



# **Gaining visibility on the Russian market**

Case Sampo Accelerator

Sofiia Slokotovich

Bachelor Degree Thesis  
International Business Programme  
2021

Sofiia Slokotovich

|   |  |
|---|--|
| DEGREE THESIS   |  |
| Arcada University of Applied Sciences   |  |
|   |  |
| Degree Programme:   | International Business   |
|   |  |
| Identification number:  | 8173   |
| Author:   | Sofiia Slokotovich   |
| Title:  | Gaining visibility on the Russian market: Case Sampo Accelerator                           |
| Supervisor (Arcada):  | Susanna Fabricius  |
|   |  |
| Commissioned by:  |  |
|   |  |
| <p>Abstract:</p> <p>This thesis focuses on the case organization, Sampo Accelerator, entering the Russian market. Sampo Accelerator is a nonprofit entity that was established in Finland and provides acceleration services for business founders. The aim of the study is to propose the most appropriate market entry mode for the case organization. Research questions that guided the researcher were “What relevant factors should be considered by the case organization during foreign market entry?” and “Why is the selected region suitable for market entry?”. The major limitations of this research included geographical, industry-focused, financial and COVID-19- related limitations. The theoretical framework of this thesis includes the theory of company internationalization, market entry modes and the choice of entry mode. The research was conducted by utilizing qualitative method. Relevant data was collected via interviews with the company representative and two industry experts. Moreover, through conducting desktop research, the author collected a PEST analysis of the target market. A SWOT analysis of the case organization was carried out. Both primary and secondary data illustrated that the target market possesses heavy legislation of foreign-funded NPOs, economic and political challenges. The researcher evaluated the most relevant market entry modes in compliance with the theoretical frameworks and empirical findings. Consequently, the author proposed direct export to be one of the most efficient entry modes for the case company to enter the Russian market in the foreseeable future. The researcher further evaluated the limitations of this study and suggested its relevance for further research.</p> |  |
| Keywords:   | Russian market, Sampo Accelerator, non-profit, market entry, SWOT Analysis, PEST Analysis. |
| Number of pages:  | 41   |
| Language:   | English  |
| Date of acceptance:   | 24.05.2021   |

# CONTENTS

|          |  |           |
|----------|--|-----------|
| <b>1</b> | <b>INTRODUCTION.....</b>   | <b>6</b>  |
| 1.1      | Research problem.....  | 6         |
| 1.2      | Research aim and research questions .....                                    | 7         |
| 1.3      | Limitations .....  | 7         |
| 1.4      | The case organization.....   | 8         |
| 1.5      | Thesis structure.....  | 9         |
| <b>2</b> | <b>THEORETICAL FRAMEWORK .....</b>   | <b>9</b>  |
| 2.1      | Company Internationalization.....  | 9         |
| 2.1.1    | <i>Motives for internationalization.....</i>                                 | <i>10</i> |
| 2.1.2    | <i>The Uppsala model vs the Network Theory of Internationalization .....</i> | <i>10</i> |
| 2.2      | Market Entry Modes .....   | 11        |
| 2.3      | The choice of a market entry mode .....                                      | 15        |
| 2.3.1    | <i>Internal factors.....</i>   | <i>16</i> |
| 2.3.2    | <i>External factors .....</i>  | <i>17</i> |
| 2.3.3    | <i>Desired mode characteristics.....</i>                                     | <i>18</i> |
| 2.3.4    | <i>Transaction-specific factors .....</i>                                    | <i>18</i> |
| <b>3</b> | <b>METHOD .....</b>  | <b>19</b> |
| 3.1      | Approach .....   | 19        |
| 3.2      | Choice of method .....   | 20        |
| 3.3      | Data collection.....   | 20        |
| 3.3.1    | <i>Desktop research .....</i>  | <i>20</i> |
| 3.3.2    | <i>Interviews and settings.....</i>  | <i>21</i> |
| 3.4      | Data analysis.....   | 22        |
| 3.4.1    | <i>Trustworthiness of the results .....</i>                                  | <i>24</i> |
| <b>4</b> | <b>EMPIRICAL FINDINGS .....</b>  | <b>24</b> |
| 4.1      | The target market.....   | 28        |
| 4.2      | The case organization.....   | 30        |
| 4.3      | Interview results .....  | 24        |
| 4.3.1    | <i>The case organization.....</i>  | <i>24</i> |
| 4.3.2    | <i>Company internationalization.....</i>                                     | <i>25</i> |
| <b>5</b> | <b>DISCUSSION .....</b>  | <b>32</b> |
| 5.1      | The target market.....   | 33        |
| 5.2      | Market entry strategy .....  | 34        |
| 5.2.1    | <i>Relevant aspects to consider.....</i>                                     | <i>34</i> |

|          |   |           |
|----------|---|-----------|
| 5.2.2    | <i>Choosing a market entry mode</i> ..... | 34        |
| 5.3      | Limitations .....                         | 36        |
| <b>6</b> | <b>CONCLUSION</b> .....                   | <b>37</b> |
| 6.1      | Further research .....                    | 38        |
|          | <b>References</b> .....                   | <b>38</b> |
|          | <b>Appendices</b> .....                   | <b>42</b> |

**Figures**

Figure 1. Data analysis process (Sofiia Slokovich) ..... 23

**Tables**

Table 1. Categories gathered from expert interviews (Sofiia Slokovich) ..... 26

# **1 INTRODUCTION**

In the contemporary world an increasing number of people start their own business for various reasons. Some aim to escape the habitual ways of work, to be their own employer, others desire to create a solution for a pressing issue or express their creative thinking. Nevertheless, a large number of startup founders seek help while growing their ventures. Over the past years, startups were nurtured in facilities established by a university, a local government, or a non-profit organization, known as “business incubators”, with the aim of providing some basic support for entrepreneurs. When venture capital firms have moved from being the primary source of funding for successful startups to larger and later stage financing, a new hybrid form of entrepreneurial nurturing and equity financing, known as ‘startup accelerators,’ has become a popular means to grow early-stage ventures. (Kim & Wagman 2014 p. 1 f.)

The startup ecosystems grow rapidly and nowadays there are multiple cities or regions known for outstanding businesses that originate there. One of these geographical locations is Russian Federation. According to StartupBlink, Russia’s startup ecosystem ranks 17 among other 202 countries. The potential of the country’s market attracts companies and professionals to enter the ecosystem.

One of the organizations that wish to expand to the Russian market is Sampo Accelerator. It guides early-stage startups to build a well-functioning business. One of the organization’s beliefs is that many founders are faced with similar issues, and its mission is to share knowledge, while helping businesses grow. The accelerator has been working with startups in Finland since 2018. Now Sampo Accelerator aims to gain visibility on the Russian market by finding partners and clients in the ecosystem. This study focuses on exploring how Sampo Accelerator ought to enter the selected market.

## **1.1 Research problem**

The founders of Sampo Accelerator aim to expand the organization’s activities to the Russian market. However, the number of its employees is limited, and they are unable to perform a comprehensive analysis and choose a market entry mode. Sampo Accelerator acts as a non-profit organization with few employees. What is needed is a detailed

analysis of the target market and an investigation based on evidence that would lead to the case organization selecting the most effective and suitable market entry mode.

One of the most challenging aspects for the accelerator is the language barrier. Therefore, the relevance of a Russian speaker conducting this study is high for the organization. Moreover, the researching the target market is challenging due to a large number of resources being only in Russian. It is not possible for the Sampo Accelerator's employees to collect a comprehensive research without an external assistance, since the organization is small and the core staff members are occupied with administrative work, coaching and guiding companies. It is significant to note that as far as the author is concerned, there has been no previous research done on this exact topic.

