Comparative Study on Competitiveness between Norway and Russia

Nazar Kokaurov

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**Supervisor(s)**

Akpinar, Murat

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**Abstract**

In the modern world, scholars have paid significant attention to the competitiveness of nations, since it reflects the economic and the social situation of a country. There are frameworks and models that determine a level of competitiveness; therefore, it is possible to compare the competitive level of different countries. In particular, Norway and Russia have analogously developed oil and gas production, however, this inheritance of natural resources does not make the countries competitively equal. Actually, the Global Competitiveness Index 2018 (GCI) ranked Norway at 16th, while Russia was in the 43rd position. Thus, the objective of the present study was to investigate the reasons for Norway’s competitiveness over Russia. The GCI, which was used as the theoretical framework, allowed to conduct a cross-country comparison by illustrating distinctions in the provided so-called productivity pillars that were constituted by corresponding subpillars.

A comparative case study formed the research strategy, and the data was collected by applying a qualitative approach which allowed analysing the data in-depth. It was mainly reached through the secondary data retrieved from online sources. Also, it was complemented by primary data that was obtained from online semi-structured interviews with two native Russian-speaking respondents involved in researches at Nord University.

Preliminary results showed that there were five pillars (namely Institutions, Skills, Labour market, Financial system, and Innovation capability) that illustrated the highest contrast between the examined countries, while 23 subpillars were identified as the most problematic areas for Russia compared to Norway. In the in-depth analysis, the main findings were related to systematic drawbacks of Russia, its comparatively weak level of financing of education and businesses which also were not encouraged and supported enough to innovate. Additionally, the poorer economic circumstances of residents had a negative impact on Russia. Among the major reasons, it was found that cultural differences between the chosen nations influenced Norway’s competitiveness more positively. Practically, some of the successful actions of Norway were provided for Russian policymakers’ consideration in order to increase the competitiveness of the country.

**Keywords/tags (subjects)**

Competitiveness, Comparative Case Study, Russia, Norway, Global Competitiveness Index

**Miscellaneous (Confidential information)**
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1 Introduction

1.1 Background

In the days of the developing megatrend of globalization and international trade, competition among countries rises, and the competitiveness of a country has become a source for discussions. There are different definitions of competitiveness postulated by a variety of experts from all around the world as well as frameworks that allow determining the level of competitiveness of a specific nation. Some of them are similar in certain points, while others are much broader and concrete providing with rankings, figures, and possibilities to examine countries in their annual indicators by comparing them either with their previous positions or with other countries. Porter (1990) fundamentally contributed to the field as he introduced the Diamond Model framework in his study titled *The Competitive Advantage of Nations* where the competitiveness of nation may be determined by four attributes: Factor Conditions, Demand Conditions, Related and Supporting Industries and Firm Strategy, Structure and Rivalry. Porter’s Diamond has become a classical, and it motivated many academics to apply and research the model. Obviously, the framework was criticised and subjected to alterations, and therefore, after several modifications done by different scholars, a reputable work has been done by Moon (2006) who introduced the Dual Double Model considering both internal and external environment and taking into account the possible dependence of one country on another. Furthermore, special attention should be paid to the Emerald Model by Reve & Sasson (2012) that has been created to assess the competitive advantage of some regions or industries of a country.

Speaking more about frameworks that may be used in countries’ comparison in terms of their competitiveness, the one that is known for the careful calculations of many indicators is the Global Competitiveness Index that is published every year in the Global Competitiveness Report by the World Economic Forum. The index assesses countries following the set criteria of 12 pillars supported by subpillars and place them accordingly because of having a specific figure for a pillar. (Schwab 2018.) Consequently, it is possible to find countries that are similar in their trade activities,
location or historical connections where the position of one can significantly differ from a vis-à-vis.

Actually, there is a variety of empirical studies dedicated to a comparison of the competitiveness between selected countries sectors. For example, Akpınar & Mermecioğlu (2014) examined the Turkish and Finnish IT industries. Also, it is possible to find a big number of comparative researches about the competitiveness of countries that represent the same region. The work aimed to compare chosen Latin American Countries was done by Castro-Gonzalez, Espina & Tinoco-Egas (2017).

Even though that it is mentioned above that the number of researches of the subject is not small, there are, however, no studies aimed to investigate the difference of competitiveness between Norway and Russia, the countries that have a considerable economic similarity. Concretely, The Kingdom of Norway and the Russian Federation are the countries that are known for their richness in fossil fuels, especially in the forms of oil and natural gas. Russia and Norway are among the top ten countries producing crude oil (see Figure 1). If Russia is the second producer in the world, Norway takes one of the leading positions solely representing the continent of Europe.

![Figure 1. Production of crude oil by October of 2018 (adapted from Production of crude oil including lease condensate 2019)](image-url)
From the perspective of natural gas production, both countries take the highest places globally (see Figure 2). In the case of Russia, it is again in the second place, whereas Norway is also among the top. Similar to crude oil production, Norway is the only European country that is present in the ranking.

![Figure 2. Natural gas production in 2017 (adapted from Global Energy Statistical Yearbook 2018)](image)

The importance of the oil and gas sector in both countries is evident. Developed sector allows the states to provide inhabitants with workplaces, build international trade partnerships because of export, and invest earned money to purposes that may positively contribute to the level of competitiveness of the country. In 2018, the industry of petroleum mostly contributed to the economy of Norway by being 17% of GDP (Macroeconomic indicators for the petroleum sector 2018). Around 20% of gas consumption needs in Europe (mainly to Germany, France and Belgium) are satisfied by Norwegian export (Sasson & Blomgren 2011). There were more than 170 thousands of employees in the industry in the year of 2017 (Employment in the petroleum industry 2018).

Speaking about Russia, the petroleum contribution to GDP of Russia is even more significant: in 2017, it was around 30% (Candau 2018). According to Barden (2017), 36% of federal budget revenues were generated from the petroleum operations in 2016, when Russia was mainly exporting to the Netherlands, Germany, and China.
The Ministry of Energy of the Russian Federation has reported that 288 licensed organizations could conduct the business in the territory of Russia (Ministerstvo Energetiki Rossiiskoi Federatsii 2018).

1.2 Motivation

Basically, the author’s interest in researching the competitiveness had been rising and reinforced during the course named Economics of Internationalization and Competitiveness at the university. The Global Competitiveness Index (GCI) that was studied in several lectures made the author thinking more about differences in some countries’ positions, their circumstances, obstacles, and actions. Distinctions in numbers motivated the author to go in details to fathom why one country, which has a lot in common with another, is much more competitive. Therefore, the study aims to contribute to the issue of comparison of competitiveness between two nations that are not identically located, have a different history and the form of government but have quite analogously essential industry influencing the countries’ economy.

Speaking about the case of the thesis, the similarity between chosen countries is apparent, they both benefit from the oil and gas sector. However, the perception of countries in terms of competitiveness differ. Referring to the GCI 2018, Russian Federation was ranked only as 43rd, when Norway is considerably higher in the rating being 16th (Schwab 2018). In general, Norway is famous for its high living standards. It has a leading welfare system providing citizens with free education, social benefits, and high-quality health care. (OECD 2017.) Russia, in turn, cannot boast of such results but as we see from the figures above, the country has a bigger production of products made of the natural resources. Those endowments of Russia, however, do not make the quality of Russian citizens’ life the same as Norwegians have. This can be illustrated by GDP/capita of the countries, in 2017 Norway had 75 505 USD, while Russian indicated only 10 743 USD meaning that it is almost 86% less than in Norway (Schwab 2018).

For this reason, The Kingdom of Norway may play a role model for Russia which might adopt some Norway’s approaches that positively contributed to the country’s
position and pay attention to some factors not allowing Russia to climb on the ranking.

Last but not least, Russia was chosen intentionally, personal motivation has also played a role in selecting a country for the research since the author’s nationality is Russian. It enables the author to collect the needed data from different resources that are available or may be accessible only in the Russian language.

1.3 Research problem, question, approach and structure of the thesis

Research problem

Even though Russia is one of the richest countries in the production of oil and gas, it is quite lowly ranked in the GCI 2018. Therefore, the country needs information regarding the weakest elements that impede its competitiveness. It is of vital importance to understand what exactly has to be improved in order not to go the way that does not positively contribute to the country’s progress. Hence, due to the assumption that countries strive to develop, to adopt policies to current conditions and to prosper, it is reasonable to look for more successful examples of nations by setting their activities, regulations, and directions as bottom lines and endeavouring to reach their indicators as a minimum requirement to progress. Due to Norway’s relatively high position in terms of competitiveness and, moreover, similarity of the richness in gas and oil to Russia, it allows to have a better understanding of the point that having a massive inheritance of natural resources is not enough to be globally competitive because it is a very complex subject involving a variety of corresponding factors that the research aims to investigate.

The issue may seem relevant, however, by the moment of the research, there are no easily found studies dedicated to the competitiveness of Norway or/and Russia. It is possible to access the study of Triantafyllou (2014) who examined the business environment and the competitiveness of Russia and even compared it to so-called Black Sea region countries and BRIC members. In the case of Norway, it is even more challenging to find similar available researches. One of this limited number is a work by Semini et al. (2016) who analysed the potential competitive advantage for
manufacturers in Norway. Obviously, both mentioned studies differ from this thesis, though touch similar subject.

**Research question**

As it may become clear from the previously said words, the research addresses to answer the following research question:

- What are the reasons behind Norway’s competitiveness over Russia?

**Research approach**

Ideally, the information is obtained through the most recent and available secondary data. Saunders, Lewis and Thornhill (2009, 269) describe that it provides researchers with the advantage of having data that enables to compare information among all the findings. Moreover, the secondary data collected for the thesis is complemented by answers gained through tailored interviews with experts representing both countries to have a possibility to consider the issue from both perspectives. In this thesis, interviews are also crucial to be conducted to have reliable and valid data to answer the research question (ibid., 318). Therefore, the research is qualitative by nature.

The Global Competitiveness Index 2018 was chosen as the theoretical framework that narrows allocation of the secondary data that is relevant for the research as well as formulates the questions needed for doing the interviews.

**Structure of the thesis**

The thesis is composed of five chapters. It starts from Introduction chapter that covers background, motivation, research problem, research question and approach. Literature Review goes as the second chapter where the author critically reviews definitions of competitiveness defined by some academics, the common measures, famous models of competitiveness; the theoretical framework is also included in the chapter. The third chapter is concerned with the methodology used for this study. It provides the readers with a more detailed description of the research approach, the context of the research, the way of collecting the data needed for this study and the way of analysing the collected data. Also, the chapter contains results verification.
Chapter four presents the findings based on the secondary data gathered for the thesis as well as the results of interview discussions undertaken during the data collection process. The chapter includes the summary of the major findings of the study. The thesis ends by the fifth chapter named Discussion where the author discusses the practical implementations, reflect the thesis limitations and leave some recommendations for future researches that will be helpful for the field.

2 Literature review

2.1 Competitiveness

Definition

The term “competitiveness” has been defined differently by different economists, researchers, and scholars. One of them is Porter (1990, 73) who argues that competitiveness is created only when industries of a nation are able to innovate and upgrade. Porter (2012) adds that the industry, in turn, may develop only under appropriate conditions that are fostered by the nation. Moreover, the environment is the key to a nation in its success (ibid.). Atkinson (2013) supposes that a region’s economic health and its competitiveness are strongly connected. He reveals that the economic health may be determined by the number of jobs but, in reality, a region may have a lower employment rate while still being more productive than another. Therefore, competitiveness may be defined by the region’s ability to have more exports in value-added terms than its imports. (2.)

However, Krugman (1994, 31) alleges that in practice selling more abroad than buying – considered as a so-called trade surplus – may be a weakness. For instance, Leightner (2010, 44) in his study discusses the trade surplus of China which is, in fact, the excess savings exported mainly to the USA. Those savings are accumulated in the system where a Chinese citizen needs to pay for healthcare services before the treatment despite having a health insurance that covers only a part of treatment costs. In China, hospitals aim for profits, and it is not profitable to treat patients who are not able to pay, thus, poorer people are not treated and thus receive fatal diseases. A Chinese citizen, due to fear and uncertainty, may save 28% on average of
her/his income that maximizes his/her utility. (ibid., 46.) The government instead of making huge investments could improve the citizens’ quality of life by spending more in the healthcare sector. The current system will limit China’s competitiveness in the long-run because the local people are not secure, and they may not contribute to the development because of the inappropriate environment. Therefore, according to Ketels (2016, 7), the competitiveness of locations should not be perceived equally to the competitiveness of firms. It differs in a sense that a region can adjust levels of prosperity at any moment and there is a relation among location in a country because the prosperity of one may positively or negatively influence on the prosperity of others. These may lead to a dangerous part of the concept of competitiveness: policies may intentionally aim to increase export by decreasing the prosperous level. (ibid., 8.) As we see from China’s example, people are not provided with a sufficient level of health care services. Delgado et al. (2012, 6) profess the view that a nation is perceived as competitive when it is able to provide people with high standard of living. Thus, Chetyrkina (2016, 54) says that quality of life should be provided by re-distributed value from trade surplus that will make the country competitive and allow to enhance the value.

Hence, Krugman (1994, 31) refers to the definition of competitiveness made by Tyson (1993, 1) saying that it is a region’s ability to provide people with rising and sustainable living standards while produced goods and services meet international markets. Going back to Porter (1990, 76), he expresses that environment for a region’s competitiveness is created by productivity – “the value of the output produced by a unit of labour or capital” depending on the efficiency of the production, quality, and features of the product. Sustainable living standards mentioned by Tyson are maintained by the nation if its industries achieve high-productivity (Porter 1990, 76). Additionally, productivity is supposed to be a determinant of the economic growth also including “rates of returns obtained by investments in an economy” (Sala-I-Martin et al. 2007, 3).

Hall and Jones (1999, 144) were studying the difference between countries economic performance and concluded that the productivity plays the critical role which reaches a high level when there are policies set to provide citizens with conditions allowing to prosper. Important to mention that even though that the prosperity is
impacted by the country’s endowments, it has no contribution to productivity and there are examples of successful countries with limited natural resources like Germany and Switzerland (Porter 1990, 76; Delgado et al. 2012, 8). The key point is to manage the legacy and direct it to long-run development. Moreover, natural resources, obviously, become a considerable part of the country’s trade but may be a source of corruption arising in political institutions (Delgado et al. 2012, 12).

Considering all of the written above features, Bondarenko (2007, 25) complexly defines competitiveness as the country’s ability to develop in terms of external economic circumstances by sustaining the development in conditions of achieving strategic targets and providing domestic industries with appropriate economic, social, political, managerial and marketing factors that positively impact to design, produce, sell goods and services that are more attractive for consumers comparing to competitors’ offers that, in turn, contributes to citizens well-being caused by the development of national economy. In other words, it is the ability to have a combination of inheritance and policies that build a benevolent environment for businesses and enhance people’s prosperity (Garelli 2006, 63).

**Measurement**

Gross Domestic Product per capita (it is calculated in the way of division of GDP by the number of inhabitants) may be considered as one of the metrics of nations’ competitiveness. In general, GDP measures the current production of a country and indicates the country’s performance in general (Kubiszewski et al. 2013, 57). GDP may be calculated by the income of the population; therefore, it considers the productivity level of population and institutions. Changes in GDP may be caused by changes in produced goods and services or their prices. (Ivković & Strossmayer 2016, 260.) Then it may be connected with revenues generated from international trade leading to less money invested in the domestic market. Hence, a nation may start losing its competitiveness. Important to mention that GDP measures the economic growth of a nation influencing human welfare, since the resources needed for the level of education, security and health shall be increased accordingly. (Samans 2017.)
The measurement, however, is originally based only on monetary transactions with no consideration of people’s life quality expressed in the form of social context, human development and well-being (Costanza et al. 2009, 8-9).

In order to consider issues that are not covered by GDP/capita, it is possible to refer to Social Progress Index focusing on the social and environmental performance of a country (Porter, Stern, & Green 2017, 14). It is predominantly measured by a nation’s ability to provide its people with basic human needs such as nutrition, medical care, water, shelter, sanitation and safety, then with access to education, wellness, environmental quality and finally with maintaining of basic human rights and freedoms, build the blocks that will help people and communities to develop and sustain their quality of life and reach their full potential (ibid., 16-17). These factors directly affect human lives and productivity and subsequently have an influence on economic growth and national competitive advantage. The index allows to holistically see the social progress of the country and understand what kind of improvements are needed and where the efforts should be directed to contribute to handling issues and enhancing the competitiveness (Porter 2016).

Education is one of the major parts of the index that is, according to Ramoniene and Lanskoronskins (2011, 128-138), connected with the country’s future growth potential contributing to R&D development. Social progress creates a learning society where more productive economy emerges; therefore, living standards will be increased (Stiglitz, & Greenwald 2014, 6). The country’s actions towards social progress may be considered as the development of human rights. Protection of human rights positively influences people’s motivation to work more and makes the environment more attractive to foreign investors (Brown 2008, 8).

Furthermore, political stability attracts Foreign Direct Investments (FDI) that contribute to the development of the country. Apart from cash flow and bigger capitals, it helps local companies to enter international markets, to have knowledge coming from and over the boarders as well as to stimulate productivity by increasing competition in the domestic market that increases innovations made by domestic companies. (Gonzalez 2017.) Developing countries or the ones which are not comparatively developed de facto in need for FDI to obtain a competitive advantage in particular industries (Moon, Rugman & Verbeke 1995, 101).
2.2 The Diamond of National Advantage

Porter (1990, 78) to answer the question of why companies from a concrete region succeed over its international competitors, introduced the Diamond Model including four attributes (see Figure 3). The model tells that prosperity is not inherited but created, thus, the Diamond Model is a proactive model (Cho & Moon 2005, 4).

![Diamond Model Diagram](image)

**Figure 3. Determinants of the Diamond Model (adapted from Porter 1990)**

The first attribute of the model is the quality of *Factor Conditions*. The factor is divided into two categories: basic and advanced (Konsolas 1999, 17). Basic factors are those that a nation inherits or can create by simple investments and with not a great endeavour. It could be a geographical location of a country, natural resources, climate, and low-skilled labour. Advanced factors such as educated population, skilled workforce, developed infrastructure, and scientific base can be only created by a nation that demands specialized and continuous contribution (ibid.) Prosperity grows in that nation that has a variety of high-quality universities, research institutes, and training possibilities. Such a developed scientific base shall be a productivity driver. (Porter et al. 2008, 49.)

Advanced factors give an advantage of being difficult to imitate by foreign competitors as well as allowing to enhance present factors (Porter 1990, 79). However, Moon, Rugman and Verbeke (1995, 100-101) notice that in the case of a small economy, advanced factors may also be complemented by close to borders trading partners or by the presence of MNEs in the territory of the country that
combines advantages and benefits from two sides. The case of Canada and its close relationship with companies based in the USA is an example (ibid.)

Nevertheless, factors that are not developed may become even an advantage for a country. Domestic companies have no way but to innovate in order to sustain their positions and grow. This may happen only when the country has appropriate conditions pushing internal competition. (Porter 1990, 79-82.)

The second attribute is the quality of *Demand Conditions*. Porter (1990, 82) argues that notwithstanding to trends of globalization, home demand conditions remain essential.

