Strategic Planning of an International Trade Intermediary
Case Woodbe Oy

Artem Matyushevskiy
Bachelor’s Thesis

Bachelor’s degree (UAS)
### Abstract

The intermediary company is a very important actor of supply chain because it facilitates trade between manufacturers and customers who cannot connect with each other because of physical, cultural or other obstacles. The facilitation of such kind gets even more important on international arena where cross-border obstacles can be tough.

The current thesis is dedicated to strategic planning of a newly established intermediary business dealing with timber products being sold from Russia to Finland. The research question I aspired to answer was how to plan the strategy of international trade intermediary having this specialization.

The research was done on the basis of case Woodbe which is the company owned and managed by myself. In order to answer the research question and simultaneously to work out a usable strategy for my own entrepreneurial goals, I formulated a framework which absorbed prominent theories, approaches and techniques found in academic literature on strategic planning. After that I utilized the framework embedding it into the specific business settings of Woodbe’s business inception.

In the empirical part of my research I demonstrated the flow of my strategic thought and the model of using theoretical knowledge for gaining practical result. As the result I presented the blueprint of Woodbe’s strategy which started with the evaluation of the company’s strategic capability and external environment situation and then showed the route of strategy’s implementation under four different scenarios.

My work can be interesting for the entrepreneurs who are starting international intermediary business in any industry because the framework can easily be adapted to other settings depending on the product or service. My experience of acting as a strategist which I described at the end of the current thesis can help even those entrepreneurs who are dealing with non-intermediary business. I discussed my considerations about the biggest challenges of strategic planning from beginner’s point of view and told about the things I had learned.
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<thead>
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<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs</td>
<td>Small and medium-sized enterprises</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>NTBA</td>
<td>Not to Be Announced</td>
</tr>
<tr>
<td>OY</td>
<td>Osakeyhtiö, a business form in Finland (close to Limited Liability Company)</td>
</tr>
<tr>
<td>B2B</td>
<td>Business-to-Business</td>
</tr>
<tr>
<td>OLI</td>
<td>Ownership, Location and Internalization advantages</td>
</tr>
<tr>
<td>PESTEL</td>
<td>Political, Economic, Social, Technological, Environmental and Legal analysis</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strength, Weaknesses, Opportunities, Threats analysis</td>
</tr>
<tr>
<td>PEFC</td>
<td>Programme for the Endorsement of Forest Certification</td>
</tr>
<tr>
<td>FSC</td>
<td>Forest Stewardship Council Certification</td>
</tr>
<tr>
<td>JIT</td>
<td>Just-In-Time</td>
</tr>
</tbody>
</table>
INTRODUCTION

Global trade has experienced major changes during recent decades, and businesses all over the world are now getting more and more engaged with international activity independently from their size. This trend is driven by the following crucial factors: emergence of world-wide market niches; expansion of communication and transportation opportunities enabling more efficient cross-border moves; continuing technological change which makes companies go beyond local markets for achieving economies of scale; and general reduction of physical distance happening due to globalization (Welch et al. 2007, 37). On the one hand, all these circumstances encourage manufacturers to internationalize from the inception and get rapidly involved into international ventures (Welch et al. 2007, 37). On the other hand, there are manufacturers producing less innovative, niche-focused and leading-edge products; their internationalization process remains gradual, and they continue arranging international operations via intermediaries (Errasti 2013). Intermediaries are companies specializing in representation services between sellers and buyers (Jobber & Lancaster 2009, 174). Thus, international trade intermediaries facilitate trade flow between sellers and buyers locating in different geographic markets. The current research focuses on the arrangement of international intermediary business and explores the peculiarities of its strategic planning on the example of a small-sized newly-established company owned and managed by myself. The case company provides trade intermediation services for Russian manufacturers and Finnish buyers of timber products.

1.1 Research purpose, gap and question

The purpose of the current research is to present the strategic planning of my own intermediary business and to analyze my experience of acting as a strategist. Talking about the topic of trade intermediation, the existing studies explore a number of themes under it including the role of intermediary in supply chain (e.g. Ahn et al. 2011) and the antecedents of intermediary’s performance (Peng and York 2001). The articles on strategic planning also cover a range of questions regarding the link between strategic planning and company’s performance (e.g. Arasa and K’Obonyo 2012), strategic planning and company’s growth (Veskaisri et al. 2007) as well as tools and techniques used by small and medium enterprises (SMEs) in the process of strategic planning (Stonehouse & Pemberton 2002).
At the same time, there is lack of case studies combing the issues of trade intermediation and strategic planning at a time. It appears to be a research gap because in the light of growing internationalization (Welch et al. 2007, 37) the insights into the arrangement of international trade intermediation practices can be crucially important for all the three parties of the international supply chain including manufacturers, buyers and intermediaries. As far as I have this unique chance to share my own strategic planning experience as a business owner and executive, I can deeply look inside the problem and answer the research question formulated as follows:

*How to plan the strategy of international trade intermediary facilitating the flow of timber products from Russia to Finland?*

The answer to this broad question is to be found by considering the following sub-questions:

- What are the main steps of strategic planning to go through?
- What are the tools to be utilized for the planning?
- What is the specific content of the case company’s strategy?
- What are the main challenges the strategist deals with when planning intermediary’s strategy from the inception?
- What general conclusions about international trade intermediary’s strategic planning can be made?

Alone with theoretical contribution into the pool of case studies on the topics of international trade intermediation and SMEs’ strategic planning, there is a strong practical reason for doing the research of that kind. Since year 2010 I have been working part-time in the company facilitating sales of various industrial goods from CIS countries to the countries of Europe. I found out that Russian manufacturers often lacked skills and knowledge regarding exporting documentation, routines, processes and international business communication. At the same time, they could offer commodities of high quality at competitive prices and volumes in comparison to European offerings. From the side of European customers, there was uncertainty concerning Russian political environment and lack of cultural knowledge necessary for implementing successful negotiations. It could prevent European buyers from accepting beneficial Russian offerings and utilizing own costs in more efficient way. Thus, the case study dedicated to trade intermediation between Russia and one of the European markets has managerial value for manufacturers and buyers of industrial goods.
1.2 Case company profile

Woodbe Oy is the case company the strategic planning of which has become the material for the current research. Registered 21.12.2015 in Kuopio (Asiakastioto 2015), the company specializes in wholesales of timber products from Russia to Finland and provides trade intermediation between Russian manufacturers and Finnish buyers (see Table 1). Woodbe’s range of products includes sawn timber, wooden pallets and wooden chips for burning purpose: these goods belong to the category of “manufactured materials” which stand for processed materials purchased for further fabrication (Kotler Keller 327 – 328). The company’s tasks as an intermediary are as follows: negotiating product offerings with Russian manufacturers; matching these offerings with the needs of Finnish buyers; and arranging the sales and delivery of the goods across the border. The assistance with the control over operations on the territory of Russia is provided by the partner company having commission per deal. The partner controls loading of the goods in Russia and provides estimation of the problem in case of unexpected delays and constraints related to loading and transportation.

