution for local public waste management companies would be to take part in partnership with potential foreign investors who are willing to invest financial resources and knowledge. And EPEEF with its funds is willing to support these public-private partnerships.

According to D. Krcmar who works in the ministry of economy's directorate for competitiveness and investment:

> *…Croatian local companies are open for foreign investments and partnership with foreign companies.*

She agreed that most of domestic companies do not have enough financial resources and are looking for foreign capital and investors. In her opinion, most of local municipalities and local public companies are interested in public-private partnership and cooperation with potential foreign investors and most of foreign investments are realized through partnership with local Croatian companies with full support from Croatian government.

B. Valasek from Cistoca Zagreb concluded:

> *We are always open for new partnership with local or foreign companies. We certainly have interest in acquiring new recycling technology and would consider cooperation with other companies.*

After analyzing the interviews with participants it is possible to conclude that most participants have similar motives for establishing the partnership with foreign companies and are open for possible partnership. Main threats for local companies are the technological advantage and financial resources of foreign companies from other developed EU countries. Most local companies cannot successfully compete with companies from EU. All participants were interested for partnership with foreign companies, where they see it as necessity and opportunity to improve their technology and competitiveness. Therefore, due to local interest and willingness for partnership it is possible to conclude that Croatian waste management industry represents good opportunity for investments and Croatian local companies represents good candidates for partnership with Íslenska Gámafélagið. That is consistent with conclusions from (Luo, 1999; Samli, 2004), who concluded that only companies that are open for and interested in partnership represent good candidates for establishing the partnership.

7.1.6. Public companies and dealing with local authorities

Most participants agreed that establishing partnership with public companies is much more complex than establishing partnership with private companies. According to public companies executives, main reason is complex ownership structure of public companies where local municipalities are owners of public companies and where establishing of any possible partnership would require approval from local authorities. This can cause further administrative delays and barriers.

According to S. Anetic executive of Unikom:

> *…establishing joint venture with foreign partners requires approval from our municipality.*

I. Stari executive of Pula Herculanea agreed to his statement:

> *…it is not possible to talk about joint venture without city's approval.*

V. Susak manager from Flora-Vtc. added:

> *We are public company under full ownership of Virovitica, we need permission from our city council to start negotiation about joint ventures with foreign companies.*

He concludes that company is interested in engaging in joint projects with foreign investors.

Other public companies executives did all agree that establishing potential joint ventures with foreign companies would be difficult due to the fact it requires consent from local authorities and that may extend negotiations process and cause possible delays. Considering these statements it is possible to conclude that dealing with public companies includes negotiating with local authorities and administration. Establishing partnership with foreign companies requires consents and approval from local authorities which can take long period and can create further delays, frictions between interested companies and possible obstacles and problems. Having in mind existing corruption practices in public administration and public companies in Croatia, it is possible to conclude that engaging in partnership with public company may represent certain risk for Íslenska Gámafélagið. Therefore, Íslenska Gámafélagið should be more focused in establishing partnership with companies from the private sector. Nevertheless, all interviewed public companies executives have expressed their interest in potential partnership with foreign company. According to these interviewed executives, public companies are mostly interested in joint projects with foreign companies.

7.1.7. Establishing partnership and joint ventures with foreign companies

After conducting the interviews with local executives and experts in Croatia it is possible to conclude that most of them were interested in establishing partnership in the form of joint ventures or joining efforts in regional projects in Croatian waste management industry.

D. Krcmar from ministry of economy stated:

> *Foreign partnerships with local Croatian companies are mostly established through joint ventures.*

She also concludes that current government establishment supports and encourages local companies to be more engaged in this form of partnership with foreign investors and she also expressed her criticism toward local municipal authorities and public companies for not doing enough to be more engaged in developing the strategic partnerships with foreign investors. According to her, the government is making its best efforts to attract foreign investors to invest in Croatian infrastructure projects and it is trying to create good environment for foreign investments. Foreign companies that are willing to invest in Croatia can use incentive measures provided by the government. Financial incentives are provided by the Croatian government for foreign investors who are willing to invest in assets in the minimum amount of € 300 000 and to create at least 10 new jobs in the period of three years from the start of the investment project (Ministry of Economy, 2012).

According to A. Cilic from the EPEEF:

> *Government is trying to attract investors and companies by funding the environmental protection projects and projects in the area of waste management.*

She stated that Additional EU funds are prepared to be invested in further projects such as waste management centres. Only this year EPEEF together with European IPA funds has been invested 42,4 million euro’s in Croatia waste management sector. All local companies that operate in waste management in Croatia can apply for financial assistance from EPEEF and EU IPA funds for waste management projects.

R. Vukelic from EPA concluded that:

> *There is enough space for foreign investors in Croatian waste management. ...partnerships with foreign investors would represent good possibility for local Croatian companies.*

Therefore, he recommends establishing partnership with foreign companies which are willing to invest in Croatia and transfer their knowledge and technology

According to V. Stimac executive from Metis:

> *Metis is open for the idea of possible partnership with foreign investors ...company would consider possible cooperation with foreign partners.*

She also concluded that company have interest in possible partnership especially in the field of processing and exporting of hazardous waste where company own all needed license but don't have enough experience.