Domestic buyers prod domestic firms to innovate, renew and upgrade. Companies gain a competitive advantage over their foreign competitors because of sophisticated people. The matter of the size of the home demand varies from one industry to another but may play a significant role only in segments with a high need for R&D, or a company approaches economy of scale in its production. In other cases, having a small market may push companies to go beyond the local needs and to increase their exports. (Konsolas 1999, 18.) Values of the local market may turn global market trends and make domestic companies gain a competitive advantage because the needs of domestic customers anticipate those of other countries (Porter 1990, 82). Important to mention that it is also possible and well-practised by companies that ignore the small domestic market and aim directly to international trade tailoring the production following the demand in foreign markets (Moon, Rugman and Verbeke 1995, 102).

The third attribute is the quality of *Related and Supporting Industries*. Having organizations located close to each other allows the country to have faster connections among the companies inside. Firms, institutions, service providers can spread innovations faster caused by a constant exchange of new information and unavoidable impact from each other. (Porter 1990, 82-83.) Geographical proximity contributes to logistics synergy (van den Heuvel 2012, 19). Suppliers may deliver all the needed resources in the most efficient and mutually valuable way. (Porter 1990, 82). An industry, although, may be supplied by foreign companies, become a part of international alliances that positively effect on the industry and the country’s itself
because of the flow of technologies, novelties, and information coming from outside (Konsolas 1999, 19). Such strong connections make domestic companies reach the highest productivity and increase the performance of the country (Delgado et al. 2012, 11-12). Apart from well-established home industries and suppliers’ relationship, companies should also look for mutually beneficial international partners that will allow to have a stronger global position, enhance performance and also have spread of valuable information (Moon, Rugman and Verbeke 1995, 104).

The fourth attribute is the quality of Firm Strategy, Structure and Rivalry. Local companies by competing with each other are pushed, intentionally or not, to come up with novelties, reducing costs, investing more, improving quality, consequently, make themselves stronger players in the global arena (Porter 1990). Managerial approaches, organizational structures, goals, eagerness to enter foreign markets, should fit the industry where firms compete. Simultaneously, national context (historical tendencies, quality of education) directly influence the way companies managed. (Konsolas 1999, 19.) The motivation and attitude of individuals to succeed towards competitors should also be considered (Porter 1990, 84). The appearance of new enterprises creates pressure in the market because of making a danger to recapture a certain niche. The number of businesses, however, does not determine the intensity of domestic rivalry because it is more important to have companies be committed to the industry and not very cooperative with each other (Konsolas 1999, 20). Moon, Rugman and Verbeke (1995, 104-105) comment that domestic rivalry is not always a key to be internationally competitive. They suggest considering Korean development where the fierce local competition was prevented by the government before the end of the 1980s due to resources scarcity. Only new and more democratic policies and the world’s economic recession made domestic companies focus more on Korean customers. (ibid.)

According to Porter (1990, 87), the role of a Government is not predominant; it is indirect. The government plays the role of catalyst that reinforces all four components. The government cannot create a competitive advantage, but it can provide companies with appropriate policies, regulations, therefore, edify the needed conditions for domestic industries. Governmental policies should encourage local companies to upgrade and innovate, but the result of any action of the
government may be slow, requiring time to see the either positive, negative or neutral effect. (ibid.) Moon, Rugman and Verbeke (1995, 110-112) contradict saying the government should be a central factor in the Diamond because it is also in the interest of the government to have sustainable firms when they mainly care only about their performance.

Additionally, another exogenous factor is the Chance – events that may not be controlled and by local companies. These events like global political changes, economic changes, demand changes may happen outside the country and influence the whole national industry. (Konsolas 1999, 20.) For example, fluctuations in oil prices made the biggest Norwegian oil company Statoil stop its investment programmes, and it even had to cancel some agreements. In 2015, Statoil cancelled partnership with drilling company Songa Trym. (Offshore Energy Today.)

2.3 Development of the Porter’s Diamond Model

The Diamond Model paid attention of different scholars. It led to further studies regarding the model and its adjustments, improvements and tailoring to different contexts and countries’ level of development.

As it may become clear by the comments of Moon, Rugman and Verbeke written above, Diamond’s Model is too much domestic-market based that does not fit to countries representing small economies which are more likely to be depended on international activities (Balcarová 2013, 7).

Therefore, Moon, Rugman and Verbeke (1995; 1998) introduced the Double Diamond Model. Both studies of the model aimed to define the competitiveness of Singapore and Korea, which were small economies at the moment of the research, mainly developed by international activities to have advanced technologies, foreign capital, to obtain access to natural resources and workforce, information and innovation exchange with another country’s diamond model (Phungtua 2016, 27-29). The model was empirically studied by Liu & Hsu (2009) who compared the competitiveness of Taiwan and Korea. They found that Taiwan was slightly more competitive partly because of its role in the global market (ibid.)
The focus of the Double Diamond model was still mainly on physical factors (Cho & Moon 2005, 5). Thus, Cho & Moon (2013) came up with the Nine-factor Model. Comparing to Porter’s model, the main difference (see Figure 4) is in a sense that natural resources, geographical environment (now under the section named endowment) and human factors including public servants, workers, entrepreneurs, business leaders, and engineers are not the Factor attribute (ibid.) Physical Factors are supposed to be motivated, controlled and created by Human Factors who are the national economy drivers (Moon 2006, 5).

![Figure 4. Comparison of the Porter's Diamond Model and the Nine Factor Model (adapted from Cho & Moon 2013, 150)](image)

Important to mention that the factor of the Government is considered as Internal which is External Factor in Porter’s version (Balcarová 2013, 8). Business environment expresses the level of infrastructure (telecommunication, roads) and defines the difficulty of starting the business in the country (ibid.) Infrastructure in the form of transportation belongs to the Related & Supporting Industries (Cho & Moon 2013, 150). Additionally, even though that Figure 4 demonstrates determinants of the Diamond Model in the form of the list, it is vital to remember that attributes Government and Chance indirectly influence on countries’ competitiveness.

According to Moon (2006, 5), both the Double Diamond and Nine Factors Models should be combined into the one model to determine the competitiveness of the country more carefully. Therefore, Moon introduced the Dual Double Model that
considers previous, and physical and human factors from domestic and international perspectives (see Figure 5). (ibid.)

![The Dual Double Diamond Model](image)

Figure 5. The Dual Double Diamond Model (adapted from Cho & Moon 2013, 173)

In the empirical study, Cho & Moon (2009) tested the Diamond Model (DM), the Double Diamond Model (DDM), Nine Factors Models (NFM) and the Dual Double Diamond Model (DDD) and found that models give different results. For instance, Sweden's competitive position was determined as 5th via DM, DDM and NFM but DDD showed that the country's actual rank is 7th, whereas Honk-Kong takes the 5th place climbing from 17th, 13th and 6th places determined via DM, DDM and NFM respectively (according to available data at the moment of the research).

2.4 Emerald Model

A cluster is geographically nearly located network of interrelated organizations including different companies, research institutes, and educational units. All in all, clusters play important role in the nations’competitive advantage. Since they are present in the territory of a country, clusters provide local people with workplaces, they positively impact on productivity, push the emergence of new businesses and support existed ones. (Porter 2000; 2008.) Clusters intermediate innovations because the success of one will be spread among other representatives of the local economy (Shiryaev et al. 2016).

Consequently, the presence of developed clusters contributes to the economic sound of the nation. These thoughts made Reve & Sasson (2012) develop the Emerald Model (see Figure 6). According to Akpınar, Can & Mermecioglu (2017, 162), Sasson
& Reve (2012) examined the model in terms of attractiveness for inward FDI; Akpinar & Mermeciouglu (2014) also used the model on comparison between Finnish and Turkish IT clusters; Sasson (2011) approached the Emerald Model on Norwegian health industry’s competitiveness; and Akpinar, Can & Merme-ciouglu (2017) assessed U.S. states competitiveness via the model. It tells that the model may examine stimulation of the ability of a country to globally compete since clusters are located entirely or partly in the territory of the country.

![Diagram of the Emerald Model](image)

Figure 6. The Emerald Model (adapted from Sasson 2011, 6)

The model consists of 6 dimensions conceptualizing regions’ ability to attract advanced educational institutions and departments, talented employees, advanced scholars, R&D projects, adequate and willing investors and owners, the creation and implementation of environmental solutions, as well as a diverse and significant group of related companies (Reve & Sasson 2015, 18). Cluster Dynamics is in the role of the moderator of the dimensions’ influence on economic performance (ibid.) According to Akpinar & Merme-ciouglu (2014, 5), Cluster Dynamics show the flow of knowledge in the cluster.

*Cluster Attractiveness* addresses to the degree of the cluster’s completeness, the presence of needed firms related to the industry, its value-creation properties and its geographical distribution (Sasson 2011).

*Education Attractiveness* is the dimension that demonstrates the market competition level of the industries from the perspective of human capital investments. Actually, the dimension is expressed by investments from educational units that provide
inhabitants with educational programs tailored to the industry’s relevant needs. The industries can develop over time in the case of the constant flow of the best human capital. (ibid.)

Sasson affirms that \textit{R&D and Innovation Attractiveness} is of vital importance in terms of sustainable economic growth. The dimension may be determined by the number of researchers, existed number of R&D institutions, the amount of investments allocated to R&D needs related to the cluster activities. Also, the number of registered patents and produced publications should also be included. (ibid.)

\textit{Talent Attractiveness} is the fourth dimension. An educated workforce is always desired in the cluster. Enlightened people graduated from the educational institutions contribute to the competitiveness by being competent professionals who can give a push to the sector. The role of the cluster here is not only to have more people obtained a degree but provide them with sufficient conditions for their growth. (Ibid.) Additionally, foreign talents coming to the industry are also counted, since they come not only as professionals but with insights and perspective from another culture (Sassen 2011, 50).

The fifth dimension is \textit{Ownership Attractiveness}. Having investments in the form of a significant amount of foreign or national capital coming to finance the current and future activities of the industry is important to develop emerging businesses like start-ups and established businesses that also may need special financing to keep updated to the market trends and innovate (Akpinar & Mermeciouglu 2014, 6).

Because of increasing environmental load, pollution, climate change, and other adverse environmental tendencies, clusters are considered through their \textit{Environmental Attractiveness} where firms endeavour to minimize their emissions by coming up with the most environmentally friendly solutions, and the government sets new frameworks and standards (Sasson 2011; Reve & Sasson 2015).

2.5 Theoretical Framework

The Global Competitiveness Index (GCI) is annually published in the Global Competitiveness Report by the World Economic Forum. Porter et al. (2008, 43) argue that GCI includes both microeconomic and macroeconomic factors of
competitiveness. Therefore, GCI allows for understanding the level of nations’ competitiveness position by considering the internal and external environment.

Therefore, GCI 2018 was designed under The Fourth Industrial Revolution (4IR) to provide governments, business leaders as well as other stakeholders with insights regarding strategical actions and effort needed to consider in order to have sustainable economic growth and increasing nation’s competitiveness (Schwab 2018). 4IR, according to Schwab (2016), is based on the Third Industrial Revolution – the era of active integration of information technology and globalization in daily life. 4IR has appeared because of the very fast development of technological breakthroughs like the Internet of Things, artificial intelligence, biotechnology, and autonomous driving. 4IR shall have a considerable impact on the worldwide business, on people’s income, quality of their life, changes in the employment and, consequently, new technologies undoubtedly reflecting productivity. (ibid.)

In general, GCI defines competitiveness as “the set of institutions, policies, and factors that determine a country’s level of productivity” that is contemplated as the key aspect in the economic growth and the level of living standards of the population. By considering the last financial crisis and the era of 4IR, Schwab expresses that modern countries in order to remain competitive, need to

- be ready to resilient external shocks to avoid internal economic losses,
- be flexible – respond to changes and turn them to a benefit,
- have an ecosystem where all parties encouraged to contribute to the innovation making process, and
- integrate changes in trends and technological novelties directed to strengthen the quality of life. (Schwab 2018.)

Because of that, GCI provides with 12 pillars – so-called “productivity drivers” – that are calculated by collecting the country-level data (see Figure 7). The pillars are of equal importance, and one cannot replace another. (ibid.) Important to mention that the pillars represent some aspects that were already identified in this review of the literature. It allows having a wholistic view on the competitiveness of a specific
country (Dusa 2014, 4).

Figure 7. The Global Competitiveness Index 2018 (adapted from Schwab 2018, 39)

**Pillar 1: Institutions.** It covers rate of security, social capital, checks and balances, public sector performance, level of transparency, property rights and corporate governance.

The difference in the pillar reflects the difference among countries’ capital and income. Economic productivity, well-being, and development of a nation are considerably contributed from strong institutions (Schwab 2018, 12-13). Institutions set the context, where actors organize their activities, by establishing both legal and informal regulations (ibid., 39). Strong institutions may reflect the countries’ stable administrative and legal framework that, in turn, become attractive for investors (Sala-i-Martin et al. 2015, 35).

**Pillar 2. Infrastructure.** In GCI the infrastructure is represented in the quality of all the forms of transportation—air, water, rails and road as well as the quality of public utility. Apart from the reduction of transportation, having a faster information flow, convenient infrastructural parts enable to access to energy sources that are very important in the era of 4IR. (Schwab 2018, 39.)
**Pillar 3. ICT adoption.** In the modern world quality of ICT is the essence because it provides the nation with better communication channels, lower barriers to innovate and give accesses to different services (ibid., 16). As the primary purpose of ICT to contribute to technological development, the component addresses the speed of integration of novelties in the nation’s industries (ibid., 39).

**Pillar 4. Macroeconomic stability.** The component is based only on two indicators – Inflation and Debt dynamics. Both indicators determine the competitiveness of the nation from the investors’ perspective. Competitiveness shall be reinforced by sustainable public budget and modest inflation that secure investments, ensure the confidence for businesses, consequently, reducing risks of economic destabilization that adverse the nation’s productivity. (ibid.)

**Pillar 5. Health.** It is focused on the life longevity of one person. The health of the population is valued since from the born children should be physically developed, have no mental disorders to become healthy adults with cognitive abilities. Workers that are free from diseases and illnesses can input more in their workplaces. Obviously, that healthy people only positively impact productivity. (ibid., 41.)

**Pillar 6. Skills.** Similar to previously reviewed models (Section 2.1, 2.2., 2.3), the pillar addresses to skilfulness of workers. They shall be sufficiently educated to contribute to the productivity of the nation. What is important, in 4IR, the education should develop quick knowledge absorption to allow people having an ability of critical view on the issues and of using creative methods in coming up with solutions. (ibid.)

**Pillar 7. Product Market.** It covers the market conditions of the countries where local, as well as foreign firms, operate. The pillar reveals the degree of the openness of the market saying that more competition happens in countries encouraging firms to compete with each other because it drives innovations. Also, it increases the quality of supply due to more continually growing demand for the best products. (ibid.)

**Pillar 8. Labour Market.** The pillar is in the degree of possibility to have people be reorganized and managed to enhance their capacity and benefit in productivity. Similar to Talent Attractiveness dimension from the Emerald Model, the pillar
examines the way of having the right people on the right place to develop their talent. What is important is that all workers need to be provided with clear and sufficient rights that will protect them. These allow to be more secure from external negative impacts and to have people that can flexibly respond to shocks by changing the way of doing. (ibid.)

Pillar 9. Financial System. Availability of financial products such as insurance, debt, credit, and equity together with the riskiness of the financial system are covered by the pillar. Following the author, the productivity is reached by having a sound financial system due to its necessity in preventing hard consequences of financial shocks and ensuring the beneficial investments made by savings and analysing the possible positive outputs. (ibid., 42.)

Pillar 10. Market Size. This considers both local and foreign markets where domestic firms operate. The size is determined by the amount of exports, investments and the value of consumption.

It is more beneficial to have a large market due to the point that it enables to have the economy of scale, diffusion of innovations that are easier equipped by a bigger number of firms because their rivalry is minimized due to more of them present. Also, knowledge and technologies are created and accumulated faster in big markets. (ibid.)

Pillar 11. Business dynamism. The component reveals the ability of the business sector to come up with new approaches of organizing, administrating and implementing their activities by market trends and using new technologies. It also covers the ease of starting a business and, more importantly, a possibility to sustain in the market. The pillar matters because it shows how firms can respond to changing the environment, reconsider themselves, equip needed tools, take risks, probe new solutions to increase productivity. (ibid.)

Pillar 12. Innovation capability. This pillar is very similar to R&D and Innovation Attractiveness defined in the Emerald Model.
Similarly, it addresses the number of R&D activities and their outputs. Such R&D activities shall be supported by the state to have the outputs become new and useful products. Those nations that accumulate generated knowledge and provide opportunities to innovate significantly increase their competitiveness. (ibid.)

**Reasons for choosing GCI as the framework**

The reason why GCI was chosen as the theoretical framework, is in its comprehensiveness in defining the competitiveness rank among analysed countries and it also serves as clearly enunciated model for achieving a certain level of competitiveness, its maintenance and constant enhancement (Dusa 2014). The framework also allows to have a cross-country comparison and see a clear difference between both.

DM and DDM are models that can be applied via different indicators (Hanafi et al. 2017, 362). NFM and DDD are very similar to each other and, in fact, represent only wider variations of DM; the Emerald Model is also very broad and was not originally designed for comparing countries competitiveness, while GCI is based on the similar aspects, but it is measured on concrete and wide indicators and provide with recent and available data. Moreover, GCI 2018 is determined by 98 indicators where 64 of them are new (Schwab 2018, 38). It means that GCI was renewed as a response to changes in world trends and shall be perceived as a modern model.

### 3 Methodology

#### 3.1 Research approach

Before the start of conducting research, usually, the researcher should choose whether it will be qualitative or quantitative because one research method is the contrast of another. The difference does not make one approach worse or better, but it allows researchers to properly and accurately answer the research question (Silverman 2011).

As noted by Saunders et al. (2009), quantitative research is densely connected with the provision of mathematically based methods consisting of diverse statistics and/or
graphs. Whilst the qualitative method for research deals with data expressed in words. (151.) Queirós, Faria & Almeida (2017, 370) point out that qualitative research is concerned with deep insights regarding a problem set by the researcher. It allows to profoundly analyse the issue from different perspectives and develop demonstrative information. Consequently, once the qualitative method is approached, the researcher focuses on understanding, excluding any quantification of reality aspects. (ibid.) According to Hancock, Ockleford & Windridge (2009, 6), in qualitative research, it is connected with the impossibility of sufficiently reflect data using numbers. However, it is not correct to assume that qualitative research always avoids any sort of numerical information. According to Maxwell (2010), numbers are accepted to be used, if they supplement the research. This is essential to understand because the thesis references some databases providing information regarding some indicators of Russia and Norway. Also, important to mention that insertion of quantitative data should be carefully done by the researcher in order to not to turn it into a so-called mixed-method study.

Actually, Maxwell contends that the main difference between quantitative and qualitative is that the first focuses on correlations and variables, while the second – on events and processes. (ibid.) Therefore, in order to answer the research question, the qualitative research was approached to assimilate the determinants of Norway’s competitiveness over Russia via considering the aspects of Russia that needed to be improved, whereas in some cases, Norway’s successful doings and policies can even show a direction for Russia.

Hancock, Ockleford & Windridge (2009) discuss the criticism over the qualitative approach naming that it cannot be applicable to other similar conditions because it is too concentrated on a specific group of people, cases and there are selected interviews participants. Nevertheless, they importantly allege that qualitative research has a purpose of not to generalise to a larger researching area. (7.) Similarly, this thesis aimed not to compare many countries, but to focus on certain nations and more deeply analyse them. In fact, there are other countries that may be similar to Norway in terms of their economic activities, but from the perspective of competitiveness, they are lower. However, it does not mean that they need the same pieces of advice as Russia because they are more likely to be absolutely different.
Due to this, in the case of the study, generalisation will not bring in useful conclusions.

