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COMPETITION AND INVESTOR ANALYSIS FOR A MOTOR SPORT PARK

PROJECT IN RUSSIA

Bachelor's Thesis 2014

ABSTRACT

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Competition and investor analysis for a motor sport park project in Russia

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This thesis gives an overview of the Russian market of racing circuits and focuses on identifying the possibilities for receiving financing from Russian investment companies for a motor sport park project proposed by KINNO.

The goal of this research was to provide the case company, KINNO, with an analysis of a possible competition of a proposed motor sport circuit as well as to evaluate the current investment preferences of Russian investment companies in order to assess the company's possibility of success in attracting financing in Russia.

The study was based on qualitative interviews conducted via phone calls to potential investors selected with the help of a five-dimensional frame. The responses to the interview questions were analyzed using a thematic analysis method.

Based on the responses obtained from investment companies, the main tendencies in Russian investment companies' preferences towards their investments were identified. The results of this research will serve as a sound basis for shaping an investment proposal by KINNO when it enters the Russian market. The study gives a picture of the elements of an investment proposal sought by Russian investment companies, including such factors as investment period, expected return, degree of involvement in management and business location.

TIIVISTELMÄ

KYMENLAAKSON AMMATTIKORKEAKOULU

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Kilpailu- ja sijoittaja-analyysi moottoriurheiluradan hankkeeseen Venäjällä

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Tämä opinnäytetyö antaa Venäjän formularatojen markkinan yleiskatsauksen ja pyrkii tunnistamaan mahdollisuudet saada rahoitusta Venäjän sijoitusyhtiöiltä KINNON ehdottamalle moottoriurheilun kilparadalle.

Tämän tutkimuksen tavoitteena oli antaa kohdeyritykselle, KINNOLLE, analyysin ehdotetun moottoriurheilun kilparadan mahdollisista kilpailijoista sekä arvioida venäläisten sijoitusyhtiöiden nykyisiä sijoitusmieltymyksiä voidakseen arvioida kohdeyrityksen menestymisen mahdollisuudet houkuttelemaan rahoitusta Venäjältä.

Tutkimus perustui kvalitatiivisiin tutkimuksiin eli puhelinhaastatteluihin, jotka pidettiin mahdollisten sijoitusyritysten keskuudessa. Nämä yritykset tunnistettiin viisiulotteisen puitteen kautta, jonka tarkoituksena on valita sopivimmat sijoittajat. Vastaukset haastattelun kysymyksiin analysoitiin temaattisen analyysin menetelmällä.

Sijoitusyhtiöiltä saatujen vastausten perusteella havaittiin venäläisten sijoitusyhtiöiden mieltymysten tärkeimmät suuntaukset kohti investointeja. Tämän tutkimuksen tulokset toimivat hyvänä pohjana KINNON investointiehdotuksen luotaessa Venäjän markkinalle siirryttäessä. Tutkimus antaa kuvan Venäjän sijoitusyhtiöiden haetuista investointiehdotuksen elementeistä kuten sijoitusaika, tuotto-odotus, osallisuuden aste, liiketoiminnan sijainti ja muut.

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1. INTRODUCTION

KINNO is a company that is currently engaged in the development of a motor sport park named KymiRing in cooperation with other organizations. The park will be built near Kouvola, Finland, by the year 2016.

This thesis study focuses on the possibility of constructing a facility similar to KymiRing in Russia, in particular near Saint Petersburg. Since the potential project will be managed by the same organization as the KymiRing project, the latter is going to be taken as the basis for determining the main characteristics, features, offerings and services of the planned motor sports center.

Therefore, for the purpose of understating the gist of a potential motor sport center project, it is necessary to describe the KymiRing project. KymiRing is planned to be an internationally recognized motor sport venue combined with an education facility and a logistics park. For the most part, KymiRing is designed to be a driving safety center; however, motor sport activities are planned to constitute around 20% of the venue's operations.

The zoning plan of the venue consists of the following elements: race circuit, innovation alley, university facility, toy barns/country club, paddock/driving school, karting zone, spectator zones, a zone for off-road motor sport activities and a geological preserve. (Apex et al. 2010)

Although it is easy to grasp the concept of a race circuit, certain additional services and facilities need to be explained in detail. The first of them, a driving school, is going to be established for the purpose of improving driver standards and road safety, thus offering benefits for the local community and the wider region. Another extra service, a Country Club, will provide sporting and hospitality services to the members and toy barn owners and consist of a number of facilities for motor racing, gun sports, cross country skiing, sauna, fine dining, etc. (Apex et al. 2010)

The center will also sell and lease toy barns, which are offered to provide exacting drivers with exclusive accommodation. Toy barns consist of two floors: the second floor is allotted for living premises while the ground floor will be used as a garage

for keeping sports cars. The university facility is represented by a satellite campus of Lappeenranta University of Technology and will serve as a classroom and laboratory space for the engineering department. (Apex et al. 2010)

Innovation Alley is another facility that is going to be embedded into the KymiRing center. It is going to serve as premises for “hi-tech and light industrial start-up companies, particularly those with connections to the motoring and motor sports industries”. (Apex et al. 2010)

1.1. Evaluation of the market

Russia has never been famous for its affection to motor sports, with Vitaly Petrov being the only Russian racing driver who has competed in Formula One World Championship. However, this sport has been gaining more and more popularity among Russians in the recent years. For instance, The Moscow City Racing event has been held since 2008, and is today one of the most wide-scale world motorsport shows. From year to year, more Formula 1, WRC, Dakar Rally, 24 Hours of Le Mans and DTM teams are participating in it. Spectators’ interest has also been rising, with 300,000 people visiting the event during 2 days in 2012. (RT 2011)

It is also notable that one of the Russian racing teams, Marrusia F1, is owned by and uses the cars manufactured by a Russian sports car manufacturer Marussia Motors. Marrusia Motors is the first company in Russia to design, develop and produce premium-class vehicles. The company has big plans regarding its products and intends to promote them to the European and Asian markets. (Marussia Motors 2013)

However, the rising popularity of motor sports does not mean that they have been made available to everyone. Decent facilities that would make training accessible to the general public are yet to be set up. With only a few racing centers in place, Russia remains a highly potential market for a motor sports center project.

1.1.1. Benchmarking

Since motor sports are becoming more popular in Russia, the industry is trying to meet this need by building modern motor sports centers. Modern circuits have

already been constructed in Nizhny Novgorod, Smolensk, Krasnoyarsk, Samara, Saint Petersburg and Moscow. At the same time, a circuit for Formula 1 races in Sochi is under construction, and more motor sports centers are planned to be built in Obninsk, Novosibirsk and Primorsky Krai. (Sergushkin 2012)

For the purpose of this research, some of the circuits that are already operating will be analyzed in detail in order to determine the state of the current competition and compare that to the offering of the KymiRing project. The analysis will be based on such factors as the category of the circuit, types of races that can be held there, length of the circuit and additional tracks as well as auxiliary services.

Nizhny Novgorod Ring

One of the largest motor sports centers in Russia was built in the city of Nizhny Novgorod in 2010. Being the first professional racing circuit in Russia, this center was a unique project for the country and put in a place a complex circuit suitable for all types of ring races, motor races, drag racing and karting. The circuit named The Nizhny Novgorod Ring was built in accordance with the standards set by the Fédération Internationale de l'Automobile (FIA), and is therefore fit for all types of international competitions except for Formula 1. (Nring 2013)

The circuit itself is 3,222 meters long and has 7 different configurations, including a lane for drag racing (805 meters), an oval (617 meters) and a motor sport configuration (2,670 meters). It can also be divided into a training zone (1,836 meters) and a karting zone (1,379 meters). (Nring 2013)

Apart from the circuit and the whole range of required racing equipment, the center has a parking zone and a covered stand allowing the spectators to observe the most interesting sections of the track. Along with holding various competitions, the center conducts test drives of cars designed by leading car manufacturers, such as VW, Jaguar, Toyota, Audi and Volvo, and offers driving courses held by professional racing drivers. (Nring 2013)

In 2012, the controlling company of the Nizhny Novgorod ring started the second phase of construction, during which covered parking lots, stands, garages for participants and office premises will be built.

Samara Ring

Another world-class racing complex named Samara Ring was designed by Hermann Tilke and is planned to be constructed in the city of Samara by 2015. The area of 1.5 km³ will comprise a 6,050 meters long highway-ring circuit and a stand for 20,000 spectators. The Samara Ring circuit is designed to become the most high-speed track in Russia with a possible speed of 300 km/h or more in certain zones. (Sergushkin 2012)

The main circuit can host racing events of WTCC, GT series, GT1, DTM and Moto GP levels as well as drift and drag racing competitions. The center will also feature a karting track, a rally cross track as well as zones for FMX (motofreestyle), motocross, speedway, synchronous motor racing, snowmobiles and other disciplines. In addition, the premises will include a 1,609 meters long racetrack and a training track for improving driving skills (including off-road). The complex will also house an exhibition and congress center, an office complex, a hotel, campsites, a helipad, etc. (Sergushkin 2012)

The complex will offer the following additional services: conducting tests and training sessions of Russian and foreign sports teams, testing of sports cars, holding classes for teenage sports clubs, classes on defensive driving for security services, classes for pilot schools in different types of auto- and motorsports, as well as courses for the improvement of driving skills. In addition, Samara Ring is suitable for conducting large-scale entertainment events (concerts, festivals, automobile, motorcycle and air shows) and organization of showrooms, trade fairs and exhibitions of different thematic focus. (Sergushkin 2012)

The founders of the Samara Ring have attracted AvtoVAZ, a Russian car manufacturer, to build a karting track. They are also planning to sign an agreement with the Samara region's administration, under which the administration will assist the company to build internal roads and infrastructure, in particular to ensure the supply of water, electricity and gas. (Sergushkin 2012)

Moscow Raceway

The circuit of Moscow Raceway was categorized as FIA 1T and FIM B by FIA, which allows it to host racing competition of almost every level, from national series to the World Championships in auto and motorcycle racing and Formula 1 test races. (Moscow Raceway 2013)

The length of the circuit in a maximum configuration is 4,070 meters. The list of supplementary services offered by the Moscow Raceway includes opportunities to hold various entertaining and business events, organization of auto and motorsport academies, extreme driving courses, show programs and exhibitions. (Moscow Raceway 2013)

Infrastructure includes a pit-building with 30 spacious garages, racing control complex, high-tech conference center, state-of-the-art paddock, press center, as well as such facilities as convenient pedestrian areas, shopping areas and ample parking. The venue is equipped with stands, which can fit up to 100,000 spectators. (Moscow Raceway 2013)

1.1.2. Brief comparison

Table 1. Benchmarking of KymiRing with Russian motor sport circuits

	KymiRing	Nizhny Novgorod Ring	Samara Ring	Moscow Raceway
Types of races	DTM, WTCC, MotoGP, CIK	All types except for Formula 1	WTCC, GT series, GT1, DTM and Moto GP	Up to Formula 1
Main circuit	4,667 m	2,670 m	6,050	4,070
Carting track	1,200 m	1,379 m	Yes	N/A
Driving school	Yes	Yes	Yes	Yes
Stands	120,000	N/A	20,000	100,000
Accommodation	Country Club, Toy	Not in the premises	Hotel, campsite	No

	Barns			
Conference center	No	N/A	Yes	Yes
Driving school	Yes	Yes	N/A	Offered by different car manufacturers
Investors, sponsors, partners	The city of Kouvola	Continental, RT, Country House Hotels, Volna Hotel, Akademia, World Class fitness clubs.	AvtoVAZ, Samara region administration	Development Capital Bank

As can be seen from Table 1, KymiRing in its proposed configuration will, in general, meet or exceed the standards set by other motorsport centers in Russia. Both Nizhny Novgorod Ring and Samara Ring can hold the same types of motorsport and racing events as KymiRing, the only exception being the Moscow Raceway, which in addition can hold Formula 1 championships.