TABLE 1. Woodbe Oy profile (Artem Matyushevskiy, 2016)

<table>
<thead>
<tr>
<th><strong>CEO</strong></th>
<th>Artem Matyushevskiy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of employees</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>Field</strong></td>
<td>Industrial goods wholesales, international trade intermediation</td>
</tr>
<tr>
<td><strong>Specialization</strong></td>
<td>Timber products (sawn timber, wooden pallets and wooden chips)</td>
</tr>
<tr>
<td><strong>Offering</strong></td>
<td>Trade intermediation between Finnish customers and Russian manufacturers</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td>Seeking for Russian manufacturers; seeking for Finnish buyers; preparing product offerings with price/volume/lead time optimum; signing sales contract with Finnish buyers; signing purchase contract with Russian manufacturers; arranging delivery of goods across the border</td>
</tr>
<tr>
<td><strong>Partner in Russia</strong></td>
<td>NTBA, loading and transportation control in Russia</td>
</tr>
<tr>
<td><strong>Years of existence</strong></td>
<td>Less than 1 year</td>
</tr>
<tr>
<td><strong>Form of business</strong></td>
<td>Limited Liability Company, small-sized</td>
</tr>
</tbody>
</table>
The research idea was fed by the actual need of Woodbe in having a business plan document. Based on comprehensive strategic planning presented and analyzed in the current research, this document was further submitted to Finnvera as the evidence of business feasibility and the requisite for obtaining the loan necessary for launching the operations (Finnvera 2016). By the moment of finalizing the research the loan had not been yet received but the business plan had been approved which can be regarded as a positive outcome of the planning.

1.3 Methodology and research process

The phenomenon investigated within the current research is strategic planning of intermediary business. The research presents the stages a small-sized intermediary goes through when planning business from the very inception. The research perspective embraces the strategic considerations needed for forecasting and adjusting the development of particular business in particular business environment. It also presents my self-reflection on the strategy-building process and analysis of the main challenges I faced within it. Based on the fact that I explore intermediary’s strategic planning on the example of an actually existing company and its business task implementation, I define my work as “case study” – the methodology which provides in-depth research of certain phenomenon and its instances (Blatter, J.K. 2008). Being the owner of the observed case company, the executive and the researcher simultaneously, I have the possibility not only to overview the components and stages of case company’s strategy, but also to share own reflection on the challenges of planning from the point of view of the strategist himself. Figure 1 presents the methodological model utilized in the current research. Firstly, I present my strategic planning done on the basis of secondary data obtained from reports, business portals and related documentation. After that I analyze my experience of acting as a strategist and define the main challenges of intermediary’s strategic planning. Finally, I make general conclusions about planning intermediary business, and thus I make my contribution to the theory on trade intermediary’s strategic planning.
1.4 Structure

The current research consists of three basic parts answering the identified sub-questions (see Table 2).

<table>
<thead>
<tr>
<th>Theoretical foundation</th>
<th>What are the main steps of strategic planning to go through? What are the tools to be utilize for the planning?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic planning. Case Woodbe Oy</td>
<td>What is the content of the strategy?</td>
</tr>
<tr>
<td>Strategist’s self-reflection</td>
<td>What are the main challenges the strategist faces with when planning intermediary business development from the inception?</td>
</tr>
<tr>
<td>Conclusions and discussion</td>
<td>What general conclusions about international trade intermediary’s strategic planning can be made?</td>
</tr>
</tbody>
</table>

In the part dedicated to theoretical foundation of the research I define intermediary as a form of business, outline its place within industrial marketing chain, list intermediary types and explain the value of trade intermediation based on the prominent theories of Johanson...
& Vahlne (1977) and Dunning (1982; Dunning and Lundan 2008). Further, I overview the phenomenon of strategic planning and present the framework (steps, building blocks and toolkit) for the empirical implementation of the strategic planning task. In the part devoted to the strategic planning of Woodbe, I fulfill each building block with detailed content created with the help of secondary data which is processed by means of the assigned tools and techniques. In the following chapter I present my self-reflection of acting as a strategist and share my considerations regarding the main challenges of intermediary business planning. Finally, I summarize the research results and make generalizations in the discussion chapter.
2 THEORETICAL FOUNDATION

2.1 Intermediary

2.1.1 Definition of intermediary and its place in industrial marketing chain

Trade intermediaries are generally defined as “persons and organizations providing the service of representation between sellers and buyers” (Jobber & Lancaster 2009, 174). The phenomenon of intermediaries is tightly linked with costs of trade: they are vertically integrated firms which facilitate trade flow, and their inclusion into supply chain indicates that costs of trade in the foreign market are high for a manufacturer to manage them on its own (Ahn et al. 2011; Bernard et al. 2012; Sourdin & Pomfret 2012, 109). In order to generate value and accomplish facilitation task, intermediaries utilize own resources such as network of contacts, local cultural expertise and market knowledge (Longenecker et al. 2016, 499). The role of intermediaries should not be underestimated because the value they generate can be a big contribution into a manufacturer’s business: for example, American Cedar Inc., a manufacturer of cedar wood products, managed to gain 30% of its total sales from exporting activity with the help of an export intermediary (Longenecker et al. 2016, 499).

For arranging foreign operations, a manufacturer can use the services of a domestic intermediary or an intermediary located at the target area. There might be even several intermediaries in the value chain located both domestically and locally (Welch et al. 2007, 247 – 248). Figure 2 demonstrates the variety of industrial marketing channels which differ in the number of levels equaling the number of trade intermediation actors (Kotler & Keller 2012, 420).
The zero-level channel presents direct marketing flow from supplier to industrial customer. The intermediary as a marketing chain actor (e.g. distributor) appears within the 1-level channel, where the number of value-generating participants increases, and marketing flow between the manufacturer and the customer becomes indirect. The 2-level marketing channel in B2B sphere means that the manufacturer sells its products indirectly by means of two additional actors serving as intermediaries (e.g. distributor and sales representative). Within the 3-level channel the manufacturer sells products via three additional actors (e.g. distributor and sales representative as intermediaries, and sales branch as own intermediation unit). (Kotler & Keller 2012, 420 – 421.)

2.1.2 Types of intermediaries

There are four widespread types of international trade intermediaries which activity varies in terms of manufacturer’s responsibility degree, intermediary’s core tasks and relations between the manufacturer and the intermediary (see Table 3). Agent, as one of these types, is an individual or a company selling goods on behalf of a manufacturer for commission (Jobber & Lancaster 2009, 175). Along with trade intermediation services, agents can additionally provide the services of transportation, advertising, market research, etc. (Jobber & Lancaster 2009, 175). Despite the fact that agents do not actually belong to the manufacturer’s company, the manufacturer remains the principal of goods in these relations and stays responsible for the main transactions and risks associated with the selling process (Jobber & Lancaster 2009, 175 – 177). Distribution is another
form of trade intermediation: unlike agents, *distributors* purchase goods from manufacturers for further reselling including all the logistics and, thus, they are the principles carrying the responsibility for risks and transactions associated with selling goods to foreign customer (Jobber & Lancaster 2009, 177).