## **1.2 Research aim and research questions**

In order to structure a research properly, the author ought to identify a research aim. This can be regarded as the end result of the research and the core of the thesis. The main objective of this thesis is to propose the most effective market entry mode to the relevant regions of the selected market. The research focuses specifically on the case of Sampo Accelerator. Moreover, the target market of Russia is explored. What is expected to be gained from this research is a strategy that can be used by Sampo Accelerator while entering the Russian market.

Research questions are needed in order to focus on covering the problem of the study in the most profound way. The research questions are:

- What factors should be considered by the case organization during foreign market entry?
- Why is the selected region suitable for market entry?

## **1.3 Limitations**

Stating research limitations is significant for the reader to understand fully what the focus of the study is and what is omitted from it. The limitations of this research are:

Geographical limitation: This research is concentrated on the Russian market since it is the selected target market for Sampo Accelerator. However, the large size of the market

restricts the study from being a comprehensive analysis of the full market. Therefore, the research is focused on areas relevant for the case company.

Industry-focused limitation: The study is focused on analyzing the startup market of Russian Federation. The reason lies in the organization's activities unfolding in the sphere of startups.

Financial limitations: While establishing tools and channels for entering the selected market, the research is limited to ones that require no funding. Due to the fact that Sampo Accelerator is a non-profit organization, the company's marketing activities are carried out by interns who utilize free tools.

COVID-19- related limitations: This research was conducted during an outbreak of the COVID-19 virus. These circumstances heavily affected data collection processes.

## **1.4 The case organization**

An accelerator is considered a fixed-term, cohort-based program for startups, including mentorship and/or educational components, that culminates in a graduation event (Cohen et al. 2019 p.1). There are numerous ways of how accelerators are formed and managed. The case company, Sampo Accelerator, was established in 2018 in the Espoo region. The organization was started by an experienced coach that saw the potential on the market. Sampo Accelerator provides early-stage startup founders with a free, zero equity program, that allows them to build a well-functioning business. The accelerator is a non-profit organization and uses no funding in its marketing operations. However, it is in the company's goals to implement an alumni support system, where startups that successfully graduated from the program and reached a point of steady revenue growth would contribute to the accelerator's development. During the Forge program the head coach alongside with invited mentors organize workshops, one-on-one meetings and presentations for the participants. Sampo Accelerator operates in Espoo, however, due to the COVID-19 pandemic, recent programs were held online during 2020. (Sampo Accelerator, 2020)



## **1.5 Thesis structure**

This thesis consists of six main chapters. The first chapter contains an introduction to the research. It also covers the research problem, aim and background, and highlights the importance of the study. In the second chapter the author explores various relevant theories of entering a new market. The third chapter contains information about the research's approach and method, as well as data collection. The following chapter contains the empirical research completed by the author in order to reach the aim of the study. In the chapter five of the discussion the most effective strategy for Sampo Accelerator is proposed. Consequently, the last chapter contains the conclusion. The reader may explore the materials used in this research after the conclusions in the part dedicated to references.

## **2 THEORETICAL FRAMEWORK**

This chapter includes the overall theoretical framework. The main theory covered in this part is company internationalization. The aim of this chapter is to explain why companies decide to internationalize, illustrate various market entry modes and highlight what aspects affect the choice of an entry strategy.

### **2.1 Company Internationalization**

Companies entering foreign markets have become a common occurrence in the contemporary world as a result of globalization. Globalization in the business scene reflects the trend of firms buying, developing, producing, and selling products and services in most countries and regions of the world (Hollesen 2019 p.14). A growing number of organizations aim to enter the international arena by penetrating one or several external markets. Internationalization may be thought of as: (1) a process, (2) an end result, and/or a way of thinking. A firm becomes increasingly internationalized as it becomes more involved in and committed to serving markets outside of its home country. (Albaum et al. 2016 p. 20)

Internationalization introduces new and potentially more profitable markets, increases the firm's competitiveness, and facilitates access to new product ideas, manufacturing innovations and the latest technology (Hollesen 2019 p.14).

### **2.1.1 Motives for internationalization**

Reasons why companies enter foreign markets and undergo internationalization differ depending on several variables concerning the business itself. The following major motives for internationalization are identified: market-seeking, efficiency-seeking, resource-seeking, strategic asset-seeking. For the reason of market-seeking, companies expand abroad to find new customers. By efficiently seeking it is meant that companies enter new markets to lower the costs associated with performing economic activities and/or with the aim of rationalizing their already existing operations in various locations. As for resource-seeking, the goal is to obtain resources that are not available locally or are found for a lower cost abroad. Finally, the last motive is to acquire strategic assets that may be critical for long-term strategy but are not available at home. (Hollesen 2019 p.52)

There are undoubtedly multiple benefits that companies gain access to after undergoing internationalization. They arise from the process of market penetration and the results of a successful entry and further activities. Some benefits may include a new value chain, acquired streams of revenue, reduced costs, enlarged customer base etc. Apart from the practical positive outcomes, a crucial benefit of internationalization is a new network of both personal and professional connections.

### **2.1.2 The Uppsala model vs the Network Theory of Internationalization**

According to Glowik (2016 p. 65), The Uppsala model assumes that because of a lack of foreign market knowledge, that is linked to corresponding market uncertainty, enterprises follow an incremental internationalization chain pattern. A pattern mentioned by the model indicates that businesses prefer entering new markets with lower psychic distance. This distance can be understood as a collection of factors such as differences in language, culture, political system, and others that disturb communication between the firm and the market. The Uppsala approach argues that firms internationalize incrementally from

physically and culturally close foreign markets to more distant ones. Furthermore, the knowledge gained from the internationalization process becomes the base for entering markets further from home. It also results in less perceived risk and higher propensity for foreign market entry. The model generally predicts that internationalization is a one-directional process. (Glowik 2016, p. 65 ff.)

“The network model is based on the assumption that a firm’s changing internationalization situation is a result of its positioning in a network of firms and their connections to each other (Zuchella & Scabini, 2007: 48)” (see Glowik 2016 p. 70). Glowik references Björkman & Forsgren while stating that contrary to the Uppsala model, the network theory indicates an enterprise’s interconnections with local and foreign units, rather than the circumstances and internationalization processes of an individual firm. The author also writes that business’ industry network engagements include both advantages and potential risks, while knowledge and experience serve as the most valuable resources. (Glowik 2016 p. 72)

## **2.2 Market Entry Modes**

While deciding the most effective way of entering a new foreign market, multiple aspects are to be evaluated. In the following part of this chapter several market entry modes are characterized. Market entry modes determine which actions are strategically taken for the company in order to penetrate the desired market.

### ***Exporting***

The mode of export generally has minimal effect on the ordinary operations of the firm and lower risks involved than other options. This strategy may be separated into indirect and direct export. The forms are distinguished on the basis of how the exporting firm carries out the transactions flow between itself and the foreign importer or buyer. In the process of indirect export, the manufacturer utilizes the services of various types of independent marketing organizations or cooperative organizations that are located in the home country. On the other hand, direct export implies the international sales activities are performed by the producer of these activities and are carried out and managed by dependent organizations that are administratively a part of the manufacturer’s company organization. Therefore, the choice lies in the decision of whether the market entry and/or

expansion is completed by an integrated channel or by a purchased one that includes independent intermediaries. (Albaum et al. 2016)

### ***Strategic alliances***

Strategic alliances are formal mechanisms that are established to strengthen the participating firms' competitive positioning in the markets and belong to cooperative modes of market entry. International alliances are built between businesses across national boundaries in the same or different industries. Vertical strategic alliances entail that the cooperation is between suppliers and buyers, while in horizontal associations collaboration happens at the same stage of value-added activities. An international strategic alliance may facilitate market entry due to the local firm's regional expertise and market goodwill. Moreover, the local firm may secure governmental and public approval to establish the business. By forming an alliance, companies get access to complementary knowledge that may include regional client data, for instance. As opposed to a joint venture, often all parties participating in a strategic alliance are legally responsible for their business. However, in some cases the participants decide to establish an alliance where one partner acquires a stake in the other, or both hold mutual equity participations. (Glowik 2016 p. 169 f.)