In terms of circuit length KymiRing is inferior only to Samara Ring while outperforming two other main competitors. KymiRing will also outstrip its rivals with respect to seats available for spectators.

As for accommodation offered to drivers and spectators, KymiRing will be definitely the best alternative in the Russian market since other motor sport circuits either offer accommodation away from the premises or simply cooperate with hotels and offer their services on the website. The only racing center, which offers accommodation on its premises, is Samara Ring, but the proposed hotel and campsite will only be completed in 2015.

There is no data on the offering of a driving school by Samara Ring, but the two other circuits meet the criteria set by KymiRing and offer driving school services on

their premises, although Moscow Raceway only serves as a location for driving schools offered by car manufacturers, such as Mercedes.

1.1.3. Conclusion

The fact that Russia is gradually becoming home to large motor sport and racing centers does not necessarily mean that the competition of the KymiRing project in Russia is growing, but rather that there are opportunities for building such facilities in the Russian market and that there are investors willing to invest in such projects.

At the same time, it can be concluded that, as of this moment, KymiRing will be able to occupy a strong position in the Russian market and meet or exceed the standards set by its current competition.

1.2. Research Problem

The problem that serves as a rationale for this study is the company's lack of knowledge about the Russian market, about the forces, possible competition, government regulations, trends in investing as well as potential customers. Therefore, it is of utmost importance for the company to collect this information prior to entering the Russian market. This study will also provide arguments on feasibility and financial reasonableness of carrying out this type of a project in the given market.

The first part of this thesis will give the organizers an overview of the market situation and the environment that exists in the Russian market at the moment in relation to the construction of a motor sport facility.

The second part of the research, which will be concerned with the collection of investor reactions, is likely to aid the company in the decision-making process regarding the factors that should be emphasized when presenting the project to different groups of potential investors. Furthermore, the organizers will get an idea of the degree to which Russia-based investors are willing to be involved in the project and find out the constraints they anticipate in connection to investing in a Motor Sport Destination similar to KymiRing.

1.3. Research Objective

The main research objective of this study is to *determine the probable success of undertaking a Motor Sport Park project in Russia*. For the purpose of fulfilling the main objective, it is also necessary to determine sub-objectives, which will support the main one. The list of sub-objectives includes:

Identifying the current competition.

Identifying potential investors and collect investor reactions.

These objectives were determined based on the company's intention to enter the Russian market and its need for information about the current market situation necessary for being able to assess its opportunities in the Russian market and make decisions regarding the reasonableness of its plans.

The societal benefits that can be derived from this study consist of the regional development stemming from the construction of a motor sport park. This consists of additional work places, development of sport tourism, higher attraction rate of the region, infrastructural development, etc.

1.4. Research/Development Question

The main research question of this thesis study is the following:

What is the market environment for building a Motor Sport Park in Russia at the moment?

The research will also aim to answer the following sub-questions:

What competitors exist in the market today?

What is the attitude of Russian institutional investors towards investment opportunities created by the construction of a Motor Sport Park?

1.5. R&D Methodology

This research is going to be two-fold. First, I explore the current market situation using online sources, including statistical data and web publications, and by

contacting companies or experts who might have important knowledge about the subject. This method will be suitable to answer the main research question since it will provide a description of the Russian market today and help to determine existing competition.

During the second stage, qualitative research methods will be used to answer the second research sub-question. This methodology was chosen due to the fact that with institutional investors, it is necessary to understand that their number is limited and it is highly probable that only a few of them will agree to be interviewed. Therefore, the opinion of each company representative will be important and will have to be taken into account when weighting the appeal of the project to Russian institutional investors and determining the factors that matter the most to them. Considering that this project will require huge commitments from this group of investors, a careful investigation of their points of view has to be carried out.

2. INVESTOR RELATIONSHIP MARKETING

The National Investor Relations Institute (1998:1) defines investor relations as a “[...] strategic, executive function of corporate management [...] to provide present and potential investors with an accurate portrayal of the company’s performance and prospects”. It also argues that the aim of investor relations is to contribute to the fair valuation of a company's securities.

Marketing in the context of investor relations does not mean “selling” a company’s securities to investors, but rather represents a process of identifying target audiences among institutional, individual and employee investors and analysts and providing them with continuously updated, complete and transparent historical data and prospective information about the securities in order to enable them to make informed investment decisions. (National Investor Relations Institute 2004: 5)

According to Schefczyk (2000), the sequence of investor relationship marketing for start-ups consists of the following stages:

1. Finding investors
2. Contacting investors
3. Presentations
4. Discussions
5. Due diligence
6. Negotiating the deal

Subsequent chapters will attempt to describe every stage of this process in detail in order to apply the findings of this study to the case company.

2.1. Objectives

Similar to conventional marketing strategies, investor relationship marketing should be planned and executed to serve particular objectives, which are consistent with the company’s corporate objectives and are likely to facilitate their attainment.

Marketing objectives are generally divided into economic and psychographic objectives: the former are closely related to corporate goals, such as profitability, turnover, market position, etc., while the latter are focused on mental processes of the target group, for instance buyers or, in this case, investors. (Meffert 2000: 75-78)

It is therefore necessary to determine the list of objectives, which can be pursued when marketing this investment opportunity to potential investors. During this process it is vital to take into account the interests of investors, which from the economic perspective include an increase in the value of the venture and growth of invested capital rather than sales or marginal returns. With regards to psychographic objectives, name reputation and reputation as well as the enforcement of the intention to invest can be highlighted. (Timmons and Spinelli 1990: 430-431)

2.2. Target audiences

Meffert (2000) argues that it is more beneficial for both parties to give sophisticated treatment to potential investors rather than engage into relations with multiple possible financiers at a time. Therefore, the selection of potential investors has to be done more carefully in order to identify the most promising candidates. Before that, it is necessary to determine the criteria that can be applied in the selection process.

Muzyka and Birley (1997: 80) suggest that target investors can be chosen based on the following five commonly used investment preference dimensions: industry, region, stage of the venture, technology and amount of capital to be invested. According to the research conducted by the European Private Equity & Venture Capital Association (2001: 7), the list of typical industries for investment into new ventures includes: computer software, Internet technology, telecommunications, computer hardware industrial products and services and industrial automation.

With regards to the regional classification, there are two main alternatives: either a company can engage in relations with investors which are situated in the immediate proximity of the venture or concentrate its efforts on investors with an investment focus on that region. (Muzyka and Birley 1997: 80)

According to Shane (2008: 20-21), investment in a venture can occur at different phases of the development process, which can be divided into four distinct stages. Figure 1 demonstrates these four stages and explains their characteristic features.

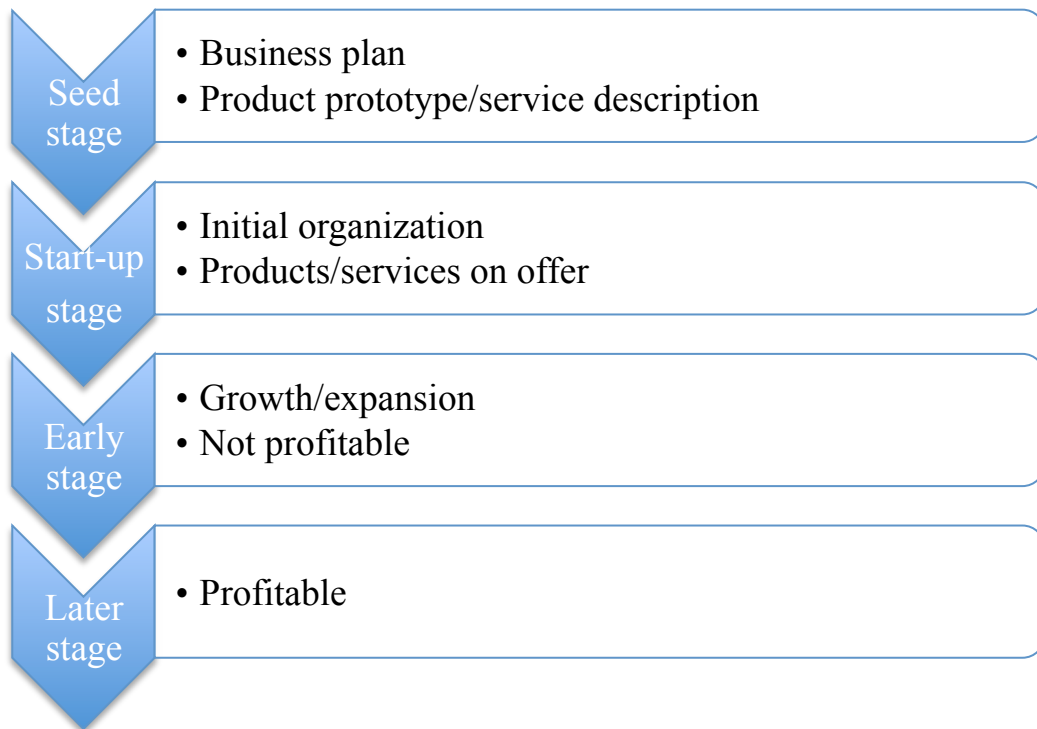


Figure 1. Stages of company development (Based on Shane 2008: 20-21)

The process begins with a seed stage, where a company has developed its business plan and prototypes of its products or services. It is followed by a start-up stage, at which the company has already obtained or manufactured its products or has started to offer its services. It has an initial organization, but has not generated any revenues. Early stage is characterized by a company's growth and expansion, but at this stage the venture is not yet profitable. Finally, late stage investing occurs when the company is already profitable. (Shane 2008: 20-21)

The technology implemented by the venture is equally important. For instance, a retail industry venture can use traditional channels of distribution, i.e. physical outlets, or employ more innovative technologies, such as TV or the Internet to explore new distribution channels, which are likely to have affect on its eligibility for investment. The last dimension of the investor selection process is the amount of capital to be invested, which can also significantly limit the number of potential candidates. (Timmons 1999: 475)

All things considered, the position of investors in the five-dimensional frame described above will determine their suitability to be targeted as the most potential investors for a particular investment project.