All interviewed executives of local companies express their interest in establishing partnership or joint venture with foreign companies that possess necessary experience, expertise and finances. It is possible to conclude that establishing equity joint ventures with public companies would be very difficult due to their ownership structure and complex administrative procedures. While establishing joint ventures with private companies are less complicated and it is not the subject of any administrative procedures and delays.

According to J. Þ. Franson from Íslenska Gámafélagið:

> *We are ready to invest certain financial resources. We are also interested in selling our equipment to local companies and establishing contacts with those companies.*

He also added that:

> *...we want to stay there for a long period and establish good relations with local customers and strong market position.*

He concludes that main goals for company's expansion in foreign markets are:

> *...to achieve growth, establish new contacts and business relations with foreign customers.*

Taking into the account the company doesn't possess necessary knowledge of Croatian market, laws, regulations, along with the language barrier and relatively high corruption in local governmental institutions and public companies in Croatia, it would be quite risky for company to enter Croatian market directly by itself. Entering market directly can expose the company to a financial risk in terms of substantial financial losses. Having this in mind it possible to conclude that Acquiring and Greenfield investment which are most expensive and most risky solutions are not an option for Íslenska Gámafélagið in early stages of company's foreign market entry. In order to avoid this risk it is recommended to enter the market in partnership with local waste management company. It is possible to conclude that due to company's lack of international experience it would be better solution for company to enter Croatian market by establishing partnership with one of the local Croatian companies.

Partnership with local companies that own all necessary permits would avoid all administrative delays and speed up the market entry for Íslenska Gámafélagið. Establishing the partnership with local partners would reduce the risk of financial losses where company shares the risk and investment costs with its local partner. The main advantage of this entry mode is reduced risk for foreign investor where partners joint their efforts, share their risk and cost of investment (Chang & Rosenzweig, 2001; Zhang, Zhang, & Liu, 2007). Establishing a partnership with local Croatian partner is recommended for Íslenska Gámafélagið due to its lack of international experience and necessary financial resources to enter the Croatian market independently.

Íslenska Gámafélagið can choose several different options to establish partnership with local companies. It can establish a non-equity partnership by joining the efforts with local partners in joined projects or form equity joint ventures with local companies. Or it can sell its knowledge (know-how) by consulting the local companies in Croatia. It can also make agreement such as management contract or turnkey operations. As it was mentioned before Íslenska Gámafélagið possesses long-term experience in environment protection consulting for companies and public institutions and it can use that experience in consulting public utility companies or local municipality institutions in Croatia. Consulting the local companies in Croatia and selling the know-how can help company to establish short-term presence and to achieve its short term goals. Consulting can help Íslenska Gámafélagið to enter the market in small incremental steps with small possibility to establish a strong market position. Nevertheless, the company is not interested in achieving short term goals and short term presence in target market. As the company's CEO, already mentioned, company's intention and main goals of internationalisation are to establish long term presence in Croatian market, to build strong market position and to achieve growth in long period of time. In order to achieve its goals company would need to take certain risk and establish partnership with local companies in Croatia.

Establishing a partnership or forming joint ventures with local companies represents greater risk for Íslenska Gámafélagið but on the other hand it provides greater presence in the target market. This entry mode would require more management commitment from the foreign investor, additional financial resources, investments and greater risk exposure (Zhang, Zhang, & Liu, 2007; Luo, 1999; Samli, 2004). Nevertheless, partnership and joint ventures provide greater presence in the market and better access to the potential customers, organizations and local governmental institutions (Chang & Rosenzweig, 2001; Luo, 1999; Samli, 2004).

It would be easier for Íslenska Gámafélagið to attain necessary permits by establishing a partnership with local companies. Furthermore, it is easier for company to gain market information and knowledge about Croatian waste management and to establish good business relations with important organizations and customers in Croatian waste management by establishing a partnership with local company. Local companies, organizations, governmental institutions and customers can be friendlier and open for cooperation with foreign companies that have established a joint venture and partnership with local companies. Establishing a partnership or joint venture with local companies opens the possibility for Íslenska Gámafélagið to apply for the funds provided by EU and Croatian Environmental Protection and Energy Efficiency Fund (EPEEF). Choosing the right partner is one of the most important factors for establishing a joint venture (Luo, 1999; Samli, 2004). In order to avoid the risk of choosing a wrong partner, Íslenska Gámafélagið needs to conduct detailed research of all possible partner candidates in Croatian waste management industry and select the one who is open for partnership with foreign partners and competent enough to solve assigned tasks and meet the required expectations. In order to prevent or minimize the risk of potential financial losses it is recommended that Íslenska Gámafélagið prepared an exit strategy out of the market before it completes the contract with local company.

7.2. Conclusion

In this chapter interrelations will be analyzed between different themes and conclusions will be drawn on concluded interviews. After conducting the detailed analysis of selected themes it is evident that there is certain interrelatedness between several themes. It is possible to notice correlation between EU entry, outdated technology and lack of finances, need for foreign assistance and willingness for establishing partnership. It is evident that EU entry as a external factor is strongly related and has most influence on local companies to improve their technology, to form partnership with foreign partners in order to improve their efficiency and competitiveness. Furthermore it is possible to notice that most of the interviewed executives have reactive motives for starting their internationalization process. Most of the companies' internationalization motives are result of their reaction on the external factors such as EU entry and increased competitive pressure.