Moreover, this research had the exploratory purpose because it fitted the expression of Saunders et al. (2009) who claim that exploratory study is the one that corresponds the researcher’s intention to find out the nature of the problem which the researcher is not sure about. Exploratory nature is also flexible in the sense that it allows having the direction changed because of the appearance of data, for example, from the interviews. (139-140.) This was crucial for this study since it collected the primary data through the interviews and the possibility of new insights was expected (more in chapter 3.3).

As for the research strategy for the thesis, the comparative case study was chosen. According to Hancock & Algozzine (2017), a single case study is a type of qualitative research which diligently examines a unit limited by place and time. Commonly, researchers applying case studies direct their work to the perspective of making recommendations to address the problem of the case. (9-10.) The role of the context in a case study is utterly important because it allows having a better understanding of the issue (ibid., 16). The strategy fitted this thesis because of the research aim to investigate the weaker position of one country in comparison to another where the context was needed to see the picture of the set problem. Also, the comparison was limited by the space – the activities only under the sovereignty of the selected nations. However, the thesis considered two countries in which contexts were reasonably different. Thus, comparative case study, which may include several cases was logically applied in this thesis. It had the same features but as Goodrick (2014, 1) claims it “required more extensive conceptual, analytic and synthesizing work”. It is clearly related to the obvious hallmark of analysing and synthesising specifics of a couple or more cases in order to dispose of a way of comparison among cases (ibid.) Barlett & Varvus (2017, 911) argue that comparative case study does not neglect the opportunity of analysing the case more deeply through comparison to another case to have an appropriate output. Having Norway as a successful example for Russia to understand why the first country is more competitive than the second is demonstrated in the study through the comparison of these countries’ elements of competitiveness calculated in the Global Competitiveness Index 2018.
3.2 Research context

Basically, the thesis considers two countries to analyse. As it was mentioned in the previous parts of the study for several times, the competitiveness of Russia may be increased and Norway, the country with similar fossil fuels resources, can illustrate its approaches to become more competitive. For this reason, the modern context is needed to be introduced in order to have an awareness of the countries’ industries, current positions and some of their indicators reflecting the picture of the present situation in the country.

Norway

Norway or how it is also known as the Kingdom of Norway is a North-European country located on the Scandinavian Peninsula. The country’s territory is in total 385.1 thousand square kilometres including the territory of a vast number of small islands and archipelago Svalbard. (Koubaa 2012, 3.) Norway is surrounded by the North Sea, the Norwegian Sea and Skagerrak Strait that separates it from Denmark and by the Barents Sea. Also, the kingdom has land boarders with Russia, Sweden, and Finland (see Figure 8).

![Figure 8. Location of Norway and its neighbours (adapted from Harvard University Center for Geographic Analysis 2019)](image)

Nowadays, the population of Norway is 5.296 million with 1.08% of annual growth. It has grown by around 38% since the 1950s, significantly because of increased
immigration which represents 17% of the whole number of residents. (Modig 2018, 2.)

Table 1 shows that Norway’s GDP has grown by almost 5.2% from 2016 to 2017. Inward FDI stocks decreased in 2017 by 2.3%, when Outward FDI stocks showed a growth of 3.8%. The unemployment rate is one of the lowest in the world being noticeably below the average by 1.6% (OECD Data 2019). In the period, inflation significantly went down by 1.8%

Table 1. Norway’s selected indicators (adapted from OECD Data 2019)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (million USD)</td>
<td>308 057</td>
<td>324 938</td>
</tr>
<tr>
<td>Inward FDI stocks (million USD)</td>
<td>147 524</td>
<td>144 177</td>
</tr>
<tr>
<td>Outward FDI stocks (million USD)</td>
<td>192 013</td>
<td>199 647</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>4.7</td>
<td>4.2</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>3.6</td>
<td>1.9</td>
</tr>
</tbody>
</table>

GDP of Norway is mainly composed of services of different kinds that contribute 64%. The industry is another sector composing 33.7% to GDP of the country, while Agriculture is 2.3% (CIA World Factbook 2018). Going further, the main realms of the residents’ employment is human health and social work activities – 20.8%, wholesale and retail trade: repair of motor vehicles and motorcycles – 13.3%, and construction – 8.4% (see Table 2).
Table 2. Employment of 15-74 years population in Norway by industries (adapted from Statistics Norway 2019)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human health and social work activities</td>
<td>20.8</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of motor vehicles and motorcycles</td>
<td>13.3</td>
</tr>
<tr>
<td>Construction</td>
<td>8.4</td>
</tr>
<tr>
<td>Education</td>
<td>8.2</td>
</tr>
<tr>
<td>Manufacture</td>
<td>8.0</td>
</tr>
<tr>
<td>Public adm., defence, soc. security</td>
<td>6.4</td>
</tr>
<tr>
<td>Real estate, professional, scientific and technical activities</td>
<td>6.3</td>
</tr>
<tr>
<td>Transportation and storage</td>
<td>5.2</td>
</tr>
<tr>
<td>Administrative and support service activities</td>
<td>5.0</td>
</tr>
<tr>
<td>Other service activities</td>
<td>3.9</td>
</tr>
<tr>
<td>Accommodation and food service activities</td>
<td>3.6</td>
</tr>
<tr>
<td>Information and communication</td>
<td>3.4</td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>2.2</td>
</tr>
<tr>
<td>Financial and insurance activities</td>
<td>1.7</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>2.0</td>
</tr>
<tr>
<td>Electricity, water supply, sewerage, waste management</td>
<td>1.2</td>
</tr>
<tr>
<td>Unspecified</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Norway mainly exports goods to a historical partner – UK with 21% of total. Germany with 16% of Norway’s exports takes second place. Conspicuously that Norway trades with neighbours – Scandinavian countries; in 2017, both Sweden and Denmark were exported more than 11%. The Netherlands with 10% should also be mentioned as another important destination for exports. (Trading Economics 2019.) Exports were 37.4% of total GDP in 2017 mainly consisting of natural resources (Statistics Norway 2019). Norway’s import partners are Sweden – 12%, Germany – 11%, and China – 9.6% (The Observatory of Economic Complexity 2019).

Russia

Russian Federation, as the country officially named, covers 17.098 thousand square kilometres being the biggest country in the world in terms of the size of territory (Bradshaw 2008, 193). Due to such a huge territory, the country is present in 11 time zones (ibid.) and it is surrounded by many seas, oceans and has borders with plenty of countries: Poland, Finland, Belarus, Lithuania, China, Mongolia, North Korea, Ukraine, Azerbaijan, Kazakhstan, Latvia, Estonia, Georgia, and Norway (see Figure 9).
According to Federalnaya sluzhba gosudarstvennoi statistiki (2018), there are 146.9 million of inhabitants.

![Location of Russia and its neighbours](image)

Figure 9. Location of Russia and its neighbours (adapted from Harvard University Center for Geographic Analysis 2019)

Table 3 shows that the Russian GDP has significantly increased by 18.5% from 2016 to 2017. Inward and outward FDI has also shown positive changes in growing for 10.7% and 12% respectively. The level of unemployment in Russia is around the average of OECD countries but considerably higher than, for example, Norway’s. However, it shows a positive tendency. Inflation rate demonstrated a dramatic decline: from a high indicator of 7% in 2016 it decreased to 3.7% in 2017.

Table 3. Russia’s selected indicators (adapted from World Bank 2019, OECD 2019 and Federalnaya sluzhba gosudarstvennoi statistiki 2019)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (million USD)</td>
<td>1 284 728</td>
<td>1 577 524</td>
</tr>
<tr>
<td>Inward FDI stocks (million USD)</td>
<td>393 910</td>
<td>441 123</td>
</tr>
<tr>
<td>Outward FDI stocks (million USD)</td>
<td>334 275</td>
<td>380 047</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>5.4</td>
<td>5.2</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>7.0</td>
<td>3.7</td>
</tr>
</tbody>
</table>

The top three economic activities contributing to GDP of Russia comes from Wholesale and retail trade; repair of vehicles – 14.3%, manufacturing – 13.6%, and mining – 12.8% (see Table 4). Real estate transactions and services also are high taking almost one-tenth – 9.2%. 
According to Workman (2019), Russia mainly trades with its neighbouring country China but also with Germany and the Netherlands. Particularly, in 2018, major export destinations were China – 11%, the Netherlands – 8.1%, and Germany – 5.8%. The vast majority of imports were from China – 20%, again Germany – 12%, and another neighbour and historically close country – Belarus – 5.7%. (The Observatory of Economic Complexity 2019.)

3.3 Data collection

In order to answer the research question and address the problem, the needed data was partly collected by using secondary data – the dataset which was not primarily gathered by author and taken from somewhere else (Martins, de Cunha & Serra 2018, 2). This type of data may be usually found in textbooks, academic articles, scientific reviews and journals, news and different online sources (Saunders et al. 2009, 263-265). According to Doolan, Winters & Nouredini (2017), because of the technological era, modern researchers have open access to a variety of data on the

### Table 4. GDP composition of Russia by economic activities in 2018 (Federalnaya Sluzhba Gosudarstvennoi Statistiki 2018)

<table>
<thead>
<tr>
<th>Economic activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale and retail trade; repair of vehicles</td>
<td>14.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13.6</td>
</tr>
<tr>
<td>Mining</td>
<td>12.8</td>
</tr>
<tr>
<td>Real estate transactions and services</td>
<td>9.2</td>
</tr>
<tr>
<td>Public administration and security, military security; social security</td>
<td>7.6</td>
</tr>
<tr>
<td>Transportation and storage</td>
<td>7.0</td>
</tr>
<tr>
<td>Construction</td>
<td>6.0</td>
</tr>
<tr>
<td>Financial and insurance</td>
<td>4.3</td>
</tr>
<tr>
<td>Professional, scientific and technical activities</td>
<td>4.2</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.5</td>
</tr>
<tr>
<td>Health care</td>
<td>3.4</td>
</tr>
<tr>
<td>Education</td>
<td>3.2</td>
</tr>
<tr>
<td>Communication</td>
<td>2.4</td>
</tr>
<tr>
<td>Administrative and related additional services</td>
<td>2.3</td>
</tr>
<tr>
<td>Electric, gas and smoke energy provision</td>
<td>2.7</td>
</tr>
<tr>
<td>Others</td>
<td>3.5</td>
</tr>
</tbody>
</table>
web to develop and interpret it. The researcher obviously needs to understand the
concepts and the theory of the data to conduct her/his research sufficiently. (2.)
Actually, there were many benefits for the study using the existed data. It allowed
collecting the data more quickly as well as not having an additional risk for the
examined subjects as they have been already researched (4). Indeed, for this thesis,
some databases provided with information to consider exempting the author from
applying extra techniques and resources to collect the data. The author could
concentrate more on analyzing the existing facts and broad data instead of gathering
it. Martins et al. (2018) profess the view that very often some secondary data is
beneficial for other purposes that the data was collected for. Thus, based on their
knowledge researchers may manipulate the secondary data to develop new
conclusions. (3.) Irwin (2013, 303) very aptly affirms that getting the most out of the
secondary data requires from researchers to creatively and critically construe the
data.

The secondary data that is necessary for the research was collected on the Internet.
The author used sources which are available for everyone and involves different
databases providing with various figures and information of the selected countries.
Official websites of big global organizations such as the World Bank, the World
Economic Forum and OECD were used for the study. Also, available databases and
online libraries were actively used, namely: Google Scholar, Research Gate,
Cyberleninka, SSRN, Elibrary, MolUch.

Goodrick (2014, 8) notes that it is possible for comparative case studies to use only
secondary data as a source to be analysed in researches. However, secondary data
may not exist in the needed form, might address absolutely different purposes and
even require financial investments to be accessed. Additionally, there is a possible
difficulty in evaluating source reliability, validity, and relevancy. (Saunders et al.
2009, 270-272.) This thesis was not an exception for these issues, and it also
encountered the lack of studies of the topic, especially the subject of the
competitiveness of Russia and/or Norway. Irwin (2013, 298) complements saying
that there is a challenge for researchers to interpret the secondary data that does
not seem as grabbed from the context.
Therefore, there was a need for the thesis to have primary data. It is defined as the data that is collected concretely for the purpose of contributing to answering the research question (Saunders et al. 2009, 598). Erikkson & Kouvalainen (2016, 91) distinguish interviews as one of the adequate ways of producing data for a qualitative study. Interviews provide researchers with information that does not exist in published forms, and as a big benefit, it may provide with insights from people who have knowledge and experience that are related to the study. Actually, there are different kinds of interviews (see Table 5) and researchers should choose one to sufficiently address research aims. (ibid., 94.)

Table 5. Types of qualitative interview (Erikkson & Kovalainen 2016)

<table>
<thead>
<tr>
<th>Structured (standardized) interviews</th>
<th>Semi-structured (guided) interviews</th>
<th>Unstructured (narrative/open) interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Conducted with a script and pre-designed questions almost excluding any flexibility,</td>
<td>• Have an outline designed beforehand,</td>
<td>• Used to deeply discover an interviewee’s perspective regarding the subject,</td>
</tr>
<tr>
<td>• Usually used to get information about what happened de facto,</td>
<td>• The interviewer may change the order of questions for different interviewees,</td>
<td>• No scripts but some directing questions,</td>
</tr>
<tr>
<td>• Often used when the interviewer has poor knowledge of what is asked, when it is needed to orderly compare the interview results or when the interviewer needs to avoid having too much different responses from different perspectives.</td>
<td>• Have features of informality and may have a nature of the conversation, though comprehensiveness and systematic basis prevail,</td>
<td>• The interview may be turned to an appeared issue during the interview,</td>
</tr>
<tr>
<td></td>
<td>• Requires from the interviewers to be carefully prepared and understand the context of the questions.</td>
<td>• Predominately depends on an interviewed person’s experience, thoughts, and insights.</td>
</tr>
</tbody>
</table>
As for this thesis, semi-structured interviews were undertaken because it was supposed to give some freedom in answers for the interviewees, though the questions are designed in advance and are following the theoretical framework. As experts in their fields and, moreover, as representatives of the countries they have the knowledge to respond to the raised issues and provide the research with a deeper understanding of the problem. Also, semi-structured type of interview was chosen because the possibility of an appearance of new questions is assumed during the interview (Saunders et al. 2009, 320). Therefore, the author did not seek to have a very strict interview which leads to limitations of the information obtained. Besides, there was no need for a subjective and long interview, where the interviewer cannot guide the interview concretely to the direction addressing research problem to have more relevant information (Brinkmann 2013, 21).

Interviews were conducted as a one-to-one to have them focused on the questions asked to convey their ideas with no interruptions (ibid., 28). The lists of prepared questions may be found in appendices (see Appendix 1 and Appendix 2).

Participants for the interviews were not haphazardly chosen. The idea was to take the ones who have experience and can sufficiently contribute to the field of exploration. Participants represented two countries at the same time – Russia and Norway – meaning that they have the perspective of local people experienced the environment themselves. When it is said that they are professionals, it reveals that they have positions in Norwegian university. First was Andrey Mineev (AM hereafter), who is a Russian researcher working at Nord University. The second was Andrey Kazakov (AK hereafter) whose nationality is also Russian and who is working as an adviser at the High North Center for Business and Governance at Nord University Business School. Both of interviewees have been working in Norway for more than ten years which allows them to have an understanding of different realms in Norway as well as in Russia – their country of origin where they spent most of their life. Thus, the interviews were in the mother tongue of the participants – Russian. The first was with AM and was 36 minutes long. The second was with AK and was 67 minutes long.
Important to mention that due to the impossibility of having a personal meeting with interviewees (they are not in Finland where the research study is undertaken), it was decided to have an online video-call meeting which allows conducting an interview in the case of geographical remoteness (Saunders et al. 2009, 350). Since participants were not physically at the one place, there was a threat of having experience human interactions differently than it could be in a face-to-face meeting. However, if a videoconference interview is agreed beforehand, it provides a sufficient possibility to have an appropriate rapport between participants. (ibid.) The interviews were conducted via Skype video-calls which were also recorded via the application function. O’Gorman & MacIntosh (2015, 121) emphasise that recording interviews makes the transcription more accurate and allowing researchers to come back to the interviews as many times as needed later. For this thesis, it is an advantage because the interviews were not short, required attention and contained a considerable amount of gathered information making the recording reasonable.

3.4 Data analysis

Qualitative content analysis technique was applied for this study because it corresponded to the problem, the aims and the question of the thesis. The technique, for Eriksson & Kovalainen (2016), has two major purposes. First is to provide with a wholistic and informative ‘picture’ of the examined aspect. Second is to contextually interpret collected data in a thorough and deep way. (120.) Therefore, the analysis starts from the preliminary data analysis where the pillars determined in the Global Competitiveness Index 2018 were analysed for the next stage – in-depth analysis aimed to follow the question of the difference in the competitiveness between Norway and Russia. Once the pillars were chosen to be analysed in-depth, the author went through the subpillars to identify the elements of the difference between the countries’ competitiveness.

The variables for the preliminary analysis came from the theoretical framework and included 12 pillars from the Global Competitiveness Index 2018 (see Figure 7 in chapter 2.5). The in-depth analysis focused on variables that are subpillars that represent the main difference in the countries’ competitiveness.
For preliminary analysis, it is clear: the author needed only to select the pillars that are noticeably different and then to choose which subpillars made the most difference between the nations. Next paragraphs are dedicated to the description of the in-depth data analysis step-by-step (see Figure 10).

Figure 10. Process of in-depth data analysis (Creswell 2014)

The first step was to prepare and organize the data. It began with the collected secondary data that were downloaded and saved on the computer, whereas some of it was “bookmarked” on the web-browser due to the impossibility to download. The author put the files to folders where all of them were allocated to a variable. The files were examined: needed fragments were highlighted in the computer application named Preview as well as some information was transferred to a separate MS Word file to be examined before being subsumed in the final paper. Also, there were interviews that the author decided to transcribe from the recorded video-call to another MS Word file in order to make the subsequent analysis of the data less time-consuming (instead of listening again and again, the author had the text in front of him). By the names of participants, the author categorised the files with transcribed interviews to not have them mixed.

Once the data was organized, the author went through it several times in his own pace to have a picture of what he had and, as Creswell (2014, 198) says, to understand the credibility and depth of the data. The next step was to code the data which is utile in terms of categorization because it helps to sort, label the data in some categories that make the whole process of a qualitative analysis easier (ibid.). Creswell declares that very often codes appear during the actual analysis of the data (ibid., 199). This dissertation was not an exception for it: the codes emerged when the author was analysing the data collected for the study. Practically, if a piece of the
text addressed one of the themes, it would be categorized accordingly to them. The themes come from the variables, subpillars in the instance of the thesis. Table 13 provides with the codes.

As the final stage, the author personally interpreted the data collected in the way of directing to the research problem and answering the research question (ibid., 200). He integrated the words of the interviewees to the results and combined them with the secondary data. Actually, the author investigated what were the reasons for some relatively low rankings of Russian indicators, when, in contrast, Norwegian ones were described to understand why the country is that successful in certain areas. Therefore, the readers may find that previous Russian doings should be reconsidered to have the situation improved, whereas Norway’s actions may be found as recommending for Russia to increase its global competitiveness.

3.5 Verification of the results

Validity

Creswell (2014, 201) cites Gibbs (2007) defining validity in qualitative research as a set of some procedures applied by a researcher to carefully check his/her results. Several strategies advised for the validity were employed in this thesis, namely: data sources triangulation, member checking, and the clarification of the bias brought to the thesis (Creswell 2014, 201). In the next paragraphs, the strategies are covered.