2.3. Decision variables for the investor relationship marketing mix

The investor relationship marketing mix consists of strategic as well as operational elements, and the decisions regarding this mix can be divided into the following groups: product-related, price-related, distribution-related and communication-related. (Meffert 2000: 109) It is necessary to understand these decision variables in order to design a successful presentation for investors that will be appealing to them from different perspectives.

2.3.1. Product-related decision variables

Product-related decisions refer to all of the decisions related to the market-oriented design of products and services the company offers to its customers (Meffert 2000: 327). In this context, the service can be considered as an investment opportunity since it embodies a number of features, which are crucial for making an investment decision (Timmons 1999: 419).

When considering investing into a start-up project, the majority of investors pay attention to the management team, in particular its members' qualifications to perform the tasks they are responsible for and the ability to work together as a team. Other important factors influencing investors' decisions include the following (Brettel, et al. 2000: 53):

1. Knowledge;
2. Competence;
3. Integration of knowledge from different areas;
4. Desire for freedom and independence;
5. Commitment.

In this context, such factors as knowledge, competence and integration of knowledge from different areas can be summarized as "human capital" while the

desire for freedom and independence and commitment can be classified as “entrepreneurship”. (Brettel, et al. 2000: 53)

These factors determine whether the management team will be able to manage the venture successfully in the future, and the indicators of their competence lie in the venture’s performance and accomplishments to date. Other variables important for investors include (Timmons 1999: 419):

1. Investor’s perceived risk.
2. Industry and technology.
3. Venture upside potential and anticipated exit timing.
4. Venture anticipated growth rate.
5. Venture age and stage of development.
6. Investor’s required rate of return.

By looking at these factors, it can be concluded that an innovative business idea is not included in the list of the most important variables influencing investors’ decisions. Rather than that, the two commonly used factors for describing and comparing investment opportunities are the risk and expected return (Copeland et al. 2000: 214-215).

The risk perceived by potential investors consists of a number of components, the most significant of which are managerial risk, financial risk and commercial risk. The managerial risk embraces risks related to the ability of the management team to deliver (Richards 1997). To eliminate those, venture founders must be able to demonstrate the fact that the team members possess complementary skills and have experience in the aspects of business they are responsible for. As well as that, it is crucial to show their eagerness and determination to succeed. (Brettel, et al. 2000: 53)

The commercial risk refers to the risk faced by entrepreneurs themselves related to the potential of an enterprise and includes operational risks, such as legal cases, property damage and diseases of founders or management team members. Finally, the financial risk is related to the amount and conditions of the investment. (Richards 1997)

All things considered, a positive investment decision can be triggered by the personal characteristics of entrepreneurs and their respective qualifications as well as by the prospects and market opportunities of the venture.

2.3.2. Price-related decision variables

Another group of decision variables is related to the price of the investment. The price in this sense is the amount of financial recompensation realized by an investor in exchange for their commitment. (Meffert 2000: 603) This factor correlates with the product-decision variables mentioned earlier since it also covers the expected return.

2.3.3. Distribution-related decision variables

Distribution within the scope of investor relationship marketing describes the process starting with finding potential investors and ending with concluding an investment agreement. Therefore, it is concerned with determining the best way of approaching potential investors and presenting the venture as an investment opportunity. Therefore, it is vital for the company to know where potential investors generate their deal flow. (Meffert 2000: 603)

2.3.4. Communication-related decision variables

Communication-related decisions represent the measures of delivering information about the advantages of a product to encourage the addressees to buy (Kotler & Bliemel 2001: 152). In this context, investor relationship marketing can be regarded as a kind of procurement marketing, which has an aim of influencing investors' decisions.

Meffert (2000: 685) highlights the following questions relevant for the process of communicating with potential investors: who is communicating what, under which circumstances and through which channels, to whom, using which mechanisms and with an aim of achieving which results. If this concept is applied to the process of finding investors, it stems that the investor relationship management team should communicate the factors, which are likely to lead to a positive investment decision, in an existing market situation and using appropriate channels to potential investors

by implementing suitable mechanisms, such as presentations or business plans, with the final aim of being financed.

Since the investment decisions of institutions, companies and individuals are based on whether the venture and its management team possess the characteristics important for them, the objective of investor relationship marketing is to design a communication policy that would appeal to the target potential investors and is likely to positively influence their decisions. (Gummesson 1997: 235)

Due to the fact that investors' preferences are continuously changing and vary between different investors, it is vital for the venture founders to be able to track these changes and differences related to the amount of the invested capital, the preferred stage of the venture development to make an investment as well as investors' desired rate of return and address investors' needs by communicating the identified variables of utmost importance for making investment decisions. (Timmons 1999: 420)

Therefore, this study will aim to identify the variables that will be later on embedded into the communication policy in order to be able to address the preferences of different institutional investors for the purpose of inciting a positive investment decision.

For the purpose of obtaining an idea about the common abilities of the management team and other factors related to the venture, it is useful to take into account the list earlier compiled by Muzyka and Birley (1997). The top ten variables are presented below while the full list can be found in Appendix 1:

1. Leadership potential of lead entrepreneur
2. Leadership potential of management team
3. Recognized industry expertise in management team
4. Track record of lead entrepreneur
5. Track record of management team
6. Sustained share position
7. Marketing/sales capabilities of team
8. Organizational/administrative capabilities of team

9. Ability to get the cash out of the investment
10. Degree of product market understanding

The listed variables are important for this study because they will serve as a basis for compiling interview questions for institutional investors as well as will serve as a checklist for the creation of the presentation for investors.

2.4. Contacting potential investors

Despite the fact that the majority of investors prefer the ventures to be introduced by someone they already know well, start-ups can also succeed in attracting capital if an investment company or fund is contacted directly. (Timmons 1999: 139)

Timmons & Spinelli (1990: 431) argue that when potential investors are contacted for the first time, it is essential that they are provided with such pieces of information as the description of the venture, its products and services, background of the management members as well as estimated performance in the next couple of years together with the amount of capital sought.

After the initial contact has been made, it is possible to compile a short list of potential investors who have shown the most interest in the project. The members of this list are being further provided with the details on the project for them to be able to assess its feasibility in order to confirm their interest. After the confirmation, a management presentation can be arranged. (Timmons & Spinelli, 1990: 431)

2.5. Information dissemination

One of the functions of investor relations management is the dissemination of information to investors, analysts and the general public. Considerations with regards to the most appropriate ways of disseminating information are an inherent part of successful communication with investors at all stages of relationship development.

Since this process is bound to have influence on the company's position in the market and in the eyes of the investors, there are many issues to consider prior to the commencement of dissemination. However, due to the fact that each company has a

different position within the market and the industry, there is no correct way to disseminate the information. Nevertheless, it is advisable to follow the general guidelines regarding the dissemination of information. (National Investor Relations Institute 2004: 30)

First of all, it is necessary to release information in a way that is designed to reach the widest audience possible. Due to this fact, companies are advised to use various means of reaching potential investors and the public. The list of the most popular ways of disseminating information includes the Internet, Conference Calls and One-on-one meetings. (National Investor Relations Institute 2004: 30)

National Investor Relations Institute (2004: 30-31) argues that the Internet has become a primary means for disseminating information about a company. However, companies should take into account the fact that the Internet is still not accessible to everyone; therefore, they should continue using more traditional sources.

Conference calls represent the second most popular way of disseminating corporate information. In this case, it is necessary for the company to give a several days' notice about an upcoming conference to all interested parties. It is also advisable to provide the target audiences with information materials on the topic prior to the conference call so that they can review the information and are better prepared to pose questions during the call. (National Investor Relations Institute 2004: 31-32)

One-on-one or group meetings are suitable ways of disseminating information when the aim of the process is to give detailed information and answer investors' and analysts' requests for discussion. One-on-one meetings are considered an effective way of building goodwill and making the company more approachable in the eyes of the investment community. (National Investor Relations Institute 2004: 32-33)

2.6. Investor presentation

The presentation for investors is usually prepared and given by the lead entrepreneur together with a maximum of three management members since the investors are not only interested in receiving detailed information about the venture, but they also

expect to meet key individuals behind it, which is likely to strengthen investors' trust in team members' competence. (Timmons & Spinelli, 1990: 432-434)

It is customary to give group presentations to multiple individual investors given their numerical prevalence over institutional investors. However, it is preferable to hold one-to-one meetings for the latter since they can potentially provide a large proportion of the capital sought. (Bragg 2011: 323)

The presentation should be brief and to the point. Ideally, it should last no more than 15 minutes while presentation materials should contain a maximum of 30 slides. The following points should be covered during investor presentation (Bragg 2011: 323):

1. Brief statement about venture's competitive advantages and primary strengths as well as the core concept that makes this venture a good investment.
2. Venture's strategy.
3. Products and services, distribution system, size of the market, advantages of the given market.
4. Possible barriers to market entry.
5. Company's financial structure.

2.7. Due diligence

In case the presentation positively influences the investor's decision to pursue the opportunity further, potential investors will conduct due diligence, which can be defined as a thorough examination and evaluation of the company. The purpose of such analysis is to define the opportunities and risks inherent in the investment proposal. (Vancas 2009: 9)

At this stage, not only the investor attempts to verify the background of key people, development projections and technical specifications of products and services, but also the start-up management decides whether a particular investor suits the overall strategy of the venture by looking at the investor's track record of past investments, success rate and the ability to add value to the portfolio companies. (Timmons 1999: 448)

Completion of the due diligence process can take several months, but it can be hastened by establishing trust-based relations with potential investors. The latter are bound to make their decisions faster if they are familiar with the management of the venture (Timmons 1999: 448): this way they can evaluate the factors they consider most relevant, such as leadership potential of a lead entrepreneur and management team, industry experience of a management team and their track record, as can be seen from Appendix 1. (Muzyka and Birley, 1997).