<table>
<thead>
<tr>
<th>Type</th>
<th>Definition</th>
<th>Core tasks</th>
<th>Relationship peculiarity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent</td>
<td>A company/individual which acts on behalf of another company</td>
<td>Selling on behalf</td>
<td>Work on commission basis with the manufacturer as a principal</td>
</tr>
<tr>
<td>Distributor</td>
<td>A company/individual which purchases and resells the goods of another company (The Selling 177)</td>
<td>Purchasing supplier’s goods, stockholding, reselling</td>
<td>Work on purchase/sales contract basis with the intermediary as a principal</td>
</tr>
<tr>
<td>Export house/Export management company</td>
<td>A company which carries out all or part of the international trade activities in the place of another company</td>
<td>Acting as an export department for one or several suppliers Handling export-related operations, documentation and procedures on behalf or under own name</td>
<td>Work on commission, salary, retainer plus commission basis or direct purchase of products for reselling with the intermediary as a principal Usually has established network of foreign distributors or agents</td>
</tr>
<tr>
<td>Piggyback marketer</td>
<td>A company producing own goods or services which additionally distributes goods or services of another company</td>
<td>Acting as a distributor of own and other company’s goods or services</td>
<td>Work on agreed basis The positive factor in trade relations is complementary nature of both manufacturers’ product lines</td>
</tr>
</tbody>
</table>
In turn, export houses (or export management companies) apply comprehensive approach to intermediation and act as export departments of the manufacturers whose companies cannot afford having such departments in-house (Jobber & Lancaster 2009, 178; Longenecker et al. 2016, 499). Export houses can handle the whole range of export activities depending on the manufacturer’s needs: they can work on commission with the manufacturer remaining the principal or purchase goods for further reselling taking the entire responsibility (Jobber & Lancaster 2009, 178 – 179; Longenecker et al. 2016, 499). It is also typical for export houses to have own network of foreign distributors and/or agents acting on the intermediary’s behalf (Jobber & Lancaster 2009, 178 – 179; Longenecker et al. 2016, 499). Finally, the manufacturers wishing to export goods or services to foreign markets can use the services of piggyback marketers - the producers of goods and services who are capable of distributing the goods and services of other companies simultaneously with their own ones (International Business Publications 2013, 79; Longenecker et al. 2016, 499).

2.1.3 Reasoning of international trade intermediation

International trade, which is highly resource-demanding activity, has always been the sphere where intermediation is used extensively (Perry 1992, 2). The prominent Uppsala model, a classical theory of internationalization, states that international operations are mainly expanded by companies in gradual steps (Johanson & Vahlne 1977). It means that before establishing a sales subsidiary or a production unit abroad, manufacturers tend to co-operate with export intermediaries (Johanson & Vahlne 1977). According to this theory, the decision about market commitment (or willingness to invest particular amount of resources to market activities) is driven by market knowledge which includes understanding of market opportunities/problems and awareness about market environment (Johanson & Vahlne 1977). The physic distance between the supplier and the customer from different countries disturbs the flow of information because of differences in language, business and industry arrangements, culture, etc. (Johanson & Vahlne 1977).). Basically, this approach explains the role of intermediaries as being the facilitators of trade flow throughout the physic distance and information constraints.

In the recent decades the gradual approach to internationalization has been challenged by the emergence of so-called “born globals” – the rapidly internationalizing companies seeking for big share of export sales from the inception (Cavusgil et al. 2012, 102). Among the universal reasons for the spread of new internationalization philosophy there is sufficient decrease in cross-border transportation of goods (Madsen and Servais 1997, 565 – 566). This factor is a significant argument in favor of intermediary reduction from
the marketing chain as far as intermediation business is based on the optimization of costs (Sourdin & Pomfret 2012). However, scholars still associate born globals predominantly with innovative, cutting-edge manufacturers with high degree of specialization (Cavusgil et al. 2009, 9 – 13, Errasti 2013). The traditional internationalization approach of Uppsala model is meanwhile left for conventional industries and less specialized products. Errasti (2013) outlines the features of the businesses utilizing traditional internationalization approach as follows:

- offering less innovative and leading-edge products
- having more limited value creation capabilities
- less niche-focused
- more reactive
- practicing serial market coverage from less distant to more distant
- exhibiting limited flexibility to external conditions
- having irrelevant or low prior managerial international experience
- having loose network
- accumulating market knowledge slowly
- considering intangible assets as less important

According to Errasti (2013), all these features naturally complement the traditional manufacturer’s orientation on gradual internationalization process which includes using intermediation services at least at the beginning of the foreign market penetration.

2.1.4 Manufacturer’s capabilities and intermediary’s contribution

According to the overviewed theory on intermediaries, the big question an international trade intermediary has to consider is shaping the product offering which is competitive in the market other than the domestic market of the manufacturer. The manufacturer in this marketing chain is supposed to provide the product of particular exporting value, while the intermediary’s task is strengthening manufacturer’s competitive advantage with own resources. According to the prominent framework of international activity developed by Dunning (1981), the advantages which determine the degree of manufacturer’s willingness and ability to get engaged into international activity include so-called OLI group: ownership-specific advantages over competitors (O), location advantages (L) and internalisation advantages (I). First of all, the company which is planning to go to a foreign market has to possess certain assets (O) which enable it having a competitive advantage over the competitors abroad (Welch et al. 2007, 30 – 31). The other considerations are as follows: whether it is advantageous to put the part of the assets abroad (L); and whether
it makes sense to transfer the assets into internal unit established abroad (I) rather than transmitting the control to another organization (Welch et al. 2007, 30 – 31). Figure 3 demonstrates the decision algorithm of choosing a market entry mode using Dunning’s framework (Welch et al. 2007, 30 – 31). It can be seen from the algorithm that exporting is connected with “O” group of advantages, and thus, in this work, I concentrate on O-advantages only.

![Decision Algorithm](image)

**FIGURE 3.** The utilization of Dunning’s framework for making foreign market entry mode decision (Welch et al. 2007, 31)

According to Dunning and Lundan (2008, 96), ownership-specific advantages stand for the unique capabilities of a manufacturer (see Table 4) such as privileged possession of assets, advantages of common governance and advantages of institutional arrangements. Table 4 presents the examples of O-advantages defined by Dunning and Lundan (2008, 101); meanwhile, it is possible to suggest that these aspects vary from industry to industry and depending on the product specificity.

