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Motives for choosing a currency in international business

- A research about what motives Swedish exporting companies have when choosing currency for their international business

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Preface

Our Bachelor Degree dissertation of 10 points was written during the autumn 2003 at the international business programme at the Kristianstad Business School.

We would like to address special thanks to our tutors, Mr Bengt Ferlenius (academic guidance) and Mrs Viveca Fjelkner (linguistic guidance) who have provided us with necessary guidance through this dissertation.

When writing the dissertation, we benefited from the input of many people. Therefore we would also like to thank Mr Per-Inge Alfredsson (SEB) for giving us valuable background about this subject and people in the different companies, which were kindly to answer our questionnaire.

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Abstract

In September 2003 Sweden had an election whether or not to have the euro. Sweden chose to stand outside the co-operation of the European Monetary Union, despite having joined the European Union several years before. We thought that this aspect made it interesting for us to examine what motives Swedish exporting companies have in their choice of currency. The group developed theories and factors of potential impacts on companies' choice of currency. The model was named the L.I.K-model, which is short for Lasson, Isacson and Kullberg, the surname of each group member. The model was tested on twenty companies through telephone interviews. The theories and factors were divided into internal and external factors. Overall the internal factors as the company loans, transaction cost, matching and policy has had the largest impact on the companies. The external factors as the political condition, industry and introduction of the euro have also had a large impact in their choice of currency. All theories and factors had an impact on some of the companies and we also concluded that there were no major factors left out in our model.

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Chapter 1

Introduction

Chapter one presents a background followed by a discussion about the research problem and purpose. Further, it includes limitations, definitions and an outline of the dissertation.

1.1 Background

The choice of currency is an issue that international companies frequently handle in their business. Because of its importance and frequent handling we decided that this was an interesting subject. As Sweden recently had an election whether or not to have the euro our interest in the choice of currency has increased. If the euro had been adopted, the choice of currency would have been rather obvious, in international trade within Europe. Now when it is decided that Sweden wants to keep the Swedish krona it is very interesting for us to investigate the companies' choice of currency. Another thing that makes this subject interesting is that the Swedish currency is the eighth most used in international trade as a result of Sweden being the largest exporting country compared to the country size (Skandinaviska Enskilda Banken).

The theories and factors that affect the choice of currency in international business are what interest us. There is not much research done in this matter, and that is another issue that caught our interest. To be able to find theories and factors that affect the choice of currency, we used existing information found in the literature.

1.2 Research Problem

This dissertation investigates the different theories and factors that affect an international company's choice of currency. The international market contains many different currencies, some strong and others that are not as strong. There are currencies from large countries and therefore many users of these currencies. There are also currencies from small countries that are often used. For example Sweden is a small country with a population of about nine million, although the Swedish krona is the eight most used currency in international trade.

When companies choose currency they do it from different criteria. Some countries do not do business in any other currency than the one of their home country. If the international trade is only a small part of the company's total business, it becomes a burden for them to involve any other currency.

Risk is an important issue when it comes to the choice of currency. Companies cannot accept every currency because they do not know how much it is worth the next day. As an example we can mention Argentina which has gone through an enormous crisis (1998-2002) and its currency has lost much of its value in a short period of time. Companies rather choose for example the U.S. dollar or euro that are hard currencies. Even though choosing a hard currency the companies are not taking away the risk completely, by this companies are always exposed to risks when doing international business.

The introduction of the euro has changed the companies' opportunities of choosing currency in international business. From having a lot of different currencies to choose between, the euro has now become the most used currency in Europe and together with a few other currencies (ex British pound, Swiss franc and Swedish krona) it completes the market. The euro has made it easier to do business in Europe. Many countries have accepted it and the amount will increase as the European Union is growing. Even

though the euro has developed to be a hard currency the choice of currency in European/world trade might not be as clear as it seems. There are still other hard currencies to consider as the British pound, the Swiss franc, the Swedish krona and so on.

There may be lot of different theories and factors behind the choice of currency. Companies can use the currency as a sales argument where they let the customer choose which currency that fits them in order to be able to sell as much as possible.

Influences in the choice of currency also come from banks. The banks give advice to the companies on hard currencies that are safe in order to minimise the risks. Banks influences the companies by offering different exchange rates on different currencies. The choice of currency will also be affected by different package deals, which are offered by the banks to the buying company.

The company's choice of currency originates from which strategy and policy the company has. If the company has an aggressive style it wants to invoice export in a hard currency as opposed to the defensive style where the company invoices in the home currency to make the deal as safe as possible.

The choice of currency is not a well-explored subject in the literature, although the choice of currency is of great importance for the companies in their attempt to accomplish profit in international trade. To understand this issue there are some questions to be answered:

- Which internal/external factors influence the companies' choice of currency?
- Are there different factors behind the choice of currency in different industries?

1.3 Purpose

Are Swedish exporting companies, when choosing currency for their international business, considering existing theories and influencing factors?

1.4 Limitation

The dissertation is based on 20 companies divided into five industries, with four companies in each industry. These industries are the chemical industry, IT/telecom, forest industry, manufacturing (engineering) industry and food industry. These industries are according to SEB the most interesting to examine. The companies we have chosen are exporting companies located in Sweden.

1.5 Definitions

Client executive: Person at the company with authority to decide in economic issues. He is the main actor in decisions regarding currency choice.

Financial function: Function that deals with currency issues and other financial matters within the company.

Hard currency: Currency such as the U.S. dollar, British pound and euro that are expected to be stable.

Strong currency: A currency that has a high value with low fluctuations in comparison to other currencies.

Weak currency: A currency that has a low value with high fluctuations in comparison to other currencies.

1.6 Outline of the Dissertation

Chapter 1 Chapter one presents a background followed by a discussion about the research problem and purpose. Further, it includes limitations, definitions and an outline of the dissertation.

Chapter 2 Chapter two presents the method used in the research. It includes the overall approach, research strategy, practical approach and the collecting of data.

Chapter 3 Chapter three presents the theoretical framework and the model created to explain why a company chooses a certain currency. The theories and the model also describe whether the choice is different in different industries.

Chapter 4 Chapter four presents criticism of the data collected. It consist both primary and secondary data.

Chapter 5 Chapter five presents the hypotheses that we have evaluated in this dissertation.

Chapter 6 Chapter six contains the analysis of the empirical study. The theories from the theoretical framework are analysed. We connect the theory with empirical material. External and internal factors are separately analysed. A summary of the analysis end this chapter.

Chapter 7 Chapter seven presents conclusions of this dissertation. The hypotheses will be discussed. The questions in the research problem will be examined and evaluated in order to find out if the theories and factors in the L.I.K-model have the relevance that we have stated. The discussion end

with the final version of the L.I.K-model. Reflections and further research will also be described in this chapter.

Chapter 2

Methodology

Chapter two presents the method used in the research, it includes the overall approach, the research strategy, the practical approach, selection of companies and collection of data.

2.1 The Overall Approach

There are two fundamental perspectives described by Saunders, Lewis and Thornhill in *Research Methods for Business Students* (2003, p85), namely rationalism and empiricism. The rationalistic way of thinking is a deductive method, which means the researcher starts from an existing theory. The theory creates a ground for a hypothesis that thereafter is tested through empirical studies. The empirical way of thinking is an inductive method, where conclusions drawn from the collected data develop a theory as a result of the data analysis.

This dissertation is written from a deductive point of view. Companies' behaviour concerning choice of currency will be collected and then compared with existing theories and factors.

2.2 Research Strategy

The research strategy is a general plan about how the research question will be answered. The research strategy has to be appropriate to the research question and the objectives. Saunders, Lewis and Thornhill (2003, p91) most important strategies for a deductive approach are experiment, survey and case study. Experiment is a research form that mostly can be referred to

natural sciences; survey strategy is a standardised method, which allows easy comparison of the data collected. The research strategy that has been chosen to find out about the motives for choosing a currency is a case study strategy, which involves an empirical investigation to gain a rich understanding of the context of the research. The case study can also generate answers to the questions: “Why?”, “What?” and “How?” The collection of data may include questionnaires, interviews, observations and documentary analysis. This is a good strategy for exploring and challenging existing theories and factors. This strategy could also provide a source to new hypotheses (Saunders et al, 2003, p93).

2.3 Practical Approach

The first thing was to find an interesting research problem. By developing this research problem it was easier to identify the objectives and purpose (see figure 2.1).

Collecting secondary data is one way of finding relevant materials in books and on the Internet. To collect primary data, an interview was made with Per-Inge Alfredsson at Skandinaviska Enskilda Banken in Malmö. This interview was conducted to get general information about the subject and also to get knowledge about how the banks influence companies' choice of currencies. After gathering all data received and studied we listed companies in different industries to contact.

The theoretical framework was underlain in the process of creating a questionnaire that was relevant to our dissertation. The theoretical framework needed both external and internal factors to easier show the motives for choosing a currency in international business. Hypotheses have also been developed. The hypotheses will be tested in order to make the theories and factors more understandable.

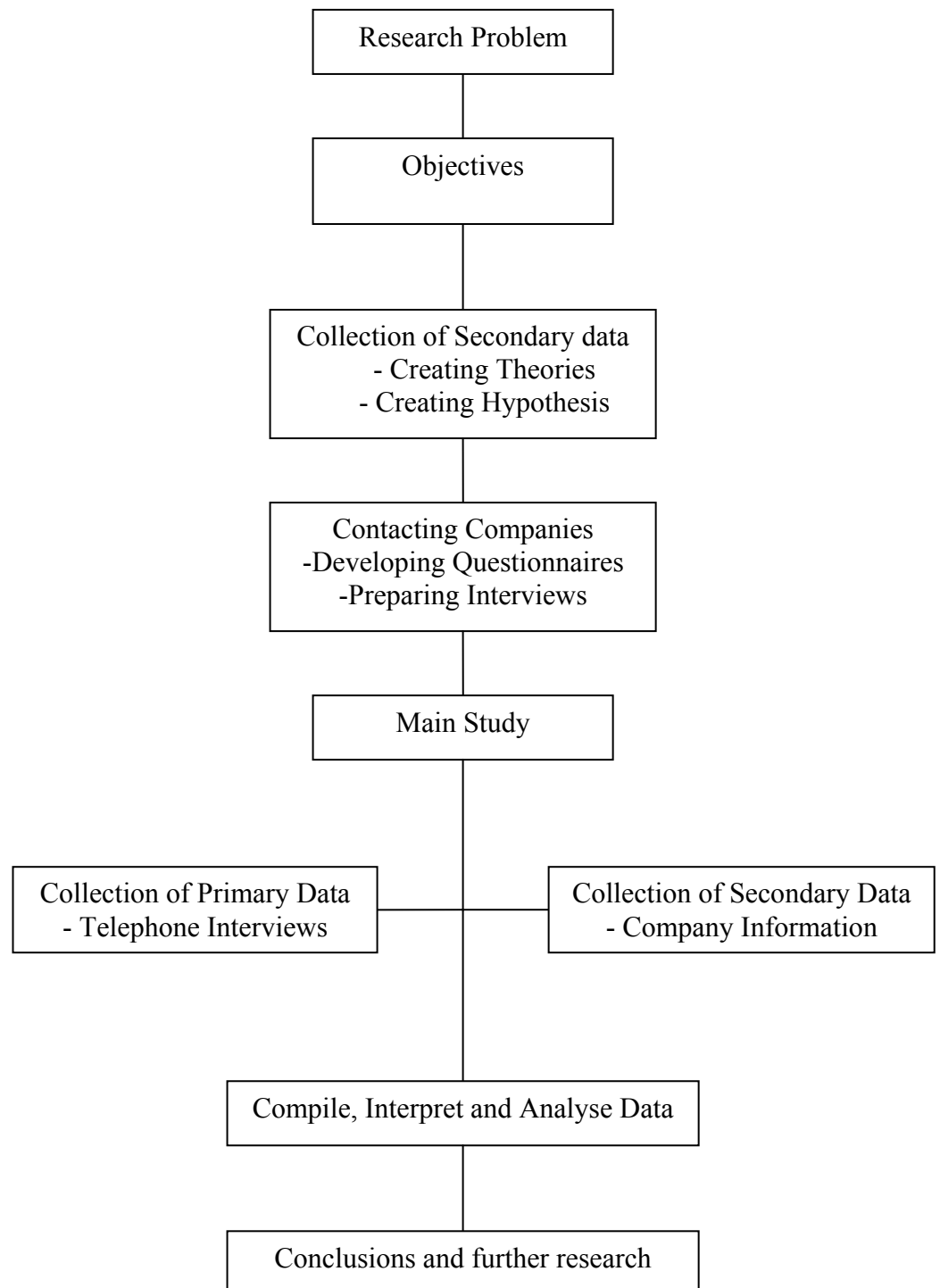
In the search for useful theories and factors there are some books which have been especially useful. *The Essence of International Money* (1996) by Adrian Buckley gave the group useful information about some of the theories and factors, namely the leading actor, status of the currency, company strategy, transaction cost, industry and matching.