Only exception is example of C.I.O.S Group, which strategy was based on regional integration with foreign partners and expansions. With this strategy company become regional market leader. As a consequence of EU entry, most of local companies don't perceive each other as a direct threat, where most of them are focused on external threat of new entries from EU countries. Positive consequence of EU entry is the fact that most of local companies would need to improve their technologies and current practices which puts additional pressure on these local companies and increases the local companies' motivation for establishing the partnerships with foreign companies. It is also possible to notice that most local companies are not ready for EU entry and competition in EU markets. Furthermore, it is possible to conclude that most participants have same motives for internationalization, which are related to technology improvement and financial resources.

After the analysis of the possible entry modes, conducting the phone interviews and establishing initial contacts with local companies and experts employed in government departments and agencies it is possible to conclude that most Croatian waste management companies are interested in partnership with foreign companies. It is also possible to conclude that best possible entry for Íslenska Gámafélagið in Croatian market would be to establish a partnership or joint venture with local companies in Croatia. Establishing partnership in the form of non-equity joint projects or joint venture represents more risk and requires more commitment, more investment, larger financial resources and greater risk exposure as compared to consulting but it also provides better market knowledge and market information, better insight in the market, better access and long-term presence in Croatian market. It provides the company with the possibility to develop better relations with customers, companies, organizations and governmental institutions and possibility to build a trust among the local customers. Developing good relations with local customers and organizations in the Croatian market can help Íslenska Gámafélagið to establish a good image and reputation in Croatia. Joint venture opens the possibility for the company to establish better market presence in the Croatian market and to build strong market position in the long term. Benefits of establishing a joint venture with local companies in Croatia exceeds the risks of this type of partnership therefore, it is possible to conclude that partnership or joint venture with local companies represents the best option for Íslenska Gámafélagið in Croatian market.

Majority opinion of participants is that Croatian waste management industry provides good possibility for investing. Conclusions based on conducted interviews are possible to summarize in the following order:

- Establishing potential partnership with local companies or joining efforts in projects with local waste management companies represents best possible entry mode for Íslenska Gámafélagið in Croatia
- Investing in Croatian waste management industry represents good opportunity for foreign investors in the terms of large quantities of waste and financial incentives from government
- Foreign companies that invest in Croatia can apply for financial incentives from Croatian government
- There are no legal and administrative barriers for Íslenska Gámafélagið to invest in Croatia and form possible partnership with local waste management companies
- There are numbers of ongoing infrastructure projects in Croatian waste management industry and both local and foreign companies can take part in these projects
- Most local companies are open for partnership with foreign companies
- Most public waste management companies are open for joint projects with foreign companies and establishing non-equity joint ventures or public-private partnership

- Croatian government and local governmental organizations supports local and public companies in their effort to establish partnership with potential foreign partners
- One of the main weaknesses of Croatian waste management is the human factor which results in incompetency and corruption in local public waste management companies.

Reconsidering all these views, statements and facts it is possible to conclude that Íslenska Gámafélagið should not enter the Croatian market by itself and it should consider establishing potential partnership with local companies in its market entry in Croatia.

8 Recommendations for entry strategy

In this chapter are identified the recommended companies for establishing possible partnership with Íslenska Gámafélagið in Croatian waste management industry. The conclusions and recommendations are derived from the interviews which were held with the top managers of Croatian waste management companies and local Croatian experts.

8.1 Establishing equity joint ventures with local public companies in Croatia

As it was possible to conclude from the conducted interviews with local companies, establishing joint venture would be very difficult to accomplish with public companies that are owned by local municipalities. According to all interviewed managers who work in public companies establishing joint venture with these companies would require approval from local authorities. That would require long-time period of negotiations and administrative delays from local administration. According to interviewed managers, establishing a joint venture with public company is rather risky, due to very complex ownership structure of the public companies and complex process of negotiation with public administration.

Public companies are owned by the municipalities and in some cases managed by corrupted local officials and managers. Regarding the widespread corruption practices within the local authorities and public companies in Croatia, establishing a joint venture with these companies represents great risk for foreign investors. Even though, government supports public-private partnership there are still some unsolved issues such as high corruption practices and incompetency of public companies. It is possible to conclude that joint venture with public companies is not the best option for Íslenska Gámafélagið and company should avoid this type of partnership with public companies. However if company chooses to engage in possible joint venture with public companies, it should take into account high risk of losing investment due to long negotiation process, possible delays and corrupt practices among local authorities.

Advantages of possible joint ventures with public companies are facts that public companies possess resources such as infrastructure and facilities, long term relations with customers and local experience and good connections with local municipalities which can help the company to establish strong market position. As it was mentioned before Íslenska Gámafélagið is willing to invest certain financial resources and is looking to build strong market position for long time period with minimum possible risk. If all above mentioned factors are taken into consideration possible outcome of this type of partnership with public companies would not be satisfactory for the Íslenska Gámafélagið due to existing corrupted .practices among public officials and public companies. Possible risk of engaging in equity joint venture with public companies exceeds the benefits of this type of partnership. Therefore, establishing equity joint ventures with public companies is very risky and author of this thesis don't recommend this type of partnership with public companies in Croatia.