### ***Joint venture***

One form of strategic alliances are joint ventures. A joint venture is created in a foreign market when a non-national company joins with national interests or forms a new business with another firm from abroad. One feature of this strategy is that ownership and control are shared. Some companies choose to follow an approach of a joint venture because it is profitable long-term, while others may be forced into joint venture in a specific foreign market because of local governmental policies, nationalistic feelings, or intense competitive pressure. It is often that joint ventures are created for a reason that one company can acquire marketing know-how from its foreign partner. Joint ventures are often the most effective way to join a foreign market because they allow a company with limited capital and labor resources to enter more overseas territories than would be possible if the company established subsidiaries. These forms of strategic alliances may be in the mode of either specialized ventures or shared value-added ventures. Generally, specialization ventures are organized around functions such as marketing or

manufacturing. A unique value is added by each partner. On the other hand, in shared-value ventures, partners equally engage in value-adding activities. (Albaum et al. 2016)

### ***Contract manufacturing***

Contracting is another form of a strategic alliance. One type of contracting is contract manufacturing. Contract manufacturing implies contracting for the manufacture or assembly of products by manufacturers established in overseas markets, while the company still retains the responsibility for marketing. Contract manufacturing is a form of outsourcing, or offshoring. It requires minimum investment of cash, time, and executive talent, which is especially desirable where the market is risky, and allows for rapid entry into a new market. Therefore, the company has a possibility to enter international marketing without making the final commitment of setting up complete manufacturing and selling operations. Thus, if the firm makes a decision to enter a market permanently where it has previously completed contracted manufacturing, a company can do so with less difficulty and cost because competitive products would not be as firmly established as they could be in the absence of such a contract arrangement. Contract manufacturing is often used for sourcing due to the reason of low costs of production. (Albaum et al. 2016)

### ***Management contracting***

In another way of contracting, management contracting, a local investor in a foreign market provides the capital for an enterprise, while an international marketer caters the necessary know-how to manage the business. What is significant to state is that the agreement between the two parties may give the international marketer an option to buy all or a part of the newly created company. This approach of entering international markets is a low-risk way if used with some type of purchase option, because it allows a company to manage another firm without equity control or legal responsibility. Nevertheless, here are some crucial drawbacks to using management contracts from the point of view of the international marketer. Firstly, the contract is an expensive and complex legal document that may differ in each case. Moreover, the contract may limit future management and investment decisions. The international marketer is bound by the contract, which may not allow it to set up its own operations for a period of time, if at all. In addition, because the company is bound to personnel to operate the local firm, it can

result in lack of skilled personnel for the company's own operations, which may result in losses. (Albaum et al. 2016)

### ***Licensing***

A licensing agreement implies a transfer of knowledge between a licensor and one or multiple licensees. The licensor sells the right to utilize a knowledge-based resource asset for a defined purpose. That asset ought to be protected by a registered patent or a trademark that prevent illegal use of intellectual property. Licensing entails an entrepreneurial risk; however, this form of contracting may be beneficial for small enterprises since it allows them to build up operations outside of their home market. Moreover, licensing is desirable in industries that are characterized by relatively short product and technology life cycles. It is significant to state that the licensor does not possess any control of the licensee's operations and quality of created products and services. Therefore, licensor's reputation is under a risk of being damaged. (Glowik 2016 p. 164 f.)

### ***Manufacturing abroad***

A decision to take up manufacturing abroad may be ruled by a company for the reason of competitive pressure, market demands, government restrictions on imports, or government actions that would result in imports being at disadvantage, or as a part of the firm's long-term plan to strengthen its international operations. However, it is seldom that a company established manufacturing facilities as its first international business operation. If it is necessary, it is believed that the best way to enter the market is through direct investment in a manufacturing facility, which may be done by starting from the beginning and building it from the ground up, or by acquisition. What should be considered is the fact that a direct investment in manufacturing will require a significant investment in capital. Location of the facilities and the degree of ownership are major aspects to be considered while making a decision in favor of foreign manufacturing. (Albaum et al. 2016)

### ***Assembly abroad***

Another strategy, establishment of assembly facilities, is a mixture between exporting and foreign manufacturing. During this process, a manufacturer exports components or parts, that are later then put together with ones from other suppliers to form the complete product at the foreign assembly site. In establishing assembly facilities savings may be

realized in freight charges, foreign government fees and custom duties. Whether by choice voluntarily or by pressure applied from outside sources, foreign-based assembly may represent one stage in the evolutionary process of a manufacturer changing from a domestic-oriented company to a truly multinational marketer. (Albaum et al. 2016)

### ***Subsidiaries and agents***

Several hierarchical modes of market entry consist of implementation of sales representatives. A domestic-based sales representative is one who resides in one country, often the home country of the employer, and travels abroad to perform the sales function. With this employee a better control of sales activities can be achieved than with independent intermediaries. Despite the fact that a company has no control over the attention that an agent or distributor dedicates to its products or the amount of market feedback provided, the management may insist that various activities be performed by its sales representatives. Moreover, this mode is beneficial because the use of company employees also shows a commitment to the customer that the use of agents or distributors may lack, in contrast.

Another form of the mode mentioned above are resident sales representatives/foreign sales branches or foreign sales subsidiaries. In these cases, sales are transferred to the host country. These options showcase a greater commitment to the customer than the domestic-based representative. A foreign branch is considered as an extension of and a legal part of the manufacturer. Local workers are employed in a foreign branch. Consequently, if foreign market sales develop in a positive direction, the company may consider establishing a wholly owned sales subsidiary, a local company owned and operated by a foreign company under the laws and taxation of the host country. Subsidiaries are often chosen for the reason of the possibility of transferring greater autonomy, control, and responsibility to these subunits, and being close to the customer, as well as gaining tax advantage. (Hollensen 2019 p. 387 f.)

## **2.3 The choice of a market entry mode**

The decision of which entry mode to utilize possesses great significance in the company's strategy. Without a doubt, the main motive of internationalization is at the core of not only selecting the target market, but also of planning how to penetrate it. In addition, out of the various modes discussed above, all have their benefits and flaws, which have to be

evaluated. Moreover, they all have attributes that may result in either successful or ineffective results for companies of different sizes and industries. An extensive analysis is required in order to establish what way of entering a new market is the most appropriate and efficient for a certain company.

According to Svend Hollensen (2019), the factors that influence the choice of an entry mode may be summarized into four groups.

### **2.3.1 Internal factors**

Internal factors influencing the choice of a market entry mode are firm size, international experience and the product or service. By evaluating a company's size, one can draw conclusions about its resource availability. The firm size influences the degree of control the company is highly to possess during market entry.

International experience may include involvement in operations in a particular country or in the international environment. The possession of international experience reduces the cost and uncertainty of serving a market, and in return increases the probability of firms committing resources to foreign markets which favors direct investment in the form of wholly owned subsidiaries. Subsequently, uncertainty in international markets is reduced through actual operations in foreign markets, rather than through the acquisition of objective knowledge.

