

# **Feasibility of expanding Media Agency to Russia**

## **Case: JS Suomi Oy**

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<p>This research was initiated by the case company JS Suomi Oy in order to understand whether they should or should not expand to Russia in the nearest future; and what kind of factors should be taken into consideration, if they should. Market information incorporating the latest developments and trends is essential for that kind of decision. In addition to market research, testing the expansion idea for feasibility required analysis of opinions of potential business customers from Russia.</p> <p>The objective of this research was to identify whether the idea brought up by the directors of the sponsor company to explore the opportunity to expand to the Russian market was feasible. In order to do that, it was crucial to find out whether the opportunity for JS Suomi Oy existed in the Russian market (IEO), which was found out through juxtaposition of the current condition of the Russian market (market opportunity) and case company's capabilities (firm capabilities), with help of which the international opportunity could be embraced.</p> <p>Opportunity-based approach to internationalization was seen as the most appropriate theory for this research, due to the given preconditions. Such as pre-determined internationalization method (establishing a foreign subsidiary). The research explains how to answer the main research question through the three research sub questions and how their structure is related to the opportunity-based approach. Multiple source data analysis eventually allowed to come up with a list of specific recommendations for the successful internationalization of the case company.</p> <p>The idea for this research was originally discussed with the case company in 2015. At that moment case company has started considering Russian Federation as a destination for expansion. The interviews with Russian decision-makers, designed to be utilized in this research, were conducted in winter 2016-2017 as a part of a project for the company. The actual secondary data collecting and data analysis took place during autumn 2017 - spring 2018.</p> <p>The research confirmed the presence of international opportunity in the Russian market, as well as proved the expansion of the case company to the Russian market feasible. That is due to certain capabilities possessed by the sponsor company, that matched the given conditions of the Russian market.</p>	
<b>Keywords</b> Internationalization, Russia, Business expansion, Co-branding, Media agency, Opportunity exploitation	

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# 1 Introduction

The goal of the study is to help the case company JS Suomi understand whether it should expand to Russian Federation, or not within the next few years. The study aims to find out, what kind of factors should be taken into consideration when pursuing such a venture. The study intends to provide reliable information on the business climate in Russia in general, as well as aims to analyse Russian market for the number of preconditions, essential for success of JS Suomi Oy.

The case company is a subsidiary of JS World Media (JS Suomi 2017). JS World Media is an international media group focusing on creating Interactive brochures that are funded by partners & suppliers and targeted specifically at the recipients. The key concept used by the company is co-branding. JS World Media was founded in 1993 (JS Suomi founded in 2009) and is operating in 12 countries around the world. The total amount of the employees is around 450. The company's headquarter is located in Denmark (JS World Media 2017). Throughout the research, the author of this study has occupied positions of Project Consultant (PCS) and Key Account Manager (KAM) at the company. Both of the positions implied B2B sales and marketing activities. Performing the key interface function between the customer and all relevant divisions (as a KAM), the author has gotten a chance to get to know the sponsor company from different dimensions, which resulted in extensive understanding of the nature of the company.

The idea for this research was originally discussed with the case company in 2015. At that moment JS World Media started considering Russian Federation as a destination for expansion. The interviews with Russian decision-makers, designed to be utilized in this research, were conducted in winter 2016-2017 as a part of a project for the company. The actual secondary data collecting and data analysis took place during autumn 2017 - spring 2018.

This study was initiated in order to provide the company with necessary information for opening an office in the country of interest - Russia. Since JS Suomi is the closest office of the JS World Media group to the Russian border, the responsibility for the project lies on them. The following research will refer to the sponsor company JS Suomi and not the head office JS World Media.

## 1.1 Case company. Main principles

The case company specializes on creation of interactive Brochure materials for private companies, governmental and non-governmental organizations. The brochure packages are created in printed and digital forms, and are targeted specifically at the recipient. The company uses Augmented Reality (AR) technology in their brochures. Thus, in addition to the printed and digital brochure there is an interactive AR App. AR is “an enhanced version of reality where live direct or indirect views of physical real-world environments are augmented with superimposed computer-generated images over a user's view of the real-world, thus enhancing one's current perception of reality” (Reality Technologies 2016).

The main concept used in 95% of the case company's projects is co-branding. Co-branding is cooperative brand marketing activities of two or more individual brands, products, and/or other distinctive proprietary assets (Simonin & Ruth 1998). Out of the biggest advantages of using co-branding in marketing are: adding more value to the brand; sharing costs; can result in developing long-lasting relationships based on mutual commitment of the parties (Hollensen 2001). Using co-branding concept in case company's projects means, that it is possible for partners and suppliers of a company X to advertise in the company X's brochure for a certain sum of money. In other words, the projects are funded by suppliers. Company X does not need to pay for their project, instead, they are responsible for an active use (distribution) of the ready brochures.

There are four departments in JS Suomi: Administration, Sales, Ad Sales and Communication. CM stands for country manager. A project typically flows between three departments (sales, ad sales and communication). The picture below demonstrates the project flow throughout stages. Understanding the project flow will help readers to better understand the company, the research and why the factors assumed important for the case company in a foreign market are really important.

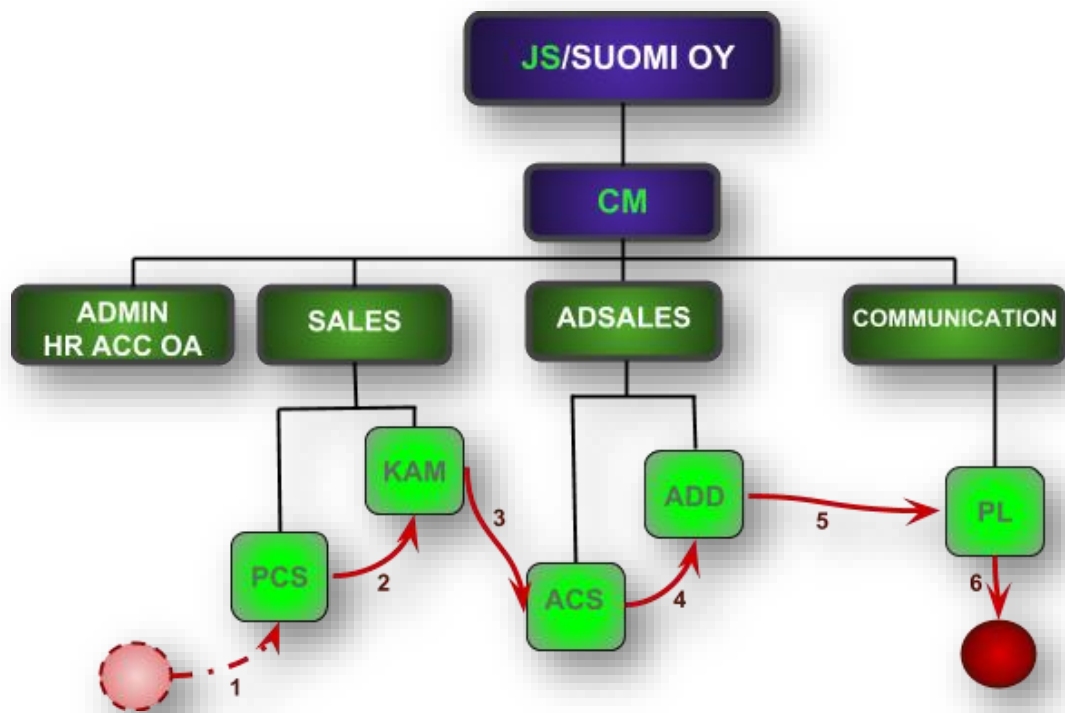


Figure 1. Project Flow in JS Suomi Oy 2018.

Stage 1. Every project starts from the stage 1, when Project Consultant (PCS) screens the lead, updating contact information of the decision-makers and up-to-date turnover information into the CRM system. It is very important to be able to access the turnover data, because of the co-branding concept. Since the direct customers do not pay for the project, it is crucial to know that the company is big enough to be able to raise sufficient funds through advertising suppliers. The concept simply wouldn't work for companies that are too small. JS Suomi Oy bears the financial risk till the moment when the minimum funds are gathered. Not being able to know how big the client company is, involves risk financial losses for the case company. After screening the lead, PCS contacts the decision-maker of the potential client company and tries to book a meeting with him/her.

On stage 2, Key Account Manager goes to the client's office to have a meeting with them. During this stage the idea is "sold" to the client, the contract is signed and the project is planned. For that reason, the person at the meeting must be a true decision-maker, hence, the availability of contact information of the decision-makers is another crucial factor for successful and efficient performance of the case company. After the meeting KAM is responsible for collecting the list of suppliers from the client in order to contact them later on.

When KAM transfers the project to Advertising Consultants (ACS) stage 3 begins. ACSs contact the companies listed by the client and sell them participation (ad space) in the project. When the sufficient amount of the ads is sold, the project is proclaimed successful, Advertisement Designers (ADD) design and plan the actual advertisements to be placed into the brochure later. That is stage 4.

During stage 5, the project is transferred from Ad Sales to Communication Team, where Project Leader (PL) together with copywriters, photographers and art directors create the actual brochure (final product). Stage 6 is delivering the ready brochure to the client.

## **1.2 Needs and objectives**

Each year hundreds of companies consider their international expansion as a possibility to grow (Czinkota, Ronkainen, Moffett 1999, 365). When planning international business strategies, business developers must consider potential adjustments and possible obstacles to overcome in order to get their company up and running in the new market.

This research was initiated by JS Suomi Oy for further designing of its international business strategy in Russian Federation, since doing business in Russia is different from doing business in Europe for many reasons starting from different legislation and regulatory system and going all the way to significant cultural differences. The selection of the key points of interest for this research was based on conversations with Mr. Govenius (2015-2016), who has provided the researcher with company information and approximate research questions. The main emphases of the Russian market research will be on sociocultural, technological and legal factors.

Sociocultural section of the research aims to find out the specifications of business culture in Russian Federation. It will be focusing on the behavioral differences between the Finns and the Russians; the role of personal connections and trust for “opening doors” in contemporary Russian business. What are the underwater stones - “DOs and DON'Ts” of Russian business culture. Additionally, the research aims to find out the behavioral attitude of Russian executives specifically towards the concept and model used by the case company in their projects. That will be done through conducting semi-structured interviews with several Russian decision-makers.

The technological issues section will focus first of all on the technological readiness of the Russian market for the product offered by the case company. Additionally, it will go through the efficient tools of getting in touch with Russian decision-makers. Which ways of communication are seen as the most effective (emails, phones, personal meetings) in the



Russian business. The knowledge of appropriate communication methods with business clients/partners is highly important for JS Suomi's kind of company. Also this section will discuss the availability of up-to-date contact information of the decision-makers and information about enterprises.

Legislation section of the research aims to find out, what it takes to start business in Russia. Whether or not business could be handled remotely from abroad, what the rules related to establishing the legal entity in Russia are. The chapter will also cover the relevant sections of the Russian labor law.

With help of this research it will be easier for JS Suomi to pursue an opportunity to expand the business to Russian Federation. Researcher's personal interest can be explained by the following factors. Russia is the author's home country, where she was born and raised. She has a deep understanding of the culture of the country; as well as has access to up-to-date facts about the situation there. This factor has a direct influence on the access to the country-related information in multiple languages and its holistic understanding. Which in turn, has a direct effect on the validity and reliability aspect of this research. Additionally, the topic of the research matches professional interests of the author, hence, successful outcome of this research is considered as a good opportunity for her professional growth.

### **1.3 Research problem and questions**

The research aims to analyze the country's business environment for the number of pre-conditions and the presence of positive signals essential for expanding and running the sponsor company's business in the Russian market. The outcome of this research is expected to be a constructive answer to the main research question (RQ): *"What kind of factors should JS Suomi Oy take into account when expanding to Russia?"*

Obviously, the question is rather general and the list of possible relevant factors related to this question is way too broad to be accurately analyzed within one research. For that reason the numbers of sub-questions aiming to lead to answering the main RQ of this research have been designed.

- ✓ *Are current relevant conditions of the Russian market favorable for JS Suomi Oy to perform business in the country?* (SQ1) (Generally good business climate for investments; sufficient size of the market; sufficient internet penetration in the country among companies; popularity of digital marketing and electronic device use

among business people; favorable labor law; importance of personal connections and trust in Russian business culture.)

- ✓ *Is there a presence of favorable signals for JS Suomi Oy to be able to run its key operational procedures in Russian market? (SQ2)* (Sufficient reachability of leaders of the Russian companies by phone or email; Russian leader's attitude towards the financing model of co-branding concept used by JS Suomi Oy; willing of Russian leaders to share information about their partners & suppliers with the third party; availability (transparency) of corporate information.)
  
- ✓ *Is the attitude of decision-makers in Russia towards co-branding concept positive? (SQ3)* (willing of companies to do marketing with their partners & suppliers)

The author will be able to answer the main RQ based on the answers to the sub questions, which will require three phases presented in the discussion chapter. The sub questions were created in accordance with the factors (conditions for success), that according to Mr. Govenius (2016) are crucial for success of the case company in a foreign market.

#### **1.4 Conditions for success**

In order to narrow down the scale of the interest for this research prior to the interviews and secondary data analysis, the main targets of interest were discussed with Mr. Govenius (2016). From the case company's point of view crucial conditions for success, which presence is vital in the foreign market are:

- Sufficient size of the market. Existence and growth potential of domestic companies performing business and marketing activities in the country (potential clientele).
- Technological readiness (sufficient internet penetration in the country among companies; popularity of digital marketing and electronic device use among population of the country, especially business people).
- Favorable legal environment for establishing a wholly owned subsidiary in the country.
- Favorable labor law (probation period; uncomplicatedness of labor contract termination process).
- Sufficient reachability of leaders of the Russian companies by phone or email.
- Presence of positive signals in attitude of Russian business leaders towards use of co-branding concept in marketing activities.

- Availability of corporate information (contacts, size and turnover information about companies).

## 2 Methodology

In order to build a reliable research, a researcher must design an effective research methodology first (Saunders et al. 2007). One of the purposes of this research is studying attitudes and behavioural signals of Russian decision makers. That implies understanding of human behaviour within their social roles. Thus, the interpretivism epistemology is seen as the most naturally applicable for that purpose. In context of interpretivism epistemology the researcher has to adopt empathic attitude in order to be able to understand opinions of the respondents from their point of view. (Saunders et al. 2007, 114; Hudson & Ozanne 1988.) The same relates to cultural analysis. Understanding cultural and situational nature of the attitudes of people is crucial for this research. Another reason for the choice of the interpretivism epistemology lies in the importance of circumstances. Opinions have tendency to change in different circumstances. This research's aim is not to generalize opinion-related results and present them as an absolute truth, it rather aims to present opinions in particular circumstances of the Russian market, relevant at the time of the research. (Saunders et al. 2007, 113.)

The subjectivist ontology view chosen for this research, implies that the social phenomena are brought into existence from the perceptions and actions of the social actors. The view also implies that individuals perceive different situations and events in different ways, which depend on their perception of the world. Subjectivity involved into this research helps to distinguish differences and nuances in opinions of respondents of the interviews; and helps to understand the reality from their point of view. (Saunders et al. 2007, 116.)

Research paradigm is "a way of examining social phenomena from which particular understandings of these phenomena can be gained and explanations attempted" (Saunders et al. 2007, 119). Interpretive paradigm implies understanding "the fundamental meanings attached to organizational life" (Saunders et al. 2007, 120). In this particular research the dimension of understanding the nature of the case company as well as an ability to distinguish "positive" buying signals of potential clients from "negative" is very important for drawing reliable conclusions. That justifies the choice of interpretivism paradigm. This is assured by the long working experience of the researcher in the case company.

Research approach chosen for this study is qualitative. Qualitative data can be considered all non-numeric data such as words (Saunders et al. 2007). The main reason for giving the preference to qualitative data is because the significant and the most important part of this research focuses on cultural factors and opinions. Another reason for choosing the

qualitative approach lies in complexity of analysing sociocultural aspects through quantitative data, which is seen unnecessary for this research.

The single case study design was chosen for this research. The case study's purpose is to perform an in-depth research of a phenomenon within a real time situation (Yin 2009, 93). The case study method is applicable in real life situation where an event such as opportunity recognition occurs (Konttinen & Ojala 2011). Additionally, for the reason that this research aims to answer a question "what" (Milliot 2014) through investigation of certain aspects important for the case organization in real time situation, case study was chosen over other research strategies.

## **2.1 Data collection and analysis**

Data collection for this research was conducted in an inductive manner: first, data was collected and analyzed using multiple data collection method (interviews and literature review); second, theory was developed based on the data analysis. Induction is often seen more appropriate for interpretivism, chosen for this research. (Saunders et al. 2007, 124.) Induction methods allows starting the research by conducting interviews with relevant interviewees in order "to get a feel of what is going on in order to understand better the nature of the problem" (Saunders et al. 2007, 124). The results of the interviews can be used for theory formation, which helps to choose relevant secondary data to be compared with the results of the interviews. Additionally, inductive design is suitable for in-depth working with significant amounts of qualitative information. Thus, suggests working with smaller sample of subjects (Saunders et al. 2007, 124). For that reason, the amount of interviews conducted for this research is four and it is seen sufficient for analyzing behavioral signals within this research.

Primary data collection is conducted through series of interviews with Russian decision makers. Data collected from the interviews aims to confirm (or argue) the presence of behavioral signals, rather than to state an absolute truth. Analysis of qualitative data, collected from interviews includes transcribing the collected data into written form, categorizing and coding it. Categorizing involves developing categories and dividing collected chunks of data among categories accordingly (Saunders et al. 2007).

The primary source of information to be analyzed in this research is semi-structured interviews with decision-makers from Russia. The profile of the interviewees was easy to distinguish for the author of the research as an employee of JS Suomi Oy. The interviewees' profiles answer the profile of potential client of JS Suomi Oy. Thus, their opinion is relevant for this research. The purpose of the interview section of the research was to get an

in-depth view on socio-cultural and partly technological aspect of Russian business culture from the perspective of JS Suomi's operational model. Original plan of JS Suomi Oy implied launching several pilot projects for Russian companies in autumn 2017, therefore the case company asked the author of this research to conduct interviews prior to literature analysis. All of the interviews were taken between January and February 2017; whereas the secondary data was collected throughout 2017 and 2018. The interview questions were built in cooperation with Mr. Govenius (2017). The questions were designed in accordance with international experience and company knowledge of Mr. Govenius; as well as utilizing research author's native knowledge about Russian culture. Findings of the interviews were consequently used to narrow down topics of interest for the country analysis.

The results of the interviews were compared with the results of Russian market analysis findings further in this research by creating dimensional data matrix (Appendix 4) in order to improve transparency of this research; to draw similarities and differences among findings and all relevant dimensions; and to come closer to making valid and reliable conclusions. The interviews results, complemented by the secondary data analysis results were used for answering sub questions SQ2 and SQ3 (See Figure 5).

In series of interviews with people working in top management positions, prior to the actual interview, all the interviewees were introduced to the topic of the research and therefore the co-branding concept, JS Suomi as a company and the product that the company offers.