8.2 Establishing non-equity joint venture, and public-private partnership with local public companies in Croatia

This public-private partnership or joint projects with local public companies doesn't require high risk exposure, financial resources and commitment like in forming the equity joint ventures with public companies. This type of partnership would require for two companies to joint efforts in certain projects such as joint waste management projects in Croatia financed by the government and EU funds, introducing and implementing new technologies and techniques in processing and transporting of waste and consulting or selling the know-how, without forming the new joint company or changing the ownership structure of the local public company. According to the Croatian environmental protection agency there are only small numbers of companies that have all needed licenses for processing of hazardous and EE waste due to lack of experience, outdated technology and unskilled labour force. This is the reason why large quantities of collected hazardous waste are still exported to other countries. In interview with few public companies executives some of them express their interest in joining efforts with foreign partners in joint projects such as processing and transport of hazardous and EE waste, where local public companies don't have necessary resources and knowledge.

According to some of the interviewed managers of local public companies, there is increased interest of local companies for processing of the EE waste and according to the EPA there are only three companies that owns license for processing and export of EE waste. There are more local companies that have expressed their interest in processing and collecting of EE and hazardous waste. It is possible to conclude that there is enough space for foreign companies to form possible partnership with local public companies interested in projects of EE waste and hazardous waste collection and processing. According to some of the interviewed participants there are more local companies interested in acquiring all needed licenses. They are open for possible public-private partnership with foreign partners with needed experience and capital for potential projects. Most important requirements that local companies are looking for are financial capital and experience or know-how of potential foreign partners.

Regarding the fact that Íslenska Gámafélagið have needed experience and expertise in processing of all waste types, it is possible to conclude that there are good possibilities for company to take part in joint projects with local public companies. Main advantages of joining efforts in projects with public local companies are:

- This type of partnership doesn't require high commitment and high risk exposure for Íslenska Gámafélagið
- Doesn't require establishing a new joint company or changing the ownership structure of the existing local public companies
- Non-equity joint venture doesn't require high investment because foreign partner is not required to invest financial resources in new joint company.
- There are no administrative delays and legal barriers for investing in projects with public companies
- In the case of joint projects it is much easier for foreign partner to exit the market if the project failed
- Investing in joint projects opens the possibility for financial incentives from government and possibility to apply for financial incentives from governments fund and EU IPA funds
- Joint projects with local public companies that already owns needed licenses speed up the market entry where foreign partner is not required to apply for licenses from government
- Public local companies are much more interested in joined projects or non-equity joint ventures with foreign partners than in forming equity joint ventures.

Main disadvantages of engaging in joint projects with public local companies are:

- Company’s risk of sharing the technology and know-how with potential local partners
- Corrupted practices within the local public companies
- Incompetency within the some of the public local companies
- Language barrier and possible communication problems between Íslenska Gámafélagið and public local companies.

Having considered all these factors with the main objectives of Íslenska Gámafélagið in Croatian market in mind, it is possible to conclude that this type of partnership with public local companies is less risky for company than establishing the equity joint ventures with local public companies. Company’s risk exposure is little, while company can still achieve its long-term goals of establishing its strong market position through partnership with local partner. This partnership can help the company to enter the market, gain the market knowledge, establish contacts and develop relationship with key customers and organizations in the market. If the project ends with the success for both sides and if there is a mutual interest, both partners can reconsider to extend the partnership and form possible equity joint venture. Recommended public waste management companies for possible partnership with Íslenska Gámafélagið are:

- Cistoca Zagreb
- Flora Vtc
- Pula Herculanea
- Unikom

Main reason for choosing these companies is the fact that these companies have express their interest in establishing partnership with foreign companies in order to improve their existing technology and build strong market position. This recommendation is consistent with research from (Luo, 1999; Samli, 2004), who concluded that, local companies that are interested in establishing partnership with foreign partners and are willing to use that partnership to improve their market position represents good candidate for establishing the partnership. All these selected companies are interested in possible public-private partnership or non-equity joint venture with foreign partners and they would consider partnership with foreign partners with necessary experience. These local executives’ express their interest in establishing partnership with foreign companies that are willing to invest financial capital or transfer technology and knowledge. According to executives of these public companies they are interested in acquiring new recycling technology, consulting, labour training, and in joint projects with foreign partners. Possibilities for Íslenska Gámafélagið regarding establishment of partnership with local public companies are:

- It can use its experience and expertise in waste processing for consulting, knowledge and technology transfer and labour training
- It can invest capital and take part in joint projects with local public companies.

Any further engagement with local companies requires meetings and negotiations with management of these selected companies.

8.3 Joint ventures and projects with private companies in Croatia

This type of partnership is quite different than of joint ventures with local public companies. As it possible to conclude from interviews with local executives and experts, most of the local companies are interested in forming possible joint ventures with foreign companies that are willing to invest financial capital and know-how. Main reasons for that are: lack of financial capital, outdated technology, unskilled labour force, and increased competition and EU entry.