Lastly, the company's product or service is a crucial determining factor of the choice of the mode for internationalization. The physical characteristics of the product or service, for example, value/weight ratio perishability and composition are significant in determining the location of the production. In addition, the nature of the product affects the selection of an entry mode due to the reason of a wide variety of their characteristics, how they are used, and the selling jobs. Products distinguished by physical variations, brand name, advertising and after sales service that promote preference for one product over another may allow a firm to absorb the higher cost of being in a foreign market. Additionally, other advantages that product differentiation allows are a certain amount of impulse in raising prices to exceed costs by more than normal profits, as well as limit competition through the development of entry barriers. (Hollensen 2019)



### **2.3.2 External factors**

The external factors behind a company's decision for choosing a certain market entry mode are sociocultural distance between home country and host country, country risk/demand certainty, direct and indirect trade barriers, intensity of competition, and small number of relevant intermediaries available.

Sociocultural differences between a company's home country and the host country can create internal uncertainties, which influence the mode of entry desired by that business. The greater the perceived distance between the two countries, the more likely the company is to escape direct investment and make a decision in favor of low-risk entry modes. Differences in religion, degree of democracy, and industrial development have a greater impact on the management's entry mode choice than the language differences, for instance.

In the process of planning a method of penetrating a market the firm ought to conduct an analysis of both the market and the method of entry. What should be considered are not only the economic risks, but also the political ones. Subsequently, business restricts its resource commitments in a national domain if a country's risk level is high.

A country's market size and growth rate are particularly significant while determining a correct market entry strategy because it influences how much resources are desired to be allocated there. The management is likely to commit resources to development and consider establishing a wholly owned sales subsidiary or to participate in the majority-owned joint venture, for example, in a large market with a high growth rate.

A significant factor that influences the choice of mode of entry is direct and indirect trade barriers. Tariffs or quotas on the import of foreign goods product or trade regulations and standards may call for establishment of local production or assembly operations. Furthermore, preference for local suppliers or tendencies to "buy national" often encourage companies to consider a joint venture or other contractual agreements with a local company. Therefore, the significance of both direct and indirect trade barriers is likely to motivate a shift towards performing various functions such as sourcing, production, and development marketing tactics in the local market of the host country.

Intensity of competition is considered by the management while selecting the entry mode since it influences the profitability of the market. If the intensity is great, businesses often avoid internationalization and heavy resource commitments. In addition, the higher the

intensity of competition in the host market, the more the company will be inclined towards entry modes (export modes) that involve low resource commitments.

A small number of relevant export intermediaries available may occur in a “monopolistic situation” of a highly concentrated market. In such a case, the favor may result in the use of hierarchical models in order to reduce the scope of opportunistic behavior. (Hollensen 2019)

### **2.3.3 Desired mode characteristics**

Market entry modes possess multiple characteristics that are influential for the decision-makers. They include risk-averse, control, and flexibility.

A company’s level of resource commitment is intertwined with the level of risk it takes. Export modes or licensing typically entail low levels of financial and management resource commitment, while a joint venture provides a way of sharing risk financial exposure and the cost of establishing local distribution networks and hiring local personnel. What is important to note is that modes of entry that entail minimal risks are unlikely to foster the development of international operations and may result in significant loss of opportunity for the company.

Another factor that is closely linked to resource commitment is control. It should be considered while evaluating the entry modes, since it has to do with crucial operational processes. Indirect exporting, for example, provides little or no control over the conditions under which the product or service is marketed in the foreign country, as well as joint ventures that limit the accessible control. In the case of licensing and contract manufacturing the business needs to ensure that production meets its quality standards.

Flexibility is a significant factor to consider by the management. While export modes provide the company with high flexibility due to the fact that an agent contract may be terminated on a relatively short-term basis, the hierarchical modes are typically the costliest and least flexible. (Hollensen 2019)

### **2.3.4 Transaction-specific factors**

Transaction specific factors are the final aspects that are to consider while selecting a market entry mode. When the nature of the firm-specific know-how transferred is tacit,

or difficult to articulate and express in, creating a draft of a contract becomes highly problematic. In that case, hierarchical modes are highly likely to be used. This allows the company to utilize human capital drawing upon its organizational routines to structure the transfer problem. (Hollensen 2019)

### **3 METHOD**

This research aims to propose the most effective market entry mode for the case organization. In this part of the thesis, a description of the chosen research method for reaching the objective is presented. The reader gets an overview of how the research is approached, carried out, and what kinds of data is utilized to draw relevant conclusions. This written work includes a case study, a research design that focuses on a bounded situation or system, an entity with a purpose and functioning parts. The emphasis of a case study tends to be upon intensive examination of the setting. (Bryman & Bell 2011 p. 60)

#### **3.1 Approach**

There are generally two main approaches or theories to research recognized. During deduction, a researcher derives a hypothesis from a known theory, and later, based on gathered empirical evidence, rejects, or confirms the hypothesis and revises the theory. On the other hand, the process of induction involves drawing generalizable inferences out of observations. In contrast with deduction, during an inductive approach, the theory emerges from interpretation of findings and observations. It is significant to note that both of the approaches intertwine, both entail elements of each other. Considering inductive thinking, once the phase of theoretical reflection on a set of data has been carried out, the researcher may want to collect further data in order to establish the conditions in which a theory will and will not hold. (Bryman & Bell 2011 p. 13)

In this particular research the focus lies on the deductive approach. While completing the study the author performs analysis of relevant data, following the limitation, completing the empirical research, and generating findings. Consequently, a unique strategy based on the observations is developed. What is important to mention is, as written above, the research includes some aspects of deduction and information from known theories.

## **3.2 Choice of method**

In order to gain a proper in-depth understanding of the study's aim and succeed in answering the research questions, a qualitative method has been chosen. According to Saunders et al, qualitative research studies participants' meanings and the relationships between them using a variety of data collection techniques and analytical procedures to develop a conceptual framework and theoretical contribution (Saunders et al. 2019 p. 179). This particular research is a multi-method qualitative study, meaning that several data collection techniques are applied. The qualitative method has been chosen for the reason of the researcher trying to attain subjective meanings of the phenomenon being studied. This is often called naturalistic research since the researcher needs to operate within a natural setting. (Saunders et al. 2019 p. 179)

## **3.3 Data collection**

To collect primary data the researcher conducted semi-structured interviews, while secondary data was employed through desktop research. The researcher has conducted empirical research prior to developing the final theory. While collecting and analyzing the data, the researcher focuses on its credibility, the trustworthiness of the findings, and reliability. This is highly significant considering the strategy that is developed as a result of the research is to be followed by the case organization.

Regarding secondary data, multiple literature sources were used to guide the research and assist the primary findings. Moreover, SWOT analysis of the case organization and PEST analysis of the target market are completed.

### **3.3.1 Desktop research**

To analyze the target market the researcher evaluated secondary data using desktop research. Existing data regarding the target market were evaluated. The main objective of collecting secondary data was to answer the research question "Why is the selected region suitable for market entry?". The researcher identified relevant key words and followed the research by evaluating suitable secondary data. The sources were critically assessed based on the selected criteria. Resources published or edited between 2018 and 2021 were

utilized to collect the most present and crucial data. Materials containing information about relevant aspects of the target market were analyzed. Additionally, the author aimed to reference peer-reviewed and academic sources and statistics to ensure trustworthiness of the findings. Key words that were used in the search for relevant data are numerous including: “Russian economy”, “political climate Russia”, “technology in Russia”, “social environment in Russia”, “development”, “taxation”, “non-profits”, “inflation”, “corruption”.