The questions asked in the interviews focused on a number of main aspects that are essentially important for this research and that are hard to be found out through secondary data analysis only. Those aspects were:

- the reachability of leaders of Russian companies by phone or email
- importance of personal connections in Russian business culture
- willing of Russian companies to do marketing with their partners/suppliers
- Russian leaders' attitude (first impression & second impression after additional explanation) towards the financing model of co-branding concept used by JS Suomi (funded by suppliers)
- willing of Russian companies to share information about partners/suppliers with the third party

In addition to the main questions of the interview, the interviewees were asked to share their advice or opinion on the effective ways of establishing B2B contacts in Russian business environment.

Findings from secondary data analysis were later compared with primary data findings in dimensional data matrix in order to draw reliable conclusions. Secondary data collection for this research is conducted through analysis of relevant theoretical sources like books, magazines, academic publications, and statistical data from websites. Results of the secondary data analysis are seen sufficient for answering SQ1 within context of this research.

Before starting an internationalization process, it is very important to analyze the attractiveness of the host country (in this case Russia). Two sets of factors that define attractiveness of a host market are: organizational (internal) factors and environmental factors (outside the organization's control) (Frynas & Mellah 2011). PESTEL (aka PESTLE or in its narrow form PEST) framework was chosen as the most appropriate for the external factors analysis. It is not only that PESTEL framework reviews country for such environmental factors as political, economic, social, technological, environmental and legal (Grunig & Kuhn 2015), it is also very important that the chosen framework helps to keep the research chain in a logical and clear order.

The entire world keeps wondering, why Russians tend to behave differently from the rest of the world in diplomatic and business situations (Dyker 2012). In order to make the sociocultural part of the research even deeper, the researcher takes a closer look at contemporary Russian business culture related literature, taking a closer look to the best business communication ways and business ethics.

## **2.2 Validity, reliability, generalizability, ethical issues**

Validity of information in this research was secured first of all by using multiple data collection methods (interviews and literature review). That allowed the researcher to analyze the aspects of interest from different sources and points of view. Second, all the data used in the research as well as its analysis was structured using theoretical frameworks in a way easy to follow for the researcher and readers. (Miles & Huberman 1994.) The research has clear research question and sub questions. The main question of the research is "what", thus justifies the choice of the case study design (Milliot 2014). The secondary data was linked to the primary data by designing dimensional matrix of data analysis. All sources of information are available to readers in references section. (Miles & Huberman 1994.)

The researcher's role in this research takes an observant position in order to exclude misinterpretations. Nevertheless, as it has been mentioned earlier, the researcher is an employee of JS Suomi Oy. Pros of being an in-house researcher include financial savings for the sponsor company, deep understanding of business specifics of JS Suomi by the researcher. Additionally time wise, internal researcher is constantly in touch with the sponsor company, which makes it easier to accomplish the research within desired deadline and gather all the company information required for the research. Negative sides of being an internal researcher include the lack of enterprise level business analysis tools, in comparison to a professional business consultant, internal researcher might lack some up-to-date business consulting knowledge, as it is rarely a part of his/her direct professional responsibilities. (Bodla 2018, 16-17.)

Reliability "refers to the consistency or stability of a measure" (Kelliher 2005, 123). Reliability of this research will be ensured through the number of aspects. First of all, the research question and the sub-questions are stated clearly. Sequence mechanisms of conclusions will be closely tight to the questions throughout the research in order to avoid misinterpretation of information presented in this research. Second, the researcher's role in this study is observatory. This will also help to avoid building conclusions desired by the researcher. (Miles & Huberman 1994.) Third, the methodological structure is structured carefully and identified clearly.

Reliability of data presented in interview section will be insured by the researcher's native knowledge of Russian language. It is important to exclude possibility of misinterpretation/mistranslation of responders' answers, since all the interviews will be conducted in Russian and the language of this research is English. No information from this research needs to be hidden due to confidentiality issues, except for the names of the interviewees.

Ethical aspects were discussed with Mr. Govenius during the research discussion. The sponsor company as well as other future researchers will be encouraged to initiate further researches of phenomena discussed in this study, using the findings of this study. There are no ethical restrictions related to the findings of the research. However, ethics and confidentiality related conversation will be raised again with Mr. Govenius during the presentation of the results.

Generalizability defines the extent to which the findings of the research can be generally applied outside the particular situation studied (Kelliher 2005, 123). The purpose of this research is not to generalize opinion-related results and present them an absolute truth.



The study rather aims to present opinions relevant at the time of the research in particular circumstances of the Russian market for the case company (Saunders et al. 2007, 113).

### 3 Recognizing the opportunity to expand to Russia and factors influencing entry to a foreign market

This research' starting point implied that the actual entry mode to the Russian market has been pre-determined by the executives of the case company. In other words the entrepreneurial team of the case company has already noticed an existing opportunity for expanding to the Russian market and is willing to test it for feasibility.

Every single expansion of the sponsor company by now has taken place through the procedure of establishing a foreign subsidiary in a foreign country. The legal entity is always owned by the parent company (JS World Media), however, it's often operated from another JS office that is in charge of the expansion. The figure below demonstrates operational model of JS World Media group. The subsidiaries marked with the blue color are "expansions in progress" and they are ran from the offices other than the head office. When the new office becomes independent enough it stars reporting directly to the head office (and becomes "green"). The parent company has already had an experience of losing international subsidiaries to bankruptcy in their history. That happened due to an insufficient investigation of the key factors influencing success of the case company in a new market prior to expansion. That is another reason for initiating this research. (Govenius 2015.)

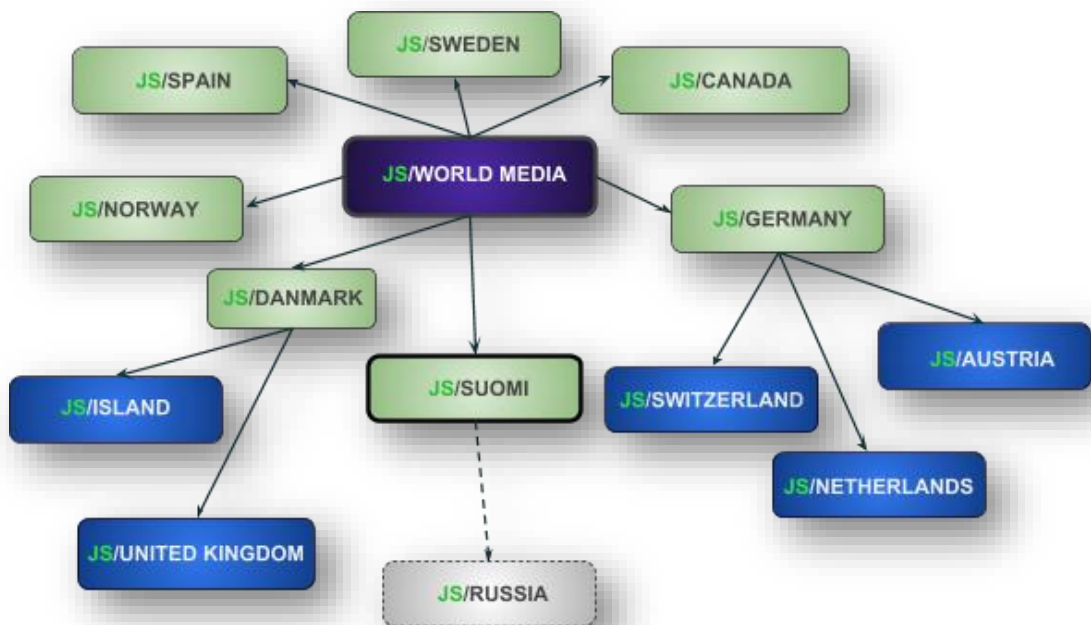


Figure 2. Operational model of JS World media Group.

The only method of entering the Russian market considered by JS Suomi is opening a foreign subsidiary in the country. Analyzing conventional models of Internationalization is seen unavailing for this research, since it is not going to change the chosen entry mode. Thus, the opportunity-based approach to international entrepreneurship was chosen as the most suitable theory for this case, since the purpose of this study is rather to justify or contradict the sponsor company's particular choice of the entry mode to Russia. That will be done through analyzing the feasibility of exploitation of the opportunity to expand to Russia. The research aims to find out whether the international entrepreneurial opportunity in the Russian market really exists, and that no absolute barriers to the market entry are present there. Also, the study is going to analyze, whether the current capabilities of the case company are sufficient to pursue the opportunity; if not, what should be developed. Thus, this research aims to create a list of recommendations for more successful opportunity exploitation in the Russian market.

### **3.1 International opportunity recognition**

Increasingly companies around the world seek for international entrepreneurial opportunities (IEO), however the risk of failure involved in the process of transnational expansion is just as huge as the opportunity to grow (Czinkota 1999, 365). The issue addressed by Oyson and Whittaker (2010) was that existing Internationalization models and approaches aiming to explain the process of Internationalization seem to have many flaws. They are often hard to apply to real-life situations. Out of the most well-known Internationalization models are the Johanson's and Vahlne's Uppsala Model and alternative internationalization models (innovation-related models) by Andersen (1993) Bilkey & Tesar (1977); Czinkota (1982); Cavusgil (1980) and the resource-based view of Barney (1991). The imperfection of the above mentioned conventional models lies in their view to internationalization as a "slow and incremental" step-by-step process, aiming to eliminate any uncertainty and risks. (Oyson & Whittaker 2010, 2.)

Nevertheless, this is not always how organizations pursue IEOs nowadays. Many steps of internationalization processes are often leapfrogged (Welch & Luostarinen 1988, 46). In fact, Reid argued, that organizations often adopt entry modes that suit potential international market opportunities, that already exist, and not some predetermined path of internationalization (Reid 1983, 44). The subject "how the entrepreneur perceives and decides to pursue international entrepreneurial opportunity" remain largely uninvestigated (Oyson & Whittaker 2010, 2).

International Entrepreneurship, defined by Oviatt and McGougall (2005, 540) is "the discovery, enactment, evaluation, and exploitation of opportunities – across national borders

– to create future goods and services” (Oyson & Whittaker 2010, 3). “An opportunity-based approach (OBA) to international entrepreneurship is advanced to argue that the process of internationalization may be seen as the formation and exploitation of international entrepreneurial opportunities” (Oyson & Whittaker 2010). In a nutshell, Oyson & Whittaker (2010, 3) explain, how entrepreneurs use prospection to creatively imagine combinations of firm capabilities and market opportunities, to form international entrepreneurial opportunities. ‘Prospection’ - is entrepreneurial ability to create an imagined future (Oyson & Whittaker 2010, 3).

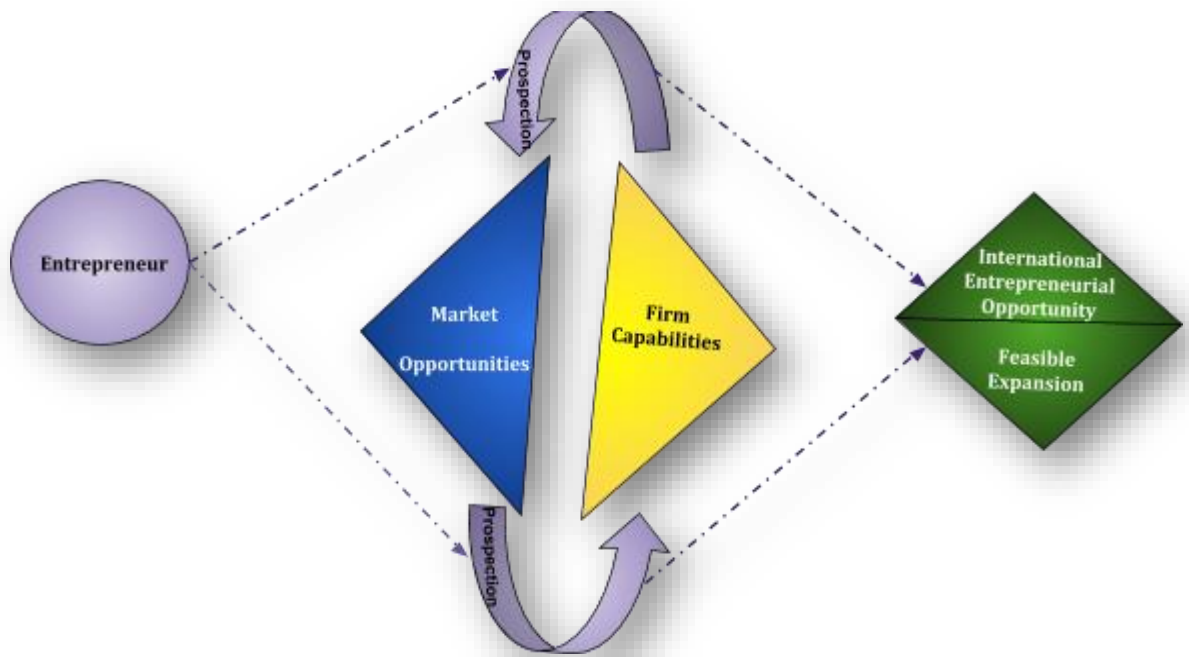


Figure 3. Formation of IEO by an Entrepreneur using Prospection. Based on Oyson & Whittaker 2010.

Oyson & Whittaker (2010, 5) use Webster’s New World Dictionary’s definition (1990) of opportunity, which is a “combination of circumstances favourable for the purpose”. Three key elements were extracted from the definition: “1) a combination of circumstances; 2) the combination of circumstances that are favourable; and 3) favourable for the purpose.” (Oyson & Whittaker 2010, 5.) The purpose in the entrepreneurial opportunity context could be “formation of economic value” (Oyson & Whittaker 2010, 5). In context of this research the purpose would be “formation of economic value in the Russian market”. Combination of circumstances that are favorable, according to Oyson & Whittaker (2010), are

firm capabilities (internal) and market opportunities (external). Hence, international entrepreneurial opportunity is “the creative combination of firm capabilities and market opportunity for the formation of economic value” in a foreign (Russian) market.

Opportunities can be discovered, developed, constructed or even created. Figure 4 demonstrates “market opportunities” and “firm capabilities” as separate dimensions. Each dimension could be subdivided into “current” or “new” dimensions. Opportunity may be discovered only when market opportunity already exists and when current capabilities of the firm match the opportunity. When the current firm capabilities are insufficient for an existing market opportunity, the opportunity may be developed through developing of firm capabilities (hiring skilled multilingual professionals, arranging market specific trainings, etc). (Oyson & Whittaker 2010, 6.) In context of this research, creating a list of recommendations for the case company’s expansion to the Russian market will be related to two dimensions: Opportunity Discovery (ODi) and Opportunity Development (ODE).

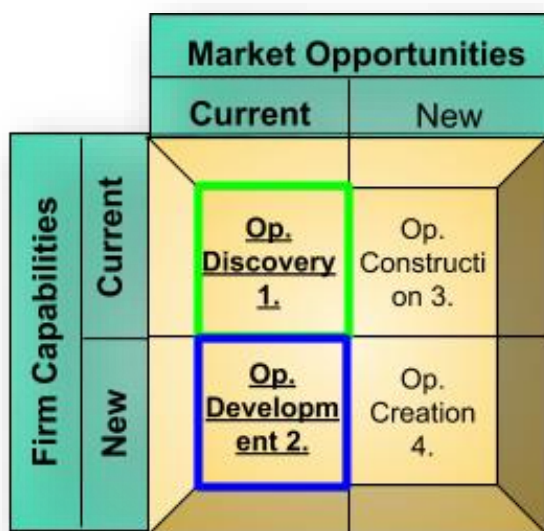


Figure 4. Entrepreneurial Opportunity Formation Quadrant (Oyson & Whittaker 2010, 6)

In the following chapters the research will focus specifically current market opportunities of the Russian market using PESTeL analysis; as well as on analysis of current firm capabilities, relevant for current market opportunities (figure 4, Q1). This will make it possible to:

- a) discover the presence (or absence) of market opportunity for JS Suomi Oy in Russia. The author will be able to discuss feasibility of the expansion, by relating the existing firm capabilities with the current market opportunity.
- b) distinguish, which areas of JS Suomi Oy’s capabilities could be developed for succeeding in this international venture. Recommendation section will aim to help the

case company to develop new capabilities, necessary for better adaptation to the current conditions of the host market (figure 4, Q2).

In order to prove, that the market opportunity exists (a) for JS Suomi in the Russian market, there will have to be positive answers to the research sub questions SQ1-SQ3 (Are current relevant conditions of the Russian market favorable for JS Suomi Oy to perform business in the country? Is there a presence of favorable signals for JS Suomi Oy to be able to run its key operational procedures in Russian market? Is the attitude of decision-makers in Russia towards co-branding concept positive?).

To proclaim the expansion to the Russian market feasible (IEO) (a) for JS Suomi, there will need to be found firm capabilities, necessary to exploit the market opportunity.

Suggestions regarding developing the opportunity through developing necessary capabilities (b) will be the answer to the main research question (What kinds of factors should JS Suomi Oy take into account when expanding to Russia?)

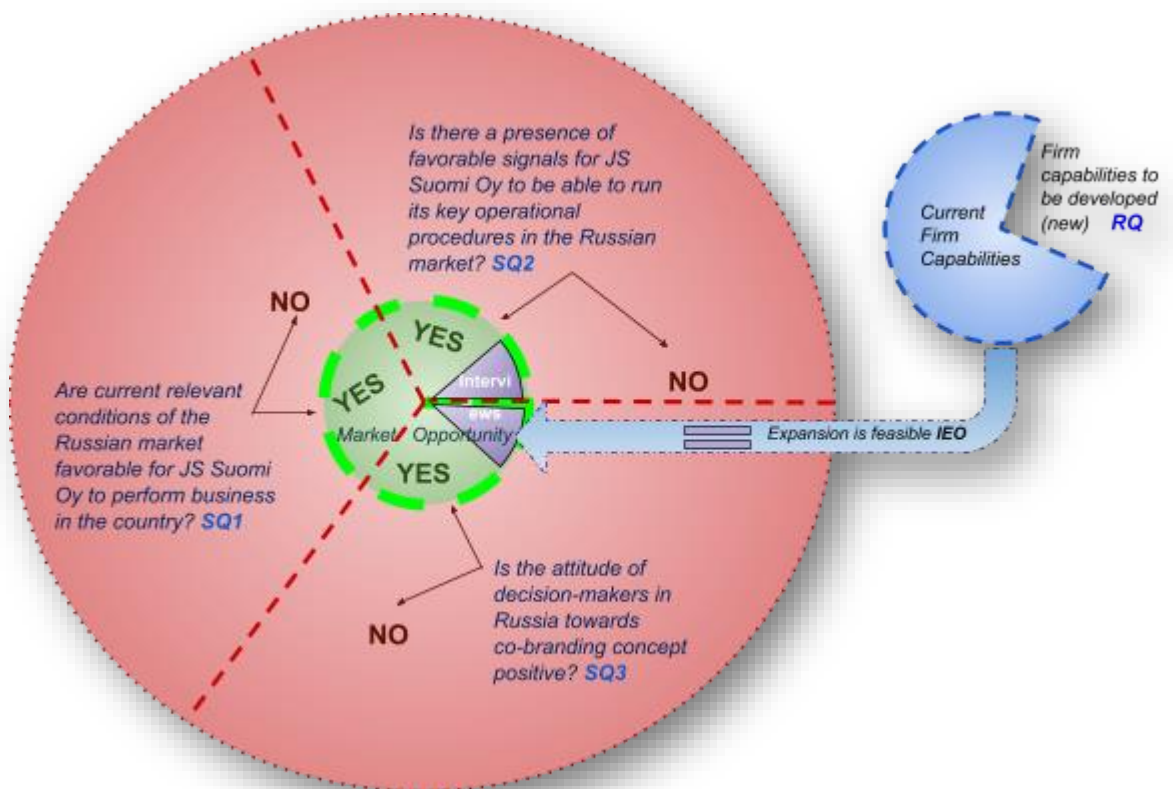


Figure 5. Structure of answering main RQ through sub questions using OBA to internationalization.