Other books that should be mentioned are *Internationell finansiering & valutor* (1992) by Elmér et al, which gave information about the company loan theory, and *Företagets Utlandsaffärer* (1999) by Anders Grath where the theory political condition was found.

The interview at Skandinaviska Enskilda Banken with Per-Inge Alfredsson also gave us valuable information for our framework on this subject. The bank influence, status of the currency, introduction of the euro and the sales argument are theories and factors that have all been created after receiving primary data from this interview.

When the theories and factors were formulated, the interviews with the companies could be completed. The data was then analysed and conclusions could finally be written.

Figure 2.1 The research process (Saunders et al, 2003, p7).



2.4 Selection of Companies

We have decided on four criteria for selecting companies. The first criterion is that they have to export from Sweden, the second is that the amount of companies is limited to 20. The third criterion is that we have decided to divide the companies into five different industries, food industry, manufacturing industry, IT/telecom industry, chemical industry and forest industry. The fourth criterion is that companies have been chosen from a list consisting of the 20 largest companies in each industry. We found the list of companies in the book *Sveriges största företag* (2003). This resulted in totally twenty interviews with client executives in the different companies. Information about the selected companies is to be found in appendix 2.

2.5 Collection of Secondary Data

The secondary data has been collected in several ways; we have used the library at Kristianstad University, the Internet, and databases. The words that have been used when searching databases have mainly contained sentences connected to currency and decision such as choice of currency, international money, currency risk and currency decision. Information about companies to use in the dissertation has been found in *Sveriges största företag* (2003) and on the Internet, where there also was good background information about the companies.

There was not much literature written in this subject and therefore only a few sources have been used when creating the theories and factors.

To be able to strength the theories and factors, information from the literature has been combined with information from SEB and our own thoughts to make the different sources illustrate only one thing, a so-called triangulation.

2.6 Collection of Primary Data

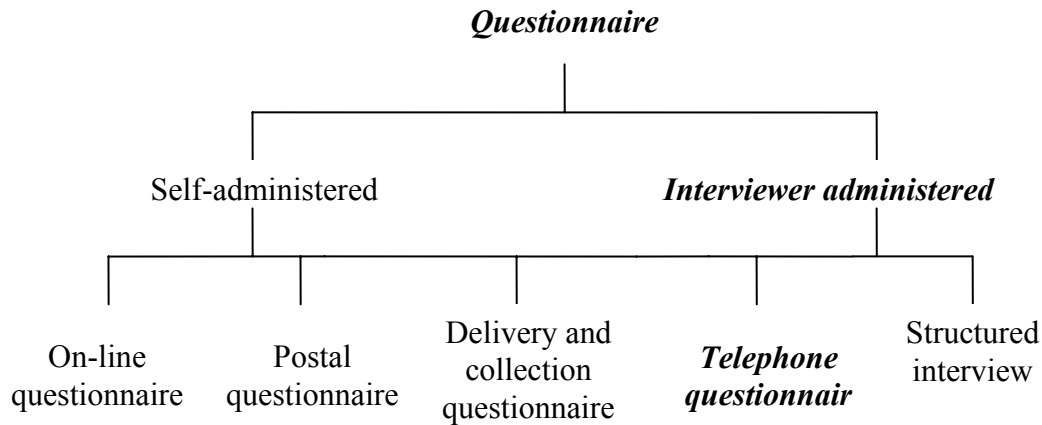
At first an interview was performed with SEB. This interview was mainly concluded to collect valuable background information on the subject. The empirical study was made as an interview-study, where we examined how the Swedish companies choose the currency when exporting. To maintain the information needed we interviewed the client executive at the financial department in each of the companies. According to SEB these were the right persons to answer our questions. The interviews were made by telephone calls. Questionnaires had been sent out before via e-mail to prepare the interviews. We studied how the different companies did when choosing a currency for export and looked at similarities and differences between industries and companies.

Before sending the questions to the companies in our survey, our tutor provided us with valuable comments on the questions. A pilot-survey has also been done to test the questionnaire. During the interviews we used tape recorders not to lose any important information. All information from the companies is handled confidentially.

2.7 Questionnaire/Interview

According to Saunders et al (2003, p280), a questionnaire includes all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order. It includes both self-administered questionnaires, which are usually completed by the respondents, and also the interviewer-administered questionnaires. The latter is recorded by the interviewer on the basis of each respondent's answers.

Figure 2.2 Types of questionnaires (Saunders et al, 2003, p282).



In this dissertation telephone questionnaires are used. The choice of having a telephone questionnaire is based on the fact that there was an importance of reaching a particular person as respondent. The answers had to be as reliable as possible, which could be achieved by a telephone interview. We wanted to have both open and closed questions, mostly closed. When there was closed question there has always been the alternative "other", which makes it possible for the respondents to specify certain things that the creator of the questionnaire has not considered.

The questionnaire consists of eighteen questions four of these questions are open questions and fourteen are closed. The open questions are mainly about which currencies the different companies use and in which region these are used. There is also the alternative "other" which have been mentioned earlier, this follow the closed questions about the external and internal factors. The closed questions all relate to the theories and factors in the theoretical framework (see appendix 3).

By using a telephone questionnaire it was possible to guide the respondent through the questionnaire and to answer questions if any problems would occur (Saunders et al, 2003, p283).

The telephone interview was made in Swedish as all the respondents had the Swedish language as their mother tongue. The questionnaire has then been attached to the dissertation and therefore it was necessary to translate it into correct English.

Chapter 3

Theoretical Framework

Chapter three presents the theoretical framework and the preliminary model created to explain why a company chooses a certain currency. The theories and the model also describe whether the choice is different in different industries.

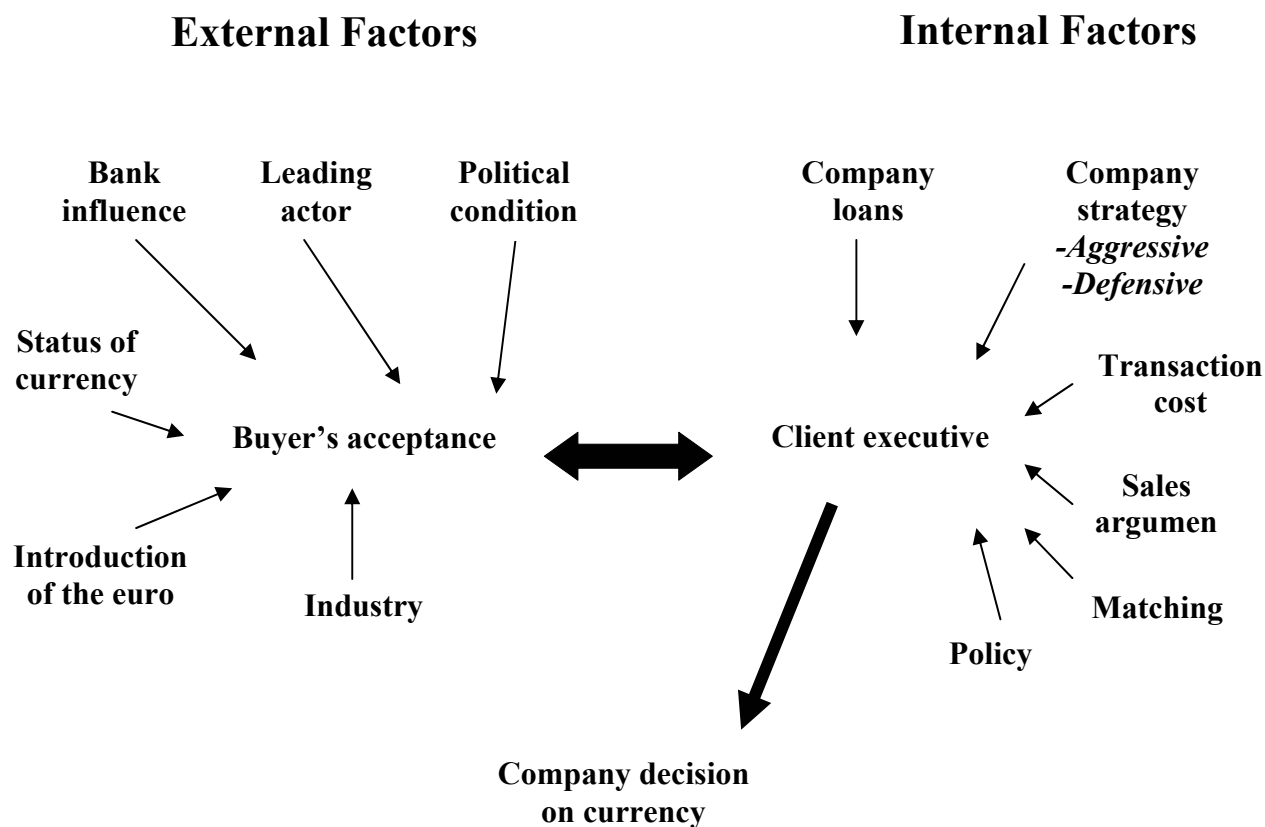
3.1 Background

Swedish companies are affected by external and internal factors when they are exposed to a currency choice. We have developed a preliminary model (see figure 3.1) which shows how the companies act from the beginning until the decision is made on what currency to use in international business. The model is called the L.I.K-model and is based on theories and factors mentioned by different authors. The theories are divided into external and internal factors depending on how they affect companies' choice of currency. The theories are filtered through either the buyer's acceptance or the seller's client executive function. The final decision is based on external or/and internal factors. The last stage of the model specifies which currency has been chosen and on what basic assumptions the choice is based. The preliminary model will be tested in the analysis, and in the conclusion a final version of the model will be developed.

The L.I.K-model

Preliminary version

Figure 3.1 Preliminary version of the L.I.K-model



3.2 External Factors

The external factors are factors which affect the companies' business transactions from an external point of view. These are factors the exporting companies have to be aware of. For example, some industries have predetermined currencies, like the oil industry. Trade in oil is always made in U.S. dollars which mean that an external factor affects the companies' choice of currency. Other factors such as the bank influence, introduction of the euro, leading actor, status of currency and political condition could also influence the choice of currency.