As it is possible to conclude from interviews with local managers, the Croatian companies are aware of the increased competitors' threat from EU and therefore they are interested in possible partnerships that would strengthen their market position in Croatian and EU market. Most of them agree that they cannot compete successfully with companies from developed EU countries and are interested in possible collaboration with foreign companies. As it was mentioned before there are only few companies in Croatia that have all needed license for performing all waste management operations. Most of the companies express their interest in acquiring needed licenses and expanding their operations. In order to do that they would need to acquire all necessary technology, knowledge and skilled labour force which are very difficult to accomplish without foreign assistance and partnership with foreign partners from developed countries. It would be easier for Íslenska Gámafélagið to enter the market and find the potential partner since there is increased interest from local companies to establish partnership with foreign companies.

The main assets that local companies are looking for are advance technology, knowledge and expertise in waste processing. Considering that Íslenska Gámafélagið have good basis for establishing the partnership with local companies in Croatia. Based on interviews conducted with the management of local companies, recommended companies for establishing potential joint ventures with Íslenska Gámafélagið are:

- Eko-Flor Plus
- Univerzal
- C.I.O.S Group
- Metis

Reason for selecting these companies is the fact that these companies are interested in potential partnership with foreign companies and they already have experience and established contacts with foreign companies. These selected companies recognized the need for investment and improving their technology, acquiring new technology and know-how in the field of recycling, processing of all types of waste. Possibilities for Íslenska Gámafélagið regarding partnership with local waste management companies are:

- Investing its capital and know-how in local companies' facilities and technology
- Joining efforts with local companies in joint waste management projects financed by the government and EU funds
- Labour training, providing the consulting services and know-how transfer.

Therefore Íslenska Gámafélagið should use its internal strength such as experience, knowledge and expertise in modern waste management practices to enter the Croatian waste management industry and establish possible partnership or joint venture with one of the recommended local companies. Establishing potential partnership or joint venture with local companies can help Íslenska Gámafélagið to avoid some administrative barriers and delays and speed up the market entry and it can help the company to develop good connections and relations with customers and to establish strong market position.

9 Conclusion

After analyzing the current politic and economic situation in four Balkan countries and current situation in waste management industries in these selected countries, it is possible to conclude that Croatia represents the best country to enter. The main criterion for selecting Croatia is secure environment for foreign investments. Considering the fact that Croatia is the only country of the selected Balkan countries, which will next year officially become an EU member. This means that Croatian laws and regulations are adjusted to EU laws and practices which provide certain security for foreign investors such as Íslenska Gámafélagið. From the perspective of Íslenska Gámafélagið stabile and secure legal and economic environment represents the most important factor for foreign market entry. In waste management industry, Croatia has reported major progress as compared to other selected countries. Croatian EU entry required Croatian government, local authorities and companies to adjust its waste management system and practices. Therefore it is possible to conclude that Croatian waste management industry is the most developed as compared to other selected Balkan countries. Furthermore, Croatian government together with EU funds offers financial supports for companies that are willing to invest in Croatian waste management projects and provides financial incentives for foreign investors who are willing to invest in Croatia. If Íslenska Gámafélagið wants to apply for financial incentives from Croatian government it needs to invest at least 300 000 euro. It is possible to conclude that waste management in Croatia is still undeveloped compared to EU countries and local companies need foreign assistance in order to improve their technology and waste management practices. One of the conclusions based on the interviews with local Croatian managers and experts is that most of Croatian waste management companies are interested in acquiring assistance and forming possible partnership with foreign partners. That opens the possibility for Íslenska Gámafélagið to enter the Croatian waste management industry and establish potential partnership with local companies.

After the analysis of the waste management industry in Croatia and possible entry strategy, it is possible to conclude that best entry strategy for Íslenska Gámafélagið is establishing joint venture with local waste management companies. This entry mode best fits the internationalization goals of Íslenska Gámafélagið. Other entry modes such as acquisitions and Greenfield investment are not recommended because of the high risk and high investment cost. Establishing joint ventures with local partner in Croatia can help Íslenska Gámafélagið to develop good connections and relations with local customers, develop strong market position, to gain specific market knowledge of the Croatian waste management industry and to gain international experience. Beside joint venture as the best possible entry mode, other forms of partnerships such as management contracts, turnkey operations and consulting are also possible. In this thesis are recommended few potential candidates for establishing joint venture with Íslenska Gámafélagið and any further engagement between interested parties requires further negotiation process.

Establishing equity joint venture with local public company is not recommended and Íslenska Gámafélagið should be focused on establishing the partnership with the companies from the private sector. This conclusion is based on views of most of the interviewed executives from Croatian public companies. Most of the interviewed managers express their interest in joint projects and in establishing potential partnership with foreign investors. Therefore it is possible to conclude that establishing partnership and joint ventures with local partners in Croatian waste management industry represent good opportunity for Íslenska Gámafélagið to start its internationalization process. One of the conclusions derived from concluded interviews with local executives and experts is that local private companies that possess all needed licenses for performing waste management activities would be best potential candidates for establishing joint ventures in Croatian waste management industry. Establishing joint ventures with local companies that possess most of needed licenses for performing waste management operations can help Íslenska Gámafélagið to avoid administrative delays in acquiring all permits and speed up the market entry in Croatia. Furthermore forming the joint ventures with local partner in Croatia opens the possibility for Íslenska Gámafélagið to apply for financial assistance from Croatian state fund and EU funds.