### 3.2 Factors influencing entry to a foreign market

According to Frynas & Mellah (2011), the two sets of factors defining attractiveness of a host market are: organizational (internal) factors and environmental factors (outside the organization's control). Koch (2001, 351) also suggests that the process of pursuing the opportunity to enter a foreign market is influenced by the combination of external and internal factors. Environmental factors do not only define positive signals for doing business in a host country, they also help us identify obstacles to internationalisation. Such obstacles can be: liability of foreignness (difficulties due to different sociocultural norms and lack of local networks), liability of expansion (difficulties affecting domestic company due to the increased use of in-house re-sources), liability of smallness (difficulties due to insufficient financial resources for foreign investments), liability of newness (difficulties due to the lack of experience in foreign transactions). (Frynas & Mellah 2011.)

### 3.3 External (Market opportunities)

*Sociocultural distance* between home country and host country is a factor that cannot be underestimated by the internationalizing company (Hollensen 2001, 324). For succeeding in a foreign market, acknowledging differences in business and industry practices; language and cultural characteristics are very important. (Ravelomanana et al. 2015, 22). However, it is important to understand that recognizing the socio-cultural differences can be turned into competitive advantage in a new market, rather than seen as absolute entry barrier. As for the current research, measuring socio-cultural distance between Finland and Russia through literature analysis is not going to be sufficient. In order to investigate the Russian market for the presence of positive signals in the attitudes of Russian decision-makers towards the concept and main principles of work of JS Suomi, semi structured in-depth interviews with the Russian leaders will be conducted. The interviews will be conducted prior to the literature analysis in order to be able to distinguish which topics deserve special attention.

Out of the most crucial factors influencing entry to a foreign market are *country risk* and *market size & growth* (Hollensen 2001, 324). This category of factors includes general information obtained in a country business climate analysis. This information is generally easily accessible. (Koch 2001, 358.) Analysing characteristics of the overseas country business environment (political, economic & industry-specific environment) can help to distinguish the possible risks existing in a host country's market. Normally, the growth rate of the market depends directly on the size of the country. The bigger the country is, the higher the rate (Hollensen 2001, 324).

Other important factors defining attractiveness of the foreign market are *laws & regulations* and *market barriers*. Those factors include: tariff barriers, industry regulations, natural barriers, legal restrictions. When those conditions are favorable from the point of view of the internationalizing company, the market is considered attractive for business practices (Koch 2001, 358; Ravelomanana, Yan, Mahazomanana & Miarisoa 2015, 22; Hollensen 2001, 324).

*Technological readiness* of a host country (Hughes & Breytenbach 2013) is another factor crucial for the success of the case company's like organization in a foreign market. The main component of the package offered by the case company is a digital brochure, the use of which in marketing requires certain level of technological readiness in a host country. It would be extremely difficult for company like JS Suomi to build adequate database of customers in countries with limited access to the internet, mobile broadband, smartphones (or other electronic devices) and social media.

The most suitable way for analyzing external factors influencing expansion of the case company is PESTeL analysis. The choice of the PESTeL framework has been approved by the sponsor company, as it is seen to be the best framework to help the sponsor company understand the changes that may be occurring in a Russian market and be prepared for them.

### **3.4 Internal (Firm capabilities)**

*Firm size and resources available* is an important indicator of firms success in the foreign market. Resources available determine the amount of control of the company over the operations in a foreign market. (Hollensen 2001, 322.) Firm's resources include not only capital, but also competencies, human resources and their skills required for the success in a foreign market (Bruchno & Schilt 2001).

*Networks* indicate whether or not the company has any connections or relationships to the host market, that could help the internationalization process and running the business (Bruchno & Schilt 2001).

*Location* of the internationalizing company, or geographical distance. Geographic distance is an significant factor influencing entry to a foreign market (Ravelomanana et al. 2015, 22). Statistic shows, that the shorter the distance between the entrepreneur and the host market is, the bigger are the chances to succeed in internationalization venture (He 2011, 51). In this research, company location can be considered as an internal asset of the case



company due to direct influence of the location to travel costs and time required for KAM's mobility to regularly visit business clients in the host country.

*International experience* is another factor playing an important role in pursuing international opportunities. International experience of the firm equals the international experience of the human capital of the company. (Hollensen 2001, 323.) Koch (2001) refers to international experience as experience in using individual market entry mode (MEM).

## **4 Market opportunity. PESTeL**

This chapter of the thesis aims to provide the reader with relevant market information incorporating the latest developments and trends. This information is essential for expansion related strategic decision making. The market information is structured in accordance with PESTEL framework. PESTEL (aka PESTLE or in its narrow form PEST) framework was chosen as the most appropriate for the external factors analysis. It is not only that PESTEL framework reviews country for such environmental factors as political, economic, social, technological, environmental and legal (Grunig & Kuhn 2015). The framework helps to keep the research chain in a logical and clear order. All of the factors shortly but constructively analyzed below, influence operations of any local and foreign SME (Banham 2010, 21) in Russian Federation. This chapter is going to cover political, economic, sociocultural, technological and legal factors. Environmental factors are irrelevant to expansion processes of media agency, for that reason they will not be covered in this research.

### **4.1 Political factors**

Political situation in Russian Federation has rather unstable image, based on what is broadcasted and published by international scholars and mass media. Needless to say, recent crisis of 2015 as well as the following trade sanctions have affected attractiveness of Russia as a market in the eyes of foreign investors. According to Rapoz (2017), one of Russia's biggest political and also economic problems remains corruption. Despite Putin's promises to fight corruption, due to ineffectiveness of reforms, the situation does not change as fast as it had been expected (Denisova-Schmidt 2012, 3). Nevertheless, some positive trends can be noticed in this area.

In recent years the Russian government has undertaken steps in improving environment for Foreign Direct Investments (FDIs) in Russian Federation (Ernst & Young 2017). The Russian government is trying to attract foreign investors to establish their production facilities in Russia. Since 2016 there has been a possibility for foreign companies to enter the country on a special contract, that ensures the immutability of tax and other conditions for the period of up to 10 years. (IPLS 2016.) Financial support arrangements have also been implemented to attract foreign investments. Nevertheless, Russia still remains one of the leading countries among other OECD (The Organisation for Economic Co-operation and Development) countries in complexity of FDI related rules. (Kusznir 2016.)

### **4.1.1 Corruption**

According to Transparency International (2017), corruption is “the abuse of entrusted power for private gain”. One of the main reasons of poor transparency of Russian economy lies in corruption. Moreover, bribing in Russia has become a well-known cultural norm (Kusznir, 2016, 2). In 1996 Russia’s ranking in the Corruption Perception Index (CPI) compiled by Transparency International was 47 (with a score 2,58), which shows that corruption level in the country was extremely high (10 is corruption free). However, in 2010 the ranking was 154 (with a score 2,1; where 10 is corruption free). In 2016 Russia’s rank was 131 (with a score 29; where 100 is corruption free), which indicates somewhat positive tendency in fighting corruption in Russian Federation. (Transparency International 2017.) What attracts attention in this matter is relative ineffectiveness of Russian government in combating corruption. In 2008 a commission against corruption was created by president Medvedev, the work of the commission never brought real results. After re-election of president Putin in 2012, fighting corruption suddenly stopped being a top priority for Russian politics. (Denisova-Schmidt, 2012.)

Bribing is considered as a normal act by an average Russian. Even though people realise, that paying bribes to officials in order to solve daily issues in Russia keeps the corruption mechanism running, often unofficial payments are the only way to get things done in the country. In some situations, informal mechanisms are much more efficient rather than official bureaucratic procedures in terms of saving money and time. (Kusznir 2016, 2.)

### **4.1.2 Unofficial mechanisms**

The role of unofficial mechanisms in Russia must not be underestimated. When doing business in Russia, two sets of factors should be considered. One of them is future-oriented formal rules (legislation), along with the loopholes in their formulation. The other one is strong presence of informal rules, helping to work things through the loopholes in legislation. Due to rather fast and unpredictable changes in Russian legislation, informal mechanisms often help to protect people as well as business practices from unexpected risks. (Kusznir 2016, 1.) Blossom of bribing and unofficial practices in Russian business is directly related to trust. In a constantly changing environment, engaging into interpersonal agreements help to reduce many risks. In other word, participation in corruption mechanisms in Russia is a necessary act for survival and maintaining competitiveness of businesses and organizations. (Tulaeva 2011, 2.)

Another factor strengthening informal practices in Russia is favouritism. State-owned enterprises drive domestic business in Russia. Those enterprises work mostly in strategically

important sectors: energy, transport and banking. (Radziwill & Vaziakova 2010, 12.) Managing positions in those kind of companies are frequently occupied by state officials of the regional and federal levels. Placing senior state officials on key positions of big enterprises aims to help the Russian government to protect state's interests and at the same time improve effectiveness of enterprise management. Yet, this kind of arrangements between domestic business and politicians result in formation of extremely profitable patronage structures, that only protect political interests of its own. (Kusznir 2016, 2.) In other words, state-owned enterprises in Russia are still often ruled by oligarchs - successful businessmen with a great share of political power (Guriev and Rachinsky 2005). Such order of things in the Russian market makes conditions for the new entries to the market more complicated. It also significantly increases competition (Kusznir 2016). And yet, foreign investors who have done business with Russian state-owned companies described their presence in Russian market as very risky, but also extremely profitable. Especially, "if Kremlin likes you". (The Economist 2008.)

#### **4.1.3 Sanctions and import substitution**

What cannot be left out of political analysis is the recent Ukraine crisis, that has resulted in strained relations between Russia and the West world. Back in 2014 United States and later Europe imposed sanctions on Russia as a response on Kremlin's role in the conflict in southeast Ukraine (Moret, Giumelli, Bastiat-Jarosz 2017, 6). In return, Russia answered Europe with counter-sanctions of its own. These counter-sanctions involved travel bans against 98 politicians and military leaders from EU as well as ban on import of a number of agricultural products (fruit, vegetables, meat, fish and dairy products) from the EU, USA, Australia and Japan (for earlier sanctions against Russia). (Gros & Di Salvo 2017, 1.)

Starting from the beginning of Crimea (Ukraine) crisis, Russian government had started undertaking steps to reduce import of foreign goods to the country by substituting imported goods with domestic ones. The goal of the Russian government was not to substitute all imported goods with domestic products, but to also reorganise certain import flows in such a way, that the substitute products would be delivered from countries, who haven't participated in setting sanctions against Russian Federation. (Ullrich 2017, 2.)

In March 2015 Russian government launched import substitution programme, which has provided help for 2,059 individual projects. 570 import substitution projects were already reported implemented in 2015. The projects were related to nineteen economic sectors and were to be implemented before 2020. The total cost of the substitution programme

equals to 3 % of GDP (EUR 35 billion). The main objective of the programme is to produce (or increase production of) 800 selected goods in Russia. Primary attention of import substitution is aimed at agricultural, automotive, pharmaceutical & medical equipment, aviation and shipbuilding sectors. (Conolly 2016, 2.)

Even though, it is still early to draw the results of the Russian import substitution programme, some domestic industries have benefited from the economic constraints. Agricultural sector has been in obvious raise due to ruble devaluation and mutual sanctions policy. Such goods as grain, oil, sugar, potatoes are now provided domestically. By the end of 2016 the share of domestic meat had reached 89%. (IPLS 2016.) Kenneth Rapoz' publication (2017) confirms the trend of Russian companies multiplying their profit due to mutual sanctions and ruble devaluation. PhosAgro, which specializes in producing fertilizer for agricultural companies, has become fourth biggest producer in the world. Due to a sudden growth of domestic production of agricultural products, companies producing those products obviously started using more fertilizer. Consequently, mutual sanctions have become a lottery ticket for PhosAgro like companies. Russian agricultural sector proudly announced that for the first time in history, Russia is going to export sugar and have a surplus. (Rapoz 2017.) By the end of 2016 chemical industry growth was 6,3 %, pharmaceutical products output increased by 8,9 %, medical devices production raised by 19,4 %. The light industry sector (textile, garment, wood, machinery and equipment production) joined the import substitution program in 2016, which also resulted in moderate growth of the sector. (IPLS 2016.)

## **4.2 Economic factors**

Russian economy has been in a difficult place for the past three years. In 2015 the country's GDP shrank by 3.7 %, trade turnover by 10 %, investments by 8.4 %, industrial production decreased by 3.4 %, real incomes by 4 %. However, recent forecasts claim, that by the end of 2017 Russia would be ready to come out of the recession, which had bottomed out between 2015 and 2016. (IPLS 2016.) Even though, many important indicators were forecasted to raise, the GDP result is expected to be affected negatively by the weakened banking sector. Recent economic recession has caused imports to drop drastically. (World bank 2017, 18.) Nevertheless, the import substitution program, accompanied by new trade agreements with countries not participating in sanctions, has started bringing positive results (IPLS 2016).

The latest Russia economic report, published by the World bank (2017) highlights, that economic growth in Russia has been going faster than expected. However, the dynamics of growth has been rather uneven throughout the year. Nevertheless, recovery of external

demand along with improved conditions of trade have positively influenced the balance of payments. The World bank forecasts, that Russian GDP will grow 1,7 % in 2017 and 2018, and 1,8 % in 2019, which is demonstrated in figure 6. In addition to that, macroeconomic stability in the country will continue to grow. The Russian government has taken steps in fiscal reinforcement. The new fiscal rule will come into force in 2019. It aims to make budget and real exchange rates less vulnerable (less dependent on oil prices) to external shocks. (World bank 2017, 15.)

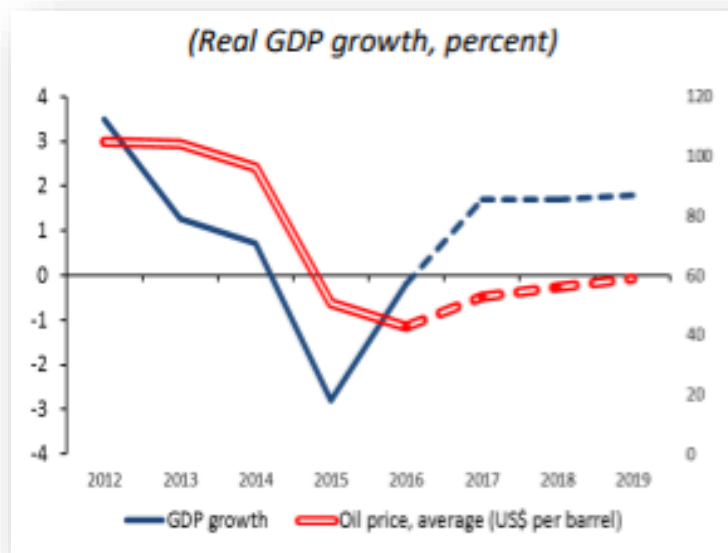


Figure 6. In the Firming Global Environment, Russia's Economy is Expected to Grow at a Modest Pace (Real GDP growth, percent) (World bank 2017).

Central Bank of Russia proceeded with its monetary easing strategy in 2017 and reduced the key interest rate from 10 % in February to 8,25 % at the end of October 2017 (Trading economics 2017). Even though economic reports show that Russian banking sector has been showing signs of recovery from the recent crisis, the bail-out of the three large private banks (B&N Bank, Bank Otkritie FC and Promsvyazbank) by the Russia's central bank, that took place in 2017, proves current vulnerability of Russian banking system (Wolf 2017).

Unemployment rates in Russia were reported to be historical low in 2017. However, employment rate is not even throughout the regions. In the third quarter of 2017, unemployment level registered in Moscow was 1,3 % and 1,7 % in Saint Petersburg. Increased oil and gas prices have reduced the budget deficit considerably. (World bank 2017, 10-12).

#### 4.2.1 Currency exchange risks

There is a threat of currency exchange between Russia and countries with different currencies, like Europe. Russian currency is still highly dependent on oil prices, because oil still remains the key export product of Russian Federation. The Russian Ruble depreciates with slow economic growth and low oil prices, and the other way around. The value of Russian Ruble against USD depreciated dramatically due to crisis in 2014. Moscow is currently trying to weaken ties between oil price and value of currency using reforms. The Russian currency recovered to some extent in 2016, yet it hasn't regained its pre-crisis strength. (Kuepper 2017.)

#### 4.2.2 FDI projects in Russia

European Attractiveness Survey 2017 states, that despite the recent recession, Russia still remains an attractive market for foreign investors. In 2015 growth rate for foreign direct investment flows to Russia was 61 %. The total amount of FDI projects implemented in Russia in 2016 was 205, which made Russia 7th most attractive country for investments in Europe. In 2016 most of the investments were aimed at creation of new manufacturing facilities. (Ernst & Young 2017, 8.) As the table below demonstrates, manufacturing industry had the most of the FDI inflows.

Table 1. FDI projects in Russia by industry (Ernst & Young 2017, 9)

FDI projects in Russia by industry	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Manufacturing	78	69	94	94	113	152	90	81	84	95	171	171
Transport and communications	10	1	9	18	16	19	7	12	10	9	8	13
Agriculture					2	1		3			2	9
Finance and business services	22	16	28	28	33	26	23	27	12	15	15	5
Construction	1		2		2	1		3	3	1	4	3
Energy		1	2	1	2	1	1			1		2
Retail and hospitality			4	1	2	1	5		5	4	1	2

Regional distribution of FDI inflows remain rather uneven throughout the country. Central region and especially Moscow and Moscow region attracts most of the FDI projects. The number of projects implemented in Moscow region grew from 45 to 49 between 2015 and

2016. In in St. Petersburg and the Leningrad Region, the trend is the opposite. The number of FDI projects dropped from 22 to 15 between 2015 and 2016. More detailed information can be seen at table 2. (Ernst & Young 2017, 10.)

Table 2. Number of FDI projects by regions. Russia (Ernst & Young 2017, 10).

Region	2015	2016
Moscow and Moscow Region	45	49
Kaluga Region	8	15
St. Petersburg and Leningrad Region	22	15
Ulyanovsk Region	9	8
Primorsky Krai	1	7
Tatarstan	15	7
Nizhny Novgorod Region	7	7
Vladimir Region	3	6
Krasnodar Krai	6	6
Sverdlovsk Region	3	6

### 4.3 Technological environment

This chapter aims to provide the reader with an overview of technological climate in Russia. In order to conduct analysis of technological factors, the author had to first distinguish relevant aspects from those not affecting the industry of the case company. Technology is a very broad concept of how knowledge is applied to any specific field (Ramey 2013). Needless to say, nowadays technology develops and evolves very rapidly. Thus, companies have no other choice but to keep up with it. Technology strongly affects marketing in ways companies communicate with their target audience. When expanding to Russia, foreign companies often face certain barriers in their marketing efforts due to the lack of knowledge about their Russian customers and the technologies that are most commonly used by them.