The process can also be sped up by providing investors with references from former employers or business partners of the management team members and other documents, including “published articles, reports, studies, market research or contracts and purchase orders”. (Timmons 1999: 448)

Due to the fact that a due diligence process has a two-way nature, the investees can at this point check for signs that are likely to have a negative impact on either the investment or the post-investment engagement of potential investors. The management of the venture should avoid choosing investors who already at this stage do not pay a significant attention to the venture. The signs for this can be expressed when the proposition is passed to a junior associate or being simultaneously engaged in many start-up projects, which draws the attention away from the venture in question. At the same time, the investees should avoid engaging in dealings with investors who believe that they can run the venture better than the management team. (Timmons 1999: 447)

After the preliminary investigation is completed, the investors will examine yet another set of factors they consider relevant in order to determine whether a start-up is a promising investment proposal. These could include the amount of capital sought, the division of invested capital between different expenses, an estimated level of uncertainty, sales projections and market potential, which are in turn compared to variable and fixed-cost requirements. At the same time, the investors will attempt to analyze the risks inherent in the venture and evaluate the ability of the management team to delivery promised results. (Richards 1997: 93-95)

After a due diligence process is completed, potential investors who deem the venture to have a potential and satisfy their requirements will determine on which conditions

they will be willing to engage in the project and proceed to the next stage of negotiating a contract. (Timmons 1999: 435)

3. RESEARCH OF POTENTIAL INVESTORS

In order to answer one of the research questions of this study, namely “*What is the attitude of Russian institutional investors towards investment opportunities created by the construction of a Motor Sport Park?*”, it is necessary to contact potential investors for the purpose of collecting their reactions.

3.1. Selection of potential institutional investors

Within the framework of this study, a five-dimensional frame consisting of industry, region, stage of the venture, technology and amount of capital to be invested suggested by Muzyka and Birley (1997: 80) is going to be used for the purpose of identifying potential investors.

However, there are limitations to this model in the context of this study since there is no information about potential investors’ preferences as to the stage of the venture they would consider appropriate for financing it or the technology they would expect the venture to implement. One more limitation is the absence of information on whether companies located outside of the Saint Petersburg region have investment focus in the Saint Petersburg area. Therefore, this information will have to be collected during the interviews. Moreover, the assumption used in this research is that bigger companies have more funds at their disposal, therefore they would be more eager to invest substantial amount of capital.

As a result, this study will be principally aimed at identifying potential institutional investors, which operate in related industries, are located within the borders or in proximity to the Saint Petersburg region as well as in other regions (to find out if they have investment focus on the region) and have a high or medium turnover.

The example of the Samara ring suggests that car manufacturers may be involved in such projects. Not only can they finance the venture, but they may also have knowledge and skills needed for building circuits. Therefore, they can act as investors and as important sources of expertise required for this project.

Table 2 below contains a list of large car manufacturers located in Russia both in Saint Petersburg and in other regions.

Table 2. The list of potential institutional investors

1	Hyundai Motor Manufacturing Rus	Office in Moscow, Manufacturing facility in Saint Petersburg
2	Toyota Motor (responsible for distribution)	Office in Moscow
3	Toyota Motor Manufacturing Russia (responsible for manufacturing)	Office and Manufacturing facility in Saint Petersburg
4	Nissan Manufacturing Rus	Office in Moscow, Manufacturing facility in Saint Petersburg
5	General Motors Auto	Shushary, Saint Petersburg and Moscow
6	Volkswagen Group	Kaluga, Nizhny Novgorod
7	Mitsubishi Motors Corporation Russia	Office in Moscow
8	Ford	Office in Khimki
9	Opel	Office in Moscow (part of General motors)
10	Chevrolet	Office in Moscow (part of General motors)
11	BMW	Office in Moscow
12	Mercedes	Office in Moscow

3.2. Contacting potential investors

3.2.1. Automotive companies

At the beginning of the study, it was decided that the best way to meet potential investors is to visit an expo where all major automotive companies would be represented. The management of KymiRing decided that the most suitable alternative for such purpose would be Saint-Petersburg International Automotive Forum, which was going to be held on 24-27th of October, 2013.

In order to present the project to the representatives of the companies in question and agree on the time of presentations, it was decided to make initial contact with them in advance. The first step undertaken was making cold calls to identified potential investors and finding out contact information of the employees who will represent the company at Saint-Petersburg International Automotive Forum. These cold calls were made in accordance with the following introductory speech:

Good morning/afternoon/evening,

I represent a Finnish company KINNO, which at the moment is engaged in the development of a Motorsport center in St. Petersburg. We would like to present this project to a representative of your company who will attend the St. Petersburg International Automotive Forum in Lenexpo. Could you tell me how I could reach the forum participants from your company?

At this point, I experienced the first problem stemming from the fact that not all the companies picked up the phone even though phone numbers had been taken from their official websites. At the same time, companies that did pick up their phones were reluctant to give phone numbers of the employees in question, but rather suggested sending a fax or an e-mail to the information desk so that afterwards the letter could be passed to forum participants.

After receiving such instructions, I composed a letter that later on was sent to the identified potential institutional investors via fax or e-mail in the html-format. The letter can be found in Appendix 2 and its respective translation is shown in Appendix 3.

Unfortunately, the letters did not receive any response from the companies in question. At this point, the first problem of raising financing in the Russian market was identified: because of the hierarchy in Russian enterprises, it is virtually impossible to reach the right people responsible for investment proposal evaluation. Such situation may have stemmed from either the lack of connections or the unattractiveness of the offer, but the true causes cannot be established at this moment.

Although it was decided that the representatives of these companies can be reached directly at the forum, the visit was cancelled due to unexpected circumstances. Therefore, an alternative solution had to be found in order to proceed with this research study.

3.2.2. Investment funds

Since an alternative solution had to be found, it was decided that the focus should be switched from automotive companies to investment funds located in Russia. Investment funds that might become interested in a Motor sport center project were identified based on the same five-dimensional scheme described earlier in this paper. The following investment funds were chosen to be contacted in order to present the project:

1. Russia Partners is a pioneer in private equity investing in Russia and CIS and is one of the oldest and largest private equity firms in Russia. Firm's investment focus is concentrated on the following industries: advertising & publishing, construction materials, consumer & household products, consumer services, financial services and leasing, IT services, logistics, media & media services, pharmaceuticals, real estate, retail and telecommunications. (Siguler Guff & Company 2014)
2. CapMan is one of the pioneers in Nordic and Russian private equity. CapMan Russia invests in fast-growing medium-sized Russian companies. The company outlined the following investment criteria: medium-sized Russian companies with a potential for significant growth; annual turnover of the company: 5-100 million euros; starting enterprise value: 5-50 million euros; size of investment in one project: 5-15 million euros; acquisition of a large minority or controlling stake; the company has an efficient and professional team of managers aimed at

increasing the capitalization and market value of the company, improving its corporate governance and financial transparency. (CapMan 2014)

3. Elbrus Capital is an investment adviser for private equity funds. Funds advised by Elbrus Capital have available funds sufficient for investing \$30-100 million per company. Traditional investment period ranges from 3 to 7 years. (Elbrus Capital 2014)
4. Sky Finance is an investment and credit institution established in 2009. Investment sum for one project can range from 500 000 to 30 million rubles. Areas of investment projects attractive for Sky Finance include real estate, cloud projects, software and web development, tourism and socially useful online projects. (Sky-Finance 2014)
5. RWM Capital is one of the largest private management companies in Russia. At the moment RWM Capital is willing to expand geographical presence and activities in various sectors of the real estate market. At the same time, RWM Capital Asset Management has been developing the “Venture Capital Investments” line since 2012, which is focused on financing venture capital projects at early development stages. (RWM Capital 2014)
6. RONIN Partners is one of the leading Russian investment companies with focus on high-net-worth clients. The company manages three private equity funds, which is one of its strategic business lines. RONIN Partners does not restrict the number of sectors for private equity investments and offers a range of various investment instruments. (RONIN Funds 2014)
7. SKTS is a company engaged in the development, organization and implementation of investment projects in the field of construction. At the moment, the company is working in the direction of “classic” development, i.e. the conversion of undeveloped land into functional property. (SKTS 2014)

In order to have a competitive advantage over other investment projects, it was decided to compile a memorable presentation for investment funds. Since it was only a preliminary presentation aimed at introducing the project, it was decided to follow only part of the guidelines for investor presentations listed in Chapter 2, Section 6 of this study.

The presentation included information such as the basic idea behind the project, the master plan, different circuits and driving facilities, infrastructure objects and

contact information of the project managers. The final version of the presentation can be found in Appendix 4.

Since all of the listed investment funds had instructions on their website to send any investment proposals directly to them via e-mail, the following letter was sent out to them:

“Dear *Company name* team!

I represent a Finnish company KINNO, which is currently engaged in the development of the second project to build a multifunctional circuit. The first project has already collected the necessary funding and will be implemented in the year 2016 in Finland. At the moment we are looking for investors for a similar project in Russia, and we would like you to consider our request. You can get acquainted with the project by taking a look at our presentation:

<https://www.dropbox.com/s/lyq0y2j9dz1zkvd/presentation%20for%20investors.pdf>

The project has great potential for generating return for its investors. Besides the track and stands, the center will be equipped with hotels, a research center, gas station, museum, brand shop, restaurants, cafes, a business park and other infrastructure objects. The track is suitable for many popular events including DTM, WTCC and MotoGP. The center will be suitable for holding a range of events, including car events, motorcycle events, corporate events, professional driving events, club events, promotional and test events and public events, such as rock concerts, fairs, sporting events and the like.

If you become interested in our project, you can contact our project manager Timo Pohjola at +358 400 754 882.

Thank you in advance for your time and consideration.

KINNO”

Unfortunately, none of the project proposals were accepted and no responses were received from the investment funds. Therefore, it was concluded that either the project is not of the funds’ interest or that it was presented in an unsuitable manner. Thus, it was decided that it was necessary to find out the degree of investment

funds' interest in the sphere of sports facilities construction and other important fund-specific factors that could influence the investment decision.