One of the main disadvantage and potential barrier of company's intention to start its internationalization process in Croatia is the large geographic distance between company's home country and its target market in Croatia. Croatian neighbouring and

EU countries such as Germany, Austria, Slovenia and Italy have developed good image, relations and connections with Croatian government, local organizations and companies, where companies from these countries have certain advantage compared to companies from Iceland. That may represent potential barrier, where it would be quite difficult for Íslenska Gámafélagið to compete with companies from these countries. Recommendation of this thesis is that Íslenska Gámafélagið enters the Croatian market by forming a joint venture with local companies and invests its knowledge and financial resources. In its attempt to form joint venture with local waste management companies, Íslenska Gámafélagið should also be aware of existing corruption practices among public and private sector in Croatia. These corruption practices can cause certain delays, problems and frictions between interested parties and can even put possible partnership in danger.

One of the main limitations in writing this thesis is the fact that thesis was focused only on the biggest local companies. Author of this thesis could not contact all 213 companies currently operating in Croatian waste management, where main problem was in establishing contact with Croatian local companies and doing phone interviews with these local companies. If Íslenska Gámafélagið wishes to consider and include other Croatian waste management companies in its market entry analysis, author of this thesis provided link with the contact numbers and address of all 213 companies in Croatia. Some of the interviewed local executives were not able to provide all necessary information and did not want to discuss the possibility of establishing a potential partnership through the phone or email and they requested further meetings.
One of the problems for conducting a detailed analysis was insufficient information regarding waste management in selected countries where some of these data were roughly estimated. Data insufficiency represents real obstacle for concluding a detailed analysis. Another obstacle in writing this thesis represents insufficient information from Íslenska Gámafélagið regarding the financial capital that company is willing to invest in internationalization process. Without this information it was not possible to conduct detailed financial and cost analysis of company’s market entry in Croatia. Besides all obstacles in acquiring necessary information and problems regarding establishing contacts, it is possible to conclude that there are increased interests from local Croatian companies that are looking for possible partnership with

foreign partners and therefore investing in Croatian waste management represents good possibility for Íslenska Gámafélagið.

10 Recommendations for further research

Companies that consider entering one of the countries of former Yugoslavia should consider the fact that all these countries are similar and share same history, culture and most of them share same language. They were all going through same transition process from being centrally planned economy to the countries with free markets. All these countries all well connected and still have good relations besides the war that turn these countries against each other. A good relation between these countries reflects in good economic and trade relations where significant trade is conducted between these countries. Entering just one of these countries represents good basic ground to enter more or even all countries of former Yugoslavia as it was possible to see in the example of C.I.O.S Group which is regional market leader in waste management. C.I.O.S manage to expand its business operations in all country of former Yugoslavia and build very good distribution and customer network which consist of companies from all Balkan region. That makes C.I.O.S. regional leader in waste management industry and provides the company with certain competitive advantage compared to possible new entrants from EU countries. Possible new entrants should follow the example of C.I.O.S regional growth strategy.

It is possible to conclude that these countries share same problems regarding waste management and there are no significant differences between these countries where, absence of geographical and psychic distance between them makes it possible to approach these countries as one regional market. Therefore, it is possible to conclude that, acquiring the necessary experience and knowledge in just one country represent good basic for entering other Balkan countries. If one company decides to enter the waste management industry in one of the selected Balkan countries it has possibility to easily expand its business operation in other Balkan countries.

Therefore, companies interested in entering these Balkan countries should view them as one regional market with good possibilities for investment. Instead of focusing on only one country, investors should reconsider possibilities of entering all countries of former Yugoslavia. As it was possible to conclude from presented countries analysis, all these selected countries are confronted with same problems and challenges regarding undeveloped waste management and all of them are recognizing the need for modern and efficient waste management practices. All these countries have express their interest for EU membership, have interest in foreign assistance and are open for foreign investments in their waste management sector which, represent good investment opportunity for companies interested in investing and expanding their business operation in Balkan countries.

This thesis was focused only on entering the Croatian market due to company's limited financial resources, but for the purpose of future waste management industry analysis of former Yugoslavian countries, author of this thesis recommends that companies approach these markets as one regional market, instead of approaching them as separate different markets and use the opportunity to expand its business operations into all these countries.

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Appendix I

Interview framework

1. How would you describe your company's current market position?

2. How would you describe your company's growth strategy?

3. Do you have any international experience or connections and contacts with foreign companies?

4. By your opinion what are the main strengths and weaknesses of your company?

5. How would you describe current company's technology, equipment and machinery in use?

6. How would you describe your employees' skills and knowledge?

7. If you don't have previous experience with foreign companies would you be interested in establishing potential partnership with foreign companies?

8. What would you expect from potential partnership or what are your goals and reasons for establishing partnership with foreign companies?