For a company like JS Suomi, technological factor is important from several points of view. First of all, from the point of view of a product, biggest part of which is digital bro-



chure (in addition to printed materials). Most of the features of the digital brochure produced by the case company require readers to have a device to access internet and internet connection. Internet is also an important communication tool in everyday communication procedures between JS Suomi and its customers. One of the features of JS Suomi's Interactive brochure is a Social Media share button, which means that recognising the most commonly used social media platforms by Russian people is of a high importance as well.

Today, Russians gladly adopt many tech products and services popular in Europe, however this adaptation happens slightly slower (in some parts of the country), than in many western world countries (Viljakainen 2015). A Finnish advisor to the president of Skolkovo foundation in the article on doing business in Russia emphasizes the great level and quality of telecommunications across the country (Viljakainen 2015). Russia has undergone a significant technological development during the past decade. The contrast can be seen in search word statistics published by Russian Search Marketing. For instance, in 2011 one of the most common searches by Russian internet users was "What is Wi-Fi?" to today when users everywhere are accessing it regularly. The statistic information on the internet penetration in Russia from 2000 to 2016 shows that the use of the world wide web in Russia has grown significantly. (Russian Search Marketing 2016.) According to FRCC, 59,9 millions of Russians (out of 143 million population) were using internet daily in 2015 (Peltola 2015, 120). In 2016, 76.41 percent of the Russian population accessed the internet; in comparison to 29 percent in 2009. The growth of the internet penetration in Russia can be seen from the figure below. (Statista 2016.) The majority of internet users belong to the big cities. 77% of population of Moscow and St. Petersburg; and 50% of population of smaller towns use internet (Peltola 2015, 120).

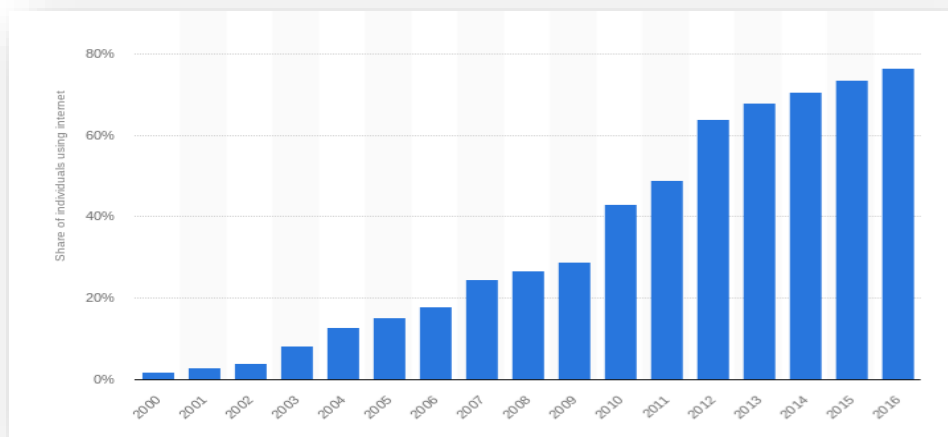


Figure 7. Percentage of population using the internet in Russia from 2000 to 2016 (Statista Inc. 2018)

### 4.3.1 Search engines and Social media

Interesting digital technology-related difference between Russia and many other European countries is favoring different Search Engines. To surprise of many foreign entrepreneurs, the biggest search engines in Russia appear to be Yandex (50%), Google (41,9%), Google.ru (6,4%) and others (0,1%). The importance of Yandex in Russian market is often underestimated by foreign investors. (Russian Search Marketing 2016.)

Social Media scene also looks different in Russia, compared to Europe. According to the chart published by Russian Search Marketing, vk.com is number one social media in Russia; odnoklassniki.ru is on the second position and only then comes facebook.com (Russian Search Marketing 2016). It's interesting to notice, that Facebook has a slightly different, more elite image in Russia due to the reason that Facebook had been unavailable in Russian language for a long time. The first Facebook users from Russia were those, who spoke English. Nowadays, Russians using Facebook are considered to be more open-minded people with wider global network, rather than an average Russian. (Peltola 2015, 105.) Figure 8 showcases the most popular social media platforms for Russian users.

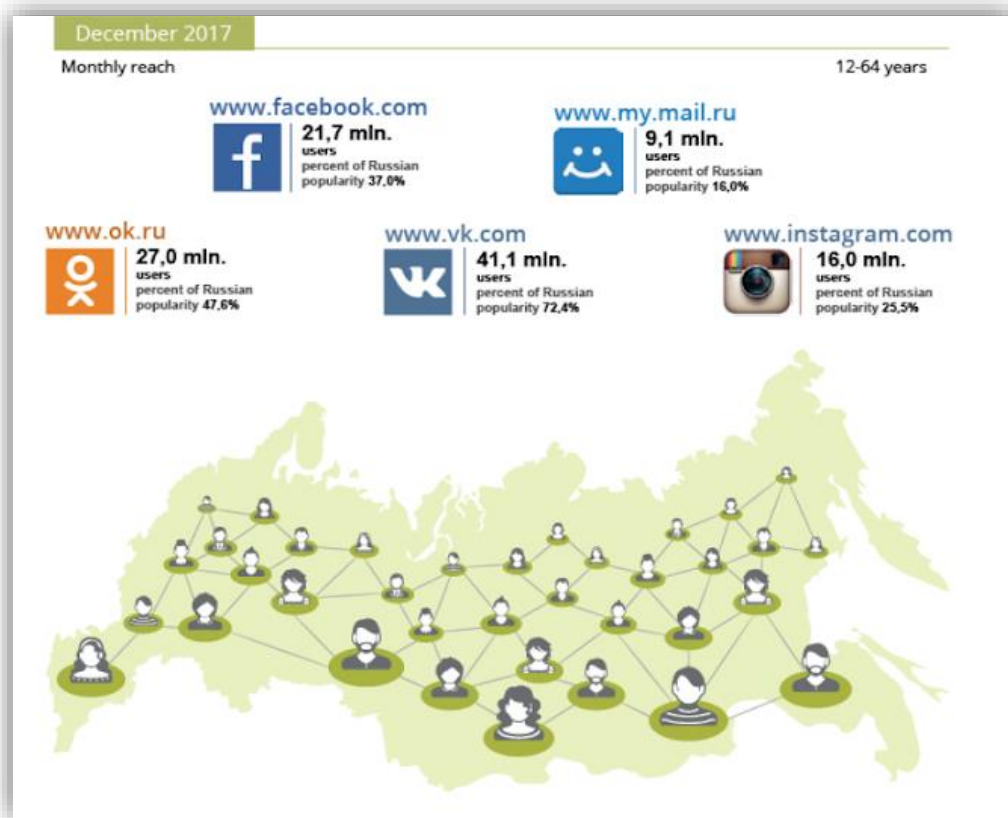


Figure 8. Russia's most popular social media platforms by RMAA GROUP (Mustafaeva 2018).

Social Media marketing popularity has grown tremendously in B2C sector in Russia, however, B2B SoMe Marketing still remains in a complicated state. Especially when it comes to marketing of expensive goods; or to companies working in relatively "narrow" fields like construction or heavy production areas. The main challenge lies in difficulty to target the message to the decision-maker. Another reason is that significant part of Russian decision makers belong to the age group not utilizing social media in business. Advertising in professional magazines (professional internet publications) is a more effective way of doing B2B marketing in Russia. (Peltola 2015, 100.)

According to Russian Marketing and Advertising Agency, due to the spreading of 5G mobile technology across the country in 2018, the data transmission speed will boost, and consequently, the number of mobile and internet users in Russia is expected to increase as well. Another hot digital marketing trend of 2018 mentioned in the article is Progression of Video Advertising. (Mustafaeva 2018.) That will bring new opportunities for digital marketing in B2B sector.

Technological development cannot take place only in lives of individuals, it most definitely simultaneously reshapes ways business is done in a country, and Russia is not an exception. Russia proceeds to the information technological process of the economy with the support of the government, which supports the development with numerous statutory acts and developed objective programs. The informational technologies are actively implemented in all Russian business areas. In Russia, Business Process Automation is the most popular form of organization changes with IT, among the average enterprises. (Garifova 2014.) In 2016 Executive Order on the Scientific and Technological Development Strategy in the Russian Federation was signed by V. Putin and published. The primary objective of Russia's scientific and technological development as set out in the Strategy is to ensure the country's independence and competitiveness by creating an efficient system for building up and using the nation's intellectual potential (The government of the Russian Federation 2016).

#### **4.3.2 Marketing tools**

Another very important technological aspect from the point of view of business expansion of the case company is related to effective marketing tools and communication methods with Russian business customers. The standard pre-sale procedure in JS Suomi includes:

- *Screening the lead (finding financial information about the company and identifying the decision-maker decision to buy our product).*
- *Sending digital presentation with relevant references to the customer via email.*
- *Calling the customer within several days after sending an email.*
- *Arranging a meeting with a client at the client's office.*
- *Executing face-to-face negotiation with the client with a purpose of getting yes/no answer on site.*

The RMAA Group's guide about entering Russian B2B market suggests that in order to obtain a list of Russian decision-makers (contact information and corporate information) of the target companies, the seller-company has to first identify a clear profile of a client. The guide states that knowing what to look for, it is easy to obtain all the necessary information using services of numerous professional agencies for a very reasonable price. The agencies work with a clearly defined customer profiles. (Tylik 2017, 10.)

As for the next step, RMAA Group suggests to use Direct Mail as a tool for sending information to the client. Russian B2B customers are not yet soiled by excessive attention from advertisers. According to RMAA, an average Russian businessman receives three personal direct mails per year. Russians tend to react positively to direct mail, what cannot be

said about Email Direct Marketing. Personalized direct mail is an effective way to stand out of millions of mass mailing sellers. (Tylik 2017, 10.)

Email Direct Marketing is a widely popular in Russia, so emailing the client with promotional purposes will result in facing massive competition of competitors. Nevertheless, email is still seen as an effective communication tool with B2B clients. For instance, for establishing initial contact with the client. (Tylik 2017, 11.) According to RMAA's B2B marketing guide, Cold Calling is a very ineffective method to connect with a client, as it puts you in a weaker position by the definition. The effectiveness of the tool in Russia is considered to be slightly higher than that of spam. Russian decision-makers are very easily irritated with sales cold calls. It is important to attract potential client's attention prior to the call. (Tylik 2017, 10.)

Another popular way to connect with Russian business customers is Trade Fairs. The RMAA's B2B guide suggests to make participant's participation to a Fair as public as possible (for example, informing existing and potential clients about the exhibition in advance). The guide emphasizes that participation to Fairs is an effective, but not the only method to establish contact with Russian B2B customers. (Tylik 2017, 11.)

Event Marketing is a marketing tool growing in popularity in Russia. The tool was also mentioned in one of the interviews with the Russian businessmen conducted for this research. In the guide on How to sell to Russian Large Companies, RMAA suggests to use this tool with Russian B2B clients as much as possible. The key idea of the tool is organizing theme events or seminars (marketing classes) for your potential clients. The key here is not to sell your product, but to raise the awareness about your business within a target group. The purpose of the even marketing is to build up trust with potential clients and to proceed to the next stage of the sells funnel. (Tylik 2017, 7a.)

#### **4.4 Sociocultural factors**

There exist numerous amount of accepted definitions of culture. A widely known Dutch researcher of culture, Geert Hofstede, defines culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another". Culture is always a collective phenomenon, however it can be related to different collectives. Most commonly, the word culture is used to describe tribes or ethnic groups; nations; and organizations. (Hofstede 1991, 5). The purpose of this chapter is to take a closer look into cultural factors that may influence case company's business in the given conditions. Today, when companies internationalize throughout the globe, understanding of cultural differences of different markets is very important. According to Hofstede at al.

(2010, 47) cultural dimensions influence organizations. Consequently, being aware of cultural diversity is crucial for organizations, expanding their business abroad.

The goal of analyzing cultural diversities lies in a purpose to convert cultural differences into a competitive advantage. In order to do that, a short country comparison of Russia and Finland will be introduced in the following chapter. The six dimensions of national culture were introduced by Professor Geert Hofstede, Gert Jan Hofstede, Michael Minkov and their research teams. The cultural dimensions that distinguish countries from each other are independent preferences for one state of affairs over another. It is important to understand that sociocultural traits do not allow understanding values and/or behavior of single individuals. The Hofstede's six dimensions are: Power distance; Individualism vs Collectivism; Masculinity vs Femininity; Uncertainty Avoidance; Long-term orientation vs Short-term orientation; and finally Indulgence vs Restraint. (Hofstede et al 2010.) The following research will cover some of the six dimensions, that are seen as the most relevant ones for the case company.

As we can see from figure 9, Russia's score in power distance is 93, which means that Russia is a nation where power holders are very distant in society. That could be explained by the fact that Russia as a country is extremely centralized: 2/3 of all FDIs go into Moscow region; 80 % of all financial potential is concentrated at the capital area as well. Such a huge contrariety results in a high importance of status symbols. Regardless of the occasion of business interaction, people are expected to behave in accordance with their status/position; subordination must be clear; the approach should be top-down. (Hofstede Insights 2018.)

Individualism dimension demonstrates the degree of interdependence a society maintains among its members (Hofstede et al 2010). Russia's score in Individualism is rather low, which makes it a collectivist society. When referring to having dinner with family, in Russian it would sound like "We with family" instead of "my family and I". Interpersonal relationships with family, friends and trusted people are extremely important for Russian people. Interpersonal relationships play critical role in acquiring information, meeting "the right people" or successful negotiations. Relationship need to be genuine and trustful before focusing on actual business becomes appropriate. (Hofstede Insights 2018.)

The fundamental issue in the next dimension is a source of motivation of people. Masculine nations want to be the best, whereas Feminine nations must like what they do (Hofstede et al 2010). Surprisingly, Russians estimate themselves and talk of themselves rather modestly in with strangers as well as at a workplace. That indicates Feminine society.

Dominant behavior is typical for those higher in status, however is not appreciated among peers. (Hofstede Insights 2018.)

The score of uncertainty avoidance reflects “the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these” (Hofstede et al 2010). Russia’s score 95 (high) in this dimension explains, why Russians have built one of the most complicated bureaucracies in the world. When it comes to meeting, presentations are either not prepared at all, because people concentrate their attention on building personal relationship with the other party; or meeting materials are very detailed and thought over. Russians have tendency to act very formal with people, whom they consider strangers. Nevertheless, respect can be also expressed through formality in Russian culture. (Hofstede Insights 2018.)

Russia has a very pragmatic mindset, which is reflected by score of 81 in long term orientation. In other words, Russian people believe that the truth always depends on such factors as time and particular situation. Russians have demonstrated their ability to adapt traditions to changed conditions rather easily throughout history. They have a strong tendency to save and invest. (Hofstede Insights 2018.)

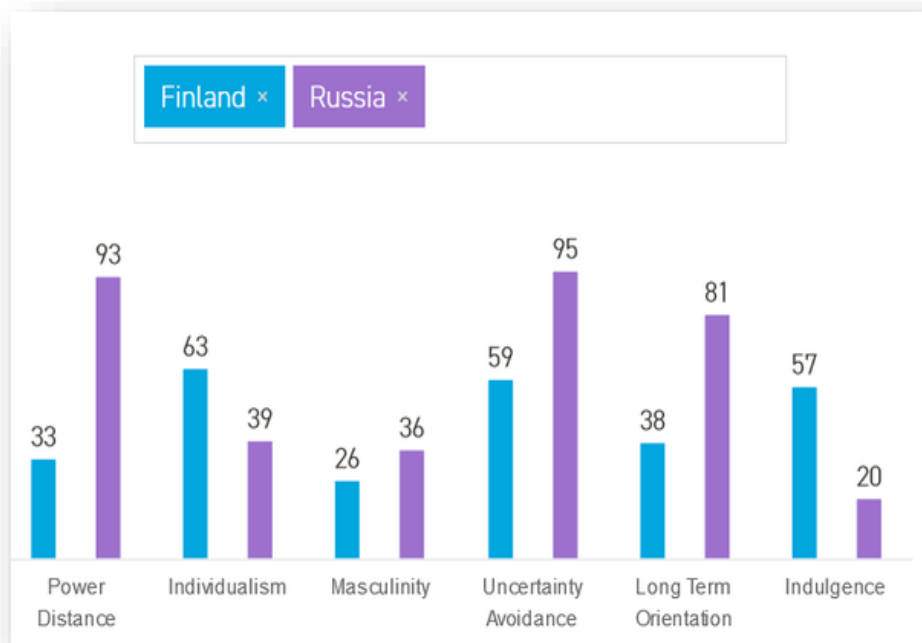


Figure 9. Russia and Finland according to Hofstede’s cultural dimensions (Hofstede Insights 2018)

#### 4.4.1 Corporate culture comparison Russia vs Finland

Taking into consideration cultural differences when expanding abroad does not imply understanding the behavioral patterns of foreign consumers only, but also employees, agents, official representatives and partners in the host country (Hofstede et al 2010, 25). Figure 9 demonstrates how different Russia and Finland are in terms of culture. Differences between Russia's and Finland's indexes of Hofstede's dimensions cause significant differences in formal communication, time perception, conditions for building trust and having negotiations (Väestötiedote 2015). The most significant differences are seen in power distance; individualism vs collectivism; and in long-term versus short-term orientation. It is important to consider these differences when expanding business to Russia. Similar behavioral patterns do not always mean the same thing in Russian and Finnish cultures. Consequently, expectations from people cannot be the same.

The power distance difference in the score between Finland and Russia indicates, that the gap between managers and non-managers is significantly bigger in Russian society. In other words, that means that employees in Russia experience discomfort or even fear disagreeing with their superiors. Subordinates in Russia perceive that their managers make decisions in commenting and persuasive ways. (Hofstede 2001, 86). The role of status is very important in Russian corporate culture. According to the interview with Tapio Pajuharju, CEO of Hartwall Ltd. and former CEO of Lumene Ltd, democracy is not an issue in Russian leadership, which is extremely difficult for Finns to understand. Pajuharju claims, that Russian top managers really do make decisions; often about the issues, which top managers from cultures other than Russian have never even heard of existing. (Peltola 2015, 200). Similar kind of hierarchical attitude can be noticed in communication with important partners or governmental representatives. On the other hand, Finland's score in the power distance section is significantly lower, than Russia's. That means, that power in Finland is way more decentralized and corporate hierarchy exists for convenience only. Finnish managers appreciate involving their employees into decision-making process. (Hofstede et al 2010.)

The difference between Finland and Russia in Individualist vs Collectivist dimension, in corporate conditions is seen in ways how much independent individual initiative is appreciated in a company. People in Russia are low public self-conscious and their opinion about events and others around them strongly depend on opinion of a group they see themselves as part of. Confrontation is not appreciated. On the other hand, Finland is an individualistic society, where diversity of opinions is appreciated. (Hofstede et al 2010, 119.)



Finally, another difference between Finnish and Russian cultures is related to short-term vs long-term orientation. For Russian society (long-term oriented) it is more likely to save and invest; when Finnish society (normative) is more concentrated on the results to be achieved now. Decision-making process takes longer time in Russia, than in Finland. (Hofstede et al 2010, 258; Katz 2007.)

#### **4.4.2 Role of connections and trust**

It's commonly perceived that Russian business culture is fundamentally built on connections and trust. In fact, it is very common for emerging markets such as Russia, India, China or Brazil that networking is a key to successful entrance to the market (Wan & Lowe, 2007).