3.3. Interviews

In order to gather this information, it was decided to make cold calls to the chosen investment funds and conduct interviews with companies' representatives. However, due to the difficulties in communication with Russian enterprises, it was necessary to contact around 25 investment companies in order to conduct 4 interviews. Therefore, not all of the investment companies that were contacted are described in detail in the list in the previous section.

The calls made to the companies were accompanied by the following introductory speech, which was designed in order to briefly describe the company and the proposed project and inquire for further information:

“Good morning/afternoon! My name is Taisia, and I represent the Finnish company KINNO. At the moment, we are considering the possibility of attracting funding from Russian investors, but before that we would like to learn more about your investment policy. Could you put me in touch with a representative who would be able to answer our questions?”

3.3.1. Interview questions

The following questions were prepared together with the managers of the project for the purpose of discovering the investment criteria of Russian institutional investors. The questions are based on the product-decision and price-decision variables of the investor relationship marketing mix cited in Section 2.3.1 of this study and on the list of 35 factors considered most relevant by investors that can be found in Appendix 1.

1. Is the sports facilities construction industry appealing to you? Why/why not?
2. Have you ever invested in such projects? What overall experience do you have in this industry?

These two questions were included into the interviews in order to find out whether the type of proposed project would be of interest to Russian investors and discover the underlying reason for their opinion. Also, in case an investment company has

participated in similar projects in the past, it is necessary to know whether it was a success and whether it has any unique insight into the industry, which may facilitate company development.

3. What locations do you find preferable for your investment projects?

For the purpose of this research study, it is necessary to know whether Russian investment companies tend to choose projects that they can monitor directly. If such a tendency is identified, the management of KymiRing would have to focus on institutional investors located in Saint Petersburg or at least in the Northwestern federal district of the Russian Federation.

4. At what stage of the project's development would you consider investing in it?

This information would be needed to assess the probable rate of success of fundraising in Russia for the KymiRing project at an early stage of development. It would also show when would be a good time for applying for investment capital from Russian investment companies.

5. What type of investments do you prefer?

6. What amount of capital is usually allocated to one project?

7. What would be a suitable investment period for you?

8. Investments made in which currencies do you prefer?

9. What is your desired annual rate of return on an investment?

These five questions would answer what elements of an investment offering should be considered when designing an investment proposal for Russian investors. They cover the five most important investment criteria in the investors' decision-making process because they are the ones assessed in the very first phase. They also influence the investors' opinion whether the project is worth conducting a due diligence process.

10. If you have exited from investments in the past, what were the reasons?

This information is needed in order to increase the company's chances of not making the mistakes made by the management team of businesses which received financing in the past. Avoiding such mistakes would guarantee that the company does not drive the investors away from the project.

11. Would you consider funding additional rounds? If yes, under which circumstances?

This question aims to discover whether it would be possible to ensure the continuity of the project after a typical investment period.

12. How important do you find the uniqueness of the proposed project?

13. What qualities of the management team members do you consider when choosing investment projects?

The answers to these questions would determine whether the factors considered to be most relevant by investors identified by Muzyka and Birley (1997) can be applied to the Russian market.

14. What is on your due diligence checklist?

This information would be vital in order to be prepared for information inquiries from investment companies. In addition, knowing what the investor is looking for would help to speed up the due diligence process by being ready to provide the investor with all the necessary information he might ask for.

15. To what degree would you like to be involved in the company's management?

According to an extract from *New Venture Creation* (Timmons 1999: 447) cited in Chapter 2, Section 7 of this study, the company seeking financing should avoid investors engaged in too many project and likely to pay little attention to the venture in the post-investment phase as well as investors who are likely to take over the control over the company and play too big a role in company management.

3.4. Data analysis method

In order to combine and analyze information gathered in the course of the interviews, a thematic analysis method will be used. According to Pope, Mays and Popay (2007: 96), the aim of thematic analysis is to identify the main, recurrent or most important issues as well as identify, group and summarize findings of the study. Gibson and Brown (2009: 128-129) argue that thematic analysis serves three

aims, namely examining commonality, examining differences and examining relationships.

According to Braun and Clarke (2006: 86) the first step in the process of thematic analysis is looking for “patterns of meaning and issues of potential interest in the data”. The process ends with “the reporting of the content and meaning of patterns (themes) in the data”. All in all, the process consists of the following six phases (Braun and Clarke 2006: 87-93):

1. Familiarizing yourself with the data: transcribing the data, reading and noting down initial ideas.
2. Generating initial codes: coding relevant features of the data across the data set and combining data related to each code.
3. Searching for themes: combining codes into potential themes, gathering all pieces of data relevant for each theme.
4. Reviewing themes: checking the relevance of codes in relation to the themes and the data set and generating a thematic map of the analysis.
5. Defining and naming themes: refining specifics of each theme and generating clear definitions and names for each theme.
6. Producing the report: selection of compelling extract examples, analysis of selected extracts, establishing relationship with the research question, producing a report.

A thematic analysis chosen for the analysis in this research would be beneficial because it will not only provide the answer to the main research question, i.e. what is the attitude of Russian investors towards the possibility of investing into a motor sport park, but also give a more clear and detailed overview of the preferences of Russian investors, and, as a result, will help to systemize vital information about decision-making factors of Russian investors, which could be used by other firms seeking financing in Russia.

A thematic analysis is also more suitable for this research study in terms of the aims it serves. In contrast to narrative and performance analysis, thematic analysis not only focuses on discovering the repeated similarities within responses (Bernard 2000), but also on discovering differences. Despite the fact that grounded theory provides a means of exploring social processes and influencing factors, it does not

use a theoretical framework for building assumptions, and, therefore, is not suitable for this research study.

Despite the fact that, as the study developed, the data collection method and the target group for this research have changed, the data analysis method would have been the same for the qualitative research suggested in the initial research setting. The two would only differ in terms of target groups: while the initial proposal was focused on Russia-based automotive companies, the actual research was conducted among Russian investment companies. Although the former would be more focused on the industry of sport facilities, the analysis of the latter group gave a more general overview of the Russian investment market, and therefore could be used by companies operating in other spheres to target Russian investors.

3.5. Assessment of reliability

The information collected in the course of this research study was acquired from representatives of some of the most developed private equity investment companies in Russia. Thus, research outcomes shall be deemed reliable due to the experience and trustworthiness of interviewed companies. At the same time, since all the interviews were conducted between March and April, 2014, the data used for answering the research question is relevant and up to date.

However, since every respondent based his answers on his/her subjective opinion, experience in the market and role in a company, the outcomes of this research study should be considered as general guidelines and pieces of advice instead of being viewed as the only course of action under any unique circumstances.

Also, despite the fact that the organizations interviewed for the purpose of this research are some of the most well-known Russian private equity investment companies, their representatives' responses were based on their company's line of business, preferences and previous experience. Therefore, conclusions made about their expectations from investees cannot be viewed as the only alternative existing in the Russian market today.

3.6. Research outcomes

The research outcomes are presented in this section in relation to each theme selected in the course of thematic analysis. The analysis of each theme contains a description of both similarities and differences identified as a result of a thorough analysis of the collected data set.

1. Attractiveness of the sports facilities construction industry

Generally, the companies interviewed in the course of this study did not express specific interest in the sports facilities construction industry. However, two of them stated that they did not have any specific preferences towards venture's business sector, and the factor that matters the most during their decision-making process is an overall attractiveness of an investment. At the same time, one investment company mentioned that they have experience in many areas, and that their investment decisions are based on a project potential.

2. Experience in the industry

Company representatives interviewed for the purpose of this research reported that they had no experience in the sports facilities construction industry. Merely one company mentioned their previous participation in two related projects: building of a facility for a school of sportsmanship and preparation of Russian rally teams for a rally race in Finland.

3. Location of the venture

Russian investment funds interviewed in the course of this study tend either to consider projects all over Russia or focus on the economic centers in the European part of Russia, such as Moscow and Saint Petersburg, which perfectly suits the proposed project since the park is planned to be constructed in or in the immediate proximity to Saint Petersburg. At the same time, one company highlighted such characteristics of the region as developed infrastructure and convenient transport access.

4. Stage of development

Most of the investment companies that participated in this study reported to prefer investing in companies at the developed stage, meaning that the business seeking financing should have an established market position and generate profits. However, two investment companies said that in certain cases they might consider start-up ventures. At the same time, one company told that they only consider investments at the initial stage of company development in order to have a chance to influence the final format of the project and utilize its full potential.

5. Type of investment

In the course of this research study, it was discovered that Russian investment companies have a focus on private equity investments with a significant share of capital and ownership, and in most cases the share of an investment company should constitute 25-50% in a company seeking financing.

6. Capital per one project

Capital allocated to one project varies significantly among the investment companies that participated in this study. While one investment company reported to invest \$30-100 million in one business, three other companies stated a much smaller figure: approximately \$20 million or even \$5-20 million per project.

7. Investment period

Despite the differences in investment capital, Russian investment companies tend to prefer similar investment periods: all of them reported to consider projects requiring an investment term of 2-5 years, at the end of which they would exit the project. However, three of the interviewed companies admitted the possibility of not exiting the investment after this period, but instead financing additional rounds in case such criteria as profitability and potential for further development are satisfied.

8. Currency of investments

This research study discovered that Russian investment companies tend to prefer investments made in Russian Rubles and American Dollars. The third and fourth companies also mentioned Euro as a popular currency for their investments.

9. Breakeven period

Three companies indicated that they consider investments, which have a breakeven period of around 2-3 years. At the same time, one company highlighted that the increase in capitalization should be more than 40% if they enter the project from scratch, and return on investment should not be less than 18% if they are involved in project management.

10. Reasons for exiting previous projects

Investment companies reported that the main reason for exiting investment project is the policy of the company, meaning that those companies tend to withdraw their capital in the venture as soon as the agreed investment period is over. One company also indicated that they either sell the project when it is 100% ready for operation or at the stage of business profitability.

11. Financing additional rounds

Despite the fact that two companies mentioned that they it is typical of them to cash out their investments at the end of the investment period, four companies also emphasized the fact that they might consider financing additional rounds in case the target company shows dynamic growth and a strong potential for future profitability.

The first company, among other things, mentioned that they would consider the possibility of additional investments into a company that develops within 2-3 years and can further improve its numbers. At the same time, the fourth company emphasized such characteristics of the project as effective management and potential for expansion, such as adding new services.