### **3.3.2 Interviews and settings**

As a part of primary data, as mentioned above, an interview with the case organization’s representative was collected in order to gain a proper vision of the company’s strategy and goals. Additionally, the author interviewed experts in the field of internationalization in order to gain practical knowledge of the process. A semi-structured interview was chosen as the way of collecting data. In a semi-structured interview, the researcher has a list of questions on specific topics, often referred to as an interview guide, but the interviewee has a great deal of leeway in how to reply. Questions may not follow on exactly in the way outlined. Additional questions may be asked as the interviewer follows what is said by interviewees. (Bryman & Bell 2011 p. 467)

Two separate interview guides were outlined by the researcher (see for these in Appendix 1). The interview guides were constructed on the basis of the theoretical framework, while the main objective was to gain relevant data that would guide the author in answering the research questions and reaching the aim. Questions of different purposes were included. Introduction questions were utilized for the purpose of gaining understanding about the general subject of the research. More specific and direct examinations were conducted to capture respondent’s exact knowledge and opinions. The author made an effort to include open-ended questions and create the interview process as flexible as possible to gain the most authentic insights.

#### ***Settings***

The interviews were conducted during week 13, 16 and 17 of 2021, more precisely on 09.04, 21.04. and 30.04. Due to the outbreak of the COVID-19 infection and the state of emergency, the author conducted the interviews via a video call. The interviews were recorded and further transcribed with the subjects’ permission. Moreover, the author has

aligned the interviewing process and data interpretation with following participants' confidentiality. Transcribes have allowed the researcher to examine the data in a thorough matter and avoid possible interpretation errors. Additionally, repeated investigation of the transcribes were performed. The interview procedure was explained to all participants before the beginning of the examination. Moreover, every respondent has been informed about the purpose of the interviews and their permissions for transcribing have been regarded. The author followed regulations of GDPR in order to protect all parties' personal information. For the confidentiality purposes, professionals interviewed about internationalization are referred to as Expert A and Expert B, while the case company's spokesman is mentioned as its representative. Furthermore, the author acted with caution while handling transcribes through digital services. Interview transcribes were disposed of after completion of the research.

### ***Sample***

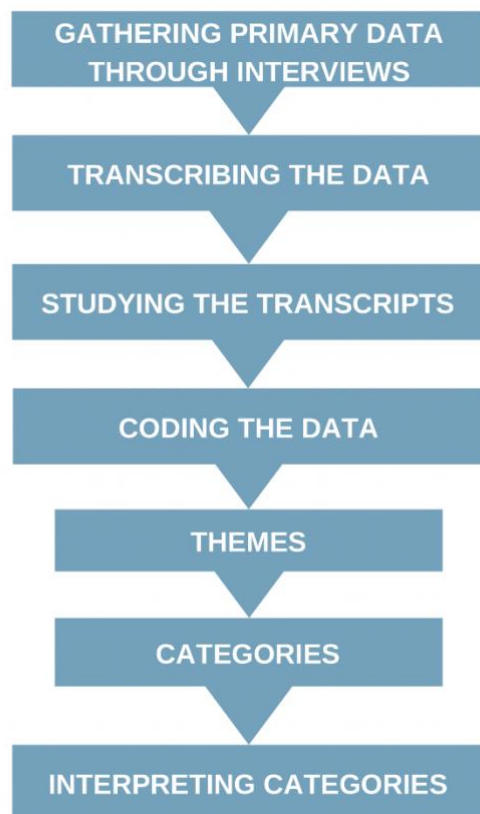
The reasoning behind selecting interviews' sample lies in how specific the research is. To answer the research questions and reach the aim, a purposive sample was selected. The author interviewed the case organization's representative in order to gain the most profound knowledge of Sampo Accelerator's foreign market entry. This sample is the most representative of those who acquire expertise about the case company. Moreover, internationalization experts were interviewed: Expert A and Expert B. The author contacted multiple professionals and was able to interview two individuals who were willing to share their expertise for the purpose of this research. These professionals have had extensive experience in foreign market entry. Moreover, both interviewees have been working the startup sphere and, therefore, possess knowledge of the industry. Additionally, one respondent resides and conducts business in Russian Federation. This is crucial for the researcher since a hand-on perspective on the current situation of the target market is valuable. Hence, the objective of interviewing experts was to gain knowledge of strategic market entry. The theoretical framework of the research was further validated through conducting the interviews in order to collect empirical findings.

## **3.4 Data analysis**

Data gathered from the interview process were further analyzed using thematic analysis. Thematic analysis is used for identifying, analyzing, and interpreting patterns of meaning.

The aim of thematic analysis is to both summarize the data, as well as to find and interpret key features. With the use of this type of analysis, codes and themes are generated from qualitative data. Codes are the smallest form of analysis that contain relevant features of the data. Consequently, they form themes, larger patterns of meaning. Themes provide a framework for organizing and reporting observations. (Clarke & Braun 2014 p. 2)

The researcher transcribed the interview's recordings to further be analyzed. Transcriptions were broken down into smaller pieces of text, quotes were highlighted, and categories were indicted. The findings were interpreted in regard to the initial research questions.



*Figure 1. Data analysis process (Sofiia Slokotovich)*

### **3.4.1 Trustworthiness of the results**

Trustworthiness of the findings need to be ensured by the researcher to complete proper data analysis and to meet a high criterion of qualitative research. Trustworthiness in qualitative research includes the following criteria: credibility, transferability, dependability, and confirmability. These aspects ensure, for instance, that the research was carried out according to canons of good practice and its findings can be transferred to another contexts. (Bryman & Bell 2011 p. 395 ff.)

The researcher remained objective, and no bias was guaranteed to have influenced data collection and data analysis. Results of the interviews were followed by direct quotations of respondents, which illustrated credibility. Moreover, the author utilized triangulation and used more than one sources of data (Bryman & Bell 2011 p. 397).

## **4 EMPIRICAL FINDINGS**

This chapter presents the findings that were gathered by the researcher through data collection. The reader gets familiar with results of the interview, as well as analyses that were conducted.

### **4.1 Interview results**

This part of the study includes results of the interviews. Semi-structured interviews with the case organization representative and two internationalization experts were conducted.

#### **4.1.1 The case organization**

##### *Prior to internalization*

The reason for Sampo Accelerator's foreign market entry was the attitude towards the current market of operation- Finland, "the Finnish market is too small". Instead, the Russian market was seen as not only geographically larger, but also fuller with opportunities. The organization's representative mentioned an expectation of around 50% of companies that go through the acceleration failing. Only approximately 5% to 10% of startups are expected to be successful, which was defined as tens of millions in annual



revenue by the respondent. Consequently, the organization is forced to look for startups in foreign, more populated markets.

The target market was specifically selected for multiple reasons, according to the interviewee. Firstly, according to the case organization's representative, Russia has a great number of scientists and engineers, however, they struggle at doing business. Moreover, the region is seen as one with close psychic distance from Finland. Additionally, the respondent sees an opportunity for Finland to be a reasonable place for Russian startup founders to "...dealing with European business environments, European ways of working, European norms and practices".

Sampo Accelerator has gained visibility in the Baltics during the past years. According to the organization representative, no direct systematic efforts were made for market entry. The founders' network system was used to foster connections in the given regions. Moreover, startup conferences were attended by the organization's representatives. Therefore, a form of strategic alliance was utilized to build relationships in the Baltic region during market entry.

#### *Entering the Russian market*

According to the case organization's representative, the most relevant challenges that the organization faces are the large size of the market and its diversity, intense competition, since "it is no longer a nice, clean blue ocean...". Moreover, "the global political situation" and language barrier pose as obstacles for Sampo Accelerator.