Starting from triangulation, the author sought to allocate information found in the web carefully, compare it with other sources and use only that pieces of data that are perceived as not speculating ones but are in reputed journals and databases. Therefore, sources that seemed as not credible were not considered. Additionally, it should be claimed that multiple data collection methods also achieved triangulation: the author used secondary data and did semi-structured interviews where people were invited only after a careful selection with the main criteria of having a relevant and sufficient background needed for the research.

After the interviews, the author polished the answers of the participants formulating their ideas in general and clarifying their words with them. It does not mean that the interviewees were going through transcribed texts but approved their general
thoughts. According to Creswell, it makes any research more valid, since it is supposed to check the accuracy of the findings (ibid.).

Finally, to clarify the bias in this study, it is needed to be noted that at the moment of the research, the author was only a second-year bachelor’s level student meaning that the lack of experience in the field was definitely met by him. The completed course related to the field of the thesis is the one and only piece of academic background that is directly connected with the field of competitiveness. Thus, the thesis is limited by the relatively short time spent in the studying realm. However, studied cases related to the competitiveness of nations, cities, and firms as well as some additional articles that the author had got familiar with before the actual research influenced his interpretations and perception of some issues that are present in this thesis. Besides, subjectivity is the matter that may be faced by every human being. It means that some conclusions, analysis were still made from the personal perspective, though the author endeavoured to reflect most neutrally and objectively. Last but not least, the study aims to provide with recommendations for Russia that, it should be admitted, may be seen as utopian and difficult to implement due to a complicated situation requiring a careful step-by-step analysis requiring the involvement of a great number of experts, investments and adjustments. Norway in the research also should not be distinguished as an idealistic example where every element is perfect: crucial to understand, Norway’s pillars that are considerably better than Russia’s were taken for the analysis, meaning that in some areas Russia is either not really lower than Norway or even higher (more in chapter 4.1).

Reliability

By definition, reliability is consecutive results that are achieved by the research approach used for a study (Saunders et al. 2019, 156). Hesse-Biber (2016) advises to ensure reliability in qualitative studies, and researchers should have the collected data that “make sense”. Actually, all the effort in the thesis was put to address the research question and the research approach directed to collect the information that may be only sufficient to contribute to the research question answering. Consequently, all the found data was carefully and constantly being checked for several times in order to eliminate the possible mistakes. Especially, in the phase of coding because, according to Creswell (2014, 202), Gibbs (2007) determine it as the
stage where shifts in the codes’ senses may occur. To prevent possible changes, the author incessantly compared the codes and the data. Also, Erikkson & Kovalainen (2016, 120) asserts that coding allows authors to be objective in their conclusions. This an essential point, since the author of this thesis strived to impartially answer the research question where other researchers can come up with the same thoughts of having the same data. Apart from coding, transcription also was worth special attention and dedicated diligence to avoid having errors that may lead to unreliable results and create obstacles in the successful analysis.

Interviews were conducted in the manner proposed by Saunders et al. (2009). They accentuate that the interviewer needs to have enough knowledge (the author designed questions after long preparation and studying the theoretical framework, got familiar with the context of researched countries and made a preliminary analysis). The questions ought to be asked clearly, and with no specific intonations and behaviour that may influence the answers and the findings; attentively listen to interviewees and not turn the interview to a debate or a talk. (328-334.)

4 Results

4.1 Preliminary analysis

The chapter presents the thesis findings that are divided into two parts: preliminary and in-depth analysis. This separation was done to allocate the needed areas in order to analyse them in-depth and provide with insights regarding the issues that are feasible to be influenced and changed by possible guidelines. The whole analysis is derived from the theoretical framework based on the Global Competitiveness Index 2018 where at first pillars and subpillars (variables) are chosen to be analysed, and then the variables are investigated deeply.

Before going into details, the overall performances of the countries are needed to be introduced to have an understanding of their progress in certain areas as well as in total.
Starting from Norway, it is seen that the country is in 11% of the most competitive countries in the world being in almost every pillar above the European and North American average (see Figure 11). It markedly takes the highest rank in the pillar of Macroeconomic stability, it also succeeds (in top ten countries in the index) in pillars of Health, Skills and Business dynamism as well as has a strong rank in Institutions and ICT adoption. Even though the scores in Innovation capability and Labour markets are not the highest, it is still far above from the average in Europe and North America positively pulling weight in the competitiveness of the country. Market size of Norway is quite small and represents the worst element of the country in the index. Infrastructure that may be perceived as a strong Norway’s pillar due to the score of 75 is the only one which is below the average and takes the second lowest position in the ranking.

In the Global Competitiveness Index 2018, Russia is 43rd out of 140 countries present in the ranking, though it is higher than the Eurasian countries average (see Figure 12). What is noticeable, the Russian Federation has big Market size that is 6th in the whole index. However, Russia is not everywhere higher an average Eurasian nation: it is seen that Russia is below in some pillars like Health and Product market.
Additionally, it shows middling places in the others, for example, in Financial system, Institutions, and Labour market. There is a score of Macroeconomic stability that is high – 88 out of 100 and higher the average in Eurasia but it is also observable that it takes only 55th place in the whole rating. The lowest Russian score is in Innovation capability – 51, though it is bigger than the average and shows not the worst position in the whole ranking.

**Pillars**

There is a need to compare the countries pillars and then to choose the ones that make that noticeable difference and are needed to be introspected more. The two previous figures show not only the rankings but provide with the scores that allows the author to see the real picture of the discrepancy between the selected nations.

Concretely, Table 6 provides with the comparison of total pillars’ score of Russia and Norway from the perspective of Norway due to its higher position in the ranking. We see that aggregate difference in the score is 12 whereas Institutions, Macroeconomic stability, Health, Skills, Product market, Labour market, Financial system, Business dynamism, and Innovation capability have the main dissimilarities in the scores. Infrastructure has just a difference of 3 and is supposed to be excluded from the
analysis since there is not a huge need for Russia to improve it by following Norway as a role model. Market size is that pillar which is worse in Norway’s score when Russian Market size has definitely a significant score.

Table 6. Comparison of Russia's and Norway's pillars scores (adapted from Schwab 2018)

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Russia</th>
<th>Norway</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>66</td>
<td>78</td>
<td>12</td>
</tr>
<tr>
<td>Institutions</td>
<td>53</td>
<td>77</td>
<td>24</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>72</td>
<td>75</td>
<td>3</td>
</tr>
<tr>
<td>ICT adoption</td>
<td>72</td>
<td>82</td>
<td>10</td>
</tr>
<tr>
<td>Macroeconomic stability</td>
<td>88</td>
<td>100</td>
<td>12</td>
</tr>
<tr>
<td>Health</td>
<td>68</td>
<td>98</td>
<td>30</td>
</tr>
<tr>
<td>Skills</td>
<td>68</td>
<td>84</td>
<td>16</td>
</tr>
<tr>
<td>Product market</td>
<td>54</td>
<td>63</td>
<td>9</td>
</tr>
<tr>
<td>Labour market</td>
<td>59</td>
<td>73</td>
<td>14</td>
</tr>
<tr>
<td>Financial system</td>
<td>55</td>
<td>80</td>
<td>25</td>
</tr>
<tr>
<td>Market size</td>
<td>84</td>
<td>61</td>
<td>(23)</td>
</tr>
<tr>
<td>Business dynamism</td>
<td>63</td>
<td>77</td>
<td>14</td>
</tr>
<tr>
<td>Innovation capability</td>
<td>51</td>
<td>68</td>
<td>17</td>
</tr>
</tbody>
</table>

It is reasonable to carry the research with the pillars that make the difference. However, not all of them should be analysed deeper. Important to remember that the idea is to investigate the reasons behind Norway’s competitiveness over Russia, but some pillars are not very low in Russia’s indicators and about the same in Norway. Thus, there is no reason to carry the study with the pillar of ICT adoption and Macroeconomic stability that should be considered as satisfactory for Russia. Also, Norway’s pillars need to be decent as well to allow the continuation of the study. For instance, Product market of Norway is one of the worst pillars of the country and cannot be a demonstrative one for Russia. Consequently, it is excluded from the in-depth analysis.

Noticeably, Health has the most significant distinction in the figures: 30. However, if it is to be gone more concretely, it is seen that the pillar is determined by only Health life expectancy (Schwab 2018, 637). There is a difficulty to influence on the life expectancy of one country because there may be a colossal number of corresponding factors affecting the rate (e.g., traffic accidents, nutrition) that not all may be
prevented by something particular. For example, the promotion of a healthy lifestyle does not go well with the thesis purpose.

Another pillar is Business dynamism which has the difference of 14 that is considerable. Russia also has a quite low score when Norway’s – high.

Notwithstanding these points, the thesis will not focus on the pillar because almost every subpillar is the same in Russia and Norway. Table 7 shows that only two subpillars notably differ from each other whereas some are almost the same and the rest are too low in Norway’s. For this reason, the author decided to not to include the pillar in the in-depth analysis.

Table 7. Scores in Business dynamism (adapted from Schwab 2018)

<table>
<thead>
<tr>
<th>Subpillar</th>
<th>Russia</th>
<th>Norway</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of starting a business</td>
<td>99.5</td>
<td>99.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Time to start a business</td>
<td>90.4</td>
<td>96.5</td>
<td>6.1</td>
</tr>
<tr>
<td>Insolvency recovery rate</td>
<td>43.8</td>
<td>100.0</td>
<td>56.2</td>
</tr>
<tr>
<td>Insolvency regulatory framework</td>
<td>71.9</td>
<td>71.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Attitudes towards entrepreneurial risk</td>
<td>54.8</td>
<td>53.4</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Willingness to delegate authority</td>
<td>53.9</td>
<td>79.9</td>
<td>26.0</td>
</tr>
<tr>
<td>Growth of innovative companies</td>
<td>45.8</td>
<td>57.2</td>
<td>11.4</td>
</tr>
<tr>
<td>Companies embracing disruptive ideas</td>
<td>43.6</td>
<td>57.7</td>
<td>14.1</td>
</tr>
</tbody>
</table>

The remaining pillars are the following: Institutions, Skills, Labour market, Financial system, and Innovation capability. All of them correspond to the earlier mentioned criteria in the selection. Next, the analysis provides with the subpillars picking for the research. Logic is similar to the pillars choosing.

Subpillars

Starting from Institutions (see Table 8), it is seen that the biggest difference is in Incidence of corruption, Judicial Independence and Freedom of the press. Also, Property rights, Intellectual property protection and Strength of auditing and reporting standards have to be analysed because of the difference and low Russian figures. Organized crime, Homicide rate and Reliability of police services are worth to be noticed, however, will not be examined because of their difficulty in changing implementations.
Table 8. Scores in Institutions (adapted from Schwab 2018)

<table>
<thead>
<tr>
<th>Subpillar</th>
<th>Russia</th>
<th>Norway</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organized crime</td>
<td>61.6</td>
<td>83.4</td>
<td>21.8</td>
</tr>
<tr>
<td>Homicide rate</td>
<td>65.0</td>
<td>100.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Terrorism incidence</td>
<td>93.1</td>
<td>100.0</td>
<td>6.9</td>
</tr>
<tr>
<td>Reliability of police services</td>
<td>51.8</td>
<td>79.8</td>
<td>28.0</td>
</tr>
<tr>
<td>Social capital</td>
<td>43.9</td>
<td>64.0</td>
<td>20.1</td>
</tr>
<tr>
<td>Budget Transparency</td>
<td>88.5</td>
<td>76.9</td>
<td>(11.6)</td>
</tr>
<tr>
<td>Judicial Independence</td>
<td>38.4</td>
<td>83.5</td>
<td>45.1</td>
</tr>
<tr>
<td>Efficiency of legal framework in challenging regulations</td>
<td>36.1</td>
<td>56.9</td>
<td>20.8</td>
</tr>
<tr>
<td>Freedom of the press</td>
<td>50.0</td>
<td>92.4</td>
<td>42.4</td>
</tr>
<tr>
<td>Burden of government regulations</td>
<td>39.1</td>
<td>47.5</td>
<td>8.4</td>
</tr>
<tr>
<td>Efficiency of legal framework in settling disputes</td>
<td>42.1</td>
<td>66.1</td>
<td>24.0</td>
</tr>
<tr>
<td>E-Participation Index</td>
<td>92.1</td>
<td>97.8</td>
<td>5.7</td>
</tr>
<tr>
<td>Future orientation of government</td>
<td>47.9</td>
<td>63.0</td>
<td>15.1</td>
</tr>
<tr>
<td>Incidence of corruption</td>
<td>29.0</td>
<td>85.0</td>
<td>56.0</td>
</tr>
<tr>
<td>Property rights</td>
<td>45.5</td>
<td>79.3</td>
<td>33.8</td>
</tr>
<tr>
<td>Intellectual property protection</td>
<td>47.7</td>
<td>74.6</td>
<td>26.9</td>
</tr>
<tr>
<td>Quality of land administration</td>
<td>86.7</td>
<td>66.7</td>
<td>(20.0)</td>
</tr>
<tr>
<td>Strength of auditing and reporting standards</td>
<td>55.0</td>
<td>83.0</td>
<td>28.0</td>
</tr>
<tr>
<td>Conflict of interest regulation</td>
<td>50.0</td>
<td>67.0</td>
<td>17.0</td>
</tr>
<tr>
<td>Shareholder governance</td>
<td>73.0</td>
<td>83.0</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Going further, Skills is another pillar that was decided to be examined deeply (see Table 9). From here the subpillars of Extent of staff training, Quality of vocational training, Skillset of graduates and Ease of finding skilled employees were taken. Pupil-to-teacher ratio in primary education is higher in Norway, but in Russia the figure is adequate.
Table 9. Scores in Skills (adapted from Schwab 2018)

<table>
<thead>
<tr>
<th>Subpillar</th>
<th>Russia</th>
<th>Norway</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean years of schooling</td>
<td>71.3</td>
<td>85.2</td>
<td>13.9</td>
</tr>
<tr>
<td>Extent of staff training</td>
<td>48.7</td>
<td>68.2</td>
<td>19.5</td>
</tr>
<tr>
<td>Quality of vocational training</td>
<td>51.2</td>
<td>69.8</td>
<td>18.6</td>
</tr>
<tr>
<td>Skillset of graduates</td>
<td>49.8</td>
<td>66.1</td>
<td>16.3</td>
</tr>
<tr>
<td>Digital skills among population</td>
<td>63.7</td>
<td>71.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Ease of finding skilled employees</td>
<td>56.4</td>
<td>70.6</td>
<td>14.2</td>
</tr>
<tr>
<td>School life expectancy</td>
<td>86.3</td>
<td>99.2</td>
<td>12.9</td>
</tr>
<tr>
<td>Critical thinking in teaching</td>
<td>49.8</td>
<td>64.0</td>
<td>14.2</td>
</tr>
<tr>
<td>Pupil-to-teacher ratio in primary education</td>
<td>74.6</td>
<td>100.0</td>
<td>25.4</td>
</tr>
</tbody>
</table>

Next is Labour market (see Table 10). According to the pillar, Russia may increase its scores by having Norway as an example in Active Labour policies, Reliance on professional management and Labour tax rate. Therefore, Workers’ rights will not be considered because of the satisfactory result of Russia. In the table, it is observable that Russia outperforms the vis-à-vis country in some subpillars like Flexibility in wage determination. It makes the pillar with no dramatic difference in overall pillar score (e.g., comparing to Financial system), though it is still conspicuous.

Table 10. Scores in Labour market (adapted from Schwab 2018)

<table>
<thead>
<tr>
<th>Subpillar</th>
<th>Russia</th>
<th>Norway</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redundancy costs</td>
<td>72.2</td>
<td>90.3</td>
<td>18.1</td>
</tr>
<tr>
<td>Hiring and Firing practices</td>
<td>52.0</td>
<td>45.4</td>
<td>(6.6)</td>
</tr>
<tr>
<td>Cooperation in Labour-employer relations</td>
<td>54.2</td>
<td>77.5</td>
<td>23.3</td>
</tr>
<tr>
<td>Flexibility of wage determination</td>
<td>60.6</td>
<td>47.3</td>
<td>(13.3)</td>
</tr>
<tr>
<td>Active Labour policies</td>
<td>45.0</td>
<td>69.5</td>
<td>24.5</td>
</tr>
<tr>
<td>Workers' rights</td>
<td>73.2</td>
<td>97.9</td>
<td>24.7</td>
</tr>
<tr>
<td>Ease of hiring foreign labour</td>
<td>47.4</td>
<td>53.7</td>
<td>6.3</td>
</tr>
<tr>
<td>Internal Labour mobility</td>
<td>52.6</td>
<td>52.5</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Reliance on professional management</td>
<td>48.1</td>
<td>77.2</td>
<td>29.1</td>
</tr>
<tr>
<td>Pay and productivity</td>
<td>57.7</td>
<td>58.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Female participation in Labour force</td>
<td>80.9</td>
<td>95.6</td>
<td>14.7</td>
</tr>
<tr>
<td>Labour tax rate</td>
<td>60.7</td>
<td>89.0</td>
<td>28.3</td>
</tr>
</tbody>
</table>

In terms of the most distinctive pillar of the selected nations – Financial system (see Table 11), the most visible dissimilarities are in Insurance premium, Domestic credit to private sector and Soundness of banks. Financing of SMEs is also taken for the
 deeper analysis, since the difference is high, and Norway’s indicator is close to 70.0 (which is considered as high due to the first score in the ranking of 79.9 by the USA). The area of subpillar is also needed to be improved, as Titov said it in the World Economic Forum 2019 (World Economic Forum Annual Meeting 2019).

Table 11. Scores in Financial system (adapted from Schwab 2018)

<table>
<thead>
<tr>
<th>Subpillar</th>
<th>Russia</th>
<th>Norway</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic credit to private sector</td>
<td>57.3</td>
<td>100</td>
<td>42.7</td>
</tr>
<tr>
<td>Financing of SMEs</td>
<td>39.0</td>
<td>65.0</td>
<td>26.0</td>
</tr>
<tr>
<td>Venture capital availability</td>
<td>27.9</td>
<td>48.4</td>
<td>20.5</td>
</tr>
<tr>
<td>Market capitalization</td>
<td>32.0</td>
<td>52.1</td>
<td>20.1</td>
</tr>
<tr>
<td>Insurance premium</td>
<td>18.7</td>
<td>76.3</td>
<td>57.6</td>
</tr>
<tr>
<td>Soundness of banks</td>
<td>45.1</td>
<td>84.5</td>
<td>39.4</td>
</tr>
<tr>
<td>Non-performing loans</td>
<td>81.9</td>
<td>98.6</td>
<td>16.7</td>
</tr>
<tr>
<td>Credit gap</td>
<td>100.0</td>
<td>95.9</td>
<td>(4.1)</td>
</tr>
<tr>
<td>Banks’ regulatory capital ratio</td>
<td>91.0</td>
<td>100.0</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Finally, Innovation capability in countries differ enormously in the score of International co-inventions by 66.4 and Patent applications by 58.6 (see Table 12). It is easily observable that Russian research institutions have better quality by 52.3; however, it is a good figure for Russia meaning that it will not be included in further research. Instead, the focus will be directed at investigation of the difference in R&D expenditures, Trademark applications and State of cluster development.