In case of a 0-level marketing channel (see Figure 2), a manufacturer will supply its product directly to the foreign customer utilizing O-advantages by itself. If the manufacturer starts seeking for intermediation services, it means that some of its capabilities are lacking, and an intermediary can fulfill this gap (Bernard et al. 2012). Then, the task of the intermediary in this case will be highlighting the strong points of the manufacturer’s offering, complementing the existing offering with own value and thus strengthening the entire O-advantages set for better export performance. According to the research of Peng and York (2001), export performance of an intermediary is measured by net export sales margin (export profits / export earnings ratio), per capita export sales (export earnings / number of people ratio) and self-rated performance (intermediary’s self-evaluation against competitors).
TABLE 4. Export-related examples of O-advantages within the OLI framework. Adapted from Dunning and Lundan (2008, 101)

<table>
<thead>
<tr>
<th>Privileged property rights and/or assets</th>
<th>Advantages of common governance</th>
<th>Institutional assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership-specific advantages</td>
<td>Inclusion of institutions into the value chain</td>
<td></td>
</tr>
<tr>
<td>Privileged property rights and/or assets</td>
<td>Size, product diversity, economies of scope/specialization</td>
<td></td>
</tr>
<tr>
<td>Ownership-specific advantages</td>
<td>Exclusive/favored access to inputs (labor, natural resources, information, finance)</td>
<td></td>
</tr>
<tr>
<td>Privileged property rights and/or assets</td>
<td>Favored terms of obtaining the inputs</td>
<td></td>
</tr>
<tr>
<td>Ownership-specific advantages</td>
<td>Ability to maintain cooperative and productive relations</td>
<td></td>
</tr>
<tr>
<td>Privileged property rights and/or assets</td>
<td>Exclusive/favored access to product markets</td>
<td></td>
</tr>
<tr>
<td>Ownership-specific advantages</td>
<td>Access to resources at marginal cost</td>
<td></td>
</tr>
<tr>
<td>Privileged property rights and/or assets</td>
<td>Inclusion of institutions into the value chain</td>
<td></td>
</tr>
<tr>
<td>Ownership-specific advantages</td>
<td>Codes of conduct, norms, corporate culture</td>
<td></td>
</tr>
<tr>
<td>Privileged property rights and/or assets</td>
<td>Incentive systems and appraisal</td>
<td></td>
</tr>
<tr>
<td>Ownership-specific advantages</td>
<td>Leadership and management of diversity</td>
<td></td>
</tr>
</tbody>
</table>

Peng and York (2001) empirically prove that export performance is positively associated with intermediary’s unique resources and practices listed as follows:

- knowledge of foreign markets and export processes
- skill to conduct sales negotiations
- willingness and ability to take title (ownership) of goods together with the associated risks
- strategic orientation on commodity goods instead of complex technology-oriented goods

Thus, it can be concluded that the successful, high-performance implementation of exporting demands utilization of O-advantages of the manufacturer and O-advantages of the intermediary.
2.1.5 Basic research considerations

Table 5 presents the strategic considerations to be highlighted within the empirical part of the current research in accordance with the overviewed theory on intermediaries and international trade. The first issue for me to consider is what intermediary type my business belongs to and the tasks associated with the identified type. Secondly, I consider the profiles of suppliers and customers standing on the opposite sides of the industrial marketing chain and define their key characteristics and needs. Thirdly, I define the levels of the marketing channel and outline the geography of my operations. Finally, I figure out the ownership-specific advantages of my own business and of the manufacturers’ offering to combine those into joint strategic capability in Finnish market.

<table>
<thead>
<tr>
<th>INTERMEDIARY TYPE AND TASKS</th>
<th>COMPETITORS</th>
<th>INTERMEDIARY’S O-ADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent</td>
<td></td>
<td></td>
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<tr>
<td>Distributor</td>
<td></td>
<td></td>
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<tr>
<td>Export house</td>
<td></td>
<td></td>
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<tr>
<td>Piggyback marketing</td>
<td></td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>CHANNEL TYPE</th>
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<tr>
<td>1-level</td>
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<tr>
<td>2-levels</td>
</tr>
<tr>
<td>Multi-level</td>
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</tbody>
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<table>
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<tr>
<th>CHANNEL GEOGRAPHY</th>
<th>MANUFACTURERS’ O-ADVANTAGES</th>
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<td></td>
<td>Assets</td>
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<td></td>
<td>Practices</td>
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</table>

| CUSTOMERS’ PROFILE |

2.2 Strategic planning

2.2.1 Strategy, strategic planning and its effect on performance

Johnson et al. (2008, 3) define strategy as follows: “The direction and scope of an organization over the long term, which activities advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling of stakeholder expectation”. Strategic planning, in turn, is commonly explained in practical
handbooks as a logical, practice-oriented process of seeking for the optimum course of actions which serves organizational goals and priorities and which is driven by strategists’ judgments about the future (Hall 2004, 1; Akdeniz 2015). As it is revealed by empirical research (Arasa & K’Obonyo 2012; Sandada et al. 2014; Skokan et al. 2013; Veskaisri et al. 2007), companies go through the following steps when planning their strategies:

- formulating business purpose, mission and vision
- setting up time frames for planning
- identifying information sources
- doing environmental scanning
- identifying strategic issues
- developing strategic options
- making strategic choices
- setting up strategy implementation
- involving employees into strategy implementation
- arranging evaluation and control of strategy implementation
- formalizing the planning (creating strategic documents and formalizing the methodology of implementation)

Meanwhile, companies are not equally engaged in strategic planning. The empirical studies of recent decades show that smaller companies tend to underestimate its importance for their business. For instance, the research done by Stonehouse and Pemberton (2002) on UK companies demonstrates that smaller companies have shorter-term strategic orientation than the larger ones, and they more often neglect planning. Conducting research on the data of Czech and Slovak Republic companies, Skokan et al. (2013) reveal that 95% of those firms which do not have the written document of strategic planning belong to the category of “micro and small” enterprises. Despite all these findings, the importance of strategic planning for small companies inclusively is supported by the fact that there is positive association between strategic planning and companies’ performance. Arasa and K’Obonyo (2012) prove the existence of relationship between strategic planning of Kenyan insurance companies and a number of financial and non-financial performance indicators. Another research, conducted on the data of South African companies by Sandada et al. (2014), shows that strategic planning has positive influence on SMEs’ subjectively measured business performance (e.g. such indicators as market share, employee turnover, customer satisfaction, competitive product development, etc.). Strategic planning is also associated with business growth: thus, the research done on the SMEs of Thailand reveals positive association between the extent
of strategic planning and such indicators of company’s growth as sales increase, customer base expansion, location expansion and growth of staff number (Veskaisri et al. 2007).

2.3 Research framework

As the foundation for my own company’s strategic planning, which is the subject of my research, I basically use the model suggested by Johnson et al. (2008). The authors present strategic planning construct as the combination of the three following elements: “strategic position”, “strategic choices” and “strategy in action”. Under the process of strategic planning, figuring out the “strategic position” means the following: 1) identifying the external environment’s impact on strategic considerations (defining threats and opportunities); 2) highlighting the company’s strategic capability determined by resources and competences (defining strengths and weaknesses); and 3) identifying stakeholder expectations (defining mission, vision, corporate governance and ethics). In turn, “strategic choices” element stands for the set of outlined directions the strategy might take in future and methods chosen to be implemented within this or that strategic move (these methods might include pricing, differentiation alternatives, diversification alternatives, competition styles and innovation options). Finally, putting “strategy in action” means ensuring the practical implementation of the strategy; it is enabled by such tactical elements as processes, structures, activities and resource combinations. (Johnson et al. 2008.)