#### **4.1.2 Company internationalization**

In order to answer the research question "What factors should be considered by the case organization during foreign market entry?", the author conducted interviews with two internationalization experts. During the data analysis, main themes were identified from the data.

| Category       | Key aspects to consider | Most helpful activities | Reasons for market entry |
|----------------|-------------------------|-------------------------|--------------------------|
| Sub-categories | Economic state          | Adapting                | Human capital            |

|  |                   |                 |                      |
|--|-------------------|-----------------|----------------------|
|  | Legislation       | Market analysis | Growth opportunities |
|  | Competition       | Networking      |                      |
|  | Political climate |                 |                      |

Table 1. Categories gathered from expert interviews (Sofia Slokotovich)

### *Reasons for foreign market entry*

Both experts identified growth as a motive for entering a foreign market. Moreover, all case company's representative, Expert A and Expert B highlighted Russia's entrepreneurs as a valuable capital, stating that "Russia has a lot of entrepreneurial mindset".

### *Key aspects to consider during internationalization*

Several aspects were identified as primary influential elements. Expert A highlighted two major factors: the political situation and specific legislation. The respondent stated that "the Russian legislation, the political environment and all those things, especially at the moment, are difficult for non-Russians". The unstable political climate of Russia that concerns both internal environment and the country's external policies and relations, makes market entry more challenging for foreigners. Additionally, it is noted that the political climate is seen to be quite changeable. The political situation also has a direct effect on the country's laws. Foreign-funded NGO legislation entails strict bureaucracy and restrictive laws, considering the fact that "if your NGO activity is financed by a non-Russian organization, it is registered differently from the local ones". Consequently, Expert A urges foreign organizations to be cautious of the complications mentioned above before planning to enter the Russian market.

Expert B stated the heavy legislation, strong competitiveness on the acceleration market, and Russia's economic state that "...does not facilitate long-term development" as major factors that affect market entry. The respondent highlighted the "foreign agent" legislation and other law-related nuances related to bureaucracy of running a non-profit in Russian Federation. Expert B described a negative tendency in the country's overall state multiple times, mentioning that "the Russian consumer does not have finances" and "Russian education is seeing a decline". In addition, the interviewee acknowledged that

the top performing accelerators in Russia possess a monopoly over the market and receive state funding, thus highlighting a strong competitive environment.

### *Most beneficial efforts in foreign market entry*

Expert A identified hiring an attorney as a vital activity of entering the Russian market. Despite the fact that the interviewee saw high costs in these services, a clear necessity of hiring a professional to properly deal with legislation was recognized, since “there are laws related to the information flow, management, financing, enterprises, individuals and so on”. Furthermore, Expert A stated that “having locals as employees is vital”. Local workers were described as an undeniable source of relevant knowledge and manpower, as well as significant local connections. Lastly, the expert highlighted the importance of networking. People were described as an “asset” and a direct tool of entering a market.

Expert B highlighted market analysis among other beneficial activities. The respondent identified making a comprehensive “an analysis of potential customers, startups that seek soft skills ...”. Consequently, practical work with potential clients in a form of utilizing a prototype of the service and completing customer-driven development was acknowledged as a part of the analysis. Moreover, the expert described networking as a significant activity. As part of networking, conducting interviews with local startup founders was mentioned in relation to market research. Expert B argued that a new entrant ought to “conduct 10-12 comprehensive interviews with local founders, make a Russian version of the website, think about a language intensive module” prior to entering the Russian market.

### *Selecting a market entry strategy*

Expert A identified strategic alliance as a possible form of market entry for a non-profit accelerator. Considering that, the respondent also described prerequisites that lower the chance of errors that occur when entities establish partnerships. Both parties ought to have a clear understanding of both companies’ strategies and targets, whether they are aligned and share the same goals. While describing the severe legislations having an NGO funded from abroad entails, Expert A mentioned alternatively establishing a for-profit company that would not generate any profit. However, the interviewee argued that closing a legal entity is also challenging in Russian Federation.

Expert B presented an argument that did not support a non-profit accelerator entering a Russian market in view of economic uncertainty and the fact that “operating through a foreign nonprofit in Russia is almost impossible”. Instead, the expert proposed to launch a marketing campaign with the goal of promoting the company’s brand and to target startups that create products for international markets rather than those who stay in Russia. While doing that, “video clips and social media posts in Russian can be used for marketing”. According to Expert B, a popular practice among Russian founders is to move the product development, management, and IT departments outside of their home market, while leaving marketing and other teams in Russia. This is often completed by businesses who are seen to be more promising and potential to cater to European, American, and other more stable markets.

## **4.2 The target market**

### *PEST analysis*

The researcher conducted an analysis of the selected foreign market in order to answer the research question “Why is the selected region suitable for market entry?”. PEST analysis was employed as a model. PEST, which is an acronym for political, economic, social, and technological, is a management method used to assess major external factors of an organization’s actions to become more competitive in a market (Kenton, 2020). This particular format was utilized by the author to evaluate elements of the target market that are significant for the case organization during market entry. The analysis was conducted with a consideration for the case company’s legal characteristics and industry concerns.

### *Political*

Political legislation plays a vital role in foreign companies entering a local market. Political factors may include tax and employment laws, other types of legislation, as well as general political climate and international relations (Kenton, 2020).

It is significant to note that Russia is a federation that comprises 85 territorial jurisdictions, therefore, some legislation may vary depending on the territory. Non-commercial organizations pay taxes on their profits in the same manner as for-profit entities. Consequently, non-profit organizations are obliged to pay 20 percent income tax. However, the Tax Code allows NCOs not to include certain types of income, for instance,

“donations” and “grants” in the tax base. (International Center for Not-for-Profit Law 2021)

Russia was ranked 129th out of 180 countries for corruption perceptions index in 2020 (Transparency International 2020). This indicates major risks for both foreign and local investors and political uncertainty.

Legislation related to establishing an entity and NGO particularly has undergone multiple changes. Non-governmental organizations that receive funding from abroad have been subject to special accounting procedures since 2006 and from 2012 are required to be registered as “foreign agents” if partaking in political activities (Toepler & Fröhlich 2020 p. 1474). This and other incidents of civil unrest have occurred in the country and have resulted in both internal and external uncertainties.

### ***Economic***

Economic factors relevant to the PEST analysis are exchange rates, economic growth, supply, demand, inflation, and recession (Kenton, 2020). The official currency of Russia is a Russian ruble. As of March 2021, 1 euro equaled 88.63 rubles, while 1 U.S. dollar was 75.7 rubles (Statista research department 2021). The country’s inflation rate constituted 5.8% in March of 2020 (Elagina 2021). The inflation rate was heavily influenced by depreciation of ruble, one of major challenges in contemporary Russia.

The geopolitical situation plays a vital role in Russia’s economy. The country has faced sanctions of multiple variations that were imposed by the European Union, United States and other countries following Russia’s annexation of Crimea, Sevastopol and military operations in Ukraine. These sanctions have had a negative effect on Russia’s economy (Korhonen 2019). The country’s unemployment rate equaled to approximately 4.43% in 2020 (O’Neill 2021a).

### ***Social***

Social factors are characterized by demographics and age distribution, cultural attitudes, workplace, and lifestyle trends (Kenton, 2020). According to O’Neil (2021b), 66.74% of the Russian population were of age 15-64 in 2019, considering the age distribution.

Entrepreneurial tendencies are frequent among the population, however, some challenges including poor financial backup, low performance and low purchasing power are identified (Chernopyatov et al 2018).

The phenomenon of creativity is highly appreciated in innovation management among Russians. Ideas of supporting the developments of cultural industries are arising at federal and regional levels. (Lavrenyuk & Tikhonova 2020 p.67).

### ***Technological***

Technological factors are relevant to the analysis include role and development of technologies, its users, trends, and changes (Kenton, 2020). Russian Federation may be considered rather advanced in the tech industry. In 2017 the country took 45th place in the Global Innovation Index. Moreover, Russia was fourth among the leading countries by numbers of scientists and researchers. The e-commerce and FinTech sectors are abundant with the most numbers of startups. (Vlasova et al 2018)

## **4.3 The case organization**

### ***SWOT***

The author conducted a SWOT analysis of the case organization. The SWOT model stands for strengths, weaknesses, opportunities, and threats. The analysis was focused precisely on the company's features in regard to its foreign market entry. The data utilized for the SWOT analysis is taken partially from the interview results with the case organization representative. Moreover, primary data gathered during the author's internship in Sampo Accelerator is applied.