According to Finnish-Russian Chamber of Commerce (FRCC), importance of social networking has its roots deep in the Russian history and traditions (Peltola 2015, 126). Taking a closer look at Hofstede's research about Collectivist societies (and in the previous chapters it was explained that Russia belongs to collectivist societies) will help a reader understand where the roots of in-group mindset come from and how the awareness of this cultural specialty could be beneficial when doing business with Russians. Russians and Finns have different concepts of the role of personal relationships in business. For the Finns, business is done with a company/organization; when the Russians cooperate with people, they have learned to know and trust. Connections play much bigger role in Russian business culture, rather than in Finnish (Peltola 2015, 126).

In collectivist societies, the interest of the group prevails over the interest of the individual. The first group, to which individuals belong upon birth is family (extended family), including other members than parents: for example, grandparents, uncles, aunts, servants, or other housemates. Later on the children grow up and start feeling themselves as a part of a "we" group (in-group), which is often not voluntary, but given. The main function of in-groups is to secure protection of its members against the hardships of life. (Hofstede 2010, 91.) In a nutshell, making networks requires acceptance of new members from the old ones. Once the trust is established between the members, it makes the network secure place for further mutual development (Hofstede 2010, 91; Peltola 2015, 126). People from outside the in-group are likely to face exclusion from the group members. Hofstede describes exclusionism as follows:

- Exclusionism is the cultural tendency to treat people on the basis of their group affiliation and to reserve favors, services, privileges, and sacrifices for friends, relatives, and other groups with which one identifies, while excluding outsiders from the circle of those who deserve such privileged treatment. While exclusionist cultures strive to achieve harmony and good relationships within one's in-group, they may be indifferent, inconsiderate, rude, and sometimes even hostile toward members of out-groups. (Hofstede 2010, 98.)

Russia being a collectivist society could explain why co-branding concept has become so popular among Russian companies. For instance, in 2017 in Moscow there was organized a “Co-branding Russia 2017” conference (LMC Group 2017). The concept is seen everywhere: from KFC and Rostik's opening their first co-branded restaurant in Moscow in 2006 (Yum! Brands Inc. 2006) to the joint projects of Russian Airlines and banks (Aeroflot 2006).

The difference in index of Uncertainty Avoidance (mentioned in the previous subchapter) between Russia and Finland fits the discussion about trust very well. Finns tend to be a more easily trusting nation, rather than Russians. One of the reasons lies in ability of nations with lower uncertainty avoidance index to trust their own country's system, sets of rules and laws. Historical record of coup d'états in Russia explains people's mistrust towards the continuously changing political system and laws; and on the other hand it explains people's need for belonging to groups, making them stronger together than each one of them would be separately. (Hofstede 2010, 98.)

For sake of maintaining safety in corporate culture, Russian company's superiors in the first place tend to build trustworthy relationships with their partners, suppliers and consultants. Trust can be gained through interpersonal communication involving emotions. That is a very time consuming process and it requires the right people who like each other personally. (Hofstede 2010, 98.) RFCC emphasizes the importance of unofficial events organized by or/and for Russian business partners for building personal connection. Official conversations are often left outside of those unofficial events (Peltola 2015, 126). Needless to say, the extent to which Russian businessmen and their partners trust each other has a direct impact on financial success of cooperation (Bloom et al 2008, 42).

Other interesting trust-related findings were presented in Blom et al's research (2008, 35) about Russian corporate culture. It seems, that keeping corporate information within the company is extremely important to Russian leaders. The same tendency of not sharing information easily was mentioned by Professor Moty Cristal in his interview to *Russia Beyond The Borders* (2015). Russians believe that information becomes a course bargaining advantages for one of the sides (Katz 2007). The Blom et al's research suggests that due to that very reason, a quarter of interviewed leaders confessed, they got their positions through personal connections (either friends or family members (Bloom et al 2008, 34). Being trustworthy often comes ahead of professionalism in Russia.

Richard Lewis (2010, 146) confirms Russia belonging to so called “Low-trust cultures”, and introduces the structure of trust prevailing in those cultures. The structure suggests that low-trust cultures tend to fully trust only those they know best: family and friends. All the others are more rarely trusted, or even could be treated as potential enemies. The picture below (figure 10) illustrates the trust groups of Russian culture from the most trusted (family) to the least trusted (foreigners). (Lewis 2010, 146.)

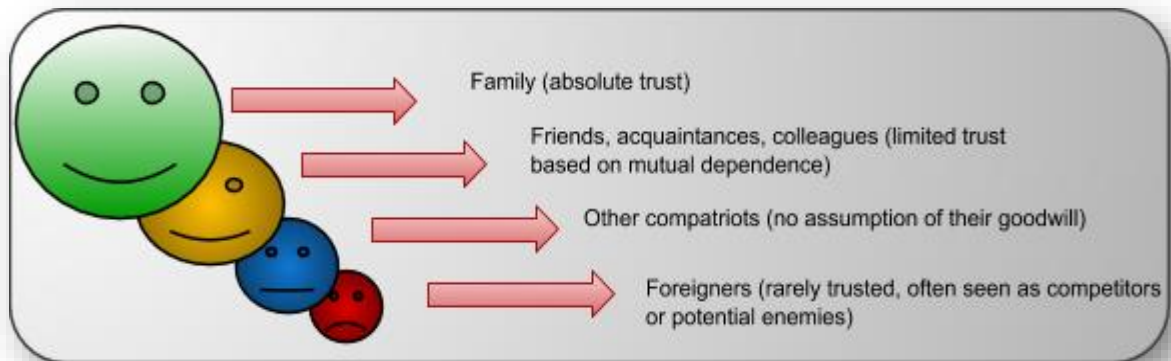


Figure 10. Trust groups in Russian (low-trust) culture. Based on Lewis 2010, 146.

“One’s word” in business has significantly different meaning in Russia and in Finland. Finland, as a high-trust nation, takes a word of a business partner as the truth. The truth is impersonal, objective and based on facts. That rule prevails until it is proved wrong, when the other party’s actions do not match the words. (Lewis 2010, 147.) On the other hand, Russians see the truth as something subjective, something more “flexible”. Russians prefer to place their strong trust in in-groups (family, close friends, former teachers). They trust those who share the same truth with them, sometimes disobeying regulations in keeping that trust if it is required (Lewis 2010, 148).

#### 4.4.3 Meetings and negotiations

As it has been described in the previous chapter, building mutual trust and networking are keys to successful business communication in Russia. Keeping meetings & negotiations is unavoidable for building business relationships between companies (Lewis 2010, 157). Negotiations on international level require more solid preparation, rather than local ones due to cultural differences. For instance, Russians tend to express their opinions with gesticulation and dramatic change of facial expressions (Katz 2007), whereas Finns have rational and calm approach in their body language (see Table 3); Finns do not express much emotion during business negotiations (Lewis 2010, 157). Showing emotions at the meeting should not be confused with loud behavior, appropriate for most of the informal events in Russia. Vulgar loud behavior may have poor effect during business negotiations

(Katz 2007). Table 3 shows the main differences in behavioral patterns between Russians and Finns. The left column (Russians) is based on the FRCC's Russian Business guide (Peltola 2015, 72). The right column (Finns), in addition to the business guide, is based on more than three years of experience of this research' author (as a Key Account Manager at JS Suomi) in doing business negotiations with Finnish executives.

Table 3. Differences in behavioral patterns during negotiations between Russians and Finns.

	Russians	Finns
<b>Time perception</b>	Fast changing environment. Maximum planning time ahead for a meeting: 2-3 weeks	Stable environment. Meetings are easily planned one month prior the meeting.
<b>Gesticulation</b>	Use a lot of gestures, when emotions are involved.	Seldom use gestures. If used, gestures are slow and smooth.
<b>Personal space</b>	Are comfortable being close to other people. Might touch an opponent's shoulder or a hand.	Keep significant distance with an opponent. Do not touch each other.
<b>Tone of voice and emotions</b>	Tone of voice rises and lowers in accordance with emotions. Expressive behavior; demonstrative facial expressions	Speak rather steadily even during tough negotiations. Show moderate behavior; minimal emotions.
<b>Silence perception</b>	Perceive silence as something to be avoided, awkward.	Perceive silence as normal possibility to think arguments over.

Vadim Tylik, in his publication about Effective B2B Marketing strategies in Russia, explains the process of B2B sales involving negotiations. He emphasizes the difficulty of closing B2B deals "quickly"; as a rule, the process takes some time and certain negotiation strategy. Figure 11 demonstrates approximate structure of B2B sales process in Russia. As you can see from the figure, the first negotiation stage is followed by the presentation stage, which in Russian business culture equals establishing trust. That confirms that in addition to negotiations, connections & trust have a direct influence on B2B sales process in Russia.



Figure 11. B2B sales process in Russia (Tylik 2017, 5)

Official language in Russia is Russian, and till today not many Russian businessmen speak English (or any other foreign languages) fluently. The presence of an interpreter might be necessary at negotiations with Russian partners or clients. However, it is important to remember that not every interpreter has full professional proficiency in specific business fields. Having either your own interpreter, or in-house employees speaking Russian could play significant role in avoiding misunderstandings. (Katz 2006.) According to FRCC, nowadays approximately 5-10% of Russians speak good English. Young managers and leaders appear in business life more and more often, nevertheless, most of the older generation leaders don't speak a word of English. That means that sales process, negotiations and marketing materials for Russians must be presented in Russian. (Peltola 2015, 75.)

Face-to-face contact plays a great role in negotiations for cultures like Russian, for which personal relationships have great significance. Consequently, the lack of face-to-face communication might become another potential problem and cause misunderstandings. Virtual negotiation is a communication way, that could be avoided at the stage of building trust with Russian businessmen (Lewis 2010, 150).

The Guardian (2013) published a set of recommendations for negotiations with Russian businessmen, which emphasizes "informal lunches" as important for negotiations, as an actual business meeting. Another recommendation when dealing with Russian businessmen is to show them expertise, and not superiority. That is due to the strong sense of pride typical for Russian people. Avoiding jokes, especially related to Russians and Russia is strongly recommended. (The Guardian 2013.)

It is important to remember, that most of the cultural diversity studies are built on stereotypes and should be used as recommendations. They help people better understand foreign cultures, however they do not show the entire picture. A Finnish advisor to the president of Skolkovo foundation shares in the article on doing business in Russia, how his preconceived notions about Russian culture have changed dramatically during his 1000 days long working in the country (Viljakainen 2015).

#### **4.5 Legal environment**

Legal environment of a host country affects business in many ways. Such issues as requirements to accounting and taxation, labor rights, regulations of business operations and level of control over companies should be investigated prior to starting expansion to a new country (Czinkota, Ronkainen, Moffett 1999). This chapter of the research will go

through the issues concerning foreign companies, expanding to Russia. The issues have been chosen from the perspective of the case company.

The Russian Constitution of December 1993 is the main source of the law in Russia. Russian judicial system is based on a system of civil law and judicial reviews of various legislation. Judicial power in Russia cannot be considered independent, because it suffers from corruption, fast changes, lack of funds and (often) unqualified personnel. In regards to International disputes involving Russian party, foreigners cannot expect an impartial hearing in judicial matters. (Export Enterprises SA 2018.) In addition to familiarizing with Russia's general legal system, it is important to remember, that specifications may vary in different regions of the country, as well as the extent of state and regional authority itself.

#### **4.5.1 Foreign subsidiary in Russia**

As it has been mentioned earlier, the entry mode to the Russian market, chosen for the case company by the board of JS World Media Group is establishing a foreign subsidiary in the country.

A foreign subsidiary is a "foreign" company, organized under the laws of the foreign host country, but owned and controlled by the parent corporation in the home country. A parent company that controls a majority of the stock of a subsidiary can control management and financial decision making. (Schaffer 2015, 11.)

At the moment JS World Media has twelve subsidiaries around the world (see Figure. 12). The sponsor company wants to know which factors are needed to be taken into account in order to make an expansion to Russia feasible. This is why this subchapter goes directly to foreign subsidiaries.



Figure 12. Map of JS World Media Group (JS World Media 2018).

According to EY’s Russia Desk Team in Finland, when Finnish companies seek for business presence in Russia, the most common and reasonable way to do that is establishing a foreign subsidiary in the country. Even though, this form of business implies foreign ownership, this kind of company is treated as a Russian legal entity, for example in taxation. (Peltola 2015, 135.)

With the decision to set up a company in Russia, comes the necessity to choose a type of legal structure that makes the most sense for the business. The most common types of legal structure in Russia are Limited Liability Company (LLC, Russian abbreviation OOO) and Joint Stock Company (JSC Russian abbreviation AO) (NKCC 2018; Peltola 2015, 135). Joint Stock Company can be of two types: Public joint-stock company (PAO, Russian abbreviation ПАО) and Non-public joint-stock company (NAO, Russian abbreviation НАО). Limited Liability Company has been considered the best form of a wholly owned subsidiary for a parent company; it is also legally lighter to manage than a Joint Stock Company (AO). In a nutshell, the process of establishing a company involves: registering at the trade register, at the tax office (in the case of a joint-stock company, also registering at the central securities registry) opening bank accounts, making stamps and leasing agreements. (NKCC 2018, Peltola 2015, 152). Figure 13 shows the structure of Legal Business Entities in Russia, as well as their basic requirements. The main disadvantages are indicated with the red color.

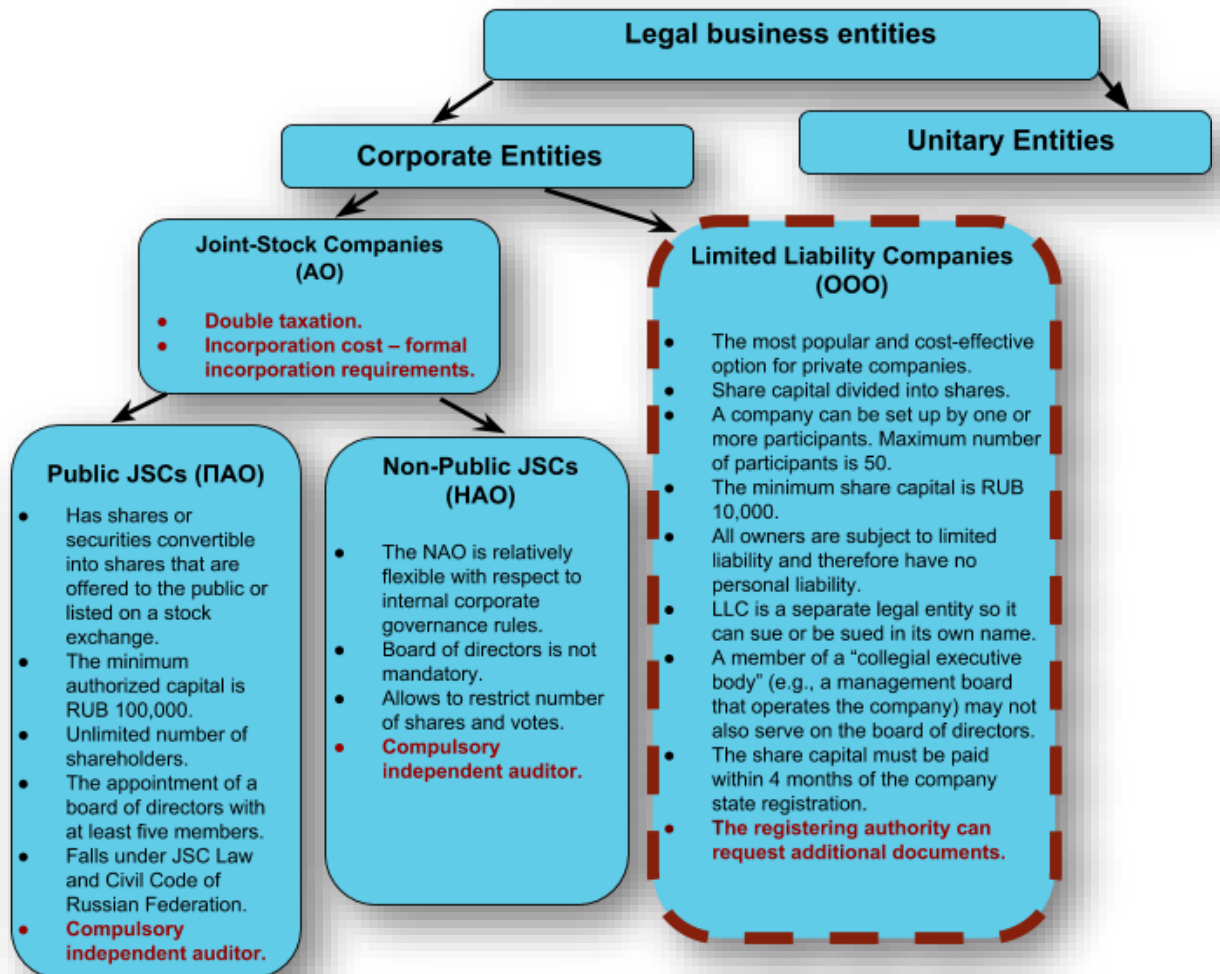


Figure 13. The structure of Legal Business Entities in Russia (Based on: Deloitte 2015, 10; NKCC 2018; Peltola 2015; Accountor Group 2017)

No matter what type of legal business entity a foreign company decides to choose and despite the public availability of the instructions, many of the business registration related sources mentioned in this chapter suggest to use services of professional and reliable consultant (Peltola 2015, NKCC 2018, Accountor Group 2017).

#### 4.5.2 Labor issues

The present the Labor Code of Russian Federation has been enforced in 2002. From 1 July 2016, the minimum monthly wage is 7,500 RUB. The Labor Code sets a heavy administrative duty on the employee and employer. For instance, the Employment contracts must be concluded in a written form in the Russian language, however, bilingual contracts are also permissible. The employer is not allowed to unilaterally modify the material terms



and conditions of employment (employment function, salary, working hours). (Maximenko & Klutchareva 2017.)

Employees (both Russian and foreign) can be dismissed from a workplace in Russia on specific grounds, listed in the Labor Code. Termination of a work contract is not allowed by notice. There are specific reason-related time periods and procedures in the Russian Labor Code. The most common reasons for contract termination involve: written voluntary resignation (2 weeks' notice); employment contract expiry; redundancy (2 months' notice + 2-3 month severance pay); termination due to unfulfilling tasks assigned in a labor contract (no severance pay). The most popular reason of labor contract termination in Russia is termination by mutual consent of both parties. This practice doesn't require notice, severance payments, neither it harms employee's employment history. A process of firing an employee in Russia consists of several bureaucratic procedures, that must be followed. (Association of European Business 2012.)

Not following the Labor Code of Russian Federation (RF) is fraught with serious consequences for the both: employee and employer. (Hellevig, Usov, Katyshev 2014.) According to Kalashnikov and Sharov (2017), strict Labor Code does not equal actual protection of rights of workers in Russia. Employee's rights in Russia are often easily violated by employers. The most outrageous part of it is that is most of the complaints about violation of rights never gets to an investigation stage (police or other authorities); moreover, labor crimes are not even seen in the country statistics. (Kalashnikov & Sharov 2017.) Due to that very reason, the commonly accepted mindset of Russian employees is to solve problems with an employer through personal consensus in order not to lose a job, or not to get a nasty "fired" stamp in his/her (compulsory in Russia) employment record book. That kind of mindset is especially common in regions, big city workers in Russia tend to fight for their rights more aggressively (Kalashnikov & Sharov 2017). Situations when companies due to whatever reason decide to lay off workers in Russia are very common. Employers try to avoid severance payments by all means. Workers, believing that "if they need to lay off people, they will find a legal reason", simply agree on "termination of their contracts by mutual consent of both parties" option.