3.2.1 Bank Influence

In international business deals between companies, financing can be offered with loans from banks. To agree on a loan the banks want to be convinced they will get their money back. To minimise the risk from the banks' point of view they will try to influence the company to make the best decision regarding these conditions. The bank will give advice to the company to choose the best currency possible to minimise losses and risks. Thereby, the bank influences companies, when choosing financial instruments (SEB).

The banks could influence companies at an early stage by offering good conditions concerning currency. This is done before the banks have acquired the companies as clients. By giving the best offer the banks try to win the companies' confidence. As a result of this the banks affect the companies in their choice of currency. For example SEB could offer a very good exchange rate of the U.S. dollar while Handelsbanken offers good exchange rate of the British pound. The companies' decision considering currency will therefore be made on the basis of which offer is the best.

The banks can offer "whole" package solutions for the companies. With these package solutions the banks provide all necessary services. They will act in the companies' best interest and give good advice to the companies in

order for them to make the best decision in international trade. This will create a relationship; the bank will be able to keep their clients, create good trust and the company will listen to them while doing business (SEB).

3.2.2 Leading Actor

Business markets are economically structured in a way that competitors follow the leading actor. In these circumstances it is often the practice of participants to quote in the same currency as the leading actor quotes, and this may be the home currency of neither the buyer nor the seller. This means that there is a common practice which says that the currency choice is made by the leading actor and that the other participants follow this (Buckley, 1996, p25).

3.2.3 Introduction of the Euro

When all the countries within the European Union had different currencies, the companies had to choose between many various currencies. Since the euro has been introduced, almost every business deal that is made within Europe or the European Union today is made in the euro. The choice for the companies within the European Monetary Union is now quite obvious; in most cases the companies have been influenced to use the euro. Companies within countries that do not belong to the European Monetary Union or the European Union have also been influenced to use the euro (SEB).

3.2.4 Status of Currency

Hard currencies like the U.S. dollar, euro and Japanese yen are the three most important currencies in international business. There are also other hard currencies namely the British pound, the Swiss franc, the Canadian dollar, the Australian dollar and the Swedish krona. (SEB).

Some companies prefer to use a stable currency in international business. The reason why companies act like this is that they want to maintain a stable price list in circumstances where price lists are expensive to change (Buckley, 1996, p63).

Companies with strong positions in markets where they are under short-term pressure from competitors may decide to invoice in a currency expected to become weaker. When the currency depreciates, the customer receives an increasing discount on the goods without the companies formally announcing a price cut. This tactic enables the companies to protect the market shares while the market conditions are poor. Marketing executives may prefer to act like this even though this policy is dysfunctional from a total company view. Contrary to this, the companies in a strong market position in a seller's market might, in short-term, invoice in a currency expected to be stronger. The companies act like this to obtain the benefits of an ongoing price rise of the home currency without formally changing their prices (Buckley, 1996, p65).

3.2.5 Industry

Some goods on the international marketplace are tied to a special currency that is always used without any concern to either the seller or buyer. For example oil, aluminium and pulp are always priced in U.S. dollars. This eliminates the companies' possibilities to choose currency (Buckley, 1996, p63).

3.2.6 Political Condition

A country not exposed by war, terror action, sanctions, blockades or currency restrictions has good conditions to create an interesting and highly demanded currency worldwide (Grath, 1999, p20). The exporting company will not take any risk by accepting the importing company's currency if

there is a political instability in the importing company's country. This lack of acceptance will affect the sellers' choice of currency and the parties have to agree on another currency. As an example Argentina can be mentioned, it has gone through an enormous crisis and its currency has lost much of its value in a short period of time. In this case hard currencies like the U.S. dollar or euro are more likely to be used.

3.3 Internal Factors

The exporting companies have some different currency options to choose from, when choosing which currency to use in a business deal. The companies' choose from three major currencies; the exporters' currency, the importer currency, or a third currency (often a hard currency like the U.S. dollar, the euro or the Japanese yen). Different internal factors and policies affect the companies in their choice of currency. They are the sales argument, company strategy, company loans, transaction cost, matching, and policy which will be presented below.

3.3.1 Sales Argument

To use a currency which importing companies' demand or to be open-minded about using it can be a very attractive sales argument in international business. Importing companies could have a problem doing business in another currency than their home currency, depending on the transaction cost. If the exporting company offers the importing company to choose currency, the exporting company is in a good position to start a business relationship (SEB).

3.3.2 Company Strategy

The exporting companies can apply an aggressive or defensive strategy on the international market. The defensive strategy is to attempt to invoice all exports and have all imports invoiced in the home currency independent of the strength and weakness of other currencies. By contrast, the aggressive strategy is to attempt to invoice export sales in hard currencies and to obtain purchases invoiced in currencies expected to become weaker. When the forward markets are expensive to use, which is when the costs of using different currencies are high in comparison too the use of the home currency, the aggressive technique becomes relevant.

The conclusion from this is that customers frequently seek to buy goods in a third currency expected to become weaker while the selling company may prefer to invoice in currencies expected to be stronger (Buckley, 1996, p62).

3.3.3 Company Loans

It is mostly up to the exporter to offer the buyer an attractive financing of its export merchandise. Finance of export has become more important (Elmér et al., 1992, p77); to be able to offer the foreign buyer a credit to more preferable conditions has become a competitive instrument in the struggle for export contracts. There are two main types of export credits:

- Supplier credits
- Buyer credits

Supplier credit means the exporter offers the buyer credit for X years or X months this credit term is a part of the commercial contract. In a buyer credit, the bank of the supplier gives a credit offer directly to the buyer or its bank and the exporter gets paid cash at delivery by the bank (Elmér et al., 1992, p77). Only the supplier credit is relevant as a factor here, when

choosing a currency. This factor gives three main possibilities to choose a certain currency for financing export. The first alternative the exporting company has is to offer a credit in its own currency and thereby avoid a currency risk. The second alternative is that the exporting company chooses to give credit in the importing company's currency, and this exposes the exporter to a currency risk during the time the credit is given. The third choice means the exporting company offers a third currency (often used is the US dollar, the euro or the Japanese yen). In this case a currency loss/gain could occur because the credit is given for X years.

3.3.4 Transaction Cost

As an international business deal is made at least one of the companies (exporter or importer) has to enter into a foreign exchange transaction, unless the companies are using the same currency. If the contracted currency is not the home currency of either the importer or the exporter, then both the exporter and the importer will have to undertake a foreign exchange transaction. Given this background, it could be wise to arrange matters so that the cost of completing the foreign exchange contract will be minimised (Buckley, 1996, p64).

The theory about the foreign exchange market and how it affects the transaction cost is that the exporting company chooses currency depending on whether the exporter or importer has the cheapest exchange market. The exporter chooses the currency from the country where it is most expensive to exchange. Thereby the party from the country with the cheap exchange market can take advantage in order to make the deal cheaper in total. By this, if the exporter for example has an expensive foreign exchange market in his home country they can use its currency and instead offer the importing company a cheaper price. The importing company has to exchange to the exporter currency before paying the business deal. The result of this will be that the importer gets a cheaper price but has to pay for the exchange, while

the exporter receives less money for the sale but avoids the exchange of currency.

3.3.5 Matching

Companies use matching when they match their foreign currency inflows with their currency outflows in respect of amount and approximate timing. Companies' currency inflows (revenues) in a particular currency are used to make payments in that currency, thereby reducing the need for companies to go through the foreign exchange markets. Practical problems may arise because of uncertain timing of third party revenues and payments. For this reason, success in matching is a function of the quality of information coming to the corporate financial centre, including realistic and accurate predictions of settlement dates (Buckley, 1996, p59).

By using this kind of mechanism the companies' choice of currency will not be determined from business to business. The company will go on and do business with the currency they either get revenues from or payments in. The companies will not consider which currency they are going to use in a specific deal, they will apply the currency that is used in other businesses. In this case the currency itself would not influence the company to choose a certain currency. The process of matching will determine which currency to be used (Buckley, 1996, p59).

3.3.6 Policy

The company's choice of currency can be affected by a policy created within the company. The policy states that a certain currency should always be used in international trade or the policy is to decide at every specific deal.

3.4 Final Decision Process

The final decision process is when all aspects are taken into consideration. The client executive has evaluated the external and internal factors and has reached a conclusion about which currency to use.

3.4.1 Client Executive

The exporting company's client executive is affected by different factors earlier mentioned in this chapter. In international trade the choice of currency relies upon decisions regarding external and internal factors. An interaction between these factors must be accomplished before the choice of currency is made. During this interaction the client executive considers all the factors and before making the final decision in the choice of currency he has to get the buyer's acceptance.

3.4.2 Buyer's Acceptance

When all external factors have been considered the importing company has to confirm its choice of currency with its business partner. When the exporting company has the buyers' acceptance the final currency decision can be made.

3.4.3 Company Decision on Currency

The company's final decision on the choice of currency relies on an interaction between the client executive in the exporting company and the buyers' acceptance in the importing company.

Chapter 4

Criticisms of data

Chapter four presents criticism of the data collected. It consist both primary and secondary data.

4.1 Introduction

The purpose of the criticism of collected data is to determine if it is valid, reliable and relevant. The data is valid if the information measures what it intends to measure, reliable if the information is correct and relevant if the data is essential for the problem. According to many researchers this is difficult to determine, but it is recommended to make a subjective estimation (Eriksson & Wiedersheim-Paul, 2001, p150).

4.2 Criticism of Secondary Data

Information on the Internet websites is used to present the companies. This information may be angled and not totally reliable because it is created by the companies themselves.

The literature in this subject is reliable according to us. The books that have been used are from 1981 to 2003. Despite this we have to consider the possibilities that the authors could have angled their line of argument to that extent that it affects our dissertation. This has been taken into consideration.

4.3 Criticism of Primary Data

Since the interviews have been conducted recently, the contemporary demand is fulfilled. This means according to Eriksson & Wiedersheim-Paul (2001) that the data collected should be current. Further there can be a risk with telephone-interviews not booked in advance; the interviewed person does not really have the time to answer the question in an appropriate manner. This has been limited by arranging time in consultations with the respondents and also by sending the questionnaire in advance.

If the respondent found it difficult to answer a question in the questionnaire and this had only been sent via e-mail then the validity of the answers could be doubted. By using a telephone-interview there was always the possibility for the respondent to ask if the question seemed indistinct.

The respondent has most often the company's best to think about. This was noticed in some of the interviews where the respondent asked if the questionnaire was handled strictly confidential. In this case the reliability of the answers can be doubted because the respondent's might intend to answer in a way, which will not hurt the company.

There is a risk that the respondent's does not have all the information in the currency issues. Reasons for this could be our time limit on the dissertation or that the person who makes the decision is on a business trip, which makes it impossible to get in contact with him/her. This has been avoided, as far as possible, by having control questions (see appendix 3) to see if the respondent is the right person to answer the questionnaire. The possibility to move the telephone-interview to another time, which was better for the respondent, has also been used.

When asking leading questions to the interviewee, the interview could be less valuable for the result of the questionnaire. Only reading the questions has eliminated this problem and if there has been a misunderstanding the respondent's have had the possibility to ask the interviewer.

Chapter 5

Hypotheses

Chapter five presents the hypotheses that we have evaluated in this dissertation. These have been tested on the companies chosen by the group.