Figure 4 presents the sequence of these elements based on the three general strategic milestones such as anticipation, decision and action (Godet 2000). Within the framework utilized by me, “strategic positioning” element corresponds with anticipation phase which is the phase of judgements about the future against actual situation (Johnson et al. 2008; Godet 2000). The tools which I implement in this phase of my planning process are as follows: goal/objectives/mission/vision formulation, PESTEL analysis and core capability/competence analysis. These techniques are among the tools frequently used by SMEs in their strategic planning (Skokan et al. 2013; Stonehouse & Pemberton 2002). Strategic goal and objectives stand for the company’s big aim and its quantified or instantiated statements respectively (Johnson et al. 2008, 10). Mission is understood as the entire purpose of the company’s existence, scope of its business and reflection of perceived stakeholder expectations (Johnson et al. 2008, 10). Vision stands for the aspired state the company intends to achieve in future (Johnson et al. 2008, 10). PESTEL refers to the framework of macro-environment analysis embracing the political, economic, social, technological, environmental and legal factor which might affect the implementation of business (Johnson et al. 2008, 54). Finally, core capability includes resources, activities and processes which create competitive advantage of the company.
(Johnson et al. 2008, 9). In the empirical research I explore the core capability of my business referring to Dunning’s O-advantages concept and viewing the competitive advantage of my offering as the totality of the intermediaries' O-advantages and manufacturers’ O-advantages.

In turn, “strategic choices” element is embedded into the phase of decision (Johnson et al. 2008; Godet 2000). In this phase I put the information gathered and systematized in the phase of anticipation into scenario matrix, and then I prepare the sets of SWOT considerations for each identified scenario. Scenarios are the views on the possible environment moves based on those PESTEL factors which exhibit high degree of uncertainty (Johnson et al. 2008, 57). This technique is broadly utilized across industries, which finds empirical evidence in a variety of studies (Amer et al. 2013). The other tool utilized in this phase is SWOT analysis highlighting company’s strengths and weaknesses as well as external opportunities and threats - the framework combining the insights from PESTEL and strategic capability analysis (Johnson et al. 2008, 94). SWOT is also the tool found to be commonly used by SMEs in their strategic planning practices (Stonehouse and Pemberton 2002).

Combining scenarios and SWOT in my planning, I get the sets of opportunities, threats and capability accentuations for each identified scenario, and on this basis I draw out the blueprint of my strategy. Strategy blueprint is the technique providing strategic planning with structure, and this enables the intended plan to be validated, aligned and acted upon (Hunter 2014). Blueprint structures the building blocks or strategy components leading to the execution of company’s financial targets within certain timeframe; thus, it basically explains how the business is going to make profit (Charan 2005, 125). Blueprint is designed the way that it answers the following questions: 1) what the performance targets are; 2) how the business is positioned externally; 3) what the distinctive feature of the business is; 4) how the business adapts to external circumstances; 5) how the resources are allocated; and 6) what operating competences are put in action (Charan 2005, 125).

Within the framework outlined for the current research the strategic planning elements such as “strategic position”, “strategic choices” and “strategy in action” serve as the major building blocks the blueprint is made of. The building block of “strategic position” answers the questions about targets, positioning in the external context and core distinction of my business in comparison to competitors. The “decision” block explains how the business is going to adapt to different extremal scenarios. Finally, “strategy in action” block gives the answers about the tactical utilization of resources and competences.
FIGURE 4. The framework of strategic planning for international trade intermediary (Adapted from Johnson et al, 2016)
3 STRATEGIC PLANNING. CASE WOODBE OY

3.1 Starting point for strategy planning

The starting point for strategy development is the essence and the very idea of Woodbe business summarized in Table 6. The idea is figured out on the basis of the following preliminary work: market research in Russia and Finland, creation of potential customer database, market segmentation and costs analysis. The results of this work are the requisites for the following analysis.

Woodbe is planned as an export house. Unlike agent Woodbe is the principle of goods and unlike distributor Woodbe covers the variety of activities far beyond distribution (including market research, product offering preparation, export clearance and creation of a stakeholder network). At this initial stage of Woodbe’s development the stakeholder network includes a partner company in Russia which is responsible for contacting and controlling Russian manufacturers and several forwarders. The longer-term goal is to expand the number of partners and have a partner in other CIS countries where manufacturers are located.

In industrial marketing chain Woodbe occupies a single-intermediary position between Russian manufacturers and Finnish customers. This is 1-level marketing channel and it is the most appropriate approach to business for the beginning. Until the target market includes only Finland there is no reason to attract additional distributors or agents in Finland because the market is small. In longer-term our export house can use this option if spreading to other European states. As about Russian territory no additional agents or distributors are needed there as well. The partner company in Russia accomplishes only the function of control of order implementation and is not involved in the sales-purchase relations. The only situation when additional agents or distributors might be needed is purchasing goods from the manufacturers located in Asian part of Russia. Physical distance might be the reason for involving new stakeholders in the chain. However, these plans are also long-term and now Woodbe is concentrated on the manufacturers located in the European part of Russia.

Woodbe is established to serve Finnish companies producing goods made of timber including, for example, indoor and outdoor interior panels, shelves, siding, decking, glued timber, etc. The 2 following segments are defined within customers’ profile: small companies which are interested in small shipments and can demand single transactions;
and medium/big-scale manufacturers interested in big volumes and relational approach meaning long-term contracts.

TABLE 6. Woodbe’s considerations for strategic planning (Artem Matyushevskiy, 2016)