Table 12. Scores in Innovation capability (adapted from Schwab 2018)

<table>
<thead>
<tr>
<th>Subpillar</th>
<th>Russia</th>
<th>Norway</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity of workforce</td>
<td>63.7</td>
<td>63.1</td>
<td>(0.6)</td>
</tr>
<tr>
<td>State of cluster development</td>
<td>41.4</td>
<td>64.6</td>
<td>23.2</td>
</tr>
<tr>
<td>International co-inventions</td>
<td>17.2</td>
<td>83.6</td>
<td>66.4</td>
</tr>
<tr>
<td>Multi-stakeholder collaboration</td>
<td>50.6</td>
<td>62.4</td>
<td>11.8</td>
</tr>
<tr>
<td>Scientific publications</td>
<td>91.4</td>
<td>92.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Patent applications</td>
<td>28.8</td>
<td>87.4</td>
<td>58.6</td>
</tr>
<tr>
<td>R&amp;D expenditures</td>
<td>37.7</td>
<td>64.4</td>
<td>26.7</td>
</tr>
<tr>
<td>Quality of research institutions</td>
<td>70.4</td>
<td>18.1</td>
<td>(52.3)</td>
</tr>
<tr>
<td>Buyer sophistication</td>
<td>40.9</td>
<td>54.3</td>
<td>13.4</td>
</tr>
<tr>
<td>Trademark applications</td>
<td>64.4</td>
<td>87.7</td>
<td>23.3</td>
</tr>
</tbody>
</table>
All in all, the in-depth analysis will involve the chosen subpillars that may be found as variables and provided by Table 13.

Table 13. Variables for in-depth analysis

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Subpillar/variable</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutions</td>
<td>Judicial Independence</td>
<td>I1</td>
</tr>
<tr>
<td>Institutions</td>
<td>Freedom of the press</td>
<td>I2</td>
</tr>
<tr>
<td>Institutions</td>
<td>Incidence of corruption</td>
<td>I3</td>
</tr>
<tr>
<td>Institutions</td>
<td>Property rights</td>
<td>I4</td>
</tr>
<tr>
<td>Institutions</td>
<td>Intellectual property protection</td>
<td>I5</td>
</tr>
<tr>
<td>Institutions</td>
<td>Strength of auditing and reporting standards</td>
<td>I6</td>
</tr>
<tr>
<td>Skills</td>
<td>Extent of staff training</td>
<td>S1</td>
</tr>
<tr>
<td>Skills</td>
<td>Quality of vocational training</td>
<td>S2</td>
</tr>
<tr>
<td>Skills</td>
<td>Skillset of graduates</td>
<td>S3</td>
</tr>
<tr>
<td>Skills</td>
<td>Ease of finding skilled employees</td>
<td>S4</td>
</tr>
<tr>
<td>Labour market</td>
<td>Cooperation in Labour-employer relations</td>
<td>L1</td>
</tr>
<tr>
<td>Labour market</td>
<td>Active Labour policies</td>
<td>L2</td>
</tr>
<tr>
<td>Labour market</td>
<td>Reliance on professional management</td>
<td>L3</td>
</tr>
<tr>
<td>Labour market</td>
<td>Labour tax rate</td>
<td>L4</td>
</tr>
<tr>
<td>Financial system</td>
<td>Domestic private sector</td>
<td>F1</td>
</tr>
<tr>
<td>Financial system</td>
<td>Financing of SMEs</td>
<td>F2</td>
</tr>
<tr>
<td>Financial system</td>
<td>Insurance premium</td>
<td>F3</td>
</tr>
<tr>
<td>Financial system</td>
<td>Soundness of banks</td>
<td>F4</td>
</tr>
<tr>
<td>Innovation capability</td>
<td>State of cluster development</td>
<td>Ic1</td>
</tr>
<tr>
<td>Innovation capability</td>
<td>International co-inventions</td>
<td>Ic2</td>
</tr>
<tr>
<td>Innovation capability</td>
<td>Patent applications</td>
<td>Ic3</td>
</tr>
<tr>
<td>Innovation capability</td>
<td>R&amp;D expenditures</td>
<td>Ic4</td>
</tr>
<tr>
<td>Innovation capability</td>
<td>Trademark applications</td>
<td>Ic5</td>
</tr>
</tbody>
</table>

4.2 In-depth analysis

As mentioned in the chapter of methodology, the analysis of some subpillars consists of secondary data and includes primary (semi-structured interviews) data. It is organized in the way of going through each variable and providing with insights regarding all of them. It is assumed that the distinctions in the figures between the nations are observable in the tables in chapter 4.1 meaning that there is no need to highlight them again.
4.2.1 Institutions

Judicial independence

The subpillar is the result of the survey question about the dependency of the judiciary on some parties in the country, where the indication of the lower figure means the worse (Schwab 2018, 634).

The words of Council of Europe representatives define the situation in Judicial independence in Russia by saying that the country ought to raise the question of the judiciary on a daily basis (Muižnieks, Hammarberg & Gil-Robles 2016). As a big issue, they name that the decisions made by international authorities such as the European Court of Human Rights recorded more than 70 incompliances of the judgements from the period of 2010 to 2015. They also express that problems in the Russian judicial system are related to “insufficient judicial independence and excessive prosecutorial powers”. However, all the issues are possible to overcome by new regulations directed mainly at consolidation of impartiality, effectiveness, and independence of judges. (ibid.) According to Chief Justice of Canada (2017), Russian laws cannot protect judges from the external influence of some state or private interests; therefore, cases may be reassigned to a new date. The presidents of Russian courts are too powerful in the career of the judges who, in turn, have their interest in achieving a certain result in a case (ibid.) Therefore, the International Commission of Jurists (2014) have claimed that such pressure in making decisions lead to briberies.

Kondrashov (2015) believes that the current system in Russia increases the dependence of the judicial branch on the executive authority because, in fact, judges are assigned by the presidents of courts and members of the Presidential Commission on preliminary consideration of candidates. It should be changed in the way of creating a special judiciary committee assigning judges. (183.) For example, in Norway, judges are assigned by the government on the recommendation of the Committee on the appointment of judges (Chibisova 2014).

In Russia, possible judge’s offenses are initiated to be considered, again, by the court president when the qualifying collegium is only a part of the process which, moreover, consists of the judges by a two-third meaning that it may lead to some
“agreement” beneficial for the parties. Residents also have a chance to report about the action of a judge but, in practice, they are not considered as the ones organized by the court president. (Kondrashov 2015, 183). Norway’s actions in this issue are demonstrative because the chairman of Norwegian courts has no power and influence in the process. All the complaints that are mainly initiated by different individuals are considered by the steering committee that consists of two judges, one lawyer and two public members appointed by the government for four years. (Chibisova 2014).

Kornus and Deryuga (2018, 112) also distinguish the problem that some Russian judges have little experience making them consult with more experienced colleagues, therefore, decreasing the level of independence. Thus, Kondrashov (2015, 183) proposes that the post of a judge need to be restricted to the ones who obtain a degree by studying part-time or in the evening studying form. According to Federalnye Arbitrazhnye Sudy Rossiskoi Federatsii (2019), it is obligatory for a Russian judge to have a qualification in law. In contrast, Norway employs people who have a different background that allows having “a broad and varied background of experience” and law graduates are not immediately hired for a court position (The Courts of Norway 2019).

**Freedom of the press**

This subpillar is based on the level of media development in the country, non-dependence of media and free will of local journalists, where the indication of the higher figure the worse (Schwab 2018, 634).

Zakem, Saunders, Hashimova & Hammerberg (2018) stated that the issue in Russia is caused by the ownership of the media channels divided by two sectors: the state and private that are mainly presented as the same business units. The state’s ownership is dominated in the TV and radio media, while the private sector controls major online media and printed media. (10-13.) Zakem et al. (ibid., 14-15) continue by saying that some private companies are very powerful and influential owning more than 200 media companies of different scales, some – the most popular Russian social media, when both may have 25% of shares of famous Russian TV channels owned by the state, and they also are full owners of other central TV channels,
newspapers and control the leading radio stations. Zakem et al. further express that The Presidential Administration of Russia plays a vital role in the mass media to promote the national interests by allocating the budget for federal channels (23).

On the contrary, Norway actively encourages pluralism and freedom of the speech by promoting competition among companies. For example, not a single company may have more than one-third share in any media type, whether TV, radio or printed. The country also has the dominant national broadcaster (which requires a fee from subscribes) that aims to diversify the sphere, and it faces a furious competition by private media organizations, though the broadcaster dominates in TV and radio. (Arkin 2018.)

Apart from that, Arkin distinguishes Norwegian authority that contributes to providing the sphere of media with conditions where openness and transparency prevail as well as monitors the ownership matters and balance. The commission created for the incentive of pluralism constantly puts the effort in journalism development by supporting and assisting different projects aiming to media innovations. (ibid.)

**Incidence of corruption**

The subpillar reflects the perception of involved parties in business about the level of corruption in the government sector, where the indication of the lower figures means more corruption happened (Schwab 2018, 634).

Kritskaya, Kanskaya & Yanchenkova (2018, 47) claim that corruption may accompany a Russian citizen from his/her birth being in the majority of realms of social life, therefore, requires special attention to be paid. Naumenko (2018, 65) states that even though that there are some cases of arrested public officers accused in corruption on a large scale, it is just a “peak of an iceberg”, whereas not that big occasions are not revealed. Therefore, Naumenko points to the need for setting anticorruption development as the priority for Russian involved parties. He suggests that the Prosecutor’s office should be the principal law enforcement body, which itself is fighting corruption, and supervises the activities of other bodies in this area instead of just being a part of the process that coordinates powers. As an important element, Naumenko distinguishes the importance of the involvement of some
independent parties in the forms of experts, scholars. (68-70.) Datsenko (2018, 24) continues this thought by saying that such cooperation will expand the perspective of the issue by new methodologies, analyses, recommendations emerged for combating corruption.

According to Kuznetsova (2013), Norway has a well-organized system of preventing the cases of corruption because those are seen as the national threat on both internal and external level. Dyngeland (2016, 2) declares that Norway’s low incidences of corruption achieved because of the competence of a special branch – The National Authority for Investigation and Prosecution of Economic and Environmental Crime – that implements the main procedures in corruption investigations, obviously, working closely with police. Moreover, the authority consists not only of people with police background but with the public prosecutor’s office employing highly-qualified force. Additionally, there are law enforcement teams specializing in financial crimes investigations. (Bisschop-Mørland & Dagestad 2019.)

Property rights

This is the result of the survey question asked about the level of protection of property rights in the country, where the higher figures are in the results, the better protection is (Schwab 2018, 634).

Interestingly, Feoktistov, Lysenko & Shishova (2016) affirm that Russian law distinguishes property right as a special matter, but it fails to specifically determine what it exactly is by providing only general descriptions. As a consequence, it leads to different obstacles and difficulties (ibid.). For example, Bezyuk (2016) raises the issue of not alike defences of property rights of different Russian property owners. He cites Grigoriev and Kudrin (2016) who are sure that large-scale property in Russia is especially low protected mainly because of the historically wrong chosen approach of not focusing on the development of small and medium business. The problems are also caused by some misleading interpretations that lead to misunderstandings and different interpretations of the law. As a result, it makes the process of defining the property difficult. (43.) Dzhioeva & Khetagurova (2017) supplement that there is a lack of needed control of land using that brings conflicts because of not clearly
defined territories. Therefore, they believe that it is of vital importance for Russia to conduct the adjustments with a concentration to more wholistic protection of the property rights because a resident due to fear and uncertainty may reinvest his/her property to foreign assets bereaving investments to the local economy. Bureaucracy making the process be time- and finance-consuming ought to be reconsidered because of the corruption occurred that slows the development of the property rights in Russia. (ibid.)

Norway, in turn, promotes transparency in the interest in movable as well as real property. The whole system (started from the law determination of property to the judicial system that clearly and openly defines the possible issues) is effective because it aims to protect the rights. (Norway Business Law Handbook 2013, 117.) The system is very proper in terms of registration the ownership and has it defined in the rule of law. There is the authority that contributes to careful registration of property. The government set the protection of the rights to property as the area for the constant endeavour. (Norwegian Ministry of Foreign Affairs 2014.)

**Intellectual property protection**

Schwab (2018, 635) determines it as the results of the survey question about the perception of security regarding intellectual property, where stronger protection is reflected by higher figures.

Kitayov & Pak (2015) emphasise the role of intellectual property protection as strategically crucial in the overall economic and political development of Russia. Currently, there are frail indicators which are caused by the poor awareness of the need in protecting the intellectual property. Kitayov and Pak carried a survey asking 127 of respondents (17-41 age group) about their familiarity with just the term, and it showed that Russian society does not know precisely what the intellectual property is; probably because of their Soviet mentality which assumes that everything can be publicly used (205.) The respondents find nothing against the law in copying and distributing music, films, and documents of different kinds among their friends, relatives. Kitayov and Pak concluded their investigation by saying that Russian residents do not understand and undervalue the protection of intellectual property.
and, as a consequence, do not respect it in the way they respect tangible properties. (ibid., 206-208).

Chernysheva & Novikova (2018, 71) as the major problem consider the inaccurate and limited interpretation of the intellectual property in the Civil Code of Russia that does not correspond with the International Declaration of the Intellectual Property. Russian law also does not protect Russian authors in foreign territories such as the EU because it does not apply the rule of rewarding the authors in the case of official reselling. Chernysheva and Novikova continue criticizing the superficiality of the Russian legislation by saying that it is not sufficient to recognize only that intellectual work that is applied to be registered via the official website. In their opinion, the owners should have a right to inform about the property on their own websites. (ibid., 75-76.) However, it is worth to be mentioned that Bankovskiy & Entyakova (2018, 263) think that Russia is more or less in the right direction aligning with international norms. They say that the creation of a separate monitoring party and constant development of it will positively contribute to the extent of intellectual property protection (ibid., 256). Additionally, the continuous joining to global initiatives is beneficial: from February 2018, Russia is a part of the Hague Agreement concerning the International Registration of Industrial Designs that allows having an international application for an intellectual work faster (ibid., 255).

Speaking about Norway, it has the roots of Intellectual property protection in the 19th century when it was legislated. The current agency responsible for registering intellectual property is more than 100 years old. (Stenvik 2016, 226.) Actually, Norway provides the protection as the combination of a variety internationally agreed acts, rules, and participation in agreements as well as developed acts made on their own, for instance, adoption of the Marketing Control Act in the year 2009 prohibits any copying of recognizable signs that are even not registered. As another example, the possibility of providing a grant for patents in the English language has started the implementation since 2015. (Stenvik 2016, 227.) Kazachenok (2015) supposes that the EU member and partner-countries (like Norway) have an aim to implement mechanisms working towards creating a zone where the single market, freedom of action and education and other economic strongholds prevail. Therefore, the protection of intellectual property is one of the top priorities for them. (35.) She
notes the so-called Green Book, that was initiated in 1995 by the EU, as the primary document that makes the intellectual property issues understandable in the main senses of judiciary and competition inside European countries. (ibid., 37.) Inshakova & Kozhemyakin (2013) are sure that European countries (including Norway) have reached its high results mainly because of the endeavour to develop innovation capability by attracting more investments from the private sector that, in turn, required strong protection of intellectual work.

**Strength of auditing and reporting standards**

The subpillar is based on the survey, in which respondents were asked about the level of strength of auditing and reporting standards, where the higher score reflects the indicator as to the stronger one (Schwab 2018, 635).

Basically, the whole sphere of auditing firms in Russia is relatively young – the first auditing company was established slightly more than 30 years ago (Storozhenko 2018). Russian auditing firms were conducting their procedures in compliance with domestic standards and used own terminology before the year 2017 when 30 standards of auditing by IAS (International Standards on Auditing) were legislated. (208-209.) The year after, Russia has completely abandoned its old regulations and moved fully to international norms (Kolesnikov, Studenikina & Shkatova 2018, 53). Storozhenko (2018) argues that the full change to new standards negatively influences on the current situation of the auditing activities. One of the reasons that make Russian auditing weaker is the difficulties in translation. Even though the sphere is not very old, it had its agreed terminology that everyone was used to, therefore, after the shift, auditors have started interpreting new terminology in different ways, and it led to misunderstandings, as a consequence. (211.) Laypanov & Borlakova (2018) as another significant problem emphasise the quality of Russian auditors that are not adapted for new regulations. People are not provided with free educational courses that will make them learn new methods and specifications as well as with accessible and available for everyone literature. (3.) In turn, it decreases the number of auditors, especially the ones who offered their services as a small enterprise, very often represented as a sole proprietor (Storozhenko 2018, 212). Concretely, the total number of auditors decreased by 12% from the beginning of 2015 to the end of 2017, whereas the number of registered organizations and
individual auditors fell by 7% and by 25% respectively. However, it should be mentioned that there was an increase of 15% in the number of certified auditors. (Minfin Rossii 2018.) According to Kolesnikov, Studenikina & Skatova (2018, 53), Gaidarov (2014) correctly reflect that state monitoring bodies negatively impact on the strength of auditing and reporting standards because they inform tax authorities; it affects the confidentiality of clients. In addition, Sheremet (2018) explain the problems of Russian audit as the decline in the prestige of the job. He claims that new positions related to finance seem more attractive for graduates, especially when they are required to have an additional certificate that makes them less motivated to become an auditor (ibid.).

As for Norway, all auditing firms have to follow the regulations set by ISA. The translation and all other corresponding procedures usually require from 6 to 9 months to be implemented by the special authority – The Norwegian Institute of Public Accountants. (Moore Stephens Norway DA 2012, 28.) In the interview, AK gave insights that the system is highly tuned and, on average, the qualification of an auditor in Norway is higher than of the counterpart in Russia because of that experience of auditing procedures done in compliance with the standards for years. AK pointed to the overall systematic approach of the procedures because, again, the auditing standards have its roots to many years back. This is also supplemented by strict control over the auditors that does not allow falsifications to happen that often as in Russia. For instance, AK said that in Norway any firm is not easy to be established, especially, auditing; therefore, it strengthens the level of responsible auditing excluding situations with reporting that may be more economically favourable for the business. Moreover, the market of auditing business is taken mainly by large companies, and usually, even small enterprises use their services. In addition, AK distinguished the level of ethical norms in Norwegian auditing, since the country is relatively small, and the domestic market is limited, all parties strive to act to build trust with other stakeholders.

4.2.2 Skills

**Extent of staff training**
The variable is based on the survey question asking the level of domestic companies’ investments in providing employees with training and effort in increasing their professional skills. The lower score, the less domestic companies invest. (Schwab 2018, 637.)

Stuken (2015, 170) says that Russian companies have around 14% of staff being trained. Interestingly, Stuken made survey-based research where respondents generally answered that they are in need of having the personnel qualifications be increased. However, more than 60% of them find training as an expensive activity and choose not to provide employees with shorter versions. As a result, employers are still not satisfied with the level of improvements that their staff got. (ibid., 170-171.) Another problem is the risk of firing an employee that was provided with the training. It makes employer and employee have an agreement required from a person to work for a specific amount of time as a return for investments (ibid., 174).

Travkin (2017, 120) express that Russian enterprises spend approximately 0.3% of the total costs for staff training purposes. Travkin says that the companies usually fund a little more than two-thirds of training costs, although it is done in European countries in the same way (123.) The problem is that younger and the ones with higher education degrees are provided with training more than the workforce with lower positions, less academic background, and older age. It makes the reskilling easier for the employer and as a result, dismiss the real need of training for less qualified people. (125-126.) Generally, BCG (2017, 42) reports that Russian people are not trained after graduation and firms provide employees with training by 10 times less than in Europe and pensioners represent only 1% of the trainees. Stepanov (2018) references Alexey Prazdnichenykh (the GCI contributor) who noted that in the coming era of automatization, more than 86% of Russian employers plan to hire new people instead of reskilling them.