### ***Strengths***

#### **Western approach**

One of the most attractive attributes that the case organization possesses for the target audience is the European approach to coaching. Since Sampo Accelerator was established in Espoo, Finland, and largely carries the European and Nordic values (Case organization representative 2021), while arranging successful programs in the region, a cultural exchange is possible for Russian participants. Moreover, the organization's coaches profile consists of various nationalities (Case organization representative 2021). This is a distinct advantage that the case organization holds over competitors that were established and operate exclusively on the local market.

#### **Multinational networking**

As mentioned above, while undergoing an acceleration program at the case organization, participants are coached by professionals from various backgrounds, which allows for international networking. It is possible to communicate with not only coaches, but also other members and alumni of the program. This is considered a strength due to active networking being one of the most essential tools in developing a startup.

### **Equity-free programs**

Sampo Accelerator does not require equity in participating companies (Case organization representative 2021). Furthermore, there are no fees for joining the program. In contrast with acceleration programs that request equity or any form of payment, this quality is a competitive advantage for some audiences.

### ***Weaknesses***

#### **Language barrier**

According to statistics, the share of the population with knowledge of English in Russia as of March 2019 constitutes 53% (Clark 2019). The research also illustrates that Russia takes 27th place among 32 countries. Furthermore, the level of development in the capital region and metropolises in contrast with less populated regions should be considered. Therefore, a language barrier between locals and the case organization may occur. Moreover, lack of translation of information sources and media may interfere in the market entry process. During the completion of this research Sampo Accelerator does not officially employ any Russian-speaking workers (Sampo Accelerator 2021).

#### **Geographical location**

Sampo Accelerator is located in Espoo and has no offices in the Russian region. Despite the fact that the accelerator completed its programs online during 2020 and 2021 (Case organization representative 2021), the organization's location is a weakness in comparison with competitors that are placed in Russia.

#### **Lack of employees**

In April 2021, the case organization officially had 2 major employees, among numerous coaches who electively participate in the programs in a non-systematic manner, according to the company's website (Sampo Accelerator 2021). In contrast with larger accelerators, few employees may pose a challenge to the case organization, since internationalization requires strong efforts. Moreover, as mentioned above, the organization does not employ any Russian speakers.

## ***Opportunities***

### **Expanded network of alumni**

The case organization's acceleration programs are alumni-supported (Case organization representative 2021). Sampo Accelerator does not charge participants with any fees, nor does it take equity, as mentioned above. Therefore, attracting a greater number of new participants will result in larger amounts of possible alumni sponsorships.

### **New partnerships**

Both foreign market entry and networking results in the organization expanding its potential partners. Various advantages including new clients and possible sponsors are results of establishing new affiliations. Beneficial alliances may include other accelerators, technical universities and other establishments that work with startup founders.

## ***Threats***

### **Strong local competition**

It is challenging to establish an exact number of startup accelerators in Russia due to lack of official and trustworthy statistics. However, it is significant to acknowledge major establishments that have an extensive history of accelerating companies. Those include Skolkovo, GenerationS, Sber500, Global Venture Alliance and others (Expert B 2021). Several accelerators are parts of national programs.

### **Few local connections**

The case organization's representatives have a vast network of associates and coaches from various countries Case organization representative. However, Sampo Accelerator does not have any official local partners at the time of this research (Sampo Accelerator 2021).

## **5 DISCUSSION**

This chapter includes the author's proposed answers to the research question and discussion about the solution to the research aim. The author evaluates the empirical findings in accordance with the theoretical framework.



## 5.1 The target market

In this chapter the researcher discusses the answer to the research question “Why is the selected region suitable for market entry?”.

Internalization is a long and challenging process and selecting the target market is one of the core decisions that a company makes in the process. Internal factors play a vital role during the choice of a target market. In the case of Sampo Accelerator, such internal factors as size and services ought to be carefully evaluated (Hollensen 2019 p. 319). Considering the small size of the enterprise, a high risk of entering a vast market is posed. The uncertainty of internalization is lowered by the organization previously gaining visibility in different markets (Hollensen 2019). As seen from the interview conducted with the case organization’s representative, the aim to enter the Russian market specifically was rooted in both the company's services (internal factor) and attitudes held towards the market. The Russian market is larger than the Finnish market, a vaster geographical territory and larger number of inhabitants. Generally, Russia offers a great number of entrepreneurs, potential customers, which caters to the organization’s offering. However, external factors hold significance.

Despite the fact that the sociocultural distance between Russia and Finland is not great, there are some crucial differences that affect market entry, for instance, the degree of democracy and legislative differences. Some external factors including risk/demand certainty and intensity of competition (Hollensen 2019). Those are especially relevant in this case, according to the interview results.

Considering the PEST analysis and results of the interviews, there is a great potential for Sampo Accelerator in the Russian market. The market houses demand for the case organization’s services. Moreover, the psychic distance is relatively shorter than from many other countries. It is believed that the case organization possesses a value proposition that is attractive for the target audience, considering the SWOT analysis. For example, Sampo Accelerator provides a western approach and does not require equity. Additionally, according to the Uppsala model, entering a market with short psychic distance may result in lower perceived risk (Glowik 2016, p. 65).

Nevertheless, the author believes that entering the Russian market in 2021 or the near future may result in high-risk situations for Sampo Accelerator, due to the company’s size and industry characteristics. Moreover, an entity restricts its resource commitments in a

national domain if a country's risk level is high (Hollensen 2019). Therefore, the situation within the country may pose a challenge for the entrant.

## **5.2 Market entry strategy**

In this chapter the author discusses the answer to the research question “What factors should be considered by the case organization during foreign market entry?”. Moreover, the most adequate market entry mode is proposed.

### **5.2.1 Relevant aspects to consider**

The Russian market is seen as a complex region for market entry. There are multiple factors that the case organization ought to consider during internationalization.

One of the most significant factors is Russian Federation's legislation, according to both Expert A and Expert B. It is significant to note that the complexity of the country's legislative laws, as well as the whole intricacy of the political and economic situation, are beyond the scope of this written work. Therefore, those aspects are mentioned briefly. However, as it is seen from the interview results and the PEST analysis, legislation poses several challenges for a foreign non-profit market entrant (Toepler & Fröhlich 2020 p. 1474). The author believes that in order to eliminate possible obstacles and escape the language barrier, a skilled attorney needs to be hired to assist the organization with entering the market. Political climate and the economic state of the country may change; thus, an analysis of the situation is felt to be crucial before initiation of internalization.

### **5.2.2 Choosing a market entry mode**

In this chapter the researcher proposes a market entry strategy for the case organization to enter the Russian market. A market entry mode needs to be chosen as the core of the strategy. The most relevant market entry modes are discussed in relation to the empirical findings.

#### *Export*

Since Sampo Accelerator provides services, the organization can partake in direct service export. Exporting generally has minimal effect on the ordinary operations and lower risk

involvement (Albaum et al. 2016). Considering the accelerator does not acquire any participation fees, their services may be used online as it was practiced during the pandemic of 2020-2021. In this case Startup Accelerator, a non-profit organization that is established in Espoo, Finland, would provide services for residents of Russian Federation. Utilizing this entry mode and selecting direct exporting would not require for the case organization to be registered as a legal entity in Russian Federation, which would result in lower costs and fewer legislation challenges. If the organization were to participate in direct export, its international sales activities would be performed and managed by the entity itself or by dependent organizations that are administratively a part of the manufacturer's company organization (Albaum et al. 2016). In addition, export modes typically entail low levels of financial and management resource commitment, while catering to high flexibility opportunities (Hollensen 2019).