<table>
<thead>
<tr>
<th>INTERMEDIARY TYPE AND TASKS</th>
<th>COMPETITORS</th>
<th>INTERMEDIARY’S O-ADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export house</td>
<td>Local suppliers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- High price</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Limited range of timbers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other intermediaries</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Limited range of timbers</td>
<td></td>
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<tr>
<td></td>
<td>- Limited geographic coverage</td>
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</tr>
<tr>
<td></td>
<td>Customers’ own export departments</td>
<td></td>
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<tr>
<td></td>
<td>- Language barrier</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Inaccessibility of cheap delivery</td>
<td></td>
</tr>
<tr>
<td>COMPETITORS</td>
<td>INTERMEDIARY’S O-ADVANTAGES</td>
<td></td>
</tr>
<tr>
<td>Local suppliers</td>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>- High price</td>
<td>- Stakeholder network in Russia</td>
<td></td>
</tr>
<tr>
<td>- Limited range of timbers</td>
<td>- Business education of owners</td>
<td></td>
</tr>
<tr>
<td>Other intermediaries</td>
<td>Practices</td>
<td></td>
</tr>
<tr>
<td>- Limited range of timbers</td>
<td>- Experience in customs clearance, market research, cross-cultural negotiations and delivery arrangements</td>
<td></td>
</tr>
<tr>
<td>- Limited geographic coverage</td>
<td></td>
<td></td>
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<tr>
<td>Customers’ own export departments</td>
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<td>- Language barrier</td>
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<td>- Inaccessibility of cheap delivery</td>
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<tr>
<td>CHANNEL TYPE</td>
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<tr>
<td>1-level</td>
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<td></td>
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<tr>
<td>CHANNEL GEOGRAPHY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>European part of Russia (manufacturers), Finnish (customers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MANUFACTURERS’ PROFILE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small-scale manufacturers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Smaller volume (targeted at Finnish SMEs), less profit, more flexibility, bigger availability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium and big-scale manufacturers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Bigger volume (targeted at Finnish medium-sized and big companies), more profit, less flexibility, smaller availability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CUSTOMERS’ PROFILE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small companies producing various goods made of timber (e.g. outdoor and indoor interior panels)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Small shipments, possibility for single transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium and Big companies (non-standard timber dimensions are needed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Big shipments, relational basis</td>
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The profile of manufacturers attracted by Woodbe includes as small-scale manufacturers as medium and big-scale manufacturers. They provide approximately the same product
in terms of quality, but the difference in the volumes they are able to provide. Thus, if considering the transportation and other expenses associated with the process of supply, big-scale manufacturers are generally more profitable than the smaller ones, but at the same time, small-scale manufacturers also have some advantages. They are more available on the territory of Russia and their volumes match with the needs of Finnish SMEs. The other important point is that small-scale manufacturers are more flexible in terms of contracts and they can be shifted in case of changed circumstances. If the quality their goods starts decreasing it is possible to terminate the contract without penalties because the manufacturers of such kind can always find new customers for their volumes.

As about competitors I define the following categories of them: local suppliers, other intermediaries, customers' own export departments. Market research and costs analysis show that local timber suppliers can hardly compete with Russian suppliers in price even if taking into consideration the transportation costs and our fee as an intermediary. The main reason for it is that Russia has always been the country with material and production cost advantage, and it continues to be thus especially under the conditions of weak ruble. The other advantages of Russian manufacturers are high production volumes and diversity of timbers. Thus, the fact that 86% of timber purchased in Finland is imported from Russia (Natural Resources Institute Finland 2016) indicates that the local supply does not meet local demand.

The other category of competitors includes Russian-based intermediaries selling timber products from Russia to Finland as we do. Russian manufacturers seldom have language, cultural and market knowledge capabilities for selling timber products abroad directly, and they tend to use intermediary services. However, it is noticed that in our business the existing intermediaries sell products only to limited number geographic areas mainly situated near the border. The product range is also limited and includes only few types of timber. The manufacturers of our database provide far more diverse offerings.

Finally, Finnish companies which need timber product can sometimes have in-house import departments. According to our analyses they also purchase goods from the areas closer to the border because going beyond these areas is restricted with language, cultural and market knowledge barriers. Our manufacturers are located farther from the border but they can provide better offerings in terms of price, volume and diversity.

The idea of Woodbe business is to combine the ownership-specific advantages of Russian manufacturers and ownership-specific advantages of Woodbe as an intermediary services provider. Among Woodbe’s advantageous assets and practices
there are stakeholder network in Russia, business education of owners, experience in customs clearance, market research, cross-cultural negotiations and delivery arrangements. Human capital is seen as the key factor of Woodbe’s advantage. Woodbe staff consists of 2 people who are simultaneously the owners of the enterprise. Owner 1 has experience in supplying various industrial goods both from Russia to Finland and from Finland to Russia, procurement, market research, logistics, international sales and sales database. Owner 2 has recently graduated from University of Eastern Finland, Master’s degree programme in International Business and Sales Management and has a wide network both in business and academic spheres.

3.2 Strategic position

3.2.1 Environment scanning

To position our company on the arena of target market I conducted environmental scanning applying PESTEL analysis.

_Economic and political environment_

The import value from Russia to Finland is worth 400-600 million Euro per month which makes Russia the third biggest exporter of Finland (Tulli 2016). There is a reason to expect Russia remaining a major exporter because according to BOFIT Forecast for Russia 2016-2018 the volume of Russian export will grow (Bank of Finland 2016). Timber products imported from Russia to Finland constitute quite a big share of total imports accounting for 6,9% with annual growth of 5% (Tulli 2016). At the same time the demand for timber products is derived from other industries using timber for own production purposes, and global economic environment in general influences demand for timber in Finland. For instance, major demand for timber products was observed in early 2014 when there was growth of demand in European and North Africa markets. Finland supplied processed timber goods to these markets and for meeting the demand purchased timber products of initial stages of procession (METLA 2014). Further the downturn in construction in the European Union – one of the industry’s the demand in which determines timber industry demand - caused new uncertainties and reduced the demand despite the rise. The other reason for uncertainty of the timber product demand of the same year was for instance the decreased demand in Japan which is another importer of Finnish goods made of this material.
Not only the demand is affected by economic environment. Another issue having influence on timber industry of international scale is currency fluctuation which is determined by both political and economic factors. Political instability usually causes changes in currency rates while they harshly and immediately affect prices for timber products traded across borders. For example, in January 2014 the prices for timber products were approximately the same on the different markets of the world (see Picture 1). The political conflict between Russia and Ukraine which started evolving in 2014 provoked the decrease of ruble value and already in June 2014 the prices for timber products in Russia became much lower than in many other areas. Thus, it became more beneficial for international companies to purchase timber in Russia (UN 2014).

PICTURE 1. Major currencies used to trade forest products indexed against the US dollar, January 2014-May 2015 (UN, 2014)

As about the forecasts, ruble is not expected to get much stronger in longer term. The big determent of ruble value in global market is oil price. Oil price is predicted to stay at the level of 2014 at least until 2018 (Worldbank group 2016). Consequently, it can be concluded that purchasing timber in Russia will remain being beneficial in terms of prices in general. However, some customers are particularly price-sensitive and they can lose benefit even in case of any fluctuations. For instance, the fluctuations from 2014 to 2016 has been very intense (see picture 2), and it means that for some customers the benefit can vary from month to month depending on the ruble status. Nevertheless, even if ruble gets stronger for some time it will still remain weaker than Euro.
Some threats emerging in ecological environment boost the development of technology which opens new opportunities for timber industry. One of the hot topics today in construction industry is using ecologically friendly materials (METLA 2009). Timber is among such materials because it is recyclable, its production is cleaner in terms of carbon emissions in comparison to aluminum, steel and other materials, and as raw material wood is renewable. (METLA 2009).