#### **4.5.3 Expatriates and Business travel related issues**

Citizens of countries not belonging to the Eurasian Economic Union countries (Armenia, Belarus, Kazakhstan and Kyrgyzstan) are required to have to have work permit in order to work in Russia. Standard procedure implies employer obtaining work permits for workers. Additionally, the employer must also notify tax authorities of the employment of the em-

ployee from abroad within 10 days after applying for the invitation for the worker. The application for a working permit in Russia takes around 3 months. However, foreign businessmen constantly traveling to Russia for business reasons (business contacts with foreign partners, or conducting negotiations with them etc.) need business visa instead of working permit. Additionally, citizens of countries not required visa to stay in Russia still need a work permit. (Deloitte 2016.)

So-called Highly Qualified Specialists (HQS) - foreign citizen with a certain level of expertise, skills, achievements or education - fall under exceptional regulation. HQS would receive salary of no less than 167,000 RUB (varies according to the regions). HQS may obtain work permit from the Federal Migration Service (FMS) within 14 days. (Deloitte 2016, Association of European Business 2012.)

A worker is considered a Russian tax resident if he/she is physically present in Russia for 183 (or more) calendar days within a year time period. In general Russia is considered a very attractive for the expatriates due to favorable ratio of salary rates and labor taxation rates. (Deloitte 2016.) Generally, foreign employees in Russia must get salary in Russian rubles, the Labor Code requires salary to be paid twice a month. Personal Income Tax at standard rate of 13% (if the foreign worker is qualified as a Russian tax resident or HQS) must be withheld, when paying salaries. Otherwise, the tax rate is 30%. (Association of European Business 2012.)

#### **4.6 Summary of external environment**

This summary is based on the Russian market research for in order to provide the case company with information about the business climate in Russian Federation. It aimed to analyze the country's environment for the number of preconditions and for presence of positive signals essential for expanding and running the media agency business in the market using the co-branding concept.

The political situation in Russia is considered as unstable due to relatively frequent unpredictable changes in legislation. Corruption level in Russia has always been and still remains significantly higher than in European countries. However, corruption rank in Russia has been falling towards better direction during the past years. Unofficial mechanisms play an important role in Russia, first of all due to trust related issues. Unofficial mechanisms help to protect people as well as businesses from unexpected risks.

The Russian economy shirked by 3,7 % in 2015 due to combination of a number of unfavorable factors: lower oil prices, economic sanctions, high inflation, weakened banking

sector and currency. Nevertheless, the World Bank forecasts that Russian GDP will grow 1,7 % in 2018 and 1,8 % in 2019. Despite the current economic situation, foreign investors are still confident in Russia's high economic potential and ready to continue investing in the coming few years.

Surprisingly, such unfavorable factors like sanctions have resulted in growth of some domestic industries like agricultural sector in Russia. Volumes of domestic production have grown significantly. The trend is expected to be rising in the years ahead. In addition to that, sanctions have forced many foreign exporters to consider localizing their production in Russia, since the import to the country is forbidden.

Technological climate has finally reached high levels. Internet penetration rate in Russia in 2016 was reaching 80 %. Russians are a population of active users of gadgets, social media and internet. The most effective B2B marketing tools in Russia are assumed to be personalized direct emails and mails. In combination with a personalized phone call and the following meeting, where it is very important to build trust with a customer, they create a solid structure of B2B sales in Russia. Other effective methods of building trustworthy relationships with business clients are attending Fairs and Event Marketing.

Cultural and language distance between Finland and Russia is a serious barrier for many Finnish companies on their way to success in Russian market. Specialty of Russian culture includes mistrust towards foreign companies. The purpose of understanding cultural differences between Russia and Finland is to turn those differences into competitive advantage on negotiations, meetings and any other interaction with Russian customers, partners, officials and workers.

One of the biggest challenges for foreign companies in Russia is a constantly changing law. This issue has existed in Russia for decades and should not be feared. However it requires certain level of awareness and active connection with either consulting partner, or a lawyer.

Establishing a foreign subsidiary in Russia is a very common method of internationalization used by many Finnish companies. The most common type of legal business entity is Limited Liability Company, since it is rather easy to register and run from the juridical point of view.

Termination of a labor contract can be carried out only under the circumstances set forth in the law. However, many things can be solved by mutual agreement of parties in Russia.

Usually in case of firing, in order to avoid a nasty obligatory stamp in an employment book, many employees and employers make a deal, beneficial for both of the sides.

Expatriate related laws are well regulated in Russia, however bringing a foreign worker to Russia to work might become a long, bureaucratic process. Needless to say, having workers, understanding not only Russian language, but also culture and possessing Russian citizenship can be an answer to a number of challenges.

That is true that the recent crisis in Russia has caused a lot of contradictory opinions of foreign companies about doing business in or with Russia. Nevertheless, investment inflow to Russia continues to grow. As we know any crisis destroys some players, however, simultaneously it creates new business opportunities. According to Risto Rausti's (KPMG advisor, Russian Business Area) interview published in Russian Business guide, there is no such thing as business without risk, not even in a home country. A company cannot grow if it doesn't dare to do so. Russian market is a fast changing field full of possibilities, which can be fully discovered only by being present there completely. Responding to the changing environment timely is more than possible on spot, however managing subsidiaries and branches remotely might lead to very unfortunate consequences. (Peltola 2015, 196.) Pekka Viljakainen also encourages foreign businessmen to take a closer look at Russia and to see numerous business possibilities there, that were born with the crisis (Viljakainen 2015).

## **5 Case company's capabilities**

The following subchapters will go through JS Suomi Oy's capabilities that are seen to be relevant for the expansion to the Russian market.

### **5.1 Firm size and resources available**

JS Suomi Oy's turnover in 2016 was 5,5 million EUR, the number of staff is about 60 people. Total amount of professionals working in JS World Media Ltd. is about 500 people and as it has been mentioned earlier, the company is represented in 12 countries. Group's revenue falls into a turnover category from \$100 to \$500 million (USD) per year. That makes the company resourceful enough to establish a high-level of control over their presence in the Russian market, essential in establishing a subsidiary venture.

JS Suomi Oy already possesses human resources that from the point of view of entering the Russian market could be considered strategically important. The two KAMs working in JS Suomi speak Russian as their mother tongue. One of the two employees was born, raised and educated in Russia; the other one spent his childhood in Russia - which means that they both have sufficient knowledge of Russian culture that is crucial when doing business with Russian clients. Moreover, both of the employees have both Russian and Finnish citizenships. For JS Suomi that means significant savings on expatriates, as well as significant reduction of bureaucratic procedures to undergo when establishing a subsidiary in Russia. Both of the employees have been working in JS Suomi for several years in roles of PCS and KAM, which means that they have excessive understanding of the case company's nature, operations and values. Having lived significant parts of their lives in Finland, the KAMs have adapted Finnish culture. Knowledge of two different cultures in addition to a solid company knowledge would play an important role of establishing the right corporate culture in the Russian subsidiary, where the KAMs could become company's knowledge and culture ambassadors.

### **5.2 Networks**

Hundreds of Finnish companies are familiar to Russian due to the long history of Russian-Finnish commercial relationships (SVKK 2018). Thus, JS Suomi already has significant amount of projects in their portfolio, that could be used as references in the Russian market. Moreover, JS Suomi's database has brochures in Russian language, which were made to support export activities of several Finnish companies to Russia. The contacts of the leaders interviewed for this research were collected by the author of the research, who is also one of the two KAMs mentioned in the previous sub chapter. All of the contacts

were received through personal connections of the author. Needless to say, networking with Russian businessmen can start from personal relations of the Russian speaking workers of the case company. That should be taken into consideration in the further recruitment process. Presumably, the tighter connections the employee has with Russia, the more networks they have there.

### **5.3 Location**

When looking at the map JS World Media Group, it is quite simple to figure out that JS Suomi Oy, located in Helsinki, Finland is the most suitable office to manage the expansion to Russia. First of all, due to geographical position. The geographical location of Finland as Russia's neighbor provides JS Suomi with many benefits crucial for success of the internationalization venture. Russia has been an important trade partner of Finland for decades now (SVKK 2018). Due to that Russians have very positive image of Finland and they perceive goods and services coming from Finland as of a very high quality (Ministry for Foreign Affairs in Finland 2018).

Due to the bordering location and long trade history, Finland is very well represented in Russia. In a munificent environment, an environment rich with resources enabling organizational growth, expansion activities are supported better. Well-developed institutional environment in the country influences firm's performance and success during internationalization beyond the survival level. (Dickson, Weaver & Vozikis 2013.) Finland has diplomatic representatives in Moscow, Saint Petersburg, Petrozavodsk, and Murmansk (Ministry for Foreign Affairs of Finland 2018). Finnish-Russian Chamber of Commerce and Team-Finland have strong influence on Finnish-Russian trade and economic relationship development. Both of the associations assist Finnish and Russian companies in Finland and in Russia towards mutual development. (SVKK 2018.)

The distance between Helsinki and St. Petersburg is 390 km and between Helsinki and Moscow it is approximately 1100 km. There is an Allegro train that travels between Helsinki and St. Petersburg in only 3,5 hours. Going from Helsinki to Moscow by plane takes about 1 hour 40 minutes. Traveling to Moscow or St. Petersburg for JS Suomi Oy's KAMs would not be any more complicated, than traveling from Helsinki to Kuopio or Rovaniemi.

#### **5.4 International experience**

As it has been described earlier, JS World Media group is represented in 12 countries, in addition to which, it has had several unsuccessful internationalization efforts, that altogether could be considered as solid international experience. In all of the internationalization efforts the same MEM was used.

In addition to market entry related international experience, JS Suomi's KAM's knowledge of Russian and Finnish culture is an important asset. In addition to that JS Suomi Oy's country manager participated in the expansion process of JS to Finland. It used to be operated from Sweden, where Mr. Govenius was originally employed.

#### **5.5 Summary of firm capabilities**

Finland is a strategically favorable location for establishing business activities in Russia. History of trade relationships between Finland and Russia (especially Saint Petersburg region) is very long. Hundreds of Finnish companies are familiar to the Russian companies. That means that JS Suomi already has projects that could be used as references in the Russian market. JS Suomi's database has a number of brochure projects in Russian language, that could be used as references. All the projects having connection to the Russian companies could be considered as networks and they would help to establish trust between the case company and potential Russian clients on the first stages of expansion.

Another benefit of short distance between Russia and Finland is that JS Suomi does not have to establish strong physical presence in Russia from the very beginning by hiring full staff. Instead, KAMs (working for JS Suomi) could contact Russian leads part-time from the office in Helsinki and later on travel to Saint Petersburg with a plane or a train for meetings, just as if they would do it domestically within Finland.

Cultural and language distance between Finland and Russia is considered to be a threat for business success of JS Suomi in Russia. However, due to the fact that JS Suomi already possesses skilled and trained strategically important for Russian market human resources, failure and financial loss risks associated with sociocultural factors are minimal.

Case company has solid international experience, which in combination with the support from the head office possessing significant amount of experience and capital, would secure the success in an internationalization venture.

## 6 Findings and conclusions

The objective of this research was to identify whether the idea brought up by the directors of the sponsor company to explore the opportunity to expand to the Russian market was feasible. In order to do that, it was crucial to find out whether the opportunity for JS Suomi Oy exists in the Russian market (IEO), which was found out through juxtaposition of the current condition of the Russian market (market opportunity) and case company's capabilities (firm capabilities), with help of which the international opportunity could be embraced. The main purpose of the research was to propose a list of factors that are needed to be taken into consideration by JS Suomi Oy when expanding to Russia. The focus of the research was on sociocultural aspects. The research was initiated for further development of the internationalization strategy for the Russian market.

Analysis of data was done taking into consideration the critical factors influencing internationalization (internal and external). In order to collect reliable information for answering research sub questions, in depth structured interviews focusing on the collecting positive and/or negative signals in the opinions of the interviewees (potential clients of JS Russia) towards the co-branding concept and towards the main principles of case company's work were conducted. The information and findings gathered during the interviews was used to limit the scope of the country analysis, especially related to the sociocultural aspects.

Throughout the design of the research, several dimensions that needed to be considered in data analysis were formed. The dimensions are: areas of interest (based on conditions for success), primary data findings, secondary data findings and firm capabilities. Appendix 4 demonstrates the logical flow of the data analysis of this research. If translated into formula, where each column of the Appendix 4 would be numbered from C1 to C6, answering the main question of the research would look approximately as follows:  $C1=C2 = (C3+C4) * (C5 + C6)$ . C6 is unknown and is to be found out as a result of this research.

Having started from the primary data collection, I used a method of transcribing only relevant chunks of recorded data into text. With help of coding method, I was able to sort findings of different interviews (Level 1 or L1) into similar groups (Yin 2011, 187), in accordance with the areas of interest (L2). Areas of interest were subdivided under the three research sub questions (L3). Consequently, it became easy to subdivide secondary data findings and another key dimension – current firm capabilities in accordance with L1, L2 and L3. This method allowed keeping the data analysis consistent and allowed creating reliable content for the last column called “new capabilities”. As the theoretical part of this



research explains earlier, finding out what sort of new capabilities should JS Suomi develop is the answer to the main research question. Interview findings of this research will be presented as a part of discussion part in order to draw logical parallels with secondary data findings.

## **6.1 Discussion**

The following discussion will be divided into three main parts, in accordance with L 3 group of data analysis - research sub questions (see Appendix 4). The recommendations for the new capabilities development will be listed in the recommendations chapter in the order to keep clear order of answering the research question. As it has been mentioned earlier, the recommendations for developing new capabilities will be an answer to the main research question.

## **6.2 Sub Question 1**

SQ1 aimed to find out whether current relevant conditions of the Russian market are favorable for JS Suomi Oy to perform business in the country. As it was explained earlier in this research, host market conditions could be called favorable if no absolute barriers to business performance are detected; when business climate is generally good for investments; if the internet penetration in the country among companies is high; if digital marketing and use of electronic devices is popular among business people; if labor law is favorable; and when the size of the market is big enough. In addition to understanding general business climate condition of the Russian market, it was very important to understand what is the role of personal connections in the Russian business culture, in order to take this factor into consideration, when writing recommendations.

Two of the four interviewees mentioned that Russian companies are seeking for efficient ways of doing marketing. Due to tensed economic environment, many companies end up decreasing their marketing budgets. Secondary data findings confirm, that due to the recent crisis and economic recession, business climate in Russia has been tensed. In combination with rather unstable political, economic situation and continuous mutual sanctions from the first situation doesn't look investment attractive at all. However, looking at surprisingly stable inflow of FDIs, and unexpectedly rapid recovery from the recession, due to growth of domestic industries in various business areas, Russia still remains an attractive market for the investors. High corruption level still stays a problem in Russia, however, the trend in this area is positive. Summing up the findings of secondary data analysis, that include several statements of the respected Finnish leaders and entrepreneurs, Russia is a market full of surprises that will always be lacking stability. Nevertheless, it is the market

flooded with tremendous opportunities once one learns how such structures as unofficial mechanisms work in the country. The financial model, used by JS Suomi Oy could turn out to be a strong asset in the Russian market, since it implies cost sharing marketing. In times, when financial limitations boost creativity, co-branded marketing projects could become popular among companies.

Each of the interviewees emphasized high importance of personal connections in Russian business culture. All of the interviewees associated phenomenon of personal connections with trust. In an unstable business environment personal connections (recommendations) help companies make secure business decisions. Secondary data findings confirm the importance of personal connections for the Russian business culture. This phenomenon is explained with the lack of trust towards the system, what in turn stimulates formation of unofficial mechanisms common for emerging markets. Moreover, Russia belongs to collectivist societies where it is important to belong to a group, which means to have connections helping to protect business practices from harshness of life. Mistrust towards foreigners is a common issue in Russia. However, mistrust in Russian culture occurs toward those with whom personal trustworthy relationships are not yet established. When that is done, connections start working in one's favor.

Another side of personal connections is related to high hierarchy, that is present in Russian business culture. Higher level leaders have extremely high authority over subordinates. As well as stronger players in business have high authority over their partners. For JS Suomi being aware of these aspects could be used as strength when doing business in Russia. Especially when establishing first contacts with Russian companies. Pilot project references should be chosen and used strategically wisely.

Combination of JS Suomi Oy's current capabilities that include professional native Russian speaking KAMs (being able to perform PCS activities) that would most likely be sensitive to understanding specifics of the Russian business culture and help the company avoid hiring additional sales staff for pilot projects. In case things with pilot projects don't go as planned, the risk is minimal. Additionally, possession of significant amount of brochure projects in Russian language, as well as projects made for Finnish companies for their trade activities in Russia should be used by JS Suomi Oy as references in the Russian market. They will help in process of establishing connections and addressing existing connections to the Russian market. Finally, the location of JS Suomi Oy in Helsinki, Finland can be seen as an effective asset in conquering Russian market. Finland has an image of a trustworthy culture associated with quality and expertise in the Russian market.

Which would reduce the effect of mistrust towards foreigners in Russia. Additionally, Finland is very well represented in Russia, which means that the case company will always have access to help of Finnish-Russian trade organizations.

All of the respondents of the interviews expressed their active use of electronic devices, as well as all of the respondents mentioned digital marketing, which let's assume that it is common in Russia. Secondary data findings state that the internet penetration in Russia has reached 80 % of the population. Digital marketing is very popular in Russia, it is growing industry gaining competition. Russia is a country of gadget users, however, conservative decision makers still prefer traditional media. The product that JS Suomi has to offer for the Russian market combines high tech digital brochure in several versions and high quality traditional printed materials, that could be widely used by Russian B2B customers in accordance with their audience' preferences. What JS Suomi has to remember, when going to the Russian market is that it is very important to be prepared to build up relationships with wide range of clients: technologically advanced and also old school directors. Coming back to the findings of the research, the process would be rather different in Russia then in Finland due to cultural reasons. Cultural training would make a difference for this aspect as well.

Russia is big country with countless companies, respectful levels of FDIs and developing domestic production industries, which along with risks in times of economic difficulties creates great opportunities for newcomers. That is due to the fact that growth of domestic production naturally brings along marketing needs, that many of Russian entrepreneurs cannot yet handle on a professional level. JS Suomi's long experience in international marketing in various fields, strengthened with quality-associated image of Finland gives the case company competitive advantage in the Russian market.

*Based on the discussion above, it can be concluded that current relevant conditions of the Russian market, taking into consideration case companies capabilities, are rather favorable. No absolute barriers that could prevent case company's success have been detected. However, the strategy and operations should be partly customized for the Russian market.*

### **6.3 Sub question 2**

Findings of the interviews regarding reachability of leaders of Russian companies by phone or email signalize, that email and phone are used as business communication tools. That means that distant communication with Russian business clients is possible. The behavioral signal is positive. The same signal is confirmed by the secondary data findings. However, in addition to phone and email literature review findings suggest to

consider direct customized mail as a tool to attract business customer's attention to the company at the primary contact stage. Presumably, the pilot projects could be easily operated from Helsinki office by the Russian speaking KAMs. Case company might consider allocating "Russia working hours" for the KAMs during the pilot projects, as the communication process at the early stages will require a lot of concentration. The meeting, however must take place in Russia. Additional cultural training for current (as well as for the future) Russian speaking employees is suggested in order to enhance the outcomes of communication with the Russian decision makers.