5.1 Introduction

The hypotheses will be tested in order to make the theories and factors more understandable. Each hypothesis is based upon a theory or factor mentioned in the L.I.K-model. In each hypothesis a summary of the theory connected to the hypothesis will be presented.

5.2 Hypotheses

H1. The exporting companies are influenced by the banks in their choice of currency.

Financing can be done with loans from banks. The banks want to be convinced they will get their money back. They will try to influence the companies in their choice of currency. There are two different ways, which the banks can influence the companies: by giving them best advice on which currency to use and also by offering attractive exchange rates.

H2. The exporting companies are affected by the leading actor in their choice of currency.

Competitors follow the leading actor in their choice of currency. Therefore the leading actor makes the currency choice, and the other participants on a business market follow this.

H3. The exporting companies' choice of currency is affected by the introduction of the euro.

The introduction of the euro has influenced most business deals made by companies within Europe or the European Union. Today the companies have been influenced to use the euro. It is also more common that companies which do not belong to the European Monetary Union have been influenced to use the euro.

H4. The exporting companies choose currency in order to hide increasing prices or/and hide reduction on prices.

Exporting companies may decide to invoice in a currency expected to be stronger to obtain the benefits of an ongoing price rise in their home currency without formally changing their prices. Contrary to that, exporting companies with strong positions in markets may decide to invoice in a currency expected to become weaker, and by this the customer receives an increasing discount on the goods without the companies' formally announcing a price cut.

H5. The exporting companies are affected by the industry they do business in.

In some industries, when doing business, goods are tied to special currency that is always used without any concern to the seller or buyer. For example, the US dollar is always used in trade with oil.

H6. The exporting companies are affected by the political condition in a business partner's country.

A country not exposed by war, terror action, sanctions, blockades or currency restrictions has fine conditions to create an interesting and highly demanded currency worldwide. The exporting company will not take any risk by accepting the importing company's currency if there is a political instability in the importing company's country.

H7. Swedish exporting companies are affected by their sales arguments in the choice of currency.

The exporting company can offer the importing company to choose currency in their business agreement. By using the choice as a sales argument the exporting company is in a good position for starting up a business-relationship.

H8. Exporting companies' use of a defensive strategy will affect their choice of currency.

A defensive strategy is when companies have all their export and import in the home currency.

H9. Exporting companies' use of aggressive strategy will affect their choice of currency.

The aggressive strategy is to attempt to invoice the companies' export sales in hard currencies and to obtain purchases in currencies expected to become weaker.

H10. The supplier credit affects the exporting companies in their choice of currency.

Supplier credit means the exporter offers the buyer credit for X years or X months, this credit term is a part of the commercial contract. If the exporting company decides to use the buyer's currency or a third currency when a credit is given there could occur both gains and losses.

H11. The exporting companies choose currency to be able to reduce transaction costs and by this lower the total price of the deal.

The theory about foreign exchange market and how it affects the transaction cost is that the exporting company chooses currency depending on whether they or the importer has the cheapest exchange market.

H12. The exporting companies are affected by matching in their choice of currency.

Matching means that a company matches its foreign currency inflows with its currency outflows. When a company is exporting products and deciding on which currency to use, the decision is taken by having the importing currency in mind. The company matches the inflow with the outflow to create a stable balance in the choice of currency. In this case the currency itself would not influence the company to choose a certain currency. It is

going to be the process of matching that will determine which currency to be used.

H13. A company's currency policy affects the choice of currency.

The choice of currency in a company can be affected by a policy created within the company. This policy states that the company uses certain currencies in international business.

Chapter 6

Analysis

Chapter six contains the analysis of the empirical study. The theories from the theoretical framework are analysed and connected with the empirical material. External and internal factors are separately analysed. A summary of the analysis end this chapter.

6.1 Introduction

The companies examined in this dissertation use mainly the euro, U.S. dollar, Japanese yen, British pound, Swedish krona, Norwegian krona and Danish krona.

This analysis shows what factors influence the different industries and the companies in their choice of currency. The analysis of the external and internal factors follows below. We have decided to show two of the diagrams in order to illustrate how the analysis has been done (more diagrams, see appendix 4).

6.2 External Factors

In the questionnaire the companies' were given the opportunity to express other motives for choosing a currency. The main external factor was the customers' wish to control the choice of currency. Six of the companies were influenced by the customers' wish. Interesting about this is that 50% of these companies belong to the IT/telecom industry. Some companies also indicated that a low volatility on the currency was an important factor, others that the interest rate was important.

One of the companies had three external criteria for choosing a currency. First the currency had to be convertible, second the transfer of money from one country to another has to be carried through, and finally the political risk is important.

6.2.1 Bank Influence

The companies studied, are in general not affected by the banks in their choice of currency. The first criteria of bank influence; advice on what currency that minimises the risk, affected only one of the companies examined. This shows that advice from the banks has no affect on the industries. The second criteria; regarding attractive offers on exchange rate there were two industries, the manufacturing and food industry, which were slightly affected. The other industries were not influenced at all by the banks (Question 4a-b, appendix 4).

6.2.2 Leading Actor

To some extent the companies in the manufacturing, chemical and forest industry quotes in the same currency as the leading actor. One of the companies in the manufacturing industry strongly quotes as the leading actor. The result also shows that the two other industries examined were not affected by the leading actor in its choice of currency (Question 3, appendix 4).

6.2.3 Introduction of the Euro

The introduction of the euro has had an impact on 18 of the 20 companies in this dissertation. Manufacturing and IT/telecom industry has been affected very much where as the forest and chemical industry has not been affected

as much. The introduction of the euro has had little influence on the food industry (Question 7, appendix 4).

6.2.4 Status of Currency

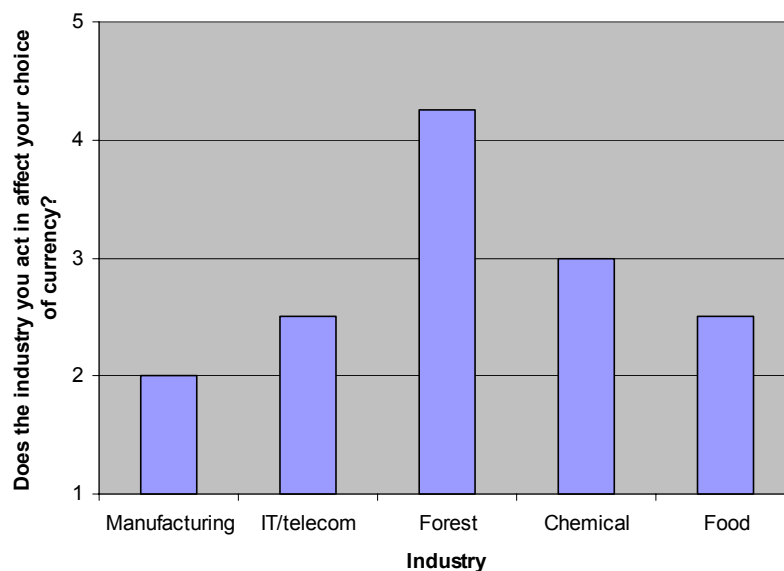
The companies do not choose currency in order to hide increasing prices. There is one company in each of the manufacturing and food industry that to some extent uses the choice of currency to hide increasing prices.

There are only two companies in the chemical industry that choose a special currency in order to hide reduction of prices and by that are able to defend the company's market shares. These two companies act like this to a very low extent (Question 5-6, appendix 4).

6.2.5 Industry

The industries affect most of the companies in their choice of currency. In the forest industry the companies are very much influenced to use a certain currency which is always used without concern to either the seller or buyer. In the IT/telecom and food industry there are two companies in each industry that are very much affected and two companies not affected at all. In the manufacturing industry there are three companies not affected and one company affected to a high extent.

Figure 6.1 Industry



1= Not affected by the theory or factor.

5= Very much affected by the theory or factor

6.2.6 Political Conditions

The political situation in a business partner's country affects 15 of 20 companies' in its choice of currency. The influence is rather low but almost

the same in all industries. In the IT/telecom industry two companies are very much affected and two not affected at all (Question 9, appendix 4).

6.3 Internal Factors

The main internal factor used by the companies besides the ones used in the L.I.K-model, were collecting the positive and negative flow of currency within the company in an internal bank. This flow then needs to be balanced to avoid problems in the choice of currency. This was mainly used by the largest companies within the different industries.

6.3.1 Sales Arguments

In the forest industry the sales argument is used to a higher extent in the choice of currency. In the food industry two of the companies use the sales argument but only to a very low extent. In the manufacturing industry there is one company, which uses the choice of currency as a sales argument (Question 16, appendix 4).

6.3.2 Company Loans

Company loans are offered by 17 of 20 companies. It is mainly in the forest industry that credit is not offered.

The IT/telecom industry uses all the three currency alternatives much when supplier credit is given. The buyer's currency is more used than the other credit alternatives when a supplier credit is given (Question 11a-c, appendix 4).

6.3.3 Company Strategy

Companies in the food and forest industry apply a defensive strategy although there is only one company within each of these industries, which uses this strategy to a high extent.

Three companies in three different industries, manufacturing, forest and food industry uses the aggressive strategy. The company in the food industry use this strategy very much.

There is one company that uses both the defensive and aggressive strategy for its choice of currency (Question 12-13, appendix 4).

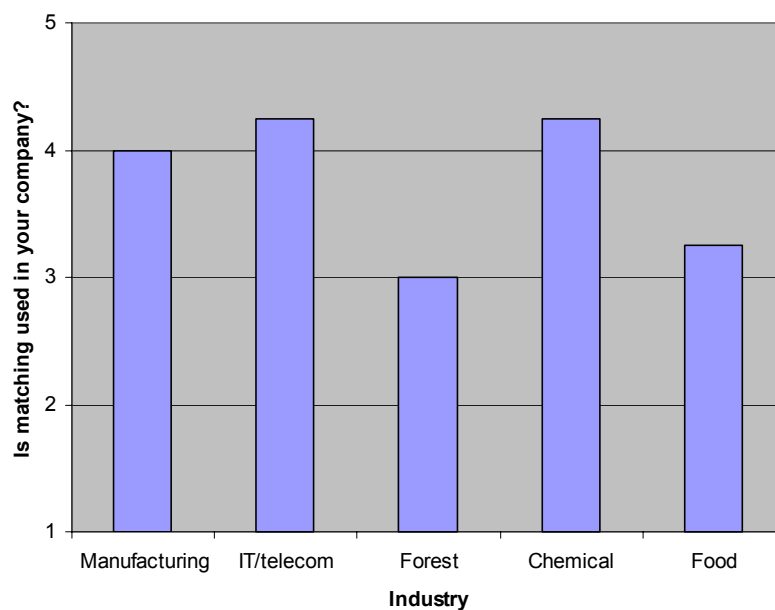
6.3.4 Transaction Cost

The transaction cost affects the choice of currency in all industries, totally eleven companies. In the manufacturing industry all the companies choose a currency in order to minimise the transaction cost (Question 14, appendix 4).

6.3.5 Matching

Every company except one uses matching. In the manufacturing, IT/telecom and chemical industry matching is commonly used. 7 of 20 companies use matching very much. However the forest industry does not use the matching as much as the other industries.

Figure 6.2 Matching



1= Not affected by the theory or factor.