12. Due diligence

Investment companies that participated in this study did not go into the details of their due diligence checklist, but indicated that their due diligence process consists of the usual set of elements used by the majority of other investment companies.

In the more detailed descriptions of the company's due diligence process, the following elements can be emphasized: financial information (financial statements), legal and tax information, market information, physical assets, products and services, image in the market and own brand.

13. Involvement in the management

Since three of the interviewed investment companies preferred financing through equity investments, they all stated that they usually acquire a share of up to 25-51% in the company in order to have the right to influence the most important decisions and participate in the operational management. The fourth company gave similar information, but in other words: they said that they considered project management schemes with their direct involvement or under their full control.

Also, 25% of company's stock gives the right to be a member of the company's Board of Directors and exercise veto as it is a blocking stake. At the same time, two investment companies indicated that they would use their own expertise and their partner companies in order to guide the venture and contribute to its development.

13. Qualifications of managers

Among the qualifications of a management team the interviewed investment companies highlighted competence, success, professionalism, entrepreneurial initiative, responsibility and relevant experience. In addition, the second company emphasized that managers of the venture should show interest in business development.

14. Uniqueness of the offering

Three of the interviewed companies indicated that uniqueness is not the main factor affecting their financing decisions. They highlighted that a sound market position, loyal customers and profitability are more important characteristics of the company. Among other elements a well-defined strategy, dynamic growth history and stable reputation were emphasized.

However, the fourth company stands out due to their exceptional interest in the uniqueness of the project. They mentioned that this characteristic is critically important since they do not consider standard projects at all.

The above-mentioned research outcomes have been combined to be presented in a systematic way and can be found in Table 3. Where possible, a distinction was made between primary and secondary preferences regarding one element of the venture.

However, if at least two investment companies did not have the same opinion about the issue, the primary preference could not be defined.

Table 3. Research outcomes

	Primary preferences	Secondary preferences
Location	All over Russia	European part of Russia, especially Moscow and Saint Petersburg; regions with developed infrastructure and convenient transport access
Stage of development	Developed, profitable stage	Start-ups
Type of investment	Private equity investments	
Share of stock	At least 25%+1	25-51%
Financing per project	5-100 million dollars	
Investment period	3-5 years	2-4 years
Currency of investments	Rubles, Dollars	Euros
Breakeven period	Within 3 years	Within 2-4 years; annual return on investment $\geq 18\%$
Financing additional rounds	If growth and profitability criteria are met; if there is potential for expansion	Typically get cash out after the investment period
Due diligence	Financial information	Legal, tax and market information, physical assets, products and services,

		company image, project brand
Importance of uniqueness	Less important than market share, customer loyalty and profitability	Uniqueness in development possibilities; project uniqueness
Involvement in the management	Influence on major strategic decisions, veto right	Membership in the board of directors, operational management, business development through partners and own expertise
Qualifications of management	Competent	Professional, strong, successful, showing entrepreneurial initiative and responsibility, having relevant experience

3.7. Tool for finance-seekers

After summarizing and systemizing the information acquired in the course of this research study, it is possible to use the results and the knowledge acquired to give general suggestions as well as more specific pieces of advice to the companies seeking financing from Russian investors on two issues: what stages might the process of acquiring financing have and how to use Table 3 to make this process more efficient.

First of all, it is necessary to keep in mind that most Russian companies would not be willing to make a meaningful initial contact. The majority of Russia-based investment companies would be resistant to disclose any information or establish relationships with potential investees until they have had a chance to review and assess the investment proposal.

Therefore, it can be concluded with confidence that the first step of getting in touch with Russian investment companies is sending them a project proposal or a business

plan. Most of the companies that were interviewed or contacted for the purpose of this study indicated that they would not be able to state their attitude towards a particular project unless they have seen it, and the most common suggestion received from these companies was to use their website to send a project proposal.

It would be useful for finance-seekers to know that most of the websites of Russian investment companies are user-friendly and easy-to-use. Most of them have an English version of the website, and it is easy to navigate between the pages to find a particular section used for sending investment proposals. Thus, it can be concluded that making the first step would also be easy for foreigners who do not speak Russian.

In order to be able to send an investment proposal, it is necessary to create it in the first place. Despite the fact that finance-seekers might have other business plans or presentations used to present the project in other countries, these would have to be modified to suit the Russian market. This process can be significantly facilitated using Table 3 above.

When designing a project proposal for Russian investment companies, a firm should keep in mind that, despite the fact that particular companies consider projects all over Russia, some of them prefer to invest in economic and cultural centers as well as regions with developed infrastructure and easy transport access. In some cases, it is possible to obtain more specific information from the company's website. However, in a situation where it does not seem possible and where a finance-seeking firm has not yet chosen the location of the project, it would be preferable to choose a developed region in order to suit both types of investors.

When choosing potential investors, it is important to try finding out their preferred stage of investment to increase the chances of receiving funding at different stages of company development. Timing is a vital issue in this process since some companies prefer investing at a start-up stage, some at the developed stage, and some at both. Therefore, if the company fails to identify the right potential investors for each round of financing, the project might be doomed. It might be also possible to obtain more specific information on the company's website to target suitable investors. The alternative option is to include two or more investment options with

different timing into the proposal, in which case the investment company would be offered a choice, and a finance-seeking company would not miss its chance.

Similarly to timing decisions, finance-seekers should choose an appropriate amount of financing sought, otherwise the sum may turn out to be too small or too big for a particular company, and it will not proceed further with the proposal. Since financing sought is one of the most important factors to make a decision about the suitability of the investor and the investee, this information is typically present on the websites of all companies and is easily accessible. Using the figure indicated by a particular company, finance-seekers would be able to determine its preferences and adjust the investment proposal to suit its needs.

Although the minimum rate of return and breakeven period are not so easy to find out, it is safe to say that a typical investment company has an aim of leading the venture into a profitable stage within the first half of the investment period and have a chance to increase its funds with the help of the venture afterwards. Figures in Table 3, i.e. a breakeven period within 3 years (in some cases even 2) and a minimum annual return on investment of 18% can be used as reference points when designing a proposal.

The currency in which investments are made seems to have little influence on the inventor's decision-making process. As indicated in Table 3, Russian investment companies make investments in three most popular currencies in Russia, namely Russian Rubles, Dollars and Euros.

When designing an investment proposal, it is necessary to keep in mind that most Russian companies (and all companies interviewed for this research) prefer private equity investments. Therefore, offering a blocking (25%) or controlling stake (50% +1) in a company with extensive rights and control over the venture might be one of the most influencing factors in the proposal.

Clear strategy of exiting an investment might be another one, since it is typical of most Russian investment companies to cash out an investment at the end of the investment period. Some of the examples of clearly defined exit strategies include IPO (Initial Public Offering) or acquisition/merger with another company. In this context, the aim of the exit strategy is to sell an illiquid asset (stake in a company) for a liquid asset (cash) at a maximum profit. Finance-seekers have to include this

strategy into their business plans to indicate their future plans to investment companies by taking into account, first and foremost, a typical investment period. As the companies studied for this research indicated investment horizons ranging from 2 to 5 years, it might be useful either to obtain more information from the company's website or to use a horizon of 2-4 years to suit all groups of investors.

Despite the fact that it is typical of most Russian companies to cash out their investments at the end of the investment period, finance-seekers may, at a later stage, suggest ways of continuing an investment rather than exiting it. For instance, when approaching the agreed upon end of the investment, the managers of the venture can make a presentation about the results achieved so far and possibilities for expansion. As shown in Table 3, highlighting such characteristics as achieved and potential profitability and growth as well as developing ways of business expansion and/or new products and services may help investees succeed in the second round of financing with current investors.

Information about important characteristics of the venture and qualities of managers is given in Table 3 for the next stage of developing investor relations, namely a presentation. Inviting the managers of the venture to a presentation is a globally accepted practice in the process of seeking financing, which is also recognized in Russia. When designing a presentation, the management team may follow general guidelines similar to those quoted in Chapter 2, Section 6 of this study. However, in order to target Russian investors more effectively, it would be beneficial to use information collected in the course of this study.

Since a business plan does not give explicit explanation of managers' qualities and previous experience, a presentation may serve as an effective means of delivering this information to potential investors. Using the information presented in Table 3, finance-seekers should be able to highlight the qualities that are true of their team and think of the ways to illustrate these qualities, for instance with the help of examples of previous projects.

The last stage at which this research work is meant to help finance-seekers is the preparation for a process of due diligence. As mentioned earlier in this study, due diligence is an obligatory stage of making an investment decision, and it can be extremely time-consuming and troublesome both for venture management and

investors. Therefore, findings about the types of information usually examined and requested by Russian investment companies, such as financial data, legal and tax information, are meant to help finance-seekers be prepared to provide a potential investor with the required information, which would significantly simplify and accelerate the process of due diligence for both parties.

Since the process of due diligence is typically followed by an investment decision, it can be concluded that the findings of this study can serve as a sound basis to lead finance-seekers in the Russian market from the stage of making an initial contact, through the stage of preparing and holding a presentation, to the final stage of due diligence. Since the study combines the results of other studies on international practices with the specific results for the Russian market, it gives a full picture and understanding of ways to trigger a positive investment decision by Russian investment companies.

3.8 Comparison of existing materials to the research outcomes

It was decided to compare the results obtained through the interviews with the existing information about investors' preferences regarding the characteristics of the venture identified by Muzyka and Birley (1997), which are presented in Appendix 1.

The main factors presented in Appendix 1 are related to the qualifications of the management team and characteristics of the venture, therefore the answers to the questions about the qualifications of managers and uniqueness of the venture will be considered.

First of all, parallels regarding the qualities of the management team can be drawn. Among the most important characteristics identified by Muzyka and Birley are as following: leadership potential, industry expertise, track record, marketing and sales capabilities and administration capabilities of the management team.

These can be considered true for the Russian investment companies as well since interviewed companies emphasized such qualities as competence, success, professionalism, entrepreneurial initiative and responsibility as well as relevant experience.

Despite the obvious similarities, the two lists are different to some degree.

Therefore, entrepreneurs seeking financing in the Russian market should better use the list specific for Russian investment companies since it presents a more accurate description of an entrepreneur the Russian funds are looking for.

Next, it is possible to compare the findings of two studies with regards to the characteristics of the venture. Among the most influential factors listed by Muzyka and Birley are elements, such as sustained share position, ability to get cash out of the investment, expected rate of return, time to break-even, ability to create post-entry barriers, compliance with fund's requirements and uniqueness of product and technology.