Findings related to attitude of interviewees towards the financing model used by JS Suomi, as well as towards their (companies') willingness to share information about partners/suppliers with the third party – case company, strongly signalized suspicion of fraud or some sort of financial crime. However, each of the interviewees explained conditions in which they would change their opinions regarding those matters. The interviewees emphasized the importance of face-to-face conversation and/or recommendations from companies on this operational stage as a tool against suspicion. This phenomena is clearly related to Russia's belonging to low-trust cultures, which is explained in the literature review section. Mistrust issues could be fought against utilizing strategically chosen references as well as with help of cultural knowledge of employees with Russian background.

Findings of the interviews showcase that getting in contact via phone and/or email, as well as arranging personal meeting with decision-makers of Russian companies are possible, however the process might require different approach on early stages of doing business in Russia. Several interviewees suggested attending industry specific exhibitions, forums and especially smaller business events as a way to establish first contact with companies. Lists of the events as well as participants can be found online. Establishing face-to-face contact via attending industry events and trade fairs at the first stage of the internationalization process could help to build up trustworthy relationships with potential clients.

Complexity of Russian legislation related to labor and subsidiary establishment activities could be simplified with help of an experienced consultant or lawyer. Additionally, further research regarding ways of finding basic financial information about companies should be initiated. Findings of this research suggest that this kind of information can be purchased from specializing companies. However, the evidence is not sufficient enough to make a reliable statement about the issue.

*Based on the discussion above, it can be concluded that there have been found mostly favorable signals for JS Suomi Oy to be able to perform its key operational procedures in the Russian market.*

#### **6.4 Sub question 3**

According to the findings of the interviews, the answer to the sub question “Is the attitude of decision-makers in Russia towards co-branding concept positive?” is “Yes, there is”. That is confirmed by all of the interviewees. Despite the strong expression of suspiciousness towards the word “free” and towards revealing information about the suppliers, the attitude changed with help of deeper explanation of the nature of a potential project. Secondary data findings confirm that co-branding concept has been gaining popularity in Russia during the past decade, *thus it can be concluded that the answer to the SQ3 is also “yes”.*

#### **6.5 Conclusions**

The research findings suggest that current conditions of Russian market are rather favorable for JS Suomi to perform business in the country. However, due to unstable economic situation in the market as well as lack of practical experience of doing business particularly in Russia, the case company should expand to the market carefully planning every step. Adjusting the strategy for the Russian market will help JS Suomi avoid financial losses as well as avoid doing predictable mistakes that can result in failure of internationalization effort. It would be wisest to go through the existing brochure projects made in Finland and create a list of all the brochures in Russian language; to make a secondary list of brochures made for companies partnering with Russian companies, and consequently create a primary lead list of potential clients to contact for pilot projects.

As it has been explained in the discussion above, the answers to the research sub questions are “yes”, *thus it can be concluded that the market opportunity for the case company really exists in the Russian market.* The discussion part also juxtaposes a number of particular current capabilities of the sponsor company, that clearly match the market opportunity as well as challenges existing there. That, coming back to the chapter 3, allows the researcher draw a conclusion that *the expansion of JS Suomi Oy to Russia is feasible.* However, developing and/or creating new capabilities, necessary in the Russian market (listed further as *recommendations*) is the key for the case company’s success in the Russian market. The recommendations listed below are the answer to the main research question aiming to find out what kinds of factors should JS Suomi Oy take into account when expanding to Russia.

## 6.6 Recommendations

Suggestions to a Finnish company expanding to Russia would involve adapting Russian corporate behaviors to some extent. Managers should demonstrate authority and power to their subordinates in order to preserve mutual respect and trust. Prematurely developed informal relationships with subordinates may result in difficulties caused by loss of respect and professional trust. Status and subordination should be maintained at the company in order to avoid internal conflicts. Additionally, managers in Russia appreciate traditionalism, fitting-in and discipline from subordinates; whereas, managers in Finland emphasize leadership and variety of opinions. That should be considered, when adjusting management style for practicing business in Russia. It might be harder to engage employees in Russia into co-creation process of a company's future, nevertheless, still possible with an adequate training and preparation.

Another suggestion when doing business with Russian business customers is, first of all, to try to build trustworthy relationships with them, trying to understand the informal rules as well as possible, rather than using analytical approach. In case, when no other method can be applied, analytical approach with Russian representatives and partners should be very professional, constructive and taken seriously. The importance of connections and trust in Russian business culture should be taken into account through careful choice of references and example companies. It will be easier to gain trust of first Russian companies by introducing them to the projects made for Finnish companies working with the Russian market. Attending several Trade Fairs or Business events in order to collect some contacts and establishing trustworthy face-to-face contact with local business people.

Even though the culture comparison presented in this research could be used by the case company to understand the expectations from their business behavior, it is still important to remember, that there will be divergences due to factors like: age, gender, education and of course individual characteristics of each individual the company will be doing business with (Hofstede et al 2010).

Finding an experienced bookkeeper and cooperation with business consultant or lawyer to help the case company with operating business in Russia and to keep up with legislation changes has come up as a solution to multiple challenges, explained in the discussion. However, hiring skilled and talented staff for the operations in Russia is also one of the key factors that will help the case company to succeed in this venture. Hiring Russian

speaking ACS and PL (possibly freelancer) is highly recommended to the case company if possible for pilot projects as well. Hiring Russian and Finnish speaking ACS and PL would be the most beneficial option for the case company. In case things would go wrong with the subsidiary, the employees could still continue working for the Finnish office.

Strategically planned corporate profile of the potential clients as well as the first list of leads for the pilot projects should be created. Taking into consideration hierarchical issue would help the case company to get maximum results out of the successful projects. Presumably, the optimal option would be to choose companies neither too big, nor too small. It is harder to work with projects for big companies, due to the complex decision making process, which in Russia might be even longer than in Finland. Too small companies, on the other hand, might be less known and insignificant in circles of their field. The name should be known at least regionally. In the future, wisely chosen names will help to open new possibilities in the host market.

Even though JS Suomi has Russian speaking employees, able to work with the Russian market, the case company might still consider additional cultural training for all of the individuals from the Finnish side involved into the Russian subsidiary project. Especially, that concerns those who will be responsible for making decisions. Additionally, employees that will start working with the Russian market will need time for adaptation and concentration, thus "Russian hours" should be allocated for the employees involved into the internationalization process.

The sponsor company should position itself as a professional marketing solutions offering company. "Affordable outsourced professionals". Tensed economic situation has made many Russian companies start looking for creative ways of doing marketing. They are looking for cost-friendly solution and not just a digital marketing product.

Further research regarding the sources of information of basic financial information of Russian companies is suggested, due to the fact that this aspect was listed as one of the conditions for success.

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## **Appendices**

### **Appendix 1. Interview Questions**

1. If you receive an email (phone call) from a Media Agency offering you solutions related to sales and marketing activities of your company/organization, would you reply or read a message?
2. Based on your professional experience, how would personal connections affect the complexity of getting through to the right person?
3. How does that sound to you, that marketing materials would be produced for your company /organization for free (without direct charges for your company/organization)?
4. What do you think about the idea of doing marketing with other companies especially with your partners or suppliers?
5. How would you react if a new Media Agency partner would ask you to share information about your company's (organization's) partners and suppliers?

## Appendix 2. Interviews

### *Interview 1.*

*Current position: Founder and Director of a Language Study Center (Dmitrov, Moscow region, Russia)*

- 1. If you receive an email (phone call) from a Media Agency offering you solutions related to sales and marketing activities of your company/organization, would you reply or read a message?*

First of all, I check my email irregularly. I am more likely to check my messengers like Facebook or WhatsApp. My LinkedIn profile is checked regularly as well.

Most likely I wouldn't reply to a sales offer (sent by email) from an unknown company. That is because of the amount of spam, that I receive daily. Unless, there is either a familiar name of a person or a company, providing the service, or an offer that is obviously related to my company with a realistically advantageous offer.

Customized emails make difference sometimes, though. The biggest problem with using an email is the amount of spam and massive sales-related email distribution. As a rule, spam emails do not even have your full name (first name and patronymic name), that is why they are easily recognized.

As for a phone call. I would reply if the moment for a phone conversation is appropriate. However, I wouldn't spend more than a minute listening to what they have to say. If nothing specific catches my attention, most likely I would politely cut the conversation right there.

- 2. Based on your professional experience, how would personal connections affect the complexity of getting through to the right person?*

You know the answer. Radically. Getting introduced or connected to the right person in business world makes all the efforts to get your message or request through to somebody possible.

I can explain it to you from my point of view. The amount of "business offers" that I receive daily from here and there is tremendous. Some of those offers are useless, some of them are frauds, some are good offers but not for you, and some of them are good AND for you. So how do you filter all those offers (and their providers) in order to get to the one that might interest you?

The best filter you have are people or partners, who have already passed through your filters. You already trust them. When partners whom you trust suggest you to pay attention to “someone” that might have something interesting to offer you and someone whom you might be able to trust.

3. *How does that sound to you, that marketing materials would be produced for your company /organization for free (without direct charges for your company/organization)?*

That is a matter of how you present your offer and concept. It’s good to remember, that without any reasonable explanation of a phenomenon, “free” means suspicious in Russian.

The concept sounds very interesting to me, after you have explained it. It sounds logical now.

You see, many companies in Russia at the moment are frustrated, when it comes to marketing. They want to sell their goods and services, however, they don’t know how to do it efficiently. If a service provider contacts a company with a solution to an existing problem or challenge, their message will be heard. If it is free – even better! As long as I get constructive explanation of how it is possible.

You might want to avoid the word “free”, when explaining the concept or doing business proposal.

4. *What do you think about the idea of doing marketing with other companies especially with your partners or suppliers?*

Regardless of business activity (whether it is related to marketing activity or any other), the real question is which companies you are ready to do business with.

The format, that we are working on right now (in our Language Study Center) is event-based marketing, financed by “donors”. I think, on the idea level, it sounds a bit like what you are offering. By donors I mean companies, that are interested in a certain target group. Those who want to win new audience and want to make it efficiently, not wasting thousands for marketing expenses. This is what our new marketing even concept is based on.

The target group we have access to are families with children, teenagers and young adults. Our new partner and a “donor” on some events is a fast-growing chain of gyms. When signing a contract with us, CEO of the chain told me that he would rather make marketing co-operation

with players, sharing the same target group with them. Rather than running around the city with flyers or endlessly optimizing internet search engines.

By organizing these kind of activities we aim to help companies to express themselves. And the companies (donors) actively participate in that kind of co-marketing.

*5. How would you react if a new Media Agency partner would ask you to share information about your company's (organization's) partners and suppliers?*

That is a good question. It all (again) depends very much on how you present your request. After you have introduced me your concept, I do understand that the next logical step for your (JS Suomi's) client would be sharing that kind of information with your company. I see it as normal and logical request.

Another important moment here is the contract that you will be signing with your client. The contract must be clear and juridical accurate. In an unstable business environment (referring to Russia), stability and trustworthy partners are very precious.

It is also important to agree upon these kind of details on a face-to-face meeting. Personal contact still plays a key role in doing business in Russia.

*Interview 2:*

*Current position: EF Education First*

*Business Development Manager & Regional manager for Russia and CIS*

*1. If you receive an email (phone call) from a Media Agency offering you solutions related to sales and marketing activities of your company/organization, would you reply or read a message?*

That depends very much on what kind of call or message we are talking about here.

Telemarketing calls and spam can be very annoying sometimes. It really makes you finish some calls before they even start. However, all in all yes, I do answer my phone. And I do regularly check my email.

Apparently, what you are trying to find out here is “how to get in contact with decision-makers for business purposes”. First of all, I suggest you to divide Russian companies into 2 categories: “countryside-mindset companies” and “capitalistic mindset companies”.

When working with countryside-mindset companies, things are rather easy. You will most likely get in touch with director without any significant complications (if the company does function). Decision making goes fast and easily in those cases. It’s either director gets interested or not – no third option. And it’s useful to remember, that in many cases their answer will not be supported by any logical thinking. It will work more like “I either feel like it” or “I just don’t”.

Working with “capitalistic mindset companies” (bigger, more complex organization type) get tremendously more complicated. The bigger the company is, the harder it gets to reach the decision maker. As you know hierarchy in Russian business culture is huge factor influencing every business decision.

The only thing you can do is to find out who is responsible for what in this company and try to start a conversation with the closest possible to what you are looking for position out there. Nevertheless, it is possible if you have a good offer and you are persistent.

The key to any door is: know actual problems/challenges of your clients - offer them concrete solution to the problem. You cannot position Interactive brochure as a product in Russian market. You have to “sell” to companies what using of those brochures will help them to achieve.

*2. Based on your professional experience, how would personal connections affect the complexity of getting through to the right person?*

Obviously, a lot! Connections of one of the fundamental powers shaping almost every aspect of Russian culture, as you know. Consequently, it is a fundament of Russian business-culture.

Knowing the right person, as well as being at the right place at the right time makes things happen.

There is a very strong hierarchy in Russian business culture. Knowing people from “up there” directly affects negotiation process. Negotiation in Russian business might last for 20 seconds, however it might often take months. One phone call from the right person may solve any issue.

3. *How does that sound to you, that marketing materials would be produced for your company /organization for free (without direct charges for your company/organization)?*

You should be careful with the word “free”. As a rule - nothing is free. Financial Pyramid scheme is the first association that comes to my mind when I hear the word free, when it is related to business.

You need to be ready to explain yourselves to your potential clients. You will most likely face a lot of suspicion in regard to this issue.

4. *What do you think about the idea of doing marketing with other companies especially with your partners or suppliers (co-branding concept)?*

To me, personally, that sounds a lot like classical “PR”. An “abstract” benefit of being seen with another company, whose image fits your company’s target image. And the reason why I called it an “abstract” benefit is because you can’t really count the income that it brings you.

In the current economic situation companies have cut all the possible not-compulsory expenses. PR-related expenses were on the top of the cutting list. The idea of co-branding is very good, however current limitations stimulate saving-mode. There should be a very clear reason why you would offer one company participate in a marketing-related project of another.

Another effect of an unstable economic situation has resulted in companies hunger for particular and instant benefit. I think, that is an important feature of a current market situation. Something for your company to think about. It could be used as a benefit.

5. *How would you react if a new Media Agency partner would ask you to share information about your company’s (organization’s) partners and suppliers?*

Same story as with the question about “free service or product”. Suspicious! Why? What if you just want to work with them yourself.

This is on the idea level. Issues like that must be discussed in person. Face to face negotiation in Russian decision making process in B2B relationship is a dealmaker. If you manage to make trust you, I will trust your company.

Cooperation agreement will matter for just as much, or probably even less than the person I negotiate with.

#### *6. Additional comments*

I think that what will happen with business in Russia in the nearest future is that companies will behave more carefully than usual, looking around for one more year, after that they will become more daring (investing wise) again. It could be a good time for your company (JS Suomi) do pilot projects and see what response you will receive.

What I suggest you in order to establish contacts in Russia is to start with Russian companies working with Finland. Attend some of their seminars or events. I emphasize: seminars or events. I am sure events like are arranged both in Finland and Russia. Smaller event of that kind are a perfect chance to introduce yourself and start a conversation. Big exhibitions are not as good for that, because you might get lost in the crowd.

I would also suggest you to choose industry-specific events. It is easier to be more “particular” if you don’t have to talk about too many different things at the same time.

The best way to find out the background of a company is to find some local contact for this very purpose. Someone who is out there on a battlefield. Checking masses of companies remotely from abroad might be harder and significantly slower.

#### *Interview 3:*

*Current position: General Director of Itella Connexions (Russia)*

- 1. If you receive an email (phone call) from a Media Agency offering you solutions related to sales and marketing activities of your company/organization, would you reply or read a message?*

In fact, we have names of our staff in our web site. Each area of competence has a name of a person responsible for it. Furthermore, we have a general phone number and an email address, where anyone can call, say what issue they would like to discuss or whom they would like to talk to. They will be connected.

In our company I am “the spot of entrance” for new partners. In case someone has a cooperation offer to us, I will listen.

I use email regularly as well. However, phone is definitely more convenient way to achieve results. faster.

- 2. Based on your professional experience, how would personal connections affect the complexity of getting through to the right person?*

Traditionally, personal connections have always played a very important role in Russian business. If you know how to get along and keep the relationships with the right people, your business will be very successful. In good or bad right connections will keep your business up and running.

- 3. How does that sound to you, that marketing materials would be produced for your company /organization for free (without direct charges for your company/organization)?*

Well, the phrase “free of charge” evokes two associations in my mind: suspicion and of course, curiosity. I would be curious to continue the conversation and understand how it can possibly work. In case, I make sure that I can trust your company and I am not risking to lose anything - I would be ready to try.

- 4. What do you think about the idea of doing marketing with other companies especially with your partners or suppliers (co-branding)?*

Our company welcomes co-branding in marketing activities. I think it is a great opportunity to share and multiply benefits with other strong players. However, our company is extremely careful with whom they choose to be associated with. You probably remember the traditional saying “Tell me who your friends are, and I will tell you who you are”. Exactly the same rules function in business.

I am actually getting curious in your company’s offer little by little. That could be interesting as a part of other activities. However, printed materials don’t interest me at all. I like your concept.

However, our marketing profile is very wide, and what is a real hit these days are theme events and seminars organized as a part of marketing activities. We organize trainings and workshops for our clients. And the purpose of those events is not to promote how awesome we are, but to arrange for our clients something that they will remember us for, something that will be useful to them.

As you probably know the best commercial for companies are its references.



5. *How would you react if a new Media Agency partner would ask you to share information about your company's (organization's) partners and suppliers?*

It is important to remember that our company (as well as many companies in Russia) is very European-minded. We are rather transparent about our methods and about companies we work with. That means that we work honestly.

Giving out information about our partners is not a problem. The only issue is a trust towards your company. If I am secure that you will not misuse the given information against us – I am ready to make you a list.

6. *Additional comments*

My advice to your company when expanding to Russian market is to be very serious about choosing a team. Obviously, a good product is one of the most important success factors. However, a good and trustworthy team is just as important. Choose people whom you want in your team wisely. Personal trust is a base of your future success.

*Interview 4.*

*Current position: Head of Cambridge University Press Moscow Office.*

1. *If you receive an email (phone call) from a Media Agency offering you solutions related to sales and marketing activities of your company/organization, would you reply or read a message?*

I actively use my email and of course a phone as my communication tool at work. I am very limited in time, so I prefer when people have concrete proposals – go straight to the business.

I pick up the phone and even if it is telemarketing, I let the person say what they have to say. In case it sounds interesting and matches some of my organization's existing needs, I will ask for additional information via email. I will go through the offer and answer in case I am still interested to continue the conversation.

Most likely I will not arrange physical meeting, however a short face-to-face Skype meeting is highly possible.

2. *Based on your professional experience, how would personal connections affect the complexity of getting through to the right person?*

Personal connections are extremely important. However, I would rather call the phenomenon “recommendations”, not connections. Good recommendation is a sign of trust.