5= Very much affected by the theory or factor

6.3.6 Policy

Almost every company has created a policy within the company, 17 of 20 follows this policy when choosing currency. The choice of currency is controlled to a great extent by the company policy in the manufacturing industry (Question 17, appendix 4).

6.4 Summary

The analysis is summarised in this figure. The numbers presented below are an average of the answers in each industry. The bank influence, status of currency, company loans and company strategy are measured in two or more questions but mentioned here as one theory.

Figure 6.3 Summary of the analysis.

	Industry				
Theories and factors	Manufacturing	IT/telecom	Forest	Chemical	Food
Bank influence	1,5	1	1	1	1,4
Leading actor	1,75	1	1,75	1,25	1
Intro. of the euro	4,75	4	2,75	2,75	1,75
Status of currency	1,2	1	1	1,4	1,2
Industry	2	2,5	4,25	3	2,5
Political conditions	2,25	3	2,75	3	2,5
Sales arguments	1,5	1	3,5	1	1,5
Company loans	3,75	3,9	3,3	3,1	3
Company strategy	1,25	1	1,5	1	1,75
Transaction cost	3,25	1,25	1,75	2	1,5
Matching	4	4,25	3	4,25	3,25
Policy	4,25	3,25	3,5	3	3,5

1= Not affected by the theory or factor.

5= Very much affected by the theory or factor.

Chapter 7

Conclusions

Chapter seven presents the conclusions of this dissertation. The hypotheses will be discussed. The questions in the research problem will be examined and evaluated in order to find out if the theories and factors in the L.I.K-model have the relevance that we have stated. The discussion end with the final version of the L.I.K-model. Reflections and further research will also be described in this chapter.

7.1 Introduction

The purpose of this dissertation was to find out if Swedish exporting companies, when choosing currency for their international business, considering existing theories and influencing factors.

To fulfil our purpose theories and factors have been transformed to questions. These questions were tested on twenty companies in five different industries. We have also created thirteen hypotheses, which will be investigated in this conclusion.

7.2 Hypotheses

The first hypothesis about bank influence did not match. There was only one company influenced by the advice on what currency to use and two companies, which were slightly affected by attractive offers in their choice of currencies. We think the size of the companies examined in this dissertation may affect the decision to involve a bank in the choice of

currency; larger companies have often their own financial function, which manage the currency issues.

The second hypothesis about the leading actor did not match. To some extent the manufacturing, chemical and forest industries quote in the same currency as the leading actor. One of the companies in the manufacturing industry quotes as the leading actor. The result also shows that the two other industries examined were not affected by the leading actor in their choice of currency. We think it is because the companies examined are in many cases market leaders themselves and therefore their answers could not verify this hypothesis.

The third hypothesis matches. The introduction of the euro affects the companies' choice of currency. Both the manufacturing and IT/telecom industry have been affected very much. The forest and chemical industry have been less affected, but not to the extent that it would remove the importance of this hypothesis. The euro has created a strong position within the European Union as the most common currency and therefore it affects the companies in their choice of currency.

The fourth hypothesis about hiding increasing price or/and reduction of prices did not match. There are only two companies in this survey that hide increasing prices and two companies that hide reduction on prices. In both cases the companies do it to a very low extent. We think this could be a sensitive question for the companies to answer. The companies may not want to give secret information about their pricing. We also think this reflects the result negatively from our point of view.

The fifth hypothesis about how an industry affects the companies, matches. Many of the companies in the different industries are quite affected, although the companies in the forest industry are very affected by this hypothesis. We think that in the forest industry products are sold and bought

in a specific currency and this is a reason why the hypothesis matches in this industry.

The sixth hypothesis about the political condition matches all the industries. However, the manufacturing and food industry are not much affected by the political conditions, as opposed to the companies in the IT/telecom, forest and chemical industry. Considering this the hypothesis explains the companies' choice of currency. Whether this hypothesis could match or not depends on whether the importing companies are located in countries with political instability or not.

The seventh hypothesis about the sales argument matches. By using the sales argument the exporting companies are in a good position to start a business relationship. The examination shows that the companies use currency choice as a sales argument enough for us to say that this hypothesis explains companies' choice of currency.

The eighth hypothesis about defensive strategy did not match. The strategy is not used in the manufacturing, IT/telecom or the chemical industry. The food and forest industries apply this strategy but only to a small extent. This hypothesis is not used enough for us to be able to say that this can explain why companies choose a specific currency in their international business. A defensive strategy can be difficult to apply on large companies, as they are likely to have business with companies in many countries. This makes it difficult to use the same currency in every deal.

The ninth hypothesis about aggressive strategy did not match. The companies in the chemical and IT/telecom industry have not applied an aggressive strategy at all and companies in the other industries have only applied it to a small extent. The companies in general do not want to speculate with currencies and therefore we think that this strategy is not used on the companies examined.

The tenth hypothesis about company loans matches. The supplier credit is offered by 17 of 20 companies. Generally the Swedish krona is not used when the supplier credit is given. However in the IT/telecom industry the Swedish krona is much used when a credit is given. This could be explained by the fact that Sweden is in a leading position in this industry. In the food and forest industry the Swedish krona is not used at all. The currency most used when a credit is given is that of the buyer's and a third currency. Supplier credit is used in almost every company and this makes it a factor that influenced companies' choice of currency very much. The companies offer the supplier credit in order to attract customers and by that it explains that the hypothesis matches.

The eleventh hypothesis matches. The manufacturing industry uses transaction cost to minimise the total cost in a business deal. The forest, chemical and food industry applies the transaction cost hypothesis to a lower extent and the IT/telecom does not use it at all. We think that within the manufacturing industry there could be a more economical thinking. By this we mean that in this industry the companies are more aware of the costs and therefore use the transaction cost hypothesis in their choice of currency.

The twelfth hypothesis matches. The matching is used in all industries. It is used to a high degree in the manufacturing, IT/telecom and chemical industry. This hypothesis is an important factor for the companies. To avoid currency risk that occurs in international trade, the companies use matching. It may not always be possible to use matching completely but there is an ambition in almost every company.

The thirteenth hypothesis matches. The companies are affected by a currency policy in their choice of currency. This policy exists in all the industries examined and 17 companies use it to a high extent. We think that in large companies as the ones in our dissertation, there are many people that handle the international business. To have a structure regarding the choice of currency large companies need a policy in this matter.

7.3 Discussion

The theories and factors in our L.I.K-model have to some extent affected all the companies in their choice of currency. Our survey is made only on large companies which could have eliminated some of the theories and factors in our model.

The external factors as the political condition, industry and introduction of the euro have had a large impact on the companies in their choice of currency. According to this, these factors fit in our model. Other factors as the bank influence, leading actor and status of currency have a rather low impact although we think they fit our model. The bank influence could be explained by the fact that the companies in this survey have their own financial departments which deals with the choice of currencies. If this survey had been made on smaller companies the bank influence might have had a larger impact, because smaller companies usually do not have financial departments and therefore they cooperate with their banks to a higher extent. The leading actor theory has almost no impact on the companies in our survey. Also in this case we think the company size is important. The companies examined may be the leading actor themselves or that the companies may not want to admit that they follow their competitors. The status of the currency had almost no impact in this survey, although we believe this factor should be considered in our model. The result on this factor may be misleading, because the companies may not want to reveal any price information.

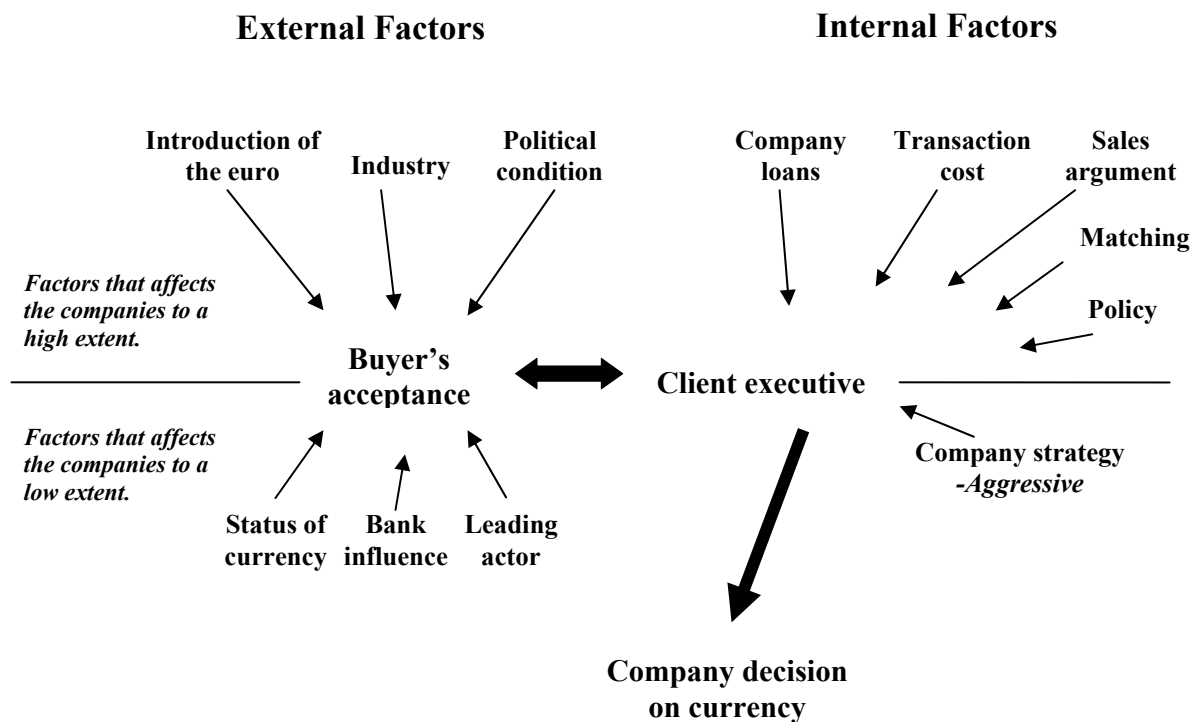
The internal factors as the company loans, transaction costs, matching and policy have had a large impact on the companies in their choice of currency, and are therefore applicable into our model. The sales argument has also affected the companies but to a lower extent. This factor should nevertheless be considered as valuable to our model. Company strategy is divided into defensive and aggressive strategy and according to our survey only the latter strategy fits the L.I.K-model. Exporting companies has difficulties to apply the defensive strategy as they use more than one currency in their

international trade. The result is that the theory about defensive strategy does not suit our model.

We have noticed a pattern; there are certain theories and factors that differentiate from the others mentioned in our model. These theories and factors influence the different industries more. The introduction of the euro, industry, political condition, company loans, transaction cost, sales argument, matching and policy are those which have the largest impact on the industries. This has resulted in a new version of the L.I.K-model (see figure 7.1).

Figure 7.1 The L.I.K-model

The L.I.K-model



7.4 Reflections

The L.I.K-model that we have developed in the theoretical framework covers most of the factors affecting the examined Swedish exporting companies in their choice of currency. In the questionnaire we gave the companies the opportunity to express if there were other factors that affecting them than the ones mentioned in our model. The companies mentioned customers' choice as an important factor when choosing currency. This factor is expressed in the theory about sales argument, but as we have understood the factor was not expressed clearly enough. Another factor mentioned by the companies and to be considered is that larger companies sometimes have an internal bank which deals with the currency issues. Thereby, according to the companies, they eliminate the currency risk.

7.5 Further Research

We suggest that further research can be done on the subject choice of currency. It could be interesting to do the investigation on smaller companies than the ones used in our dissertation, to see if the motives when choosing currency differ between larger and smaller.