9. With what kind of companies are you looking to establish potential partnership?

10. How would you describe current situation in Croatian waste management?

11. By your opinion what are the main problems of Croatian waste management industry?

12. Do you think that your company can compete with companies from other EU countries?

13. By your opinion would Croatian EU entry have influence on Croatian waste management industry and how?

Appendix II

Summary of interviews

After an interview with the CEO of Íslenska Gámafélagið J. Þ. Franson, it is possible to conclude that the company is interested in starting its internationalization process and expanding its business operations in countries of Balkan Peninsula. By his opinion main reason to start internationalization are good opportunities for the company to expand its operations in international markets and foreign trade. Furthermore company gets the opportunity to build good business relationships with overseas customers. In addition, he sees a chance for company to use its expertise and experience in the field of recycling in developing markets of Balkan Peninsula. He admits that there is high competition in the domestic market and recognizes the need start its operations in foreign markets. According to J. Þ. Franson, the company is ready to invest a certain financial resources and its experience and expertise in its foreign market entry. He concludes that the company is ready to establish itself in the foreign market for the long period of time and build a strong market position.

In an interview with B. Valasek executive of the public company Cistoca Zagreb, main topic was the current situation in the company as well as potential opportunities to establish partnerships with foreign companies. He openly answered questions about the current situation in the company, technical facilities and human resources. He has confirmed the company interest for collaboration with foreign partners who have interest in investing in technological capacity and company equipment. As the main problems that company is facing, he pointed out company's equipment and human resources. According to him, one of the biggest weaknesses of the company is current technology. He also expressed his interest in acquiring professional training for the company workers.

In an interview with S. Anetic executive of Public Enterprise Unikom, most attention was focused on the possibility of cooperation with foreign companies as well as possible modes of cooperation. He said that the company is owned by the City of Osijek and the company must obtain the approval of the municipality for the possible formation of a joint venture with another foreign company. In his opinion, the company is interested in the establishing of certain forms of cooperation such as investment in joint projects with foreign partners, providing consultant services as well as sales of technology, machines and equipment for recycling. He concluded that company has more interest in establishing partnership now due to difficult financial situation surrounding the industry.

In an interview with D. Radic, who works as manager of a company Eko-Flor Plus, discussed are the possibilities of establishing cooperation with a foreign company. By her opinion, company is interested in establishing a possible cooperation especially in the field of processing and collection of hazardous and electronic waste. The company already has experience with foreign partners and is interested in establishing cooperation with companies that have necessary experience and knowledge and are prepared to invest in the company's technological capabilities.

I. Stari, executive of Public Enterprises Pula Herculanea answered questions regarding the possibility of establishing cooperation with foreign companies. He expressed interest for cooperation in the field of recycling and non-hazardous waste collection. He excluded the ability to establish joint ventures with foreign companies, but expressed interest in engaging in joint projects and possibilities for improving a company's technological capabilities. The company is not interested in changing its ownership structure, but has interest to engage in joint projects. He said that the company is making efforts to improve existing resources and sees opportunities for potential partnership with foreign companies. He also made comments regarding difficult financial situation in the entire country due to global financial crisis which had some negative influence on the company financial performance. He concluded that without financial support from the local authorities and banks, company cannot invest in renewal of its capacity and equipment.

E. Spoljaric, who is employed in the management of the company Drava International, has answered on the questions through internet mail. Questions referred to possible co-operation with foreign partners. Although she did not answer on all the questions, by her words, it is possible to conclude that the company is interested in a possible investment in the field of processing of non-hazardous waste. The company has an interest in improving its technology and has expressed its interest to discuss opportunities for possible cooperation. The company is mostly interested in investing in technology for processing of the non-hazardous waste.

In interview with D. Tomasevic, executive of C.I.O.S. Group, discussed was about company position in the market as well as company market growth strategy. According to her, the Company's strategy is mainly based on the establishment of partnerships in the region and building a strong distribution network. She noted that the company is always open for possible partnerships with foreign companies, particularly with companies that have the necessary experience and knowledge in the field of recycling and waste processing. She confirmed that the C.I.O.S. has a leading position in the region and that they are not concerned of increased competition from the EU countries.

Z. Roc, who is employed as executive in the company Universal, who answered on the questions through Internet mail, stressed the importance of establishing contacts with interested foreign companies. He stated that the company has established contacts with foreign companies, and that it is in company interest to maintain good relations with foreign customers. He stated that the company would consider cooperation with companies interested in investing in company's facilities and technology.

In an interview with V. Susak who is employed in the management of public enterprises Flora Vtc. discussed is about opportunities for joint investment projects and potential investments in the company's technology resources. According to him, the company is owned by the City of Virovitica and excludes the possibility of establishing a joint venture, since it would require city's approval. He also stressed that his company is interested in possible joint projects with foreign partners. The company is interested in renewing their machines and equipment and professional training of the employees. He pointed out that the company is interested in establishing contacts with foreign partners who have experience in the field of recycling and processing of all types of waste. He concluded that company is not able to improve its existing technological capacity due to difficult financial conditions and expensive equipment.

In the words of V. Stimac, executive in company Metis, who answered questions through internet mail, the company is interested for further investment in its technological capacity, equipment for processing and treatment of hazardous waste as well as the modernization of the existing vehicles. The company has invested funds for the improvement of their existing equipment and machinery, but it need additional funds for further procurement of equipment. According to her, the company is very interested in professional training and development of their employees, especially in the field of handling and use of new machinery and equipment, and the company is interested in technical cooperation with foreign companies, that have experience in the field of processing and recycling.