- 3. How does that sound to you, that marketing materials would be produced for your company /organization for free (without direct charges for your company/organization)?*

Nothing is free. Brand is a very expensive asset. Our brand is worldwide-known and it has perfect reputation.

Everyone wants to be associated with us. And of course, for that reason we must be very careful about those whom we let around us.

Answering your question: it sounds reasonable. We offer our brand, other participants pay for the campaign expenses. It is a mutual benefit, not a free favor.

- 4. What do you think about the idea of doing marketing with other companies especially with your partners or suppliers?*

Co-branding in marketing is a great concept. However, I would like to explain how it works in our case. You see, Cambridge University Press is a non-commercial organization. What we do in our office in Russia is consultation and promotion function of our headquarters' literature. We do not sell books directly to readers. That means that we have trade and distribution partners. Doing marketing together is a natural necessity for us.

The important factor here is who is paying for marketing expenses. In case if some sort of cost sharing could be arranged – that is great! Marketing budget is the to be cut when times get tough.

- 5. How would you react if a new Media Agency partner would ask you to share information about your company's (organization's) partners and suppliers?*

I am very protective about our relationships with our partners. We would rather contact them ourselves. Nothing personal. That is just the way we work.

- 6. Additional comments.*

I think, you will do good in Russia. Start with Saint Petersburg and gain references. In meanwhile you will learn the specifications of the market and business world rules. After that you will be able to expand further. Good luck!

**Appendix 3. Coding/colouring positive (green) and negative (red) signals in the attitudes of the interviewees**

Question  Interviewee	If you receive an email (phone call) from a Media Agency offering you solutions related to sales and marketing activities of your company/organization, would you reply or read a message?	Based on your professional experience, how would personal connections affect the complexity of getting through to the right person?	How does that sound to you, that marketing materials would be produced for your company /organization for free (without direct charges for your company/organization)?	What do you think about the idea of doing marketing with other companies especially with your partners or suppliers?	How would you react if a new Media Agency partner would ask you to share information about your company's (organization's) partners and suppliers?	Additional comments. Advice.
I 1 Founder and Director of Language Study Center	<p>I check my email <b>irregularly</b>.</p> <p>Most likely <b>I wouldn't reply</b> to a sales offer. <b>Unless</b>, there is either <b>a familiar name</b> or an offer that is obviously related to my company with a <b>realistically advantageous offer</b>.</p> <p><b>Customized emails make difference</b>. Spam emails do not even have your full name <b>(first name and patronymic name)</b>.</p>	<p><b>Radically</b>.</p> <p><b>Makes</b> all the efforts to get your message or request through to somebody <b>possible</b>.</p> <p>How do you <b>filter all those offers</b> (trustworthy AND for you?)</p> <p>When <b>partners whom you trust suggest you to pay attention to "someone"</b> that might have something interesting to offer you and someone whom you might be able to trust.</p>	<p><b>"Free" means suspicious in Russian</b>.</p> <p>That is a matter of <b>how you present your offer and concept</b>.</p> <p>If a service provider contacts a company <b>with a solution to an existing problem</b> or challenge, their message will be heard.</p> <p><b>If it is free – even better!</b> As long as I get constructive explanation</p>	<p>That's a question of <b>which companies you are ready to do business with</b>.</p> <p><b>Event-based marketing, financed by "donors" already exists in Russia</b>. Those who want <b>to win new audience and want to make it efficiently</b>, not wasting thousands for marketing expenses.</p> <p>CEO of a chain X told me</p>	<p><b>Depends</b> very much on <b>how you present your request</b>. I see it as normal and logical request. Another <b>important</b> moment here is <b>the contract</b>.</p> <p>It is also important to agree upon these kind of details on a <b>face-to-face meeting</b>. Personal contact still plays a key role in</p>	<p>I check <b>messengers</b> like Facebook or Whatsapp regularly.</p> <p><b>Customized emails (first name and patronymic name)</b>.</p> <p>Companies in Russia want to <b>sell their goods and services</b>, however, <b>they don't know how</b> to do it efficiently.</p> <p><b>Avoid the word "free"</b></p>

	<p><b>I would re- ply</b> for a <b>phone call</b>, if moment is appropriate. However, I <b>wouldn't spend more than a minute</b> listening to what they have to say. <b>If nothing specific catches my attention</b>, most likely I would politely cut the conversation right there.</p>		<p>of how it is possible.</p>	<p>that he <b>would rather make marketing in cooperation with players, sharing the same target group</b> with them.</p> <p>By organizing these kind of activities we aim <b>to help companies to express themselves</b>. And the companies (donors) actively participate in that kind of <b>co-marketing</b>.</p>	<p>doing business in Russia</p>	
<p>I 2 EF Education First Business Development Manager Regional manager for Russia and CIS</p>	<p><b>Yes, I do answer my phone</b>. And <b>I do regularly check my email</b>.</p> <p>It <b>depends very much</b> on what kind of call or message we are talking about here.</p> <p><b>Hierarchy in Russian business culture</b> is a huge factor influencing every business decision.</p> <p><b>Smaller companies</b> most likely –</p>	<p><b>Obviously, a lot!</b></p> <p>Knowing the <b>right person</b>, as well as being <b>at the right place at the right time</b> makes things happen.</p> <p>One <b>phone call from the right person</b> may solve any issue (negotiation in Russian business might last for 20 seconds, but also it might often take months).</p>	<p>You should <b>be careful with the word "free"</b>.</p> <p>As a rule - nothing is free. Financial Pyramid scheme is the first association that comes to my mind when I hear the word free, when it is related to business.</p> <p>You need to be ready to explain yourselves</p>	<p>Sounds a lot like classical "PR" – an "abstract" benefit (you can't really count the income that it brings you).</p> <p>In the current economic situation <b>companies have cut all the possible non-compulsory expenses</b>. PR-related expenses were on the top of</p>	<p><b>Suspicious! Why?</b> What if you just want to work with them yourself.</p> <p>Issues like that must be <b>discussed in person</b>. If you manage to make me trust you, I will trust your company.</p> <p><b>Cooperation</b></p>	<p><b>Unstable economic situation</b> has resulted in companies <b>hunger for particular and instant benefit</b>. (Use it wisely).</p> <p><b>Business in Russia in the nearest future</b> = companies will be <b>looking around for one more year</b>, after that they will become more daring again.</p> <p><b>Pilot projects</b> - see</p>

	<p><b>YES; bigger – NO.</b></p> <p>Offer them <b>particular solution to the problem</b> – you will get the attention.</p>		<p>to your potential clients.</p> <p>You will most likely face a <b>lot of suspicion</b> in regard to this issue.</p>	<p>the cutting list.</p> <p>The idea of <b>co-branding is very good</b>, however current limitations stimulate <b>saving-mode</b>.</p>	<p><b>agreement will matter</b> for just as much, or probably even <b>less</b> than the <b>person I negotiate with</b>.</p>	<p>what response you will receive.</p>
<p>I 3 General Director of Itella Connections</p>	<p>We have names of our staff in <b>our web site</b>. Each area of competence has a name of a <b>person responsible for it</b>.</p> <p>We have a general phone number and an email address, where anyone can call, say what issue they would like to discuss or whom they would like to talk to. <b>They will be connected</b>.</p> <p>In our company I am <b>“the spot of entrance”</b> for new partners. In case someone has a cooperation offer for us, I will listen.</p> <p><b>I use email regularly</b> as</p>	<p>Traditionally, personal <b>connections</b> have always played a very <b>important role in Russian business</b>.</p> <p>If you know how to get along and keep the <b>relationships with the right people</b>, your business will be very successful.</p> <p>In good or bad right connections <b>will keep your business up and running</b>.</p>	<p>Well, the phrase <b>“free of charge”</b> evokes two associations in my mind: <b>suspicion</b> and of course, <b>curiosity</b>.</p> <p><b>I would be curious</b> to continue the conversation and understand how it can possibly work.</p> <p>In case, I make sure that I can <b>trust</b> your company and I am not risking to lose anything - I would be ready to try.</p>	<p><b>Co-branding</b> is a great <b>opportunity to share and multiply benefits</b> with other strong players (<b>PR</b>).</p> <p>However, our company is extremely <b>careful</b> with whom <b>they choose to be associated with</b>.</p> <p><b>“Tell me who your friends are, and I will tell you who you are”</b>.</p> <p>I am actually getting <b>curious in your company’s offer</b> little by little. That could be interesting as a part of other activities.</p>	<p><b>European-minded companies</b> are rather <b>transparent about our methods and about companies we work with</b>.</p> <p>That means they work honestly.</p> <p>Giving out information about our partners is not a problem. The only issue is <b>a trust towards your company</b>. If I am secure that you will not misuse the given information</p>	<p>When expanding to Russian market be very serious about <b>choosing a team</b>.</p> <p>A good product is one of the most important success factors. However, a good <b>and trustworthy team</b> is just as important.</p> <p>Personal trust <b>is a base of your future success</b>.</p>

	<p>well. However, <b>phone</b> is definitely <b>more convenient</b> way to achieve results faster.</p>			<p><b>Real hit these days are theme events and seminars</b> organized as a part of marketing activities.</p> <p><b>The best commercial</b> for companies are their <b>references</b>.</p>	<p>against us – I am ready to make you a list</p>	
<p>I 4 Head of Cambridge University Press Moscow Office (non-profit organization)</p>	<p>I <b>actively use my email and of course a phone</b>.</p> <p>I am very limited in time, so I prefer when people have <b>concrete proposals</b> – go straight to the business.</p> <p>I pick up the phone and even if it is telemarketing, I let the person say what they have to say. In case it <b>sounds interesting</b> and <b>matches some of my organization's current needs</b>, I will ask for <b>additional information via email</b>. I will go</p>	<p>Personal connections are <b>extremely important</b>.</p> <p>I would rather call the phenomenon <b>recommendations</b>, not connections. Good recommendation is a sign <b>of trust</b>.</p>	<p><b>Nothing is free</b></p> <p><b>Brand is a very expensive asset</b>. Our brand is worldwide-known and it has perfect reputation. <b>(PR)</b></p> <p>Everyone wants to be associated with us. And of course, for that reason we must be very <b>careful about those whom we let around us</b>.</p> <p>Answering the question: <b>it sounds reasonable</b>. We offer our brand,</p>	<p><b>Co-branding</b> in marketing <b>is a great concept</b>.</p> <p>Cambridge University Press is a non-commercial organization. What we do in our office in Russia is consultation and promotion function of our headquarters' literature. <b>We do not sell</b> books directly to readers. That means that <b>we have trade and distribution partners</b>. Doing <b>marketing together is a natural necessity</b> for us.</p>	<p>I am very protective <b>about our relationships with our partners</b>.</p> <p><b>We would rather contact them ourselves</b>. Nothing personal. That is just the way we work.</p>	<p>I think, you will do good in Russia. Start with Saint Petersburg and gain references. In meanwhile you will learn the specifications of the market and business world rules. After that you will be able to expand further. Good luck!</p>

	<p>through the offer and answer in case I am still interested to continue the conversation.</p> <p>Most likely I <b>will not arrange physical meeting</b>, however a short face-to-face Skype meeting is highly possible.</p>		<p>other participants pay for the campaign expenses. It is a mutual benefit, not a free favor.</p>	<p>The important factor here is <b>who is paying for marketing expenses</b>. In case if some sort of <b>cost sharing could be arranged – that is great!</b> Marketing budget is limited.</p>		
	<p>MOSTLY POSITIVE SIGNALS</p>	<p>HIGH IMPORTANCE</p> <p>To be discussed in PESTel</p>	<p>GENERALLY NEGATIVE SIGNALS AT FIRST.</p> <p>GENERALLY POSITIVE SIGNALS AFTER ADDITIONAL EXPLANATION AND AN ADDED FACTOR OF TRUST</p>	<p>POSITIVE SIGNALS</p>	<p>POSITIVE AND NEGATIVE SIGNALS AT FIRST.</p> <p>GENERALLY POSITIVE SIGNALS AFTER ADDITIONAL EXPLANATION AND AN ADDED FACTOR OF TRUST</p>	

**Appendix 4. Dimensional data analysis matrix.**

SQ 1-3 (L3)	Areas (L2)	Primary (L1)	Secondary	Current capabilities	New capabilities
<p>Are current relevant conditions of the Russian market favourable for JS Suomi Oy to perform business in the country? (SQ1)</p>	<p>Generally good business climate for investments;</p> <p><i>Importance of personal connections and trust in Russian business culture.</i></p>	<p>Two of the four interviewees mentioned that Russian companies are seeking for efficient ways to do marketing. Due to tensed economic environment. "Doable"</p> <p>Each of the interviewees emphasized high importance of personal connections in Russian business culture.</p> <p>All of the interviewees associated phenomenon of personal connections with trust.</p> <p>Another side of personal connections is related to high hierarchy, that is present in Russian business culture</p>	<p>Faster (then expected) recovery after recession, due to growth of domestic industries and stable amount of FDIs in most of the business areas.</p> <p>Unstable political &amp; economic situation.</p> <p>High corruption level, with lowering tendency.</p> <p>Risk is always there, as well as great opportunities.</p> <p>Lack of trust towards the system is the reason for existence of unofficial mechanisms. Common for emerging markets</p> <p>Connections &amp; trust are very important due to cultural and historical reasons. Confirmed by Hofstede's cultural characteristics of Russia - collectivist society</p> <p>Being aware of that is a strength, that could be used wisely in building strategy for launching pilot projects in Russia.</p> <p>Mistrust towards foreigners is an issue, however mistrust in Rus culture occurs towards those with whom personal trustworthy relationships are not yet established. When that is done, connections will start protecting you from harshness</p>	<p>Cost-sharing financing model, that could work well especially in times of crisis.</p> <p>International expansion background of the case company.</p> <p>Being a part of JS World Media - big company - Sufficient investment capital.</p> <p>Professional native Russian speaking KAMs (being able to perform PCS activities), who would be more sensitive to understanding specifics of the Russian business culture.</p> <p>Possibility to avoid hiring additional sales staff for pilot projects. In case things do not go as planned. Risk is minimal.</p> <p>Projects in Russian language. Projects in current portfolio confirm working with many finnish companies that work with Russian customers</p> <p>Location. Finland has a great image in Russia. It is a neighbouring country and is well represented in Russia, thus support is always available there. Cheap travelling to Russia.</p>	<p>Finding experienced bookkeeper, who would cooperate with the consultant/layer regarding operating the business in Russia, as well as for following changes in the legislation system.</p> <p>Russian speaking ACS ang PL needed (freelance copywriter?) Highly skilled people to be hired in the future. <i>(one respondent emphasized team choosing importance)</i></p> <p>Make a clear list of leads for possible pilot projects. Chose companies strategically wiseley.</p> <p>Consider hierarchy. Chose first companies that are not too big and not too small either in order to have the best effect for the further projects.</p>



	<p><i>Sufficient internet penetration in the country among companies;</i></p> <p><i>Popularity of digital marketing and electronic device use among business people;</i></p> <p><i>Favourable labour law;</i></p> <p><i>Sufficient size of the market;</i></p>	<p>All of the respondents expressed their active use of internet and electronic devices, thus yes.</p> <p>All the interviewees mentioned <i>digital marketing, which lets assume it is popular.</i></p>	<p>of life.</p> <p>80% of population</p> <p>Digital marketing is very popular and it is a growing industry gaining competition.</p> <p>Russia is a country of gadget users. However, old-school decision makers still prefer traditional printed media.</p> <p>Labour law is strictly regulated, however coming to consensus between employee and employer is very popular.</p> <p>Russia is a big country with countless companies, respectful levels FDIs and developing domestic production, which creates an opportunity in times of economic difficulties.</p> <p>Growth of domestic production brings along marketing needs, that some of Russian entrepreneurs can not yet handle on a professional level.</p>	<p>High technology product /solution for marketing.</p> <p>Additionally, traditional printed materials for conservative audience.</p> <p>JS Suomi is practicing Situational leadership model</p> <p>Long experience in International Marketing in variety of fields.</p>	<p>It is important to be prepared to build up relationships with more conservative business clients, which would most likely be very different than in Finland. Cultural training could help.</p> <p>AGAIN: Finding experienced bookkeeper, who would cooperate with the consultant/lawyer regarding changes in legislation system</p> <p>JS should position itself as marketing solutions offering company. "Affordable outsourced professionals".</p>
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<p>Is there a presence of favourable signals for JS Suomi Oy to be able to run its key operational procedures in the Russian market? (SQ2)</p>	<p>Sufficient reachability of leaders of the Russian companies by phone or email;</p> <p>Russian leader's attitude towards the financing model of co-branding concept used by JS Suomi Oy;</p> <p>Willing of Russian leaders to share information about their partners &amp; suppliers with the third party;</p> <p>Availability (transparency) of corporate information.</p> <p>Complexity of establishing subsidiary</p>	<p>All of the respondents expressed their active and regular use of email and mobile phone.</p> <p>Findings related to attitude of interviewees towards the financing model used by JS Suomi, as well as towards their (companies') willingness to share information about partners/suppliers with the third party – JS Suomi, strongly signalized suspicion of fraud or some sort of financial crime.</p> <p>However, each of the interviewees explained conditions in which circumstances they would change their opinions to positive regarding those matters.</p>	<p>Secondary data emphasize popularity of email and phone as communication tools in B2B, however customised direct mail is seen even more effective for the primary contact.</p> <p>Low-trust culture signalizes that gaining trust would be crucial and ways to achieve that are different from Finnish practices</p> <p>Mistrust is a big issue in Russia, which can be fought with right references, representing connections and trust towards companies that are familiar to potential clients; also building trustworthy relationships during face-to-face meetings.</p> <p>Attending events, fairs in order to establish first contacts.</p> <p>Insufficient fundings, however some information states corporate information can be purchased from specializing sources.</p> <p>Not complicated, legal assistance or consultant crucial</p>	<p>Experience + language skills of the KAMs to be utilized here.</p> <p>Possibility to work partly from Helsinki office at the beginning</p> <p>JS Suomi has possibility to adjust financial model till some extent for different projects</p> <p>AGAINI Professional native Russian speaking KAMs (being able to perform PCS activities), who would be more sensitive to understanding specifics of the Russian business culture.</p>	<p>Additional cultural training for every person that would deal with the Russian subsidiar.</p> <p>Differences between working style of Russian and Finnish businessmen should be understood. JS Suomi's Experience cannot be converted directly to the Russian Market.</p> <p>Allocating "Russia" working hours for the KAMs</p> <p>Let the KAMs attend several Trade Fairs/Events in Russia in order to collect some contacts. Choose Trade Fairs from the industries of interest (manufacturing, construction etc).</p> <p>Further research is suggested!</p>
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<p><i>Is the attitude of decision-makers in Russia towards co-branding concept positive? (SQ3)</i></p>	<p><i>Willing of companies to do marketing with their partners &amp; suppliers</i></p>	<p>All of the interviewees have demonstrated positive signals in attitude towards co-branding in marketing activities (especially if that would mean cost-sharing). Russian decision-makers seem to see co-branding as pure PR.</p>	<p>Secondary data findings show that co-branding concept has been gaining popularity in Russia during the past decade, thus we might make an assumption that yes. (In combination with primary data findings, yes).</p>	<p>AGAIN! KAMs skills.</p>	<p>Extra cultural training Hiring Russian-speaking ACS &amp; PL with Russian culture-related background</p>
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