When or if Sweden joins the European Monetary Union it could be interesting to investigate if Swedish companies have different views on the choice of currency.

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Personal Interview

Per-Inge Alfredsson, Treasury department, Skandinaviska Enskilda Banken, Malmö, Sweden 28/10/03

Appendix 1

Questionnaire to SEB

Interview-questions to Per-Inge Alfredsson at Skandinaviska Enskilda Banken in Malmö

- Which currencies are the most used in European business?
- Is the choice of currency affected by the industry that companies do business in?
- Is there a difference if the company imports or exports? Are the company affected by their business partner in any of these cases?
- Does supply on a currency affect companies in their choice of currency?
- If a company turns to your bank, do you have any influence on what currency the company should choose?
- Is it common that you have an open dialogue with your customers?
- Is currency used as a sales argument?
- Are there other finance corporations that offer financial services on the currency?
- When you offer credit are there currencies that you prefer and currencies that you don't prefer at all?
- Do the banks niche their business when dealing with currencies?
- Which industries do you think we should choose for our dissertation?

- Is the time and date important when the company should do business?

Appendix 2

Presentation of companies

1. Forest industry

Billerud AB

Billerud was established through a merger of AssiDomän's Skärblacka and Karlsborg paper mills with Stora Enso's Gruvön paper mill in 2001. Stora Enso and AssiDomän held 50 per cent each of the shares in Billerud AB. They produce pulp and paper. Billerud has about 2,400 employees, including the sales organisation abroad, and an annual sale of approximately SEK 7 billion. Billerud has sales operations in 10 countries and the company headquarters is situated in Stockholm.

SCA

SCA was formed in 1929 as a holding company of ten forest companies in northern Sweden. These companies continued to operate as independent units until 1954, when they were merged with the parent company SCA. SCA produces and sells absorbent hygiene products, packaging solutions and publication paper. SCA has about 44,000 employees and sales operations are conducted in more than 40 countries worldwide, and an annual sale of SEK 88 billion. The company headquarters is situated in Stockholm.

StoraEnso Nymölla

Nymölla Mill is a modern integrated mill with the production of TCF-bleached magnefite pulp and copy paper. Nymölla has about 900 employees and the headquarters is situated in Stockholm.

Duni AB

Duni AB is owned by EQT, a private equity group in Northern Europe. They have three mills for raw material and 11 manufacturing units for finished products. Duni has annual sales of approximately EUR 7 billion, and 3,600 employees.

2. Chemical industry**Perstorp AB**

Perstorp AB is part of Sydsvenska Kemi AB. The Group works within the specialised chemical markets. Their products are mainly sold to companies in paint, chemicals and plastic-based industries, which also include products for the engineering and construction industries, such as polyols, performance chemicals and resins. Perstorp has annual sales of approximately SEK 6 billion, and 2,200 employees. Production is carried out in 9 countries in Europe, North America and Asia. Headquarters is situated in Perstorp.

Trelleborg AB

Trelleborg is a global industrial group founded in 1905, which do operations within polymer materials and a high level of industrial know-how, combined with functional solutions and systems designed to meet the needs of their customers. The Group has annual sales of approximately SEK 22.5 billion

and about 21,000 employees in 40 countries. Headquarters is located in Trelleborg.

Kemira Kemi AB

Kemira Kemi was founded in 1989 when the Finish company Kemira Oy bought the Swedish company Boliden Kemi AB. Kemira Kemi produces chemicals to washing detergent industry, to the paper and pulp industry. They have about 650 employees, and an annual sale of SEK 2.1 billion. The headquarters is located in Helsingborg.

AstraZeneca

AstraZeneca was found in 1999 through a merge between the Swedish company Astra and the British company Zeneca Group PLC. AstraZeneca operates in medicine and pharmaceutical science. The headquarters is located in London and marketing and science in Sweden. They have about 58, 000 employees, and an annual sales of SEK 157 billion.

3. Food industry

Findus Sweden AB

Findus was founded in 1941 by Marabou a Swedish confectionery company. Findus Sweden produces a complete range of frozen food products. They have about 1,400 employees, and an annual sale of SEK 5.7 billion. The headquarters is located in Bjuv.

Cloetta Fazer

Cloetta was founded in Copenhagen 1862 by three Swiss brothers of Cloetta which produced different kinds of chocolates. 1891 Karl Fazer opened a French-Russian café in Helsinki Finland, and in 1895 he started to produce

chocolate. 1990 the co-operation between Fazer and Cloetta started. Cloetta Fazer has 2,100 employees, and an annual sale of SEK 3 billion. Cloetta Fazer's headquarters is located in Stockholm.

Karlshamn AB

Karlshamn AB was founded 1915 and started a production of soybean meal for feed products. Today Karlshamn delivers speciality vegetables fats all over the world and is the market leader in the Nordic countries and Eastern Europe. The food industry is Karlshamn's largest customer segment and Sweden it's the largest single market. Karlshamn has about 731 employees, and an annual sale of SEK 3 billion. The headquarters is located in Karlshamn.

Göteborgs Kex AB

Göteborgs Kexfabrik AB was founded in 1888 by Carl Leopold Berggren. Göteborgs Kex is the leading manufacturer of cookies/biscuits in Scandinavia. The company employs approximately 600 people. The headquarters is located in Kungälv.

4. Manufacturing industry

SCAN COIN

SCAN COIN was founded in Malmö, where Bertil Persson, in co-operation with two other entrepreneurs, began realising their ideas in 1966. SCAN COIN offers a wide and impressive product range in Cash Processing. They offer products and systems for rational handling of coins and banknotes all over the world.

Alfa Laval Nordic AB

Alfa Laval Nordic produces systems concerning heat, cool, separate and transport products such as oil, water, chemicals, beverages, foodstuffs, starch and pharmaceuticals. Alfa Laval Nordic AB has about 230 employees, and an annual sale of SEK 1.3 billion. The headquarters is located in Tumba.

Haldex AB

Haldex was founded in 1985, since three Swedish companies were grouped together to form a broader component company. They operate as a supplier to the vehicle industry and are known for their four-wheel-drive system for cars. They have about 4,000 employees, and an annual sale of SEK 6.4 billion. The headquarters is located in Stockholm.

Autoliv AB

Autoliv AB was started in 1997 as a merger of Europe's leading automotive safety company, Autoliv AB of Sweden and Morton ASP. They offer products such as airbags and seat belts but also technology for automotive safety.

5. IT/telecom**Nolato Alpha AB**

Nolato Alpha was founded in 1998 after Nolato had acquired the company from Ericsson in 1997. Nolato Alpha develops and manufactures systems and components, primarily from polymer materials, for leading customers in the telecom sector. It is situated in Kristianstad with 400 employees and annual sales of SEK 530 million.

LGP Allgon

LGP Allgon is the result of the merger between two companies within the area of telecom equipment, LGP Telecom and Allgon. LGP Allgon offer cost-effective radio solutions to systems suppliers, mobile network operators and other network providers for the purpose of improving radio coverage, data transmission and capacity in mobile communications networks. They have annual sales of approximately SEK 2.5 billion and 1,400 employees.

Partnertech AB

PartnerTech develops and manufactures under contract for leading companies, primarily in telecommunications and IT.

LM Ericsson

LM Ericsson is the largest supplier of mobile systems in the world. The world's 10 largest mobile operators are among Ericsson's customers and some 40% of all mobile calls are made through Ericsson systems. Ericsson provides total solutions covering everything from systems and applications to services and core technology for mobile handsets.

Ericsson has been active worldwide since 1876 and the company today has around 53, 400 employees in more than 140 countries, and an annual sale of SEK 146 billion. The headquarters are located in Stockholm.

Appendix 3

Questionnaire

We study International business at Kristianstad University, and at the moment we are writing our dissertation to get our bachelor degree. The purpose of the dissertation is to find out which factors affect Swedish exporting companies in their choice of currency.

Control questions:

- Which position do you have within the company?
- Do you deal with issues concerning choice of currency within your company?

Company name:

In which industry does your company act?

Manufacturing	_____
IT/Telecom	_____
Forest industry	_____
Chemical industry	_____
Food industry	_____

1. In which currencies does your company do business?

2a. Does your company use different currencies in different regions? (If yes answer 2b)