Norwegian companies, on the contrary, dedicate around 1.8% of the total costs for the training. There are more than 25% of Norwegian enterprises that employ staff who are under their training. (Eurostat 2019.) Although, AK responded that in Norway such training is paid either by employer or employee, with no governmental financial participation. Interestingly, that AK professed the view that there is a lack of qualified human resources in Norway, consequently, local companies seek to
increase their professional level. As AM put it: “*In Norway, an employee is an asset*”. He continued saying that Norwegian society is inclusive which assets are intentionally invested in order to bring results.

**Quality of vocational trainings**

It is based on the survey question where respondents ruminate the level of vocational training in their countries, where the lower score is, the worse the level (Schwab 2018, 637).

Zadorina (2017) believes that the reason of the low quality of vocational training in Russia has its roots in comparatively low attention from the government because of insufficient financing leading to the disappearing of institutions by 18% in some regions. Scarce of educational establishments is complemented by narrow program offerings that do not address the current market and trends of society. The lack of really important studying fields is caused by the absence of regional visionary toward the development. In turn, employers often lament about the need for spending time and resources to introduce to young specialists the real working life in their enterprises. (Nikolaev & Chugunov 2012, 45-46.) For example, Ivanov (2016, 61) expresses the lack of technological equipment in the vocational schools needed to integrate students into the modern businesses. Experts also argue that Russian teachers of vocational training do not have a higher education that makes their teaching in a less appropriate manner (Medvedeva 2018). If it is referenced to statistics, it is seen that in 2017, around 14% of teachers did not have a bachelor’s degree (Rosstat 2018, 187). Ivanov (2016, 67) even believes that that one-third of teachers without a pedagogical qualification negatively contribute to the overall quality of vocational training.

In the case of Norway, the state allocates 1.5% of GDP for upper secondary education that is 0.1% more than it allocates for the higher education sector (Statistics Norway 2019). The policies implemented in the sector allows adults to shorten their studies because of the body assessing their formal and informal learning. It is being done because it increases mobility and allows people to start working faster and not spending much on acquiring competencies that they already have. The competencies might have been acquired differently but also at different
levels of education since vocational courses and subjects are integrated into studying plans. It corresponds with the national aim (implemented by different acts and regulations) of providing students with professional skills. There are nine vocational programs designed by the councils consisting of some representatives of different industries. The authority that has significant power in vocational education and training policies are reported by those councils. (Souto-Otero & Ure 2011, 100-101).

According to Rusten & Humberlin (2017), actually, Norwegians have two options for vocational training. The first, which is so far the most popular choice, includes theory, vocational training with an apprenticeship. The second, which is implemented in some regions, includes theory as well as vocational and general courses and an apprenticeship. This way is very popular in regions of industrial activity like petroleum. Students are provided with vocational training tailored to the regional activities and include the recent technological novelties used by the local companies. It does not mean that students have a binding agreement to work for those companies, but statistics show that they choose them as their working place.

Moreover, Rusten and Humberlin found that the students are also more competitive in other industries not necessarily the ones that are key in their regions due to reliability on the program and the practical skills obtained in the young age. (819-820). In addition, teachers working in the sector have to have a sufficient background defined by the law: have a master’s degree in the teaching field and a teacher qualification itself (Krasnova & Polushkina 2014, 57).

**Skillset of graduates and Ease of finding skilled employees**

The first subpillar is about the fit of skills that graduates obtain to different and current needs of businesses. In the case of a high score, the fit may be judged as a great. The second demonstrates how difficult finding the right people is for local companies. If the score is low, it means that the situation is challenging. The data used in the index was the most recent. (Schwab 2018, 637.) The variables are combined because both are found as well-connected.

Before going to the findings of education of higher levels, the attention is paid to the comparison of 15-years students’ performance in three major disciplines (see Table 14). It is seen that Norway pupils outperform Russian coevals in every discipline, and especially in the science by being better by 18 points in the mean score.
Table 14. Snapshot of performance in science, reading and mathematics (adapted from OECD 2018, 5)

<table>
<thead>
<tr>
<th>Country</th>
<th>Science, mean score</th>
<th>Reading, mean score</th>
<th>Mathematics, mean score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>487</td>
<td>495</td>
<td>494</td>
</tr>
<tr>
<td>Norway</td>
<td>498</td>
<td>513</td>
<td>502</td>
</tr>
</tbody>
</table>

In the year 2017, the total expenditure in Russia for the education is 3.5% of GDP (Rosstat 2018, 177), whereas Norway spent 8.4% with the main focus on the primary and lower secondary education that got 2.9% (Statistics Norway 2018). The monthly salary of Russian public-school teachers is incredibly lower than their counterparts in Norway: in Russia, it may be around 300 euro (BCG 2017, 37) and in Norway, it is usually more than 4800 euro (Nikel 2017).

Apart from that, Gurban & Tarasyev (2016, 192) notes that a major problem of Russian education is in the big gap between real practical needs of employer and knowledge obtained in educational establishments. Brovkin (2017) believes that this problem is a special matter in higher education where Russian tertiary schools do not follow market trends, teach by old methods and admit students with a purpose to have the intake. For example, in twenty years, admission to universities doubled, when the number of applicants decreased by more than one-third. In turn, the situation is the following: 14% of sales assistants and safeguards graduated from universities. (BCG 2017, 38-40). The intake is based on the exam where students showing less than average results are offered to pay a fee for studying. Brovkin sees it as a problem because it influences on the relationship between teachers and the paying student, making his/her status be privileged and may lead to corruption (Brovkin 2017). Furthermore, Brovkin distinguishes a problem of the learning method by pure learning by heart concepts and theories, useless and numerous internal conferences and a lack of invited people from “practical world”, the representatives of the profession obtained in the establishment. In the vast majority of institutions, Russian students cannot choose courses and focus on interesting subjects but to follow designed beforehand program. As a consequence, students spend more time on other activities and areas that seem more relevant from a practical perspective but may not correspond to their educational schedule. Thus, it is difficult to balance. (Brovkin 2018.)
Speaking about Norway, already in primary school, a pupil focuses on some specific subjects and start planning her/his schedule and set goals with a teacher. In further steps, children take practical subjects connected with ecology, accounting, and information technologies as well as others that may appear due to the personal interest of the student. (Dobrovolskaya 2014, 216.) In the interview, AK stated that a Norwegian decides to obtain a degree or a diploma, only if he/she feels that it is needed for the career and life and general. There is not a national trend to become, for example, a bachelor as it prevails in Russia when higher education is seen as something vitally important but not practically needed.

According to Damşa et al. (2015, 23), Kehm et al. (2010) characterized the current educational system as responsive to the needs of a business. Norway develops its study programs oriented to the market and appeared trends. Therefore, it introduces programs that are associated with industries like maritime or studies related to modern social group like studies related to feminism. (Damşa et al. 2015, 35.) Moreover, state educational establishments do not require a tuition fee. The admission is based on grades, though competition for a study place occurs but tertiary schools accept as many as students as they can in the level of bachelor’s degree. (ibid., 27-30.)

According to OECD (2018, 111), the autonomy of Norwegian tertiary schools allowed to integrate new teaching methods that differ from lecturing, for instance, assignments and more group-based work to diversify traditional learning. Also, the high mobility of Norwegian students allows them to obtain skills fitting to the labour market. Additionally, students enrolling for the programs that represent the main labour market trends, e. g. ICT programs are the most popular and represent almost 40% of the doctoral student cohort. (ibid., 114-116.) Norway’s tertiary educational establishments are highly collaborative with different social actors, particularly with companies. It is achieved with a significant contribution of the government catalysing collaborations where representatives of practical world share information, provide different workshops connected to the field and further job opportunities. (ibid., 120-125.) This was echoed in the interview with AM who said that “there is a connection between education and business. A master’s degree student knows where he/she will be working”. AM highlighted opportunities of working on a project with real
enterprises as well as writing theses for them that allows interacting with companies while studying. What is more, in some study fields such as engineering, educational institutions have to include practical subjects in the curriculums (ibid., 126). Additionally, AK noticed that openness to international workers prevails in Norway taking “the brains from other countries”.

4.2.3 Labour market

Cooperation in labour-employer relations

It is a survey-based subpillar assessing the relations between employee and employer. In the case of a high score, the relations are more collaborative (Schwab 2018, 639).

AK believes that the difference has its roots to the cultural features of both countries. Whereas in Norway, the managerial structure is horizontal, consisting of less hierarchy, in Russia, there is a bigger distance between employer and employee. AK named the situation in Norway as a Scandinavian approach that was formed for the years. Scandinavian is obviously about other neighbouring countries with similar culture – Sweden and Denmark – that are important for Norway in terms of business (see chapter 3.2). This is interesting that AK argued that Norwegian method in employer-workforce relations might not work successfully in Russia due to that difference in mentality. Russian conditions of conducting a business usually require immediate action with no spending time on discussions and meetings, whereas in Norway the conditions normally allow to not to decide “right here, right now”. While commenting, AK found this as the reason why Norwegian companies have not so many subsidiaries in the territory of Russia. According to Norge.ru (2019), there are only 70 registered subsidiaries of Norwegian companies in Russia. To compare, Swedish companies has its representative bodies in Norway as the number of more than 2500 units (Business Sweden 2014).

Active Labour policies

The subpillar is based on the survey where respondents were telling how helpful domestic labour policies in finding new jobs and having refresher training. If the variable’s score is low, it means that the policies are not helpful. (Schwab 2018, 639.)
In accordance with Kommitet Po Trudu i Zanyatnosti Naseleniya Sankt-Peterburga (2019), there is a Russian law that does not financially support people who are in the process of reskilling or increasing their professional qualification neither in special educational establishments, education institutions nor anywhere else. The Labour Code distinguishes all possible reskilling as an initiative of an employer who, in the case of the implementation of the procedure, have to provide with appropriate conditions (Trudovoi Kodeks RF 2019).

In Norway, there is The Norwegian Labour and Welfare Administration that is the public agency providing people with vocational training for the ones who cannot find a job after several attempts, those who are going to lose a position because of a shortage of skills or who need assistance. The courses do not require a fee, are usually about ten months long and their design varies from one region to another. (NAV 2018.)

Norway follows the strategy where it nationally pays attention to reskilling. There is a use of online-education courses that are promoted to be utilized. Norway understands the possible obstacles of documentation of the skills obtained throughout the working life, especially of immigrants coming to Norway. Thus, it distinguishes the way of recognition of a part of a degree, full education or skills acquired from foreigners coming to work. Special courses assessing the skills of labours are created the proof of the skills. (Norwegian Strategy for Skills Policy 2017, 18-20.) Additionally, there are some people who do not have very basic skills to work in Norway by doing a manual job. For this category of labours (they are assumed to be mainly refugees, but the idea is to be applicable for all), special grants are given for the enterprises to provide them with needed skills. In turn, workers get a certificate that encourages them to participate. (ibid., 22.)

**Reliance on professional management**

This refers to the survey result where the higher score reflects the professionals managing because of their qualifications and the lower – because of close relationships, friendships. (Schwab 2018, 639).

AK claimed that “the scale of the problem is big” in Russia. The domestic companies, especially state-owned, have no transparency in recruiting to a managerial position.
The legislation does not limit such hiring and the companies, in turn, does not provide with information revealing this. Norway also has its cases when an organization employs a relative or a friend of another manager. However, these rarely happen in the government-run enterprises. As AK noted, once a position is available, it is always announced to be applied to the public which means that competition occurs.

**Labour tax rate**

The variable is based on the business obligatory payments on labour. It is “expressed as the percentage of commercial profits”. (Schwab 2018, 639). Basically, Norway has a higher position in the ranking by being 69\textsuperscript{th} with the value of 15.9, while Russia is 133\textsuperscript{rd} with 36.3. Therefore, the logic is the following: if the value has a lower number, then it is higher in the rating or may be said that it contributes better to the overall competitiveness of the country. If the average salaries of both countries are compared, it is seen that an average salary in Norway is bigger by 52\% than in Russia (Average Salary Survey 2019). Thus, one can expect that obligatory payments on labour are also higher in Norway. However, the fact that obligatory payments on labour as percentage of commercial profits is lower in Norway suggests that Norway can still generate more commercial profits despite higher expenditures on salaries.

4.2.4 Financial system

**Domestic credit to private sector**

This variable provides with the score of the provision of financials to the private sector (Schwab 2018, 639).

AK supposes that one of the considerable reasons for Norway is its interest rates that positively contributes to the higher score and position in the ranking. Actually, short-term rates were noticeably bigger in Russia over the whole period. For example, on its peak, in 2015, Russian banks offered credit with 14.8\% short-term interest rate while the counterparts in Norway offered the same but with the rate lower by 13.5\%. The situation is similar in long-term interest rates: again, the peak in the period in Russia was in 2015 when the rates from Norwegian banks were lower by 9.3\%. What
is observable is that, although the countries have tendencies to go down, Russian case is more fluctuating, while Norwegian – constant (see Figure 13).

![Figure 13. Interest rates of the countries (adapted from OECD 2019)](image)

**Financing of SMEs**

The subpillar provides with survey responses about how accessible finances needed for business conduction are for small and medium-sized enterprises. If the score is high, it tells that finances are more accessible. (Schwab 2018, 639.)

In Russia, SMEs get the main financing support from bank loans – in 2015, it was 94%. However, there are different barriers to getting a loan for small or medium business purposes. (OECD 2015, 152). Savchina et al. (2016) say that banks do not have a real interest in developing their businesses with SMEs; thus, credit connections are not developed, and firms are not provided and offered with especially emerged products and services contributing to SMEs amelioration. The problem is in false perceiving SMEs as a well-established and big companies which borrowings are even much bigger. In general, banks miss an oriented methodology assessing risks. It leads to either extended periods of awaiting a credit result or not adequate for SMEs interest rates (11623.) According to Savchina et al. (2016), around 90% of proposed by the Ministry of Economic Development and Trade of Russia sum is not provided to SMEs. Moreover, OECD (2015, 152) reveals that only 45% of applying SMEs get a loan. RAEX (2018) explains the high number of refusals as the lack of sufficient collateral. Even though there are Regional Guarantee Organizations,
they still successfully contribute only to 6% of given loans. (10.) The main loan issuers are the biggest banks of Russia, the ones who do not represent the top-30 have a tendency of decreasing the credits. Overall, 55% of Russian banks do not increase their credit portfolios. (ibid., 13.) OECD (2015) highlights deficient transparency norms and not a necessity to provide with financial statements for many borrowers. It makes risk assessment more difficult for banks. Also, bank employees usually have not enough understanding and training that limits them in coming up with the bank own methodology and, again, lack of transparency – public credit recordings – amplifies the obstacles. (153-154.) According to Savchina et al. (2016, 11629), Pashchenko (2016) found out that a problematic procedure is in guaranteeing (43% of responses), high interest-rates (32%) and bureaucracy (26%) are core issues. From the perspective of AK, though Russia comes up with supportive policies, practically, the support is absent.

In the case of Norway, AK claimed that Norwegian business system works towards is SMEs, though the main money comes from large companies mainly working with natural resources. AK even named the SMEs as “skeleton” of the Norwegian economy. Therefore, the opportunities to run a small or medium enterprise is provided by all the official parties starting from a municipality and ending by the government strategy. All of them are interested in providing support, and very often some services are free, and it is not like in Russia where a “young” entrepreneur needs to pay for every single step of his/her business activities. In Norway, apart from more developed venture capital (see Table 12) and that state support, the granting system is on the advanced level. Grants may cover up to 50% of SMEs projects no matter to the overall costs to positively contribute to their development, e. g. to “discover and enter new international markets or [cover] R&D expenses”. What makes the whole process small-business-friendly is the terms of getting the financial support that is always agreed beforehand and in the vast majority of cases, it is implemented on time.

Notwithstanding some exclusions, there are no delays meaning that a small developing business may plan its strategy, future and set goals in accordance with the timeline for the support. AK said that the free and, importantly, qualified and helping consultancy of developing a business prevails as well as adequate access to
tenders with no excessive requirements and expectations. All in all, “the system supporting SMEs is understandable and transparent”.

Insurance premium

It reflects the amount of life and non-life insurance premium in the country. (Schwab 2018, 640.)

Bykanova & Cherkashina (2017) characterize the general situation in the Russian insurance market as stagnant: decrease in the number of subsidiaries of big companies, drops in the profitability of the leading insurance segments and liquidity. Demonstratively, 16.5% of companies have lost licenses in 2015. (204.) According to KPMG (2018, 7), from the period of 2015-2017, the total number of insurance companies in Russia has decreased by 33% and the decline is forecasted to be continued. Aksyutina (2014, 117) explains that long-lasting tendency as a lack of resources to increase capital. As an example, five companies from top-100 left the market in 2017 (NRA 2017, 4).

The problematic areas in the Russian insurance market are described as vulnerable to macroeconomic factors and instability of the Russian economy as a whole. Low incomes and volatility (that further reached a dramatic drop) of currency make paying capacity for Russian citizens low. Geographical features also negatively contribute to the situation because they lead to higher costs of conducting businesses and, as a consequence, considerably decrease budgets of small enterprises that could be spent on insurances. The government, in turn, fails to provide SMEs with finances that will increase their payment abilities. (Podkolzina 2016, 58.) The area is complemented by low reliability to insurance services and absence of insurance literacy among residents (Aksyutina 2014, 118). For instance, voluntary pension insurances are not popular among youth because they do not think about future incomes in an appropriate manner, whereas elderly people cannot afford extra pension (Nerovnya, Romanov & Shirshov 2018, 479).

Norwegian insurance market does not face a problem of the population affordance getting insurance. As it was mentioned by AK: “purchasing capacity in Norway is high”. Also, it may be referenced to previously mentioned salaries in Norway that are considerably higher than in Russia as well as overall financing level of SMEs and
possibility to get a credit (see Table 12 and previous bolded parts) that cover costs and should increase that costs of local businesses. Furthermore, life-insurance companies have the biggest share in the Norwegian market, though the number of non-life insurance companies prevails in Norway. Life-insurance premium mainly comes from pensions: both individual and occupational. (Norges Bank 2017, 62-63.)

**Soundness of banks**

The index expresses it as the responses assessing how sound banks are in the territory of the country. The higher score, the healthier banks are perceived by the population. (Schwab 2018, 640).

The period from 2013 to 2016 is known as the cancellation of banks licensing period in Russia – Central Bank of Russia prohibited continuing the business to more than 400 banks. The reasons were not only economical but also about the suspicion of fraud (26% of them). (Bidzhoyan 2018, 27-29.) Bashirov (2017) pays attention to the size of unlicensed banks: only in 2016, five of them represented the top 100 banks in terms of assets, and in 2015, four were banned. This tendency of “cleaning the banking sector” lead to the outflow of deposits in smaller banks and lead to an increased capacity of the state banks. (14.) However, Tavasiev & Mazurina (2016) are sure that there are still not enough significantly big banks that will attract big demand for the services. In Russia, it is common to invest, hold the money in the foreign units. Here is the lack of improving action from the government. However, macroeconomic interventions do not allow to develop freely. Another quite uncontrollable issue is in the economic conditions of the population whose solvency depends on the region of the country (incomes vary from city to city). In other words, the Russian system should be redeveloped with the perspective of starting from each region separately and setting concrete goals which are relevant there. (32-33.) AK said that the instability of Russian banks is the consequences of sanctions set against the Russian Federation. IMF (2018, 21) reports that there is a dominance of state banks, which represents 66% of the market; however, in terms of efficiency, they lag behind private ones. Further, IMF named the overall situation in the market as monopolistic where that heavy control of state banks crushes the competition. (ibid., 31.)
AK in the interview maintained that banks in Norway are transparent enough to conduct the business. The legislation ensures the credibility of banks which are old and has sufficient capital to sustain. Moreover, it "strongly protects borrowers". Besides, the market consists not only of Norwegian banks which number is not even huge. There are banks from other Scandinavian countries, and they are part of the whole system. AK believes that a smaller number of registered banks allows to control them more properly ensuring their soundness. The absence of turbulence, constant changes, and overall stability makes the banks operating in Norway sounder than in Russia. Additionally, IMF (2015) says that Norwegian banks have stable performance indicators. Some of them are higher than required from international standards. Importantly, the global financial crisis of the year 2008 did not lead to Norwegian banks' bankruptcies and did not significantly impact the domestic banks. (14.)