Among the major characteristics influencing the decision-making in Russian investment funds the following items were mentioned in the interviews: market share, loyalty of existing customers, profitability, well-defined strategy, dynamic growth history and stable reputation.

It can be concluded that while firms that participated in the study conducted by Muzyka and Birley were looking at the indicators of the investment itself, the Russian companies are looking at the major business indicators of the target company. It can be supposed that the factors mentioned by Muzyka and Birley are important to Russian institutional investors as well, but they are still not as critical as business indicators.

It can be concluded that when presenting a project to the Russian investors, one shall use Table 3 above, not the generalized list for all investors, since the two lists differ significantly and right targeting can play a major role in the decision-making process of Russian investment companies.

4. CONCLUSIONS

This research study not only answered the stated research questions, but also revealed valuable information for companies seeking financing in Russia. The two sets of conclusions are presented below.

4.1. Findings for KymiRing

The findings for KymiRing answer the research questions set at the beginning of this study and include the analysis and evaluation of the current market for motor sport circuits in Russia as well as analysis of the responses to the interview questions. Moreover, the conclusions that can be drawn up from these analyses are presented together with their possible affects on the success of the proposed KymiRing project in Russia.

4.1.1. Comparison to existing motor sport circuits

The first set of conclusions is based on the research of the current market for motor sport circuits in Russia and on the benchmarking of the proposed circuit against the ones that already exist in Russia.

It stems from the competition analysis that KymiRing in its proposed configuration will, in general, meet or exceed the standards set by other motor sport circuits in Russia. The first finding of the research was that KymiRing has the facilities to hold the same types of events as existing racing circuits in Russia, with only exception being the Moscow Raceway, which meets the specifications for housing F1 racing competitions.

The second element taken into account was accommodation offered to drivers and spectators. After a thorough examination of available information, it was discovered that so far KymiRing will be able to provide much more comfortable conditions for housing circuit attendants right on the premises. It was found out that even the Moscow Raceway, the most well-known track inside and outside Russia, does not have the facilities to offer accommodation, but, like other raceways, simply cooperates with certain hotels.

There is no data on the offering of a driving school by Samara Ring, but the two other circuits meet the criteria set by KymiRing and offer driving school services on their premises, although Moscow Raceway only serves as a location for driving schools offered by car manufacturers, such as Mercedes.

The fact that Russia is gradually becoming home to large motors sports and racing centers does not necessarily indicate that the competition of the KymiRing project in Russia is growing, but rather that there are opportunities for building such facilities in the Russian market and that there are investors willing to devote their capital to such projects.

At the same time, it can be concluded that, as of this moment, KymiRing will be able to occupy a strong position in the Russian market and meet or exceed the standards set by its current competition.

4.1.2. Interview findings

The following conclusions have been drawn based on the responses to the interview questions. They are aimed at helping the case company form its investment proposal when seeking financing from Russian investment companies.

The fact the interviewed Russian investment companies have no experience in the sports facilities construction industry does not necessarily imply that they would not be interested in such projects. This is merely an indication that such projects are rare and more time- and resource-consuming than the projects proposed by the majority of companies.

Preferences towards the stage of project development differed significantly: one company indicated that they would not be interested in financing a start-up, two other companies merely admitted the possibility of doing so while the fourth company said to be focusing exclusively on financing projects at the initial stage. Therefore, I would say that there are opportunities for KymiRing to receive financing at different stages of project development. It is possible to focus on one type of investment companies at the seed stage and then finance additional rounds at the later stages with the help of the same or other Russian investment companies.

When designing an offering for potential investors, the management team of KymiRing should take into account the main investment criteria typical for Russian investment companies. The proposed investment should, most probably, be a private equity investment, with an offer of 25-50% in the company's ownership to the major investors. Prior to applying for financing, the case company should also take a close look at the capital the investment company will be ready to allocate to the project since the sum varies significantly from one company to another.

The presentation of the project should also show an attractive period of investment, from 2 to 5 years, and suitable currency, preferably Rubles, Dollars or Euros. At the same time, the case company should take into account that Russian investment companies look for investments with a break-even period within 2-3 years or with an annual return on investment not less than 18%, and therefore it should choose the right stage of the company's development to apply for financing in order to meet this requirement.

KymiRing management should also be prepared for the event that investments will be withdrawn at the end of the investment period unless the project shows dynamic and stable growth and a strong potential for future profits. Thus, it is again necessary to choose the right stage of project development to apply for funding in order to be able to convince institutional investors of the benefit they will be able to get by not cashing out their investments.

As was mentioned in Chapter 2, Section 7 of this study, due diligence can be an extensively time-consuming process. In order to facilitate the decision-making of the investment companies, KINNO should be ready to present financial and legal documents, information about the market, products and services as well as possible profitability and market share figures from the first project of this type, which will be carried out in Finland. At the same time, one company mentioned some of other important characteristics of the project, such as a positive image, a strong brand and a clear business plan, which, in my view, shall be considered by KINNO as a means of triggering a positive investment decision.

The fact that investees should avoid potential investors that show signs of the possibility of taking over the management of the project, which was also mentioned in Chapter 2, Section 7 of this study, can be considered irrelevant with regards to

Russian investment companies since all of them target investment proposals with an offer of a 25% stake in a target company. Due to this bargaining power of the suppliers of capital, the case company would have to be ready for the fact that the investor will be participating in the company's management to a significant degree and will be willing to exercise his or her veto rights.

Taking into account the expressed preferences of Russian investment companies, it can be concluded that the management team should be able to convince the investors by showcasing such qualities as competence, success, professionalism, entrepreneurial initiative, responsibility and relevant experience. The best way to do so is to provide the potential investors with examples of previously managed projects, which would highlight all of the above-mentioned characteristics.

It would be impossible to give the investors the information about the project's business indicators at the start-up stage. In this case, it would be advantageous to present these indicators from the evidence of the first similar project in Finland. However, when seeking financing at the later stages of development, the case company would be able to provide all the necessary information, in particular the company's market position, profitability figures, evidence of dynamic growth, stable reputation and business strategy.

To answer the research question, the KymiRing project has a potential for receiving funding from Russian institutional investors, but the management team would have to take into account the research outcomes of this study in order to present the project in the best possible way. Using these findings, the presentation of the project can be created so as to include the factors considered most critical by the Russian investment companies. By developing the right communication-decision variables mentioned in Section 2.3.4 of this study, the case company would be able to showcase information that would appeal to Russian investors.

4.2. Findings for financing-seekers in Russia

The second set of conclusions aims to advise companies that are seeking financing from Russian investment companies. During the course of this study, it was discovered that communication with Russia-based companies is extremely difficult

in case a person seeking financing does not know the representatives of the organization he or she is attempting to establish contact with.

During the first phase, namely when trying to invite the representatives of car manufacturers to a meeting, it was discovered that trying to communicate with the needed people of a higher rank is virtually impossible because of the hierarchy inherent in Russian companies. First of all, cold calls to the reception are not helpful because the companies are resistant to give you the contact information of other employees. Secondly, sending letters by fax does not have any effect since the receptionists are not likely to pass the information to the other departments.

During the second phase, when investment companies were contacted, the same difficulties were found. Even though it is in the interest of investment companies to find profitable projects since their existence and profitability depends on them, most of them were not interested in answering the questions posed by potential clients. Several investment companies stated that there are employees who are responsible for answering such questions, but at this stage they could not give me their contact information. At the same time, other companies claimed that all the needed information could be found on the website, although that was not the case.

The main conclusion on this topic is that communication with Russia-based companies can be extremely troublesome. However, based on the experience from this research study, it can be stated that around 4 of 25 companies would be ready to establish the first contact, therefore, persistence and readiness to be rejected are the two characteristics that a person seeking financing should have.

4.3 Suggestions for further research and development

The findings obtained in the course of this study can serve as a sound basis for further research undertaken not only by the case company, but also by anyone interested in attracting financing from Russian investors. This stems from the fact that the study was focused not only on collecting investor reactions to the proposed project, but also on gathering vital information about the preferences of Russian investors that can be of use to other individuals and organizations.

First of all, since the research was limited to a number of investment companies, which do not necessarily constitute a representative sample, further study may be

conducted to give a more general overview of the Russian investment market in a way that the researcher can deepen the knowledge gained from this study by collecting a greater number of responses from Russian investment companies. Despite the fact that each potential investor requires a unique approach, further research may provide a more comprehensive set of data that will help to design an investment proposal that will appeal to a greater number of investors.

Another limitation of the given work is the number of analyzed factors. Further research may take into account other elements of an investment proposal that will have an influence on the success of the venture. These may include such aspects as the attractiveness of the industry, sensitivity to risk, necessity of barriers to entry and ability to attract knowledgeable and skillful workforce.

Despite the fact that this study was aimed at guiding companies through all stages of the process of attracting financing, it focused to a greater degree on designing an attractive investment proposal. Therefore, further research may be conducted to give a deeper insight into the rest of the stages, such as the process of due diligence and exchanging information, the manner in which project presentations are held, a typical period between making an initial contact and getting financing, etc.

It can be concluded that there are multiple ways to use the given work for further research. Combined, they can serve as the basis for designing a handbook about seeking financing in Russia or more comprehensive instructions that will increase the chances of success of novice and inexperienced finance-seekers in Russia.

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APPENDICES

Appendix 1. 35 factors considered to be most relevant by investors (based on Muzyka and Birley, 1997)

1	Leadership potential of lead entrepreneur.
2	Leadership potential of management team.
3	Recognized industry expertise in management team.
4	Track record of lead entrepreneur.
5	Track record of management team.
6	Sustained share position.
7	Marketing/sales capabilities of team.
8	Organizational/administrative capabilities of team.
9	Ability to get the cash out of the investment.
10	Degree of product market understanding.
11	Expected rate of return (return on investment).
12	Time to break-even.
13	Financial/accounting capabilities of team.
14	Ability to create post-entry barriers.
15	Business meets fund's constraints.
16	Process/production capabilities of team.
17	Uniqueness of product and technology.
18	Market growth and attractiveness.
19	Degree of market already established.
20	Time required to pay back the investment.
21	Ability to influence the nature of business.