Yes

No

Appendix 4

Diagram from the analysis

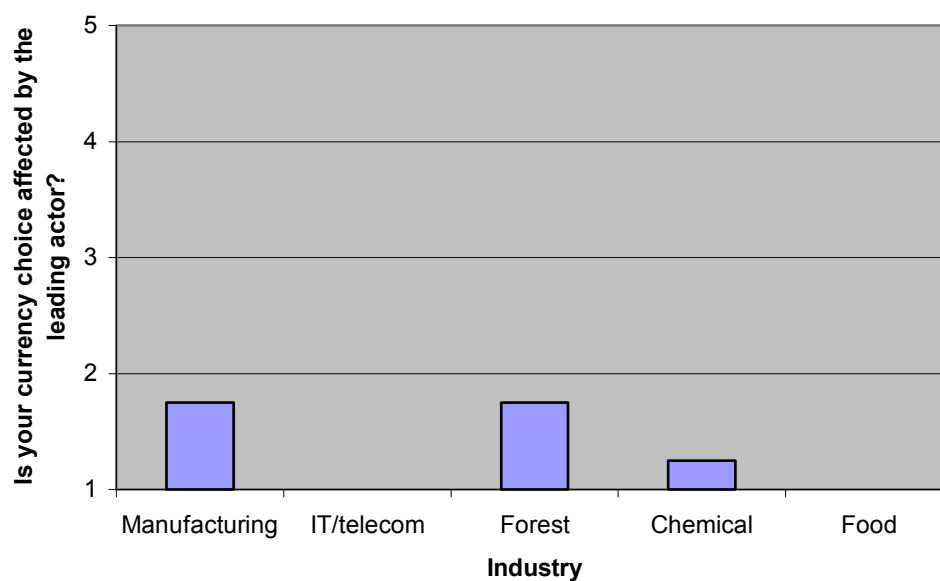
Introduction

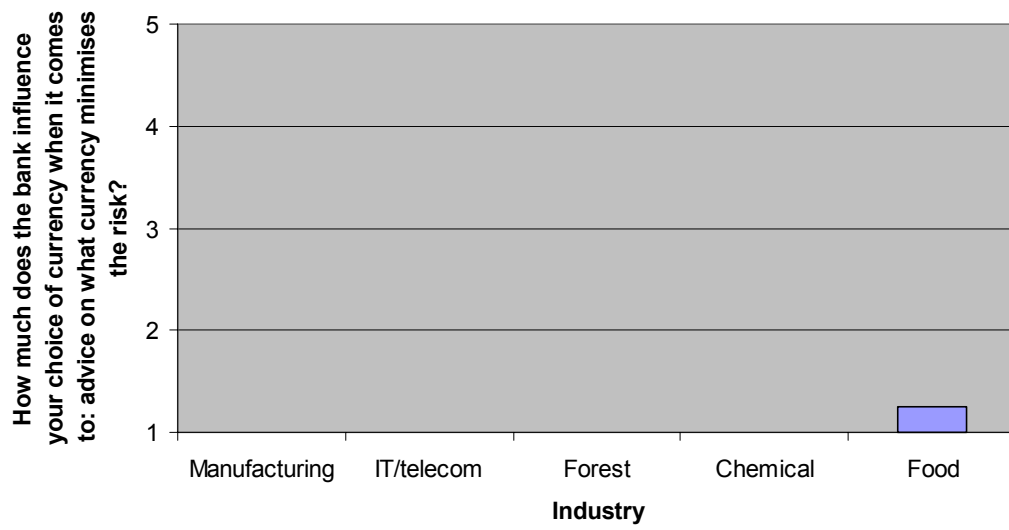
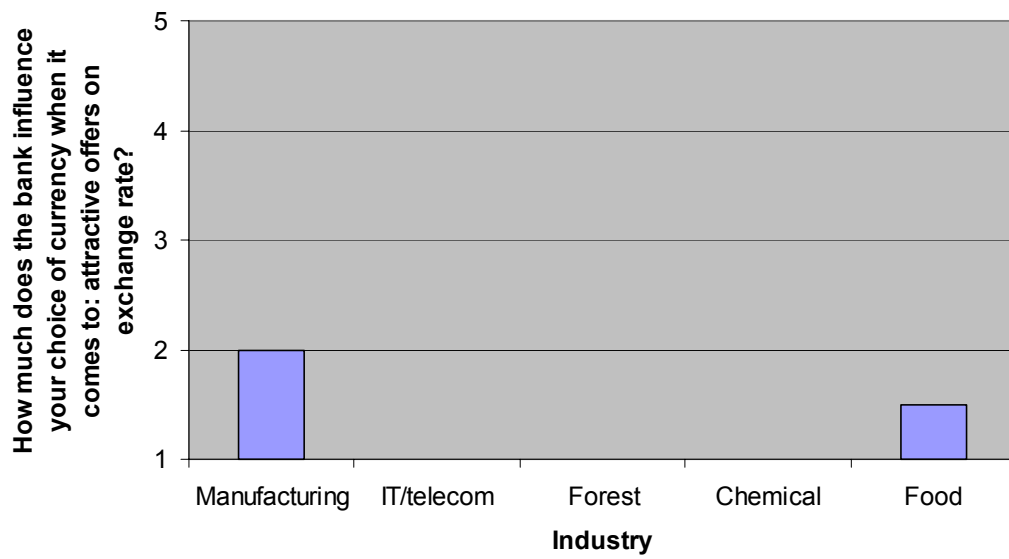
These diagrams have been created from the closed external and internal questions in the questionnaire. The most important part for us was to examine if the different industries were influenced, this to strengthen our theories and factors. In the questionnaire a scale of five has been used which are shown in the diagrams below.

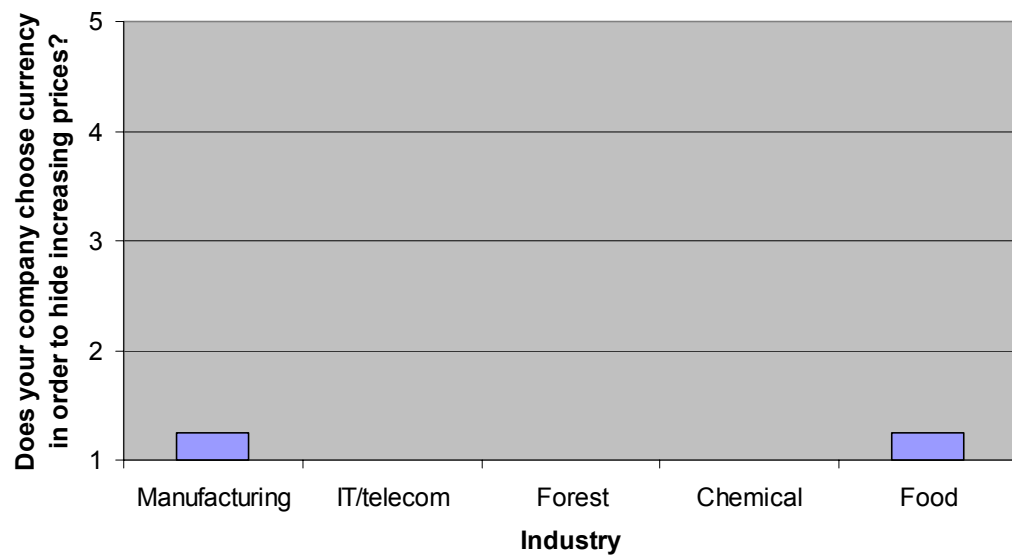
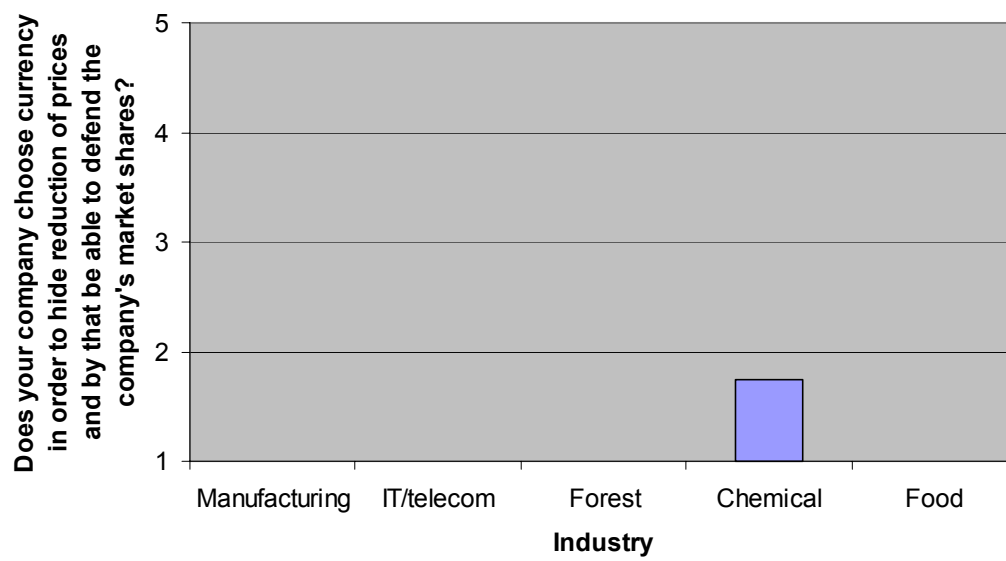
1= Not affected by the theory or factor.

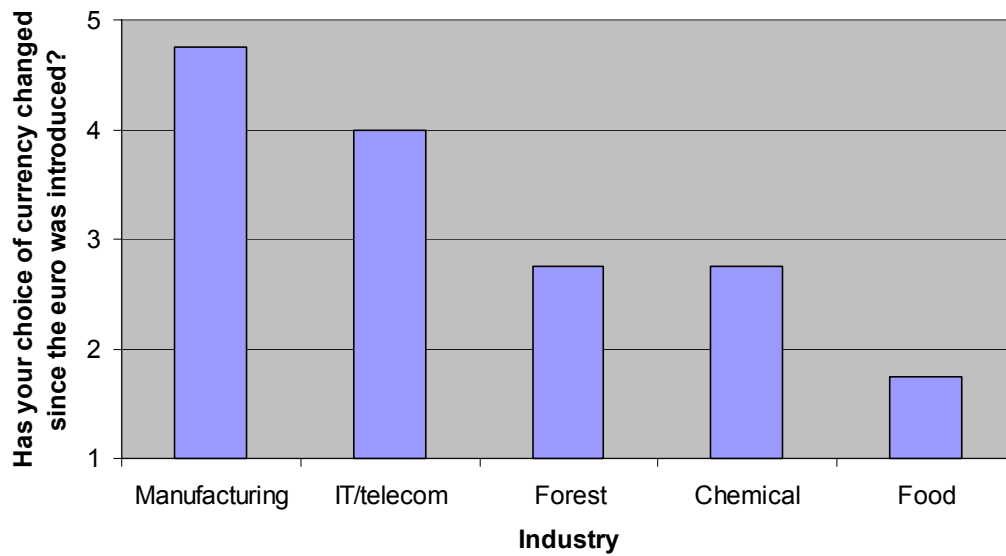
5= Very much affected by the theory or factor.

Question 3.