According to J. Kufrin who is employed by the state agency for environment protection in Croatia (EPA) there is enough space in Croatian waste management for foreign investment and foreign investors. She noted that foreign investments are essential for the further development of Croatian waste management industry, where waste management is still underdeveloped in comparison with the developed countries of the European Union. She believes that the biggest problem of waste management in Croatia is unprofessional workforce and outdated technology. In her opinion for the further development of waste management is necessary to acquire foreign assistance from foreign companies and investors interested in investing in Croatia. She said that the waste management in Croatia has improved over the previous year, but that progress is still inadequate and much more effort needs to be done in order to reach a level of developed European countries.

In an interview with D. Krcmar, who is employed at the Ministry of Economy, she concluded that there are no legal and administrative barriers for foreign investment and investors in the waste management industry in Croatia. She stressed that the Croatian laws are adjusted to the laws of European Union and that all foreign investors in Croatia are protected and enjoy the same rights as domestic companies. According to her, Croatia is a safe country for foreign investment. In addition, she said that the Croatian government encourages foreign investors to invest in Croatia economy through financial incentives, where all foreign investors who invest certain financial amount earn the right for financial incentives provided by the government. She said that the waste management industry in Croatia represents a good opportunity for foreign investors, and that many local companies are interested in establishing partnerships with foreign companies, and where Croatian government supports these public-private partnerships with foreign companies.

A. Cilic, who is employed in the State Fund for Environmental Protection and Energy Efficiency Fund (EPEEF), pointed out that there is enough space for foreign investment in waste management in Croatia and that Croatia is open to foreign investment. According to her opinion there has been some progress in waste management in Croatia, which resulted in increase of the total amount of collected and recycled waste. But the further development of the industry is needed to reach the standards and the level of the European Union. She believes that foreign investment and partnership with foreign companies is very important for the further development of the Croatian waste management. By her opinion, most local companies are interested in cooperation with foreign partners where main reasons for this increased interest are lack of financial resources and expensive equipment. She also noted that the Environmental Protection Fund supports regional projects in order to improve environmental protection in the country and all local companies in cooperation with foreign partners can apply to obtain financial assistance for projects approved by the Fund.

R. Vukelic, who is employed by the Environmental Protection Agency (EPA), said that in addition to the fact that progress has been made in waste management in Croatia, further development is still needed to achieve the level of EU countries. He stated that foreign investments in the Croatian waste management are always welcome and that the Croatian government supports and provides certain financial incentives to all foreign investors investing in Croatia. By his opinion, one of the biggest problems of waste management in Croatia is outdated techniques and lack of funding for further development. By his opinion most local companies couldn’t improve their technology by themselves due to financial difficulties. He concluded that it would be much better for local companies if they engage in partnership with foreign companies. He supports any investment made by foreign companies in the waste management system in Croatia. He also noted that the Croatian accession to the EU would have major consequences for the further development of this industry.

Appendix III

List of Participants

A. Cilic. Croatia State Fund for Environmental Protection and Energy Efficiency

B. Valasek. Executive of the public company Cistoca Zagreb

D. Krcmar. Ministry of Economy, Directorate for competitiveness and investment

D. Tomasevic. Executive at C.I.O.S.

D. Radic. Manager at Eko-Flor Plus

E. Spoljaric. Executive and legal consultant at Drava International

I. Stari. Executive of Public Enterprise Pula Herculanea

J. Kufrin. Croatian Environment Protection Agency

J. Þ. Franson. CEO of Íslenska Gámafélagið

R. Vukelic. Employed at development division, projects and international cooperation of the Croatian Environmental Protection Agency

S. Anetic. Executive of Public Enterprise Unikom

V. Stimac. Export manager at Metis d.o.o.

V. Susak. Executive at Public Enterprises Flora VTC.

Z. Roc. Executive at Univerzal d.o.o.

Appendix IV

Links and reports provided from the Croatian Environmental Agency, Bureau of Statistics, Ministry of Economy and other organizations.

Reports and database from Croatian Environmental Agency EPA:

http://www.azo.hr/Projects08

http://www.azo.hr/Reports09

http://www.azo.hr/Indicators07

http://www.azo.hr/Publication07

http://www.azo.hr/Database07

Reports from Croatian chambers of commerce:

http://www2.hgk.hr/en/cer.asp

http://www1.biznet.hr/HgkWeb/do/extlogon;jsessionid=7F88F847758A9EF2ECB4417D8C9AF506

Reports from the Croatian Bureau of Statistics

http://www.dzs.hr/default_e.htm

http://www.dzs.hr/default_e.htm

Reports from the Ministry of Economy:

http://www.mingo.hr/default.aspx?id=3240

http://www.mingo.hr/default.aspx?id=3219

Croatian waste management strategy:

http://www.fzoeu.hr/hrv/pdf/Waste_Management_Strategy.pdf

Croatian waste management plan:

http://www.fzoeu.hr/hrv/pdf/WASTE_MANAGEMENT_PLAN.pdf

Croatian Parliament, Waste Act:

http://www.mzopu.hr/doc/Waste_Act_OG_178-04.pdf