22	Importance of unclear assumptions.
23	Stage of investment required.
24	Ease of market entry.
25	Strength of suppliers and distributors.
26	Nature and degree of competition.
27	Location of business.
28	Business and product fit with investor's portfolio of investments.
29	Projected market size.
30	Sensitivity to economic cycles.
31	Ability to syndicate (or bring others into the investment) deal.
32	Number and nature of co-investors already in the deal.
33	Seasonality of product market.
34	Scale and chance of later financing rounds.
35	Location of business relative to fund.

Appendix 2. Invitation to the meeting in Russian

Здравствуйте!

Меня зовут Таисия, и я представляю финскую компанию Kouvola Innovation Ltd, которая на данный момент занимается разработкой проекта постройки центра автоспорта в Санкт-Петербурге.

Мы бы хотели презентовать данный проект представителям Вашей компании, которые посетят Петербургский Международный Автомобильный Форум, который пройдет 24-27 октября 2013 г. в Ленэкспо.

Данный проект является вторым подобным проектом компании Kouvola Innovation Ltd. План первого центра автоспорта разрабатывался для Финляндии, и конец его постройки запланирован на 2016 год.

Успех первого проекта среди инвесторов послужил причиной для создания плана реализации подобного проекта в России компанией Kouvola Innovation Ltd. Сейчас проект находится на стадии поиска финансирования, что и будет являться темой презентации для Вашей компании.

Мы бы хотели пригласить представителей Вашей компании на встречу, которая состоится 25 Октября в Ленэкспо. Мы будем ждать Вашего ответа по телефону +358-45-897-54-00 или по адресу taisya.barbasova@larett.eu.

Заранее благодарим Вас за сотрудничество.

С уважением,

Таисия Барбасова

Appendix 3. Invitation to the meeting in English

Dear Sir/Madam,

I am contacting you on behalf of the Finnish company named Kouvola Innovation Ltd, which is at the moment engaged in the development of a motorsports center construction project in Saint Petersburg.

We would like to present this project to the representatives of your company, who are going to attend Saint-Petersburg International Auto transport Forum, which is going to take place between 24-27th of October 2013 in Lenexpo.

This project is the second project of this kind undertaken by Kouvola Innovation Ltd. The first motorsports center plan was developed for Finland, and the completion of its construction is scheduled for the year 2016.

The success of the first project among investors was the reason for creating a plan of realization of such a project in Russia by Kouvola Innovation Ltd. At the moment the project is at the stage of fundraising, which is going to be the main subject of the proposed presentation.

We would like to invite the representatives of your company to a meeting, which is going to take place on the 25th of October, 2013 in Lenexpo. We will be waiting for your response via phone at +358-45-897-54-00 or via e-mail at taisya.barbasova@laret.eu.

We thank you in advance for your cooperation.

Best regards,

Taisia Barbasova

Kouvola[®]
KINNO | Kouvola Innovation Oy

PRESENTATION OF MULTIPURPOSE CIRCUIT DEVELOPMENT PROJECT



BASIC IDEA BEHIND THE PROJECT



This multipurpose circuit development project is going to be conducted in Russia on the basis of a KymiRing project.

KymiRing is planned to be an international venue for motor sport events, such as MotoGP, DTM and WTCC.

The project in Russia and the KymiRing will have in common such elements as circuit types, infrastructure and auxiliary services.

KYMIRING MASTER PLAN

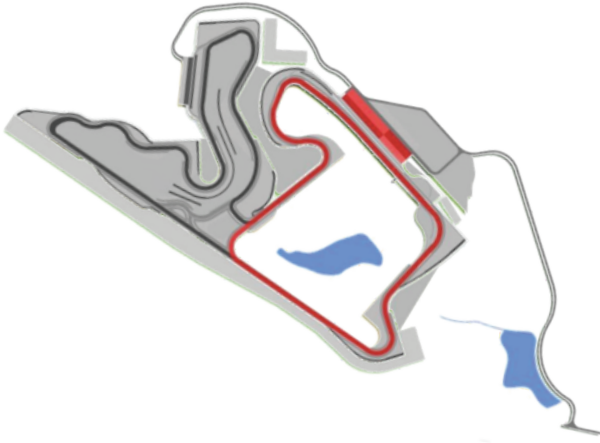
INTERNATIONAL CIRCUIT
FIA GRADE 2/FIM GRADE A
HOMOLOGATION LICENSE
DTM, WTCC AND MOTOGP



Number of corners: 17
Max. elevation: 98.962m
Min. elevation: 82.692m
Elevation range: 16.27m
Max.GP2 speed: 312km/h
Min.GP2 speed: 55km/h
Simulated lap time: 99sec



CORPORATE 2.1 KM CIRCUIT

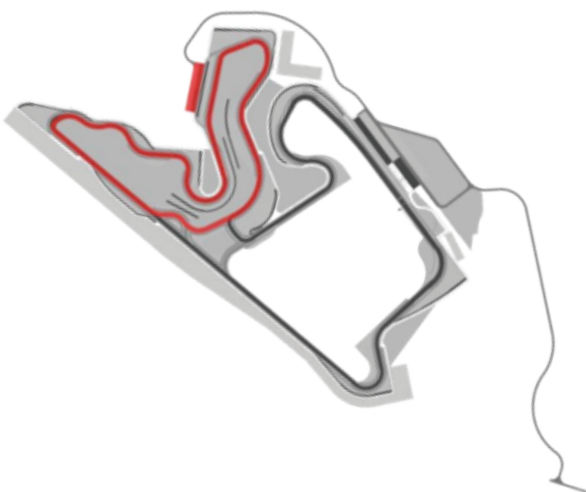


Use of main paddock
and pitlane

High-value corporate
use

Club-level racing events
and testing

COUNTRY CLUB 2.5 KM CIRCUIT



Exclusive secondary
pitlane and paddock

Club, private as well as
corporate track events

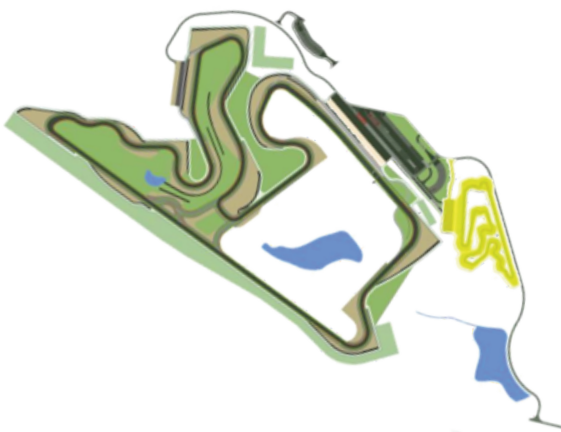
Primarily the members
of the country club &
Toy Barn owners

DRIVER TRAINING FACILITY



Emergency stop testing
Slalom & raised road test
Low friction bend (at grade)
Slippery slope (>10%)

INTERNATIONAL KART CIRCUIT



Circuit length: 1.2 km
CIK-CIA Category A
license
Facsimile of main circuit
Permutations:
606m Corporate circuit
608m Club circuit

OFF-ROAD MOTOR SPORT FACILITY

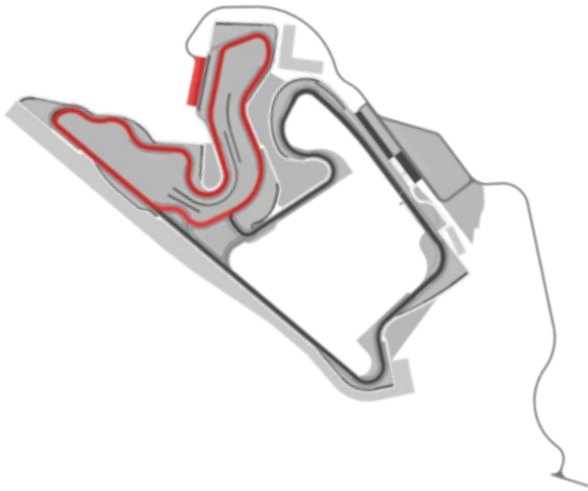


DIRT SPEEDWAY CIRCUIT
DIRT MOTOCROSS TRACK
RALLY COURSE

INFRASTRUCTURE



COUNTRY CLUB 2.5 KM CIRCUIT



Exclusive secondary
pitlane and paddock

Club, private as well as
corporate track events

Primarily the members
of the country club &
Toy Barn owners

TOY BARNS

50 LEASURE CABINS

OWN GARAGE

VIEW OVER CIRCUIT

CLOSE TO COUNTRY CLUB

ACCESS TO CLUB CIRCUIT



CONTACT INFORMATION

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Appendix 5. Interview questions for institutional investors

1. Is the sports facilities construction industry appealing to you? Why/why not?
2. Have you ever invested in such projects? What overall experience do you have in this industry?
3. What locations do you find preferable for your investment projects?
4. At what stage of the project's development would you consider investing in it?
5. What type of investments do you prefer?
6. What amount of capital is usually allocated to one project?
7. What would be a suitable period of investment for you?
8. Investments made in which currencies do you prefer?
9. What is your desired annual rate of return on an investment?
10. If you have exited from investments in the past, what were the reasons?
11. Would you consider funding additional rounds? If yes, under which circumstances?
12. How important do you find the uniqueness of proposed project?
13. What qualities of the management team members do you consider when choosing investment projects?
14. What is on your due diligence checklist?
15. To what degree would you like to be involved in the company's management?

Appendix 6. Interview questions for institutional investors in Russian

1. Интересует ли Вас отрасль строительства спортивных объектов? Почему/почему нет?
2. Инвестировали ли Вы в такие проекты в прошлом? Какой опыт в целом у Вас имеется в данной отрасли?
3. Каким регионам Вы отдаете предпочтение при выборе инвестиционных проектов?
4. На какой стадии развития проекта Вы бы рассмотрели возможность инвестирования в него?
5. Какой тип инвестирования Вы предпочитаете?
6. Какой объем инвестирования обычно выделяется на один проект?
7. На какой период Вы обычно инвестируете в проект?
8. В какой валюте Вы предпочитаете делать вложения?
9. Какой уровень доходности Вы ожидаете от инвестиционных проектов?
10. По каким причинам Вы выводили инвестиции из прошлых проектов?
11. Стали бы Вы рассматривать участие во втором раунде инвестиций? При каких условиях?
12. Насколько для Вас важна уникальность предлагаемого проекта?
13. На какие качества управляющих компанией Вы обращаете внимание при выборе инвестиционного проекта?
14. Какие аспекты Вы включаете в процесс дью-дилидженс?
15. Каким образом Вы бы хотели участвовать в управлении бизнесом?