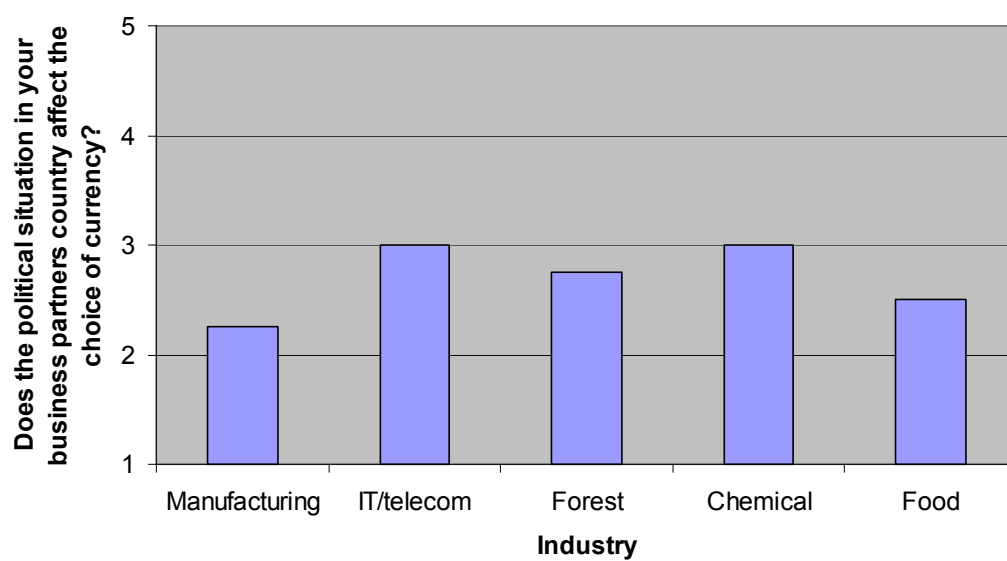


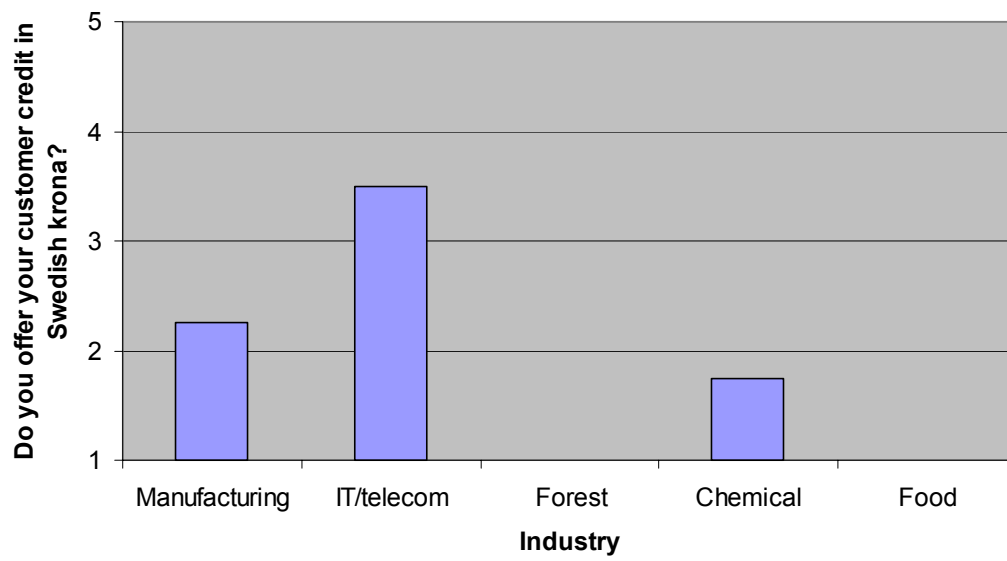
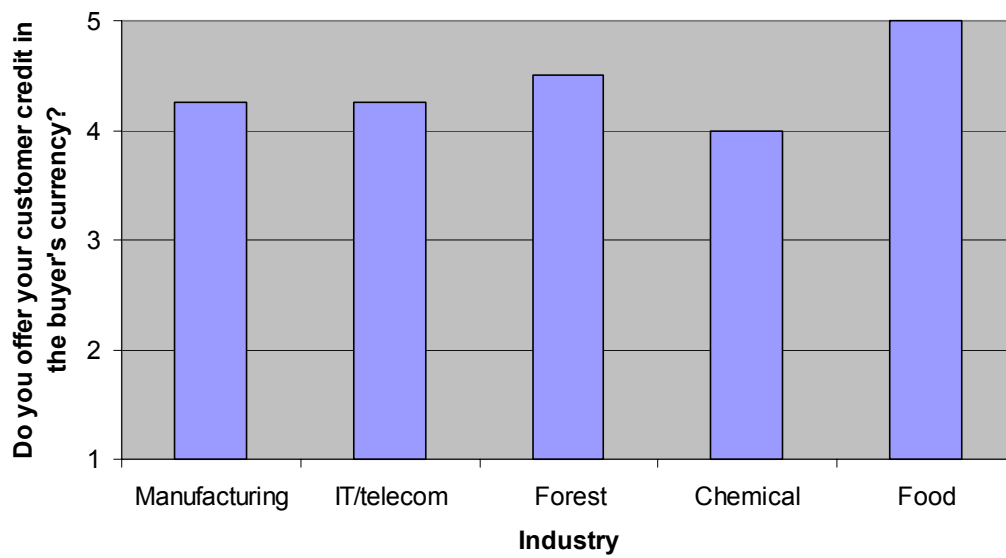
Question 4a.**Question 4b.**

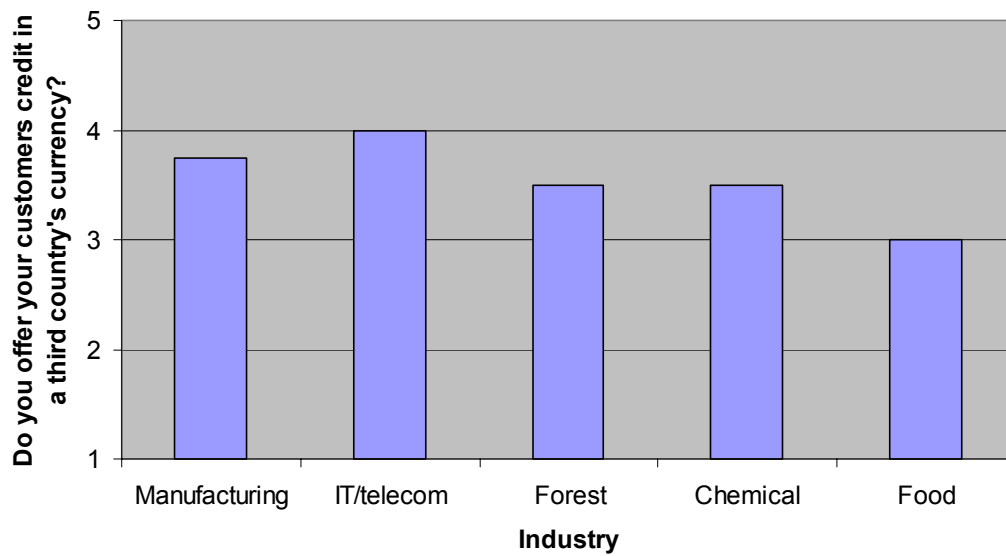
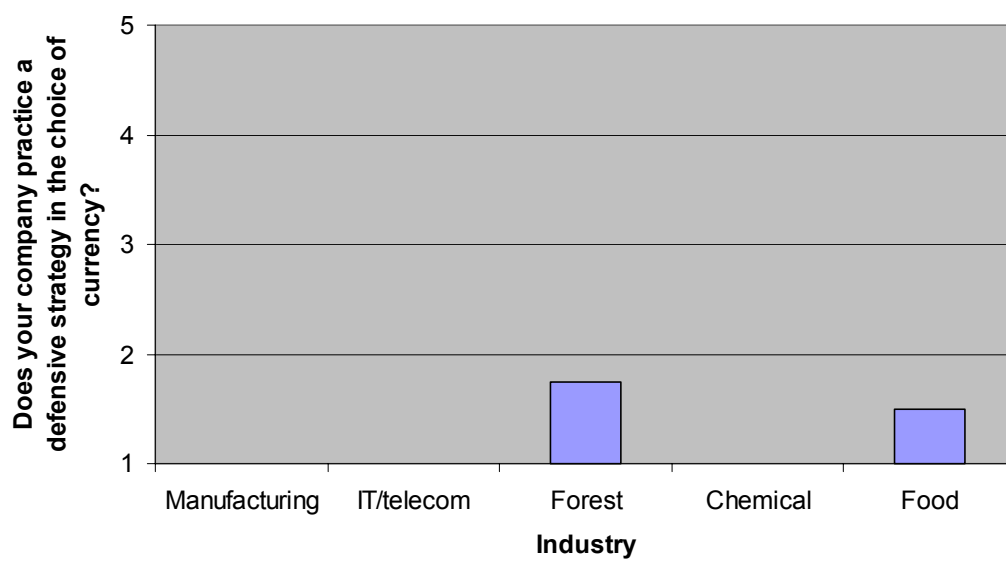
Question 5.**Question 6.**

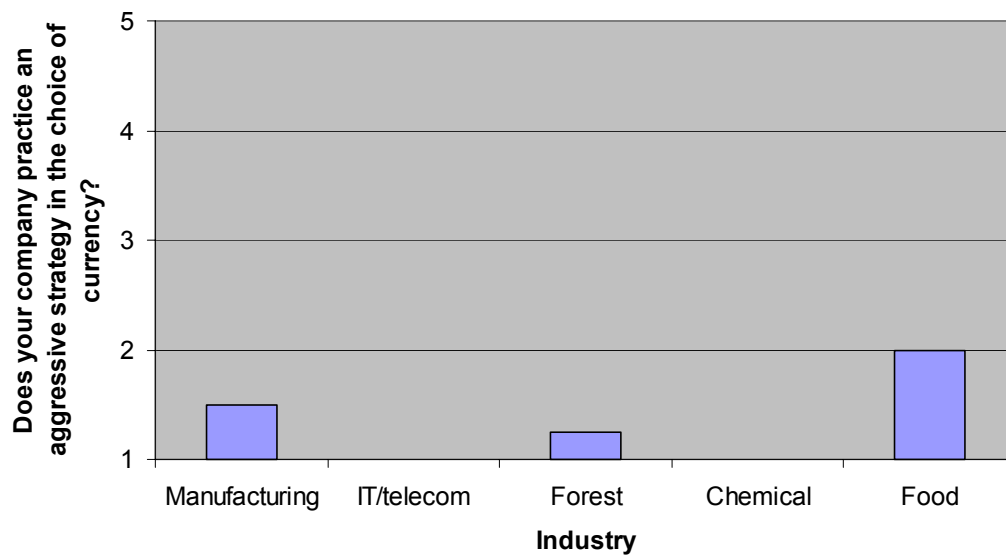
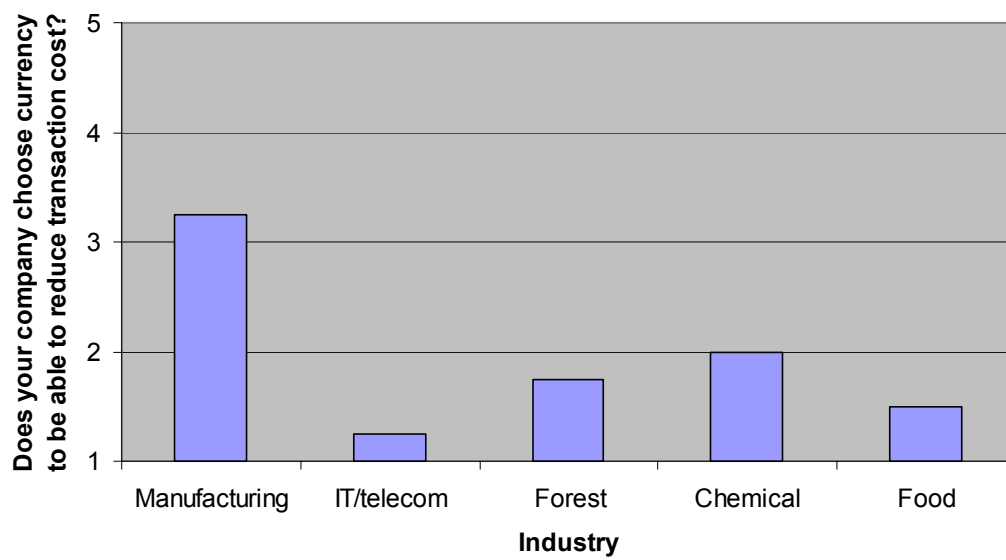
Question 7.**Question 8.**

This diagram can be found in the chapter about the analysis (Figure 6.1).

Question 9.

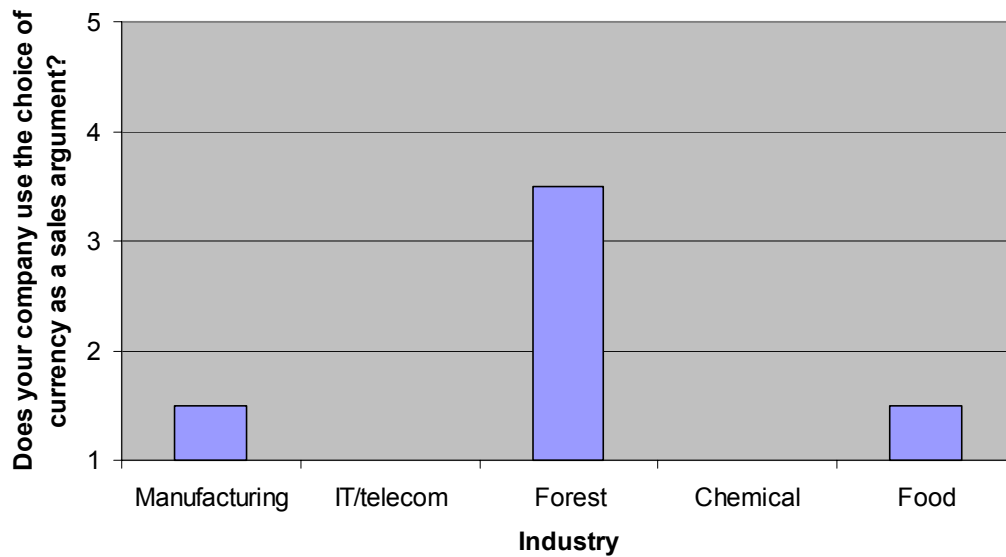
Question 11a.**Question 11b.**

Question 11c.**Question 12.**

Question 13.**Question 14.**

Question 15.

This diagram can be found in the chapter about the analysis (Figure 6.2).

Question 16.**Question 17.**