4.2.5 Innovation capability

State of cluster development

The subpillar should be understood in the way of survey-based answer to the question of the spread level of advanced clusters in the territory of the country. If the score is low, it means that the spread is close to the null. (Schwab 2018, 641.)

Rodionova, Krejdenko & MaDry (2018, 61) claims that the government plays the key role of cluster advancement in Russia and the main financials are flown from the country’s federal budget. Concretely, Kutsenko (2015) found that 64.4% funding comes from the federal and regional budget and it is complemented by 7.1% of funding from the local state where the cluster is. He believes that such a huge position of the state in cluster activity leads to the dominance of state companies reducing the overtures number from the private sector. (38-40.) Kutsenko further adds that Russian SMEs agents are out of discussions and decision-making processes. (ibid., 46.) Islankina & Thurner (2018) name this phenomenon as the very Soviet Union alike, when the state participated in every economic activity. (2; 12.) Actually, this parallel is explained by Rodionova et al. (2018, 62) who say that the dissolution of the USSR left the economic industries on the rudimentary level, in turn, making Russian authorities profoundly participate in the cluster development. However,
there is still a lack of resources provided to some regions (ibid., 62). Zemtsov, Pavlov & Sorokina (2016, 517) claim that subsiding is quite chaotic, there is no connection among the size, efficiency, and extent of development of regions but some of them simply get more money. Rodionova et al. (2018) remind that in 2010, the Russian regulatory body announced the creation of 250 clusters. Reality showed, however, that a part of the number has never been started to be created, whereas another part was just based on established companies. Thus, in 2017, there were only 113 of clusters where around 29% were located in the Central Federal region and some regions did not have a one. Interestingly that only 8 clusters were empirically found as effective. (69-71.) According to Kutsenko (2015), there are pilot clusters that are in a so-called “closed administrative-territorial formations” that, nowadays, are known for their poor level of infrastructure, access to social needs and living standards. Kutsenko sees it as a major problem of talents leaving the area. Moreover, that kind of Russian cities has again a problem of the superiority of several big enterprises not allowing smaller to become a part of the cycle. (36.) Coming back to the issue of the government role, Kutsenko identifies the tendency of Russian cluster companies to build a relationship with the authorities instead of other companies to develop jointly. Thus, there is a need for cluster managers to understand the value of business-to-business interactions. (44.) Zemtsov et al. (2016) they measured the interrelations of cluster managers with other participants in Russia. What stands out in their study is that the number of that interactions was lower by 207 than the needed standard. (508.) This particular issue was mentioned by AM as a major. The lack of interactions is from all the stakeholders. AM explained it as a “sociological phenomenon” revealing that “informal networks prevail” in Russia. It makes the processes be “less transparent and unilateral” which negatively impact the attractiveness of new people to the cluster.

In the context of Norway, its innovation policy places the development of cluster to the central role. To facilitate progress, it has launched three programs. First is Arena that provides underdeveloped clusters with managerial and financial support that may be given for up to five years. (Njøs & Jakobsen 2016, 155.) Thus, the program accompanies the development from the very beginning to a certain targeted goal (Müller et al. 2012, 122). Arena represents the first level of support granting a
possibility to enter the second stage where another national program named Norwegian Center of Expertise (NCE) (Røtnes et al. 2017, 20). Njøs & Jakobsen (2016, 156) characterize the program as the cluster internationalization and innovation increasing, designed for a mature and secure position, and it provides ten years long support. From 2006, more than 73% of supported clusters were active in 2017 (Røtnes et al. 2017, 20). What is important is that in both programs the half of funding is always from private means (Müller et al. 2012, 118; 124). When it is said that the role of the programs is supportive, it means that the supported cluster decides on their own what kind of contribution it needs, where to focus and what strengths they already have, they are in fully integrated position designing their future steps. In turn, Arena and NCE assess the projects in terms of a current market situation as well as strives to balance cooperation development, trust among participants and keep a cluster’s originality. (Jakobsen & Røtnes 2012, 11.) Moreover, both programs are very selective – there is a sort of competition among applying projects; therefore, accepted only those which have proven their supremacy over others. The benefits of being part of the projects are demonstrative – the majority of participants in Arena say that mutual trust is enhancing and in NCE – internationalization along with collaborative activities is growing. (ibid., 16-18.) Cluster management is greatly supported by different workshops, regular meetings and specific toolboxes that makes cluster progress (Müller et al. 2012, 68). Jakobsen & Røtnes (2012, 20) references survey resulting in the overall proper cluster management evaluation. The third-level program is Global Centers of Expertise (GEC) which was established only in 2014. It has similar criteria as NCE but focuses on a cluster with a global position. Thus, it provides with a financial injection only to increase knowledge, positively contribute to cooperation among clusters and innovation. (Røtnes et al. 2017, 20-21.) GEC and NCE concentrate on central regions, whereas Arena mainly contributes to rural clusters development (ibid., 28). AM in his words explained that the Norwegian system is about a well-tuned dialogue among cluster participants who can find a collective consensus. Formal networks in the form of official representatives of companies and regulatory bodies render the interests of them and decide on where to focus.

International co-inventions
It demonstrates the volume of applications with any number of foreign co-inventors to register an invention (Schwab 2018, 641).

According to Denzhina (2010), Russia inherited the Soviet Union system of encouraging international scientific collaboration where different fields have a similar share of supports, though their contributions to the world stream of publications are declining. The issue is that a small number of institutes are involved. For example, one unit can have more than half of the total number of co-publishing with foreign colleagues. What is more, very often collaboration is being implemented because of a concrete Russian researcher effort, his/her networking and endeavour. Also, Denzhina highlights that there is a proportion of 1:10 of coming foreign scientists to leaving abroad Russians meaning there are too little foreign experts who may become interested in working with a Russian counterpart. (145.) AM claimed that Russian researchers are not provided with organized conditions to conduct joint researches. Furthermore, the lack of financial support leads to cases when Russian research fellows participating in international researches have a “service role”. They do only calculations, measuring and simple testings that do not assume their name being in the title of an invention. (ibid., 146.) Kachmazova (2016) points to the problem of small international conferences where foreign researchers may tune networking with foreign colleagues. Russian PhD students have poor opportunities to go abroad to participate in global projects. Besides, small amount foreign fundings that make Russian scientific work even more domestic and a little participation in the world organizations’ observatories, reviews, and research activities are among the barriers in international co-inventions in the Russian Federation. (288-289.) Finally, Kotsemir et al. (2015, 55) believe that political situation adverse the potential collaboration among Russian and foreign inventors. AK felt that language barriers and weak understanding of the mechanisms of foreign markets are the issues that make collaboration difficult. He also shared his practical example that there is a lack of support of the Russian scientific community abroad, while foreign municipalities contribute more.

As for Norway, according to OECD (2017, 65), RCN (2015) found that 6 out of 10 scientific publication from Norway is being done in collaboration with a foreign co-author. Balyakin et al. (2018, 653) remark that promotion of co-joint international
scientific activities is the part of the development of international relations, where the Ministry of International Affairs stresses the activities upon the Sustainability Goals set by the United Nations. For instance, there are approximately 100 projects aimed to connect foreign researching units with domestic counterparts (Norwegian Ministry of Education and Research 2013, 11). As AK in the interview said:

“*Internationalization is one of the main source of getting money, and there is no another way. Norway is a small country*”. AM thoughts complement it: “*Norway has an orientation towards international cooperation; there is a clear understanding of benefits from it*”.

Thus, the country actively collaborates with the world leaders in scientific publications from North America (where the support is high); as a result, their number was doubled from 2003 to 2010 (Johne 2011). Norway’s partnerships with the EU is also beneficial in terms of scientific collaboration. The country is the part of the Joint Research Center which has sites in 5 European countries. Norway’s involvement is considerable representing seven large laboratories and two academies. It has 51 joint projects, 19 scientific networks and six collaboration agreements (European Commission). AK connected the examined subpillar’s score and the dependency on foreign markets and trade. He believes that international trade allows Norway prosper and due to this, Norway constantly aims to develop its international partnerships.

**Patent applications** and **Trademark applications**

The first variable is on the basis of the volume of applications to register an invention as a patent. The second is on the basis of the volume of applications to register a trademark per million of residents (Schwab 2018, 641-642). The subpillars are combined here since they are well-connected.

In accordance with Yakovets, Konchenkova & Rastvortsev (2018), the Russian system is not correct to the point of publishing articles that lead to further patent registration. Authors in Russia are not provided with a free and easily accessible way of being published in the leading journals. Therefore, Russia also meets negative balance in selling intellectual property. (17.) However, Kuznetsov (2016) says that the government effort is still significant, but the problem is in the fail of supported
projects to become a patent-productive; it decreases the motivation to continue the support. Russian society has a quite low level of prestige for scientists, they are not really valued, and their salaries are small. Thus, it is prevalent for them to leave the country. Because of these, Russia’s innovative capability meets a massive barrier in attracting talents. (9-11.) Figure 14 is demonstrative because it shows the negative tendency of the number of researchers in the country. If Norway steadily increases the number, in Russia the popularity of being a researcher is going down, and the number is roughly twice less than in Norway.

The state of Russia also fails in providing the appropriate way of support for applications – there is a lack of administrating support that makes the procedure very long (ibid., 65). AK sees it is the main barrier for Russian innovators, whose ideas do not go far, while in Norway a strong “belief in intellectual property” prevails. The corporate sector in Russia does not seek to innovations and it indicates a modest result of one-third of the total number of patents. Norway in comparison has 81% of patents issued by companies. (ibid., 31-32.)

![Figure 14. Total researchers per 1 000 employed (adapted from OECD 2019)](image)

Speaking about Norway, the government also plays not the last role in the nation’s innovations. It concentrates the support on the leading market players. For example, the Ministry of Petroleum & Energy sets clear long-term goals and contribute to management. This – single ministry role – is exactly what Kuznetsov sees as missing in Russian innovation development and as the determinant in the Norwegian. (ibid., 79.) Apart from that, Norway puts an effort to develop research communities by heavily funding and improving infrastructure (OECD 2017, 97-98). As it was
mentioned it this thesis, Norway and Russia are known for petroleum production. However, AM points to a considerable difference between the countries’ approaches. In Norway, offshore extraction happens, while in Russia – onshore. Norwegian method allows to come up with innovative solutions more often. It associates with the words said by AK who added that innovations from Norwegian companies are usually more integrated into a process.

**R&D expenditures**

It is based on the volume of public and private spendings on research and development activities (Schwab 2018, 642).

According to Denzhina (2017), the government mainly contributes to the sphere allocating 70% of total expenditures to R&D and financially supporting 62% of R&D in business activities (11-12). Kuznetsov (2016, 28) claims that overall Russia lowly demands new technologies and novelties: in 2014, only 0.3% of GDP were invested in intangible assets. Instead of creating new technologies, Russia tends to buy them from abroad. Denzhina believes that it makes the nation less independent on the external market (Denzhina 2017, 13). Actually, the government has been aiming to build innovative infrastructure. For instance, in the 2010s, establishing of so-called “technology platforms” has been started, where the help was non-financial: parties were, as it was planned, to be connected communicatively. However, due to the failure of the relating involved parties and direct them towards the set priorities, and therefore, the loss of the private sector to participate led to only one-fifth of functioning platforms by 2017. As for state companies, they were also pushed to increase R&D activities, although, it is demonstrative that only a third of them responded that they want to contribute to the world market, while the majority was aiming to benefit only internally. Collaboration with universities also does not meet expected results because forcing make it only formal, with no real interest. (ibid., 14-16.) Kuznetsov (2016, 9) evaluates the government actions as not returning on investments: extensive spendings do not bring enough results, local businesses are not innovation-oriented. Kuznetsov further proposes the hypothesis that companies put an effort for R&D only to meet tax benefits and report about an “achievement”. Another issue is the business centricity on price, instead of quality. Russian enterprises rather save money on the less innovative product supplied instead of
strategically assume the possible outcome of more expensive product or service. Kuznetsov claims that it may be interpreted in the way of decreasing R&D potential. (Kuznetsov 2017, 44.) Interesting that AM noted to the overall limitations of Russian businesses to invest extra money. Enterprises consider only short-term development.

In Norway, the role of the government in R&D expenditures is not predominant. It has a share of 15% of total R&D spending, whereas business sector enterprise sector contributes as of 54%. (NIFU 2016.) However, AM distinguished the political will of Norway and its awareness of the importance of innovation. The funding is about to be equal: 0.91% of GDP comes from the government and 0.9% - from the industries (NIFU 2018). Demonstratively, Norway allocates 46.7% of technology expenditures for its own innovations; it is higher than in Russia by 20.1% (HSE 2018, 325). OECD (2017) accentuates the goal set by the government to continually increase R&D expenditures. Also, business contribution to R&D activities is reached because of growing expenditures in the service sector. It makes an important fit between the scientific world and industrial clusters, e.g., the maritime, environment-friendly technologies. There is an advanced system facilitating R&D activities that encourage the knowledge shared among sectors. The cluster programs mentioned earlier is an example of it. The support of start-ups in the form of commercializing R&D also positively contributes to R&D expenditures. (27-29).

Moreover, SMEs are almost the key R&D performers (ibid., 133). The state supports businesses by R&D tax credits, grants and other different instruments that are designed to help financially and technically (ibid., 137). For instance, Innovation Norway (state-owned company) assists by designing funding schemes, promotion (ibid., 139). In the case of an approved project including R&D activity, a company has a chance to get a tax credit of 18-20% (ibid., 147). AK argued that Norway strives to optimize working processes because of expensive conditions obligatory provided to an employee and overall need for the more qualified workforce. Norway sees a solution in replacing human by technology, since, in a long-run, it is less costly.
4.3 Summary

To summarize the findings, in terms of the framework, it was preliminarily identified that Norway surpasses Russia from the perspective of 11 pillars out of 12. Nonetheless, the research was focused on five of them (namely Institutions, Skills, Labour market, Financial system and Innovation capability), since some of the pillars represent an inconsiderable difference, whereas the one (namely Health) could be perplexing to ascertain the issue and to be influenced within the scope of the thesis. The 5 pillars have its subpillars that were needed to be chosen by following the same approach for the deeper study. In total, there were 23 subpillars (variables) diagnosed as the main aspects making Norway be more competitive than Russia.

Broadly speaking, major reasons for advanced Norwegian position are caused by the overall systematic imperfectness of Russia. It negatively contributes to the national regulatory bodies that weaken institutions, lead to no freedom of the press and fails in ensuring, for example, judicial procedures, corruption investigation, educational processes of different levels. It also makes the whole country less innovative. Norway’s better-tuned system allows the nation to have the explicit implementation of the development of innovation activities and to be more collaborative in foreign scientific and innovation works. That system includes legislative institutions that are also the parts of determinants of innovation capability since it was found that the law protects intellectual property as well as physical property better. Another systematic advantage of Norway over Russia is again in the regulatory bodies and more precise implementation of the plans. For example, Norway focuses its strategic development towards facilitating SMEs by providing them with needed finance via different initiatives and programs where all the parties are genuinely involved in the process aiming to contribute. In turn, in Russia, it is possible not to meet the announced number of created clusters. Speaking about financial support, Russia fails in ensuring the appropriate conditions to its local academics allowing them to innovate, collaborate with counterparts from other countries and encourage domestic enterprises to invest in R&D activities. Moreover, Russia has a small expenditure on education. It is seen in the percentage of GDP allocated to the sector that, in comparison, is considerably higher in Norway where primary and secondary schools are better funded than some Russian tertiary education establishments. Actually, it is
related to the skill of labour in both countries where Russian students are less ready to be integrated into the working life.

The research demonstrates that Norway values the potential of technology by investing in innovation activities because it sees that the workforce can be more expensive, whereas, in Russia, businesses prefer saving money due to limited resources, are not willing to invest in increasing the level of its employees and coming up with new solutions. However, Norway’s case should be understood that the nation shows the systematic approach in education, for instance, by being sensitive to the labour market trends, whereas in Russia, obsolete methods in preparing future workforce occurs. Notably, some systematic problems of Russia are explained as the age of executing a particular activity that is quite old in Norway. This is one of the reasons for the difference in the strength of auditing and reporting standards between the countries.

Apart from those systematic drawbacks of Russia which are possible to connect in some ways with many other issues of the competitive extent of the nation, it should be distinguished that some of the Financial system realms such as Insurance market and crediting private sector are worse than in Norway. It is because of the economic situation in Russia (the context of the country may be remembered, low GDP/capita is also illustrating) and the overall poorness of the residents who cannot afford some financial services. Although, it is worth to be mentioned that the interest rates are too big in Russia meaning that banks also are not oriented to the customers. Norway’s society, in turn, is stable to that issues and is offered adequate interest rates. Externalities in the form of sanctions also negatively impact the financial system of Russia. Besides, that low economic conditions of Russian citizens even effect their occupation: for example, after integrating new auditing standards, the number of the auditors decreased because not all of them could afford to visit new courses. In Norway, it is different, and it could also be seen in the growth of the number of research fellows that, in words, is declining in Russia due to low salaries.

The results of the study also show that cultural difference also plays its role, mainly in the relationship among participants of any activity. In Russia, there are more informal networks with no tuned official communication that was found as the barrier in the development of clusters, whereas Norway has a well-established
structure. Corruption happened in Russia also may be explained by that non-official way of communicating. The study has found that the examined countries have a different historical way of relationships in workplaces. It means that local people get used to some approaches and may consider that as the norm. It is connected with findings that workforce in Russia is considered as a cost and in Norway, it is believed that a labour is a source to invest in, though, as found, it is more expensive. Interestingly, the approaches are applicable to the context of each country but difficult to integrate one to another’s context. Furthermore, the weak intellectual property protection is related to the national illiteracy and rampant misunderstanding of the harm from using intellectual works with references to authors. As it was found, the roots are in the U.S.S.R.-like minds where were fewer formal frameworks regarding a property. Norway’s case showed that protection is traditional and old. Although, this may be explained by the overall size of both countries and their markets. Obviously, Russian – bigger and Norwegian – smaller, consequently, in Russia, there is not an aspiration to tune communication and build trust as in Norway, because in the first – the number of potential partners is also bigger.

5 Discussion

This study was carried in order to compare Russia and Norway in the sense of competitiveness based on the Global Competitiveness Index as the theoretical framework. As a fact, the countries have a significant petroleum contribution to their economies. However, this natural endowment does not make the countries close to each other: actually, there is a distance of 17 places between Norway and Russia in the index. Therefore, the research had the main objective to determine what makes a resource-rich country, Russia less competitive than another resource-rich country, Norway. It has been done by finding what the problematic areas of the first country are and what the main successful elements in the same areas of the second are. Since the summary of the findings is already in chapter 4.3, this part of the thesis will familiarize readers with practical implications, assessment of the results in the light of literature, research limitations and point to the further research recommendations.
Practical Implications

In general, this thesis is supposed to contribute to further development of Russia with the help of Norway’s case, therefore, all the problematic areas of Russia are identified to be demonstrative where the attention should be paid. Norwegian successfully established aspects are helpful in the context. Hence, the implications are addressed to Russian policymakers, the ones who are responsible for certain area development and can change and impact the situation.