The current situation with wood-buildings construction technology does not provide direct answer regarding future demand for timber derived from construction. On the one hand, the existing technology can enable the construction of up to 40-storied buildings made of wood (European Forest Institute 2014). It means that there is a possibility of major demand in timber if the technology spreads. However, the scale of the technology implementation is uncertain. In Europe the scope of construction activity is rather small which restricts the demand for such buildings and thus the demand for raw materials (European Forest Institute 2014). At the same time, many buildings in Europe are about to be renewed and it is another opportunity for timber industry. Besides that, growing globalization of all industries means that Finnish companies involved in timber related production can find customers abroad and thus expand the usage of timber products.
Legal environment

At the same time there are no straight regulations in the European Union determining timber supplies. However, there are certain recommendations given in the guidance document for EU timber regulations. These recommendations are not binding but they probably indicate the possible directions of timber industry legislation development. These recommendations, for instance, attach importance to such issues as timber origin and sustainability of production and supply chain (European Commission 2016). Exports suggest that absence of certificates proving such sustainability (e.g. FSC or PEFC) can affect the activity of small companies. Companies of small size do not always have resources for arranging sustainable practices and they will be dropped out of the European market if the legislation is adopted (UN 2014).

Social environment

Although being neighboring countries, Russia and Finland are different culturally. For example, Hofstede’s cultural dimensions’ model indicates big difference in power distance in Russia's and Finland's business environment. Tall organizational hierarchy typical for Russia means that decision makers occupying higher positions can be difficult to access. It can create cultural misunderstanding because in Finland organization hierarchy is flat and Finnish businessmen can be unaware about the fact that not all the organizational contacts lead to decision makers (Hofstede 2016). The other big difference related to our sphere of interest is found within collectivism-individualism dimension. Russia is society with prevailing collectivism and the network of personal well established contacts is very important for business relations. Coming from individualistic society Finnish businessmen can miss this peculiarity and neglect the necessity of personal network.

Language is another aspect of social environment meaningful for international business activity independently from industry. According to English proficiency index 2015 Russia has low level of English language knowledge (EF EPI 2016). It means that for Finnish businessmen it will be hard to find a partner in Russia because of language barrier. According to our market research in Russia, almost all the web-sites with manufacturer’s description have no translation into English or other languages. The translation of Finnish web-sites into Russian language is also very rare occasion.
3.2.2 Strategic capability

Based on the assessment of O-advantages of both manufacturers and Woodbe as intermediary as well as environmental scanning results I draw out the model of Woodbe’s strategic capability presented in figure 5. Our market research shows that Russian manufacturers offer timber product at much lower prices than the ones in Finland and Finland’s proximity. At the same time the situation in Russian economic and political environment will remain positive in terms of prices according to the forecasts. Thus, the first component of Woodbe’s advantage is price which stays comparatively low even after inclusion of delivery and customs clearance expenses. The other 2 components of Woodbe’s competitive advantage are volume and product range. It was discovered that Russian manufacturers located a little bit farther from the border (and thus not targeted by our competitors from Finland) provide much broader range of timbers including the timbers of central regions of Russia. These timbers are difficult or even impossible to harvest in Finland but their features match with the needs of particular industries (e.g. indoor and outdoor interior panels, sauna panels, furniture boards, etc.). Having the manufacturers of these timbers in our database means having the competitive advantage in the target market. The similar situation is with volume. The manufacturers located near the border are scarce and their volume capabilities are considered to be limited. Woodbe’s database of manufacturers is not limited with the areas near the border and thus we can afford supplying quite big volumes and demand. Finally, the important component of Woodbe’s strategic capability is made of the owners’ Finnish market and cultural knowledge and skills obtained during studying at business schools in Finland and working on projects with Finnish firms. PESTEL analysis showed that there are cultural and especially language barriers between the countries. Thus, managing Woodbe from the point of view of Russian native citizens having expertise in international business and experience of living and working in Finland seems to be the important benefit.
3.2.3 Mission and vision

The mission and vision of Woodbe are figured out according to the identified strategic capability and the opportunities given by the external environments of 2 countries. The mission of Woodbe is to provide the optimum offering for each particular client in Finland. The optimum is made of price, volume and range of timers including those which are difficult to source outside Russia. The purpose of this business is to combine the opportunities of Russian area rich of wood and international business expertise. This combination is to serve the most demanding customer request.

The vision of the business is to grow into a strong facilitator of international trade operating the network of efficiently acting stakeholders. We aspire to initiate and further manage the smooth supply chain of timber products acting without delays. It is also planned to expand business outside Finland in terms of customers and outside of Russia in terms of manufacturers. The long-term target (approximately 7 years) is the whole European market and having manufacturers pool located in CIS countries.

3.3 Strategic choices

3.3.1 Scenarios

The environment scanning indicated that there are 2 dichotomies which cause the greatest uncertainty for Woodbe’s business. The first one is demand which can be as high due to new construction technologies and attractiveness of Russian low-cost products as

![Diagram showing strategic capability of Woodbe Oy](image-url)
low due to limited mass construction in Europe. The other dichotomy is ruble currency level: weak ruble means possibility for an intermediary to prepare very attractive price offerings, while strong ruble restricts strategic capability in terms of pricing. According to these considerations the 4 following scenarios were figured out: ideal situation, calm situation, uncertain situation and tough situation (see Figure 6).

Scenario 1 is the situation on the market when the demand is high and the ruble is weak. It is considered to be ideal because under these circumstances the prices are low and sales volumes are high. This opens possibilities for dumping and consequently allows conquering the market share in short terms. Scenario 2 is the combination of low demand and weak ruble. It is the uncertain situation because the prices remain being attractive but the profit margins are under the question due to decreased sales volumes. Scenario 3 combines high demand with strong ruble. This is the situation of calmness because although the prices are not as attractive as under the condition of weak ruble they are still competitive. Profit margins can be gained by high sales volumes. Finally, Scenario 4 combines strong ruble with low demand. It is the toughest scenario because dumping is not possible and sales volumes are restricted.

![Strategic scenarios diagram](Artem Matyushevskiy, 2016)

FIGURE 6. Strategic scenarios (Artem Matyushevskiy, 2016)
3.3.2 Decisions

For each identified scenario I figured out the set of strategic decisions regarding key accounts, price, volume and relationship considerations. SWOT analysis is done for each scenario. There are specific strengths, weaknesses, opportunities and threats for each scenario but there are also some aspects equally meaningful for different scenarios and they are highlighted with bold font.

Scenario 1

The SWOT for Scenario 1 is presented in Figure 7.

Dumping opportunity created by weak ruble and high demand enable forming attractive price offerings. Our existing network of stakeholders and international business competence enable us matching customer needs with actual supply in Russia in fast and effective way. However, our weakness under this scenario is small size of the company: there are only 2 people in the staff (business owners) who can cover small share of operations. The decision to be taken at this scenario is allocating resource to searching customers with the intention and capability of long term relations. Concluding several major deals with big customers we can concentrate only on them without dispersion and smoothen the delivery process getting it closer to JIT supply. The same tactics is to be implemented in terms of manufacturers. While keeping the margins high by serving smaller customers in our database and simultaneously searching for bigger customers to
allocate our resources to them further, we can at the same time search for bigger manufacturers in Russia who can afford certifying. The threat of certification legislation is not short term, but however it exists. Finding the manufacturer able to arrange the certification, we will preserve our company from being dropped out of market.