Concretely, to make the judicial system in Russia be more independent, policymakers can be inspired by the Norwegian system, where a court president has no significant power in assigning the judges and investigating their professional mistakes. Similar to Norway, Russia should replace that power to an independent third-party that will do that tasks impartially. Norway’s special committee is a sufficient example to take into account. Additionally, Russian law needs to be reconsidered to ensure no pressure coming from any interested parties. A background required for a Russian judge can move from obligatory being from the field of the law because the Norwegian case demonstrates that judges with different fields’ backgrounds can positively contribute.

Mass media in Russia has a quite challenging picture since it has the roots in the state regulations. Norwegian authority shows a full-democracy pressing the birth of monopoly; therefore, the main advice to Russian policymakers is in striving to limit the ownership of the press by the same parties to reach that level of pluralism. Once it is done, Russia will have a chance of having flows of different opinions contributing to overcoming some local issues and become more competitive.

Corruption, as the core of some problems in the territory of the Russian Federation, can interfere with the nation and its competitiveness less, if the authorized body was more developed. Norway with its special authority is demonstrative: Russia should establish the regulatory body that will be in charge of investigating that kind of crime and engages police, prosecutors and advisors that will represent an elite force meaning that the competence of that branch is high.

Property rights as well as intellectual property protections in Russia, actually, may be strengthened by the law changes where all points and nuances are clearly defined. In
Norway, it is well-determined, thus, the practical implication for Russian policymakers might refer to those ways of describing the property and corresponding matters. In terms of intellectual property only, Russian official should consider continuing participating and joining and international agreements to protect the works more properly and ensure it even on the territory of foreign countries.

The auditing and reporting standards can become more solid if Russia directs the effort on increasing the qualification of domestic auditors. Their number is still big, and many local firms use their services, therefore, increased competences will be helpful in the area. Russia may approach Norwegian’s example of preparing system of new auditors. What is more, there is a need to have stricter control over auditing companies in Russia.

Another important practical implication starts the need for increasing skills of people in Russia. There should be more investing in the employees’ skills increasing by following Norway’s tendency. They understand the future need for a competent employee. Hence, managers of Russian companies should provide people with more training to keep them able to work in the modern environment.

Continue the word about skills, Russia educational system should be more provided with finances. There is a need for new equipment that will familiarize students with the practical world and allow them to learn better. Besides, it will increase teachers’ salaries and make them more motivated to work. Speaking about teachers, Russian policymakers should pay attention to the required vocational teachers’ background by increasing the minimum criteria as it is Norway. Moreover, it seems that the whole system in Russia has to be more flexible. In other words, it should be planned according to market trends. Norway shows an example here of creating a studying scheme according to a region and its specifics. Also, Russia may promote cooperation between universities and real companies by integrating them in the studying process. Norway here demonstrates a suitable combination of different co-joint projects. Practically, Russian students (even from primary school as it is done in Norway) ought to have a choice of what courses they can attend as electives that are obligatory to be taken.
Going further, it is obvious that cultural difference is difficult to be influenced. However, Norway’s higher competitiveness may be illustrating for Russian managers to integrate more cooperating ways of doing business by being more democratic with employees. It is understandable that the countries have different market sizes, territory, and parties involved in the process. It means that the situation may be improved with joint actions of all. It does not require a specific policy or regulation, but it is just about people’s attitude.

Speaking about labours, Russia should reconsider its state support in reskilling. As Norway does, there should appear more available and accessible courses aiming to help people be more competitive in the labour market and fit their needs.

The problem of low transparency of Russia companies, mainly the ones owned by the government is the problem that needs to be solved in order to overcome the issue of having not appropriate people be on the key positions. Similar to Norway, the public announcement needs to be, once a company looks for a top manager.

Moving to Financial system, too high-interest rates are obviously a complex issue; however, Russian policymakers should pay attention to it and work towards decreasing them. Norway’s case demonstrates that low-interest rates make the nation be more competitive in spite of having a wealthier population.

What is more, the entire system of supporting SMEs in Russia may be inspired by the Norwegian example. The findings suggest that banks should be encouraged to provide small businesses with more credits, there need to emerge a detailed and careful scheme of granting that will contribute to more expenses on innovations and will just cover the costs. The system has to be reconsidered to the point of tuned communication between involved parties who will require extra investments from enterprises and do the procedures with no delays. It will allow companies to plan their strategy accordingly. In turn, SMEs as well as other companies ought to be controlled more precisely in order to ensure no speculations while applying for credit and guarantee the paying capacity. However, there has to be stricter control over Russian banks to avoid problems for businesses and private customers. Therefore, the policy of liquidating banks is found to be positive and should be continued.
Furthermore, the results propose applying similar programs (as Arena, NEC, and GEC in Norway) dedicated to different extents of cluster development. For Russia, it will be helpful in developing the clusters with a clear understanding of what is needed, with more tailored catalysing and with the direct participation of the stakeholders, particularly – business, especially small ones who are now neglected in the scheming.

As for increasing the level of inventions in collaboration with foreign counterparts, Russia should consider the Norwegian case and increase the financing. It is needed to provide with conditions, ease travelling, participation in international conferences as well as be more attractive for international scientists, scholars, and academics to cooperate with the domestic ones. Partnerships with other countries need to be more established and continually supported.

Also, there is a need for emergent state regulations setting the aims not only to SMEs but to big companies thereby inducing them to invest in innovations. This will increase R&D expenditures in the long run, increasing the spending of businesses on new patents, inventions, and trademarks. Again, better-established systems of granting will stimuli enterprises.

**Assessment of the Results in the Light of Literature**

Basically, the research pioneers comparing the competitiveness of Russia and Norway, although there are studies aimed at the competitiveness of the chosen nations. Even though there are no works absolutely related to this thesis’s topic, the general field of nations’ competitiveness has already been examined and developed. Therefore, the thesis has not contributed to creating new theory and results supported previous studies and the theoretical framework, in particular. Although, there is a work by Triantafyllou (2014) who worked upon analysis of the business environment and the competitiveness in his master’s thesis. In the case of Norway, one of the recent and relevant work was done by Semini et al. (2016) who used the maritime cluster in Norway to examine characteristics of the local manufacturers and how it impacts their competitive advantage.

Actually, this study was conducted upon the Global Competitiveness Index 2018. Similar to the definition of competitiveness in the index, it was found that a nation should be productive by having a strong complex of institutions and policies. The
indexes’ 12 pillars named as “productivity drivers” make the difference between Russia and Norway. Firstly, Institutions in Russia are weaker and set not appropriate context to organize activities of different parties. Secondly, Norway’s workforce is better educated to be productive. The country’s modern educational methods allow reaching higher productivity by fitting the market and, therefore, be easier integrated into the work. Thirdly, labours in Russia are less sufficiently organized meaning that they are not reorganized and administered and, therefore, cannot realize their productivity potential as working units. Fourthly, Financial system of Russia is not on the level of its counterpart. Norway is considered as more productive because it has more available financial products. Finally, Russia lags behind Innovation capability of Norway. It suggests that Norway is more competitive because of its state that ensures the environment and set policies increasing the outputs from R&D activities. (Schwab 2018.) All in all, the framework enabled the author to investigate the background of the two nations’ competitiveness and come up with the picture answering the research question. Hence, the GCI 2018 is found to be useful in having a cross-country comparison with specific areas to focus, that can concretely direct research.

Apart from that, this thesis results partly approve the words of Porter (1990) who believes that the role of government is important as it set the environment by different regulations thereby enhancing the nation’s competitiveness. However, he sees the government as not the main player. (87.) The thesis results address the idea of Moon, Rugman and Verbeke (1995, 110-112) who are sure that the government role is not auxiliary but the paramount. Indeed, the higher competitiveness of Norway was reached by more elaborated policies than in Russia. As a result, Norway has higher output from innovation activities, stronger institutions, and businesses as well as a more prepared workforce.

Limitations of the Research

The thesis has its limitations. To begin with, the research was based on the secondary data available on the Internet, mainly in the forms of articles. It made the author to interpret the findings on his own and make them fit the research context. Moreover, some of the parts were challenging to analyse because of the lack of accessible data, especially about Norway, since many of the sources are in the Norwegian language
(that the author does not speak) which made it unfeasible to take information from there. Thus, it is possible to mention that not every single detail influencing the competitiveness of Russia and Norway was included. Some of them also might have a reason worth separate research with their methodology. As for primary data, the interviewees represented both countries, could assess them and had sufficient experience in business and management sciences, although, there could be interviewees with expertise for each pillar meaning that their insights would be based solely on the examined area. For example, only on Labour market.

As for validity, it was explained in chapter 3.5. Briefly, Cresswell (2014, 201) suggested to ensure internal validity by data triangulation, member checking, and the clarification of the bias brought to the thesis. Hence, it should be said that there was an aspiration to triangulate all the data, for example, by comparing interview results with some findings from secondary data. Also, certain secondary sources were double-checked and compared with others. However, some of the interview insights could not be triangulated because of not available secondary data. Actually, it even gave impetus to conduct the interviews with a purpose to get the actual data. Regarding member checking, the interview results in the bullet-points format were sent to the interviewees. It allowed having them approve their words and even clarify some moments if needed. For instance, AK commented on almost every question afterwards specifying some of his phrases. Concerning the bias clarification, the author was curious about the results what means that he strived to be objective and impartial in his interpretations, although a relatively short academic background biased his way of understanding, though, in general, the whole picture was lucid because of the studying a spectre of business courses for two years at the university.

All the secondary data was taken from the well-established websites, databases and online libraries meaning that the reliability was leveraged to be ensured. However, quite many of the articles had a different purpose from those that were needed for this study. Thus, some of the findings required a specific interpretation and often translation from the original language of articles (Russian). Possibly, it could have impacted the results. Besides, the articles used as the secondary data could have their own biases, understanding of issues and conclusions based on their authors’ subjectivity. This thesis author was striving to neglect the very subjective works and
carefully check some ideas with other sources and in the end taking only the most reliable and objective works.

Important to allude, that the research was focused on two countries and compared their indicators. It allowed making implications, which are based on Norwegian successful cases, for policymakers and other possible contributors in Russia. However, it should be understood that those implications are relevant only for the context of this study meaning that the suggestions are not applicable to other countries since their cases are different. As such, the results cannot and should not be used for implications to other nations, only if they go through a similar approach as in this thesis. Additionally, it is reasonable to say that the conclusions for Russian policymakers may be difficult to implement due to the inevitable difference of the countries. Their size, population, people’s mindset, and the current situations are dissimilar. It can make barriers in integrating the same activities of Norway because the changes will require systematic approaches, definite strategy, and reconsideration of the previous policies. Finally, all of the practical implications are written with a purpose to point to the issue and suggest solutions to consider, not blindly follow them.

**Suggestions for future studies**

In this final part of the work, some recommendations for further researches are provided, since the topic may be developed and considered from other perspectives and examined in the future.

First of all, the thesis was concentrated not on all the pillars present in the Global Competitiveness Index. Mainly, it is explained as not every single pillar, and its subpillars should be considered as the most problematic area for Russia compared to Norway, meaning that there is nothing to glean from Norway. Actually, the reason for including all the pillars may be understood, since it will provide with a deeper picture of the examined situation, especially because competitiveness, as it was posited, is a multisyllabic issue. Therefore, there is an opportunity for future research to compare every single Russian subpillar that is worse than Norwegian ones. It shall provide with a broader picture, though it may take much more time for the study.
Apart from that, the area for the research may be more focused on a concrete pillar derived from the index that will be considered as a specific area influencing the competitiveness of a country. Russia has low figures in the Institutions pillar (see Table 7). It raises an interesting question of how much Institutions of Russia has been historically weakening competitiveness. The nation’s systematic problems come from that imperfect institutions. Norway with its quite high ranking may be taken as a counterpart to see a well-established example.

The findings of the study suggest developing a topic regarding the potential of SMEs in strengthening the Russian economy as well as the competitiveness. Norway’s case may also be considered for comparison; however, to have a more profound case, some other countries should also be taken for the analysis.

What may positively contribute to Russia is a comparison with a country that had similar problems but has been overpassing them after applying certain actions. It should be helpful for Russia to develop by looking not on a historically successful and finetuned country such as Norway but consider a nation that had demonstrated significant development over a concrete period.

This thesis focused on Norway and Russia due to their natural resources’ similarity. However, for Norway, in particular, in future investigations, it might be possible to compare the country with a country similar in the culture such as a Scandinavian nation that has higher competitiveness. For instance, Sweden with its close location, resembling mindset and history may be an adequate counterpart. Denmark is also sufficient for a study because of its alike characteristics and less distinctive demographics. Besides, there is an opportunity to conduct a longitudinal study aimed to observe the competitiveness tendencies of Norway and attempt to explore the trends. The Global Competitiveness Index has been published for years and may be the expedient framework allowing to see the historical directions.

Finally, it should be mentioned that the research is based on the framework dated to the year 2018. It differs from the earlier Global Competitiveness Index and adjusted to the new environment. Therefore, it is reasonable to compare both countries in the future, once a new framework is developed, and to see did the reasons for Norway’s
competitiveness over Russia disappear, have they been strengthened, or maybe there will be more obstacles emerged for Russia’s competitive extent.
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Appendices

Appendix 1. Prepared questions for the interview with AM

1. Позиция Норвегии в уровне развития кластеров достаточна высока. Легко можно вспомнить нефтяной центр (один из самых развитых в мире), металлический кластер, морской и так далее. Также известно, что существуют программы, направленные на развитие кластеров разных уровней. Что бы вы выделили основными факторами высокого уровня развития?
2. Россия отстает от 94 стран в рейтинге. Как бы вы объяснили столь скромный показатель?
3. У Норвегии высокий показатель международных со-изобретений. Что способствует такой кооперации между норвежцами и иностранцами?
4. У России этот показатель на 64.4 меньше. Почему со-изобретений так мало и что нужно предпринять, дабы улучшить ситуацию?
5. Каковы основные причины такого большого числа заявок на патенты и товарные знаки в Норвегии?
6. Чем обусловлено такое малое количество патентных и заявок на товарные знаки в России?
7. Как вы считаете, почему Норвегия имеет высокий показатель затрат (с точки зрения и государства, и частного сектора) на НИОКР?
8. У России показатель 37.7 из 100. Государство играет огромную роль, выделяя средства на НИОКР в основной мере. Почему бизнес так мало выделяет денег на эти цели?
9. Что движет норвежскими компаниям, когда они инвестируют в повышение квалификации их сотрудников, развитие их навыков и тренинги?
10. Результат показывает, что, чтобы получить должность, очень часто нужно быть родственником или другом. В связи с этим топ менеджеры российских компаний воспринимаются как ненадежные. Какие проблемы за этим стоят и считаете ли вы, что картину можно изменить?
11. Какие основные факторы в получении высшей должности в Норвегии? Упирается ли все в сознание людей?
12. Как вы считаете, почему выпускники норвежских обр. уч. соответствуют современным нуждам бизнеса, работодателя?
13. Почему норвежским компаниям удается так легко найти людей, соответствующих их профессиональным нуждам?

Translated version:

1. Norway’s position is quite high in State of cluster development. It is known that the country has one of the most developed oil hubs in the world. Also, we may distinguish other clusters like maritime or metal, etc. How Norway reached its level of development?
2. Russian position is less than 94 countries present in the ranking. How can you explain such low figure?
3. Norway’s score is high in international co-inventions. What makes Norway be so collaborative with foreigners?
4. Russia has 66.4 less in the score of international co-inventions. Why the number is so low and what should be done in Russia to increase the number of its international co-inventions?
5. What are the reasons behind such a big number of patent and trademark applications in Norway?
6. What problems you may distinguish in such a small number of applications in Russia?
7. Why do you think Norway have big R&D expenditures?
8. Now Russia has 37.7/100 in the score of R&D expenditures? What policies, frameworks should emerge and be followed to increase it?
9. What makes Norwegian companies invest in the development skills of their current employees?
10. What are the key factors in getting a top management position in Norway?
11. Why Russian top management seem as not reliable? The result shows that top managers in Russia get their positions because of friendships or relationship. How the picture may be changed?
12. Why Norwegian graduates fit to current business needs?
13. Why Norwegian companies may easily find people who will fit their business needs?

Appendix 2. Prepared questions for the interview with AK

1. Как бы вы объяснили такие сильные и надежные стандарты аудита в Норвегии?
2. В чем причина такого высоко обеспечения займами и кредитами в частном секторе Норвегии?
3. Почему российский частный сектор испытывает трудности в получении займов, кредитов?
4. Как вы считаете, в чем причина высокого доступа МСП к необходимым для бизнеса финансам?
5. Что нужно изменить, чтобы обеспечить российские МСП необходимым финансированием?
6. Какие факторы можно выделить в надежности норвежских банков?
7. Каковы основные проблемы ненадёжности российских банков?
8. Что движет норвежскими компаниям, когда они инвестируют в повышение квалификации их сотрудников, развитие их навыков и тренинги?
9. Результат показывает, что чтобы получить должность, очень часто нужно быть родственников или другом. В связи с этим топ менеджеры российских компаний воспринимаются как ненадежные. Какие проблемы за этим стоят и считаете ли вы, что картину можно изменить?
10. Какие основные факторы в получении высшей должности в Норвегии?
11. Как вы считаете, почему выпускники норвежских обр. уч. соответствуют современным нуждам бизнеса, работодателя?
12. Почему норвежским компаниям удается так легко найти людей, соответствующих их профессиональным нуждам?
13. Как вы думаете, почему в Норвегии отношения между работником и работодателем охарактеризованы как более доверительные и сотруднические, чем в России?
14. Каковы основные причины такого большого числа заявок на патенты и товарные знаки в Норвегии?
15. Как вы считаете, почему Норвегия имеет высокий показатель затрат (с точки зрения и государства, и частного сектора) на НИОКР?
16. У Норвегии высокий показатель международных со-изобретений. Что способствует такой кооперации между норвежцами и иностранцами?
17. У России этот показатель на 64.4 меньше. Почему со-изобретений так мало, и что нужно предпринять, дабы улучшить ситуацию?

Translated version:

1. What are the reasons behind such strong auditing and reporting standards in Norway?
2. What are the main regulations, trends or reasons allowing to have such a high figure in provision private sector with a credit?
3. Why Russian private sector is poorly provided with loans, trade credits and other account receivables?
4. How you can explain the high access of local SMEs to finance that they need for their business activities through financial sector?
5. What should be changed in Russia to provide the SMEs with access to finance for their business?
6. What factors influence on the high soundness of Norwegian banks?
7. What are the main problems behind Russian banks’ low soundness?
8. What makes Norwegian companies invest in the development skills of their current employees?
9. Why do you think Russian top management seem as not reliable? The result shows that top managers in Russia get their positions because of friendships or relationship. How the picture may be changed?
10. What are the key factors in getting a top management position in Norway?
11. Why Norwegian graduates fit to current business needs?
12. Why Norwegian companies may easily find people who will fit their business needs?
13. Why the relationship between an employee and a worker in Norway is characterized as more trust-based and collaborative than in Russia?
14. What are the reasons behind such a big number of patent and trademark applications in Norway?
15. Why Norway have big R&D expenditures?
16. Norway’s score is high in international co-inventions. What makes Norway be so collaborative with foreigners?
17. Russia has 66.4 less in the score of international co-inventions. Why the number is so low and what should be done in Russia to increase the number of its international co-inventions?