Scenario 2

The SWOT for Scenario 2 is presented in Figure 8. Under this scenario ruble is still weak but low demand does not allow dumping and having high profit margins. At the same time the difference between Euro and ruble still helps to keep margin at moderate level. Reduction of demand however is a serious threat for further decrease of the margins. Simultaneously, the company doesn't earn enough money and retain enough resources for shifting markets in order to find bigger demand.

Our tactics under this scenario is based on highlighting the diversity of product portfolio. It was discovered that the range of timbers in Finland is much smaller than in Russia. Some timbers extracted in the middle part of Russia have valuable features for Finnish producers using timber in their production process. At the same time forwarding timbers from the middle part of Russia is still cost-efficient. Thus, offering these timber along with the ones traditional for Finland makes us more attractive in comparison to the competitors and gives us advantage when fighting for low demand.
Scenario 3

SWOT for scenario 3 is presented in Figure 9. This scenario provides moderately favorable circumstances for doing business without heavy constrains but without opportunities for enormously high profits as well. Strong ruble does not enable very high margins but they are still kept moderately high due to high demand. The main threat is the existence and emergence of price-sensitive customers who are possible to be satisfied only with the prices enabled by weak ruble. Our tactics under this scenario is managing volumes of supply timber in a flexible manner. We can combine several orders in one for delivery. By doing so we will retain price-sensitive customers within our customer pool and satisfy their needs by gaining cost-efficiency on logistics. The weakness of this tactics is that it demands very intense actions from the side of management who should be very flexible and mobile in order to make these combinations. There are only 2 people in Woodbe’s staff and it might cause a problem. To eliminate this commercial risk, we will activate our existing network and especially the partner in Russia. There is also the possibility to hire assistance on the territory of Russia who will provide additional actions. Both Woodbe’s owners have proven relations with young Russian professionals and it can be utilized as an asset.

FIGURE 9. SWOT analysis for Scenario 3 (Artem Matyushevskiy, 2016)

Scenario 4

SWOT for scenario 4 is presented in Figure 10. Because of strong ruble and low demand, the margins across the industry are expected to be low under these circumstances even
Despite moderately low prices from manufacturers. Under these tough conditions our tactics is putting focus on small manufacturers and small customers and flexibly manage the volumes. This scenario pushes us to give preference to short-term deals the main purpose of which is enabling cash-flows and accumulating earnings. There are no resources for shifting the market, so retained earnings will make it possible in future. The other resource to be activated is diverse product portfolio. Although Finnish domestic supply can almost meet the demand under the conditions of low demand, the rare timbers not found in Finland can create our competitive advantage. Naturally, the main weakness of us as an intermediary here is small size of company and availability of only 2 managers. We aspire to solve this problem by utilizing the existing network of professional contacts in Russia and attract additional help from them if more flexibility and mobility is needed for forming the compound delivery to different customers. The threat of certification adoption seems to be meaningful under this scenario as far as the majority of small manufacturers cannot afford certification. This risk cannot be secured by us but we can aspire to accumulate earnings before the moment of adoption. It will provide us with possibility to allocate more resources to searching and attracting bigger manufacturers when it is needed.

![SWOT diagram](image)

**FIGURE 10. SWOT analysis for Scenario 4 (Artem Matyushevskiy, 2016)**

### 3.4 Strategy in action

Figure 11 presents the blueprint of Woodbe’s strategy. It is done on the basis of environmental scanning, strategic capability planning, mission and vision of the company, scenarios’ reviewing and SWOT model for each identified scenario. The blueprint is
needed for having the full picture of the strategy and viewing it in the process. Its purpose is to help Woodbe managers to act efficiently throughout the business implementation and understand the background of these actions.

FIGURE 11. Blueprint of Woodbe’s strategy (Artem Matyushevskiy, 2016)
From the point of view of a person having now the experience of a strategist I can say that strategic planning is a demanding and challenging process. When ones plan a strategy it involves activating a number of skills such as concentration on key things, foresight, analytical skills, creativity combined with critical thinking and the ability to match data from different sources. The previous studying and working experience are also of great importance because it helps figure out which facts, aspects and issues are meaningful and which of them should be left beyond the focus. Probably, the main thing which drives strategic planning is the strategist vision or the understanding of company’s long-term goals, current and desired capabilities and direction to take for gaining success.

The whole experience has been new for me. Even though I had some background in the same industry and experience of working with industrial customers. The novelty of such task as strategic planning has become the biggest reason for uncertainty. The big challenge was finding the relevant and reliable sources of information for environmental scanning analysis and scenario planning. The other challenge was critical analyzing of the company’s advantages without exaggerating them. Finally, the big challenge was drawing out the big picture of the strategy with taking into consideration the crucial details.

According to my self-estimation I managed overcoming the challenges associated with Woodbe’s strategic planning. It took rather long time to solve the problems and find the optimum solution but the result has been worth it. The things which helped me to get the successful result included determination to be an entrepreneur and dedication to own business idea. The success of the result can be supported by the fact that the presented strategy became the content of the business plan submitted to Finnvera in order to receive funding for launching the business. The business plan was accepted and now the decision is under consideration. Even without funding Woodbe is ready to act according to the strategy and the managers are currently taking some actions figured out within the observed strategic planning.
CONCLUSIONS AND DISCUSSION

The result of the current thesis is the strategy planned and blueprinted for initiating and managing an intermediary business between Russia and Finland. The strategy planning was done according to the framework suggested by Johnson et al (2008) and including such steps of strategic planning as anticipation (environment analysis and positioning), decision (such as strategic scenarios and choices) and action (the whole tactics for business implementation). I supplemented this framework with the toolkit containing frequently used strategic tools such as SWOT, PESTEL, vision and mission formulation, strategic capability analysis and scenario planning (e.g. Skokan et al. 2013; Stonehouse & Pemberton 2002) I also included into the framework the theory of Dunning (1981, 2008) about OLI advantages: I used the concept of O-advantages for formulating Woodbe’s strategic capability as the combination of O-advantages of manufacturers and Woodbe’s O-advantages as an intermediary. Summing up I can make the conclusion that the framework and concepts presented in the theory dedicated to strategic planning are usable and they support the strategist while implementing the task.

In the current thesis I demonstrated how to plan the strategy of an intermediary business which deals with international trade facilitation. I showed which techniques can be used for strategic planning as well as shared the flow of my thought as a strategist. I consider that the question stated in the introduction part of the current thesis is answered. My experience can be used as information source for those entrepreneurs who are just starting their intermediary business in Finland independently from the industry because the framework and the approach I used can be generalized and transferred to a broad number of specializations.
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