However, some drawbacks are relevant to note. Without establishing official partnerships, the case organization will not have access to potential associates' resources. Those may include local employees, customer data, relevant industry contacts etc. Therefore, the processes of networking and advertising are acknowledged to be limited to the organization's resources. Nevertheless, it is felt that networking may be done by organization representatives separately from the internalization procedure, while marketing may be performed in the forms of online advertising by employees in Finland, and/or by Russian locals who are willing to work on the basis of volunteering.

### *Strategic alliance*

The mode of strategic alliance would be beneficial for the case organization since it would acquire helpful resources from the local market. A strategic alliance is also productive for an entrant because they become exposed to the local entity's audience, therefore gaining advertisement (Glowik 2016 p. 169). Both horizontal and vertical alliances would bring Sampo Accelerator exposure to the local market and complementary knowledge. It depends on a particular kind of an alliance that would be established, but it is possible that the case organization will remain a separate entity that is fully responsible for its actions (Glowik 2016 p. 170). Furthermore, depending on the legalities of the partnership, some bureaucracy and legislation may appear. It is also significant to note that a strategic alliance may be successful only with a proper partner.

### *Joint venture*

Joint venture would be beneficial for Sampo Accelerator as the most resource-efficient mode of entry. It may create the process of entering the market easier and faster. Additionally, being a joint venture with a local firm may integrate the case organization more effectively by catering to nationalistic tendencies, which would increase the audience's trust (Albaum et al. 2016). However, as found from the interview results, joint ventures may result in failures when the parties do not share common goals. Therefore, one ought to be highly cautious when selecting a partner. It is likely that establishing a joint venture would entail special legislation which may pose a challenge.

In conclusion, considering these entry modes' benefits and threats for the case organization, the author proposes that Sampo Accelerator would select exporting as a market entry mode. This mode is felt to be the least legally obliging one. All efforts required for export of the case company's services can be done remotely, with few costs and legislative freedom. By directly exporting its services, the organization would retain the management and advertising processes. Moreover, by using export, the entity would face lower levels of financial and management resource commitment, however, the flexibility of its operations would be on a high frequency (Hollensen 2019).

### **5.3 Limitations**

Through critically analyzing the method of this study and the collected findings, the author takes note of this research's limitations. One of the most recognizable limitations include those related to COVID-19. The pandemic has affected the data collection process, consequently, collecting the interviews and the number of interviewees. Moreover, the current state of the target market and the circumstances of global affairs are heavily influenced by the virus. Therefore, the author cannot strongly highlight all dominant features of the target market's environments and every germane factor. Taking those aspects into consideration, it is relevant to note that more factors may be significant for the market entry of the case organization. The scope of this study is limited to the empirical findings that were analyzed during the specific time of the completion of this research. In addition, the primary data may be limited to the interview respondents' subjective opinions and personal knowledge. The researcher was limited to gathering and analyzing data relevant for this industry- and company-focused study.

## 6 CONCLUSION

A growing number of companies go through the process of internalization. Expanding to foreign markets brings businesses various benefits, including partners and new customers, for instance. However, there are numerous aspects that influence a company entering a foreign market. Those include both the company's internal and external factors, as well as characteristics of the target market. In order to complete a successful market entry, an analysis of the market ought to be conducted and a strategy is to be determined. There are various market entry modes that describe the strategic actions that are to be taken by an organization that enters a foreign market.

This research includes a case study of Sampo Accelerator entering the Russian market. The case organization is a startup accelerator that operates as a non-profit. The organization was established in Finland; however, its efforts have been expanding to foreign markets. The aim of this research was to propose a market entry mode for the case organization to enter the Russian market.

In order to reach the aim and answer the research questions, theoretical framework of internationalization was taken as a core. The research limitations were established. Consequently, qualitative data was collected. Primary data was gathered by interviewing the case company's representative and two internationalization experts, and a SWOT analysis of Sampo Accelerator was conducted, as well as PEST analysis of the target market. The data was then analyzed using thematic analysis.

By analyzing themes and categories of the data, the researcher was able to structure and present the findings. Aspects relevant for companies entering the market were identified in regard to the specific industry. Furthermore, the author evaluated market entry modes relevant for the case organization's capabilities. The researcher identifies that the empirical findings are limited to the scope of this particular research, however, considering the research limitation, the author proposed that Sampo Accelerator enters the Russian market by using exporting as a mode. It was felt that this particular mode was the most easily attainable for the organization considering its characteristics.

## 6.1 Further research

This research was conducted under a particular time frame specifically concerning the case organization entering its target market. Therefore, the results of the study ought not to be generalized and applied in every situation. The author accounted for all factors that influences the trustworthiness of the results. Consequently, it can be noted that this study may be viable to use for further research. Future studies may benefit by conducting an in-depth analysis of the target market, as well as selecting a widely representative sample for gathering primary data. The theories and practices of internationalization of Nonprofit organizations would need further investigation. The selected method and frameworks are applicable for similar research in the given industry.

## REFERENCES

- Albaum, G., Duerr, E., Josiassen, A., 2016, *International Marketing and Export Management*, 8<sup>th</sup> edition. Available at: <https://www.perlego.com/book/810704/international-marketing-and-export-management-pdf> Accessed 10.12.2020
- Altrichter, H., Kemmis, S., McTaggart, R., Zuber-Skerritt, O., 2002, The concept of action research, *The Learning Organization*, Vol. 9 No. 3, pp. 125-131. Available from: <https://doi-org.ezproxy.arcada.fi:2443/10.1108/09696470210428840> Accessed 15.11.2020
- Bryman, A. & Bell, E. (2011). *Business research methods*. 3rd ed. Oxford: Oxford University Press.
- Case organization representative, 2021, *Interview on Sampo Accelerator* [oral]. Transcribed, quotations provided in the Appendix to this work. 09.04.2021
- Chernopyatov, A., Makushenko, L., Popova, V., Antonova, N., 2018, Entrepreneurship Development and Business Activity in the Russian Federation, *Journal of Entrepreneurship Education* 21: Vol: 21 Issue: 4. Available from:

<https://www.abacademies.org/articles/entrepreneurship-development-and-business-activity-in-the-russian-federation-7459.html> Accessed 01.05.2021

Clarke V., Braun V., 2014, Thematic Analysis. In: Teo T. (eds) *Encyclopedia of Critical Psychology*, Springer, New York, NY. Available from: [https://researchspace.auckland.ac.nz/bitstream/handle/2292/43968/Thematic%20analysis\\_Journal%20Positive%20Psychology\\_ACCEPTED..pdf?sequence=4](https://researchspace.auckland.ac.nz/bitstream/handle/2292/43968/Thematic%20analysis_Journal%20Positive%20Psychology_ACCEPTED..pdf?sequence=4) Accessed 04.05.2021

Cohen, S., Fehder, D.C., Hochberg, Y.V., Murray, F., 2019, The design of startup accelerators. *Research Policy*, 48(7), pp.1781-1797. Available from: <http://yael-hochberg.com/assets/portfolio/CFHM.pdf> Accessed 09.12.2020

Elagina D., 16.04.2021, *Russia: Inflation rate from March 2020 to March 2021*, Statista, Available from: <https://www.statista.com/statistics/276323/monthly-inflation-rate-in-russia/> Accessed 01.05.2021

Expert A, 2021, *Interview on internationalization* [oral]. Transcribed, quotations provided in the Appendix to this work. 21.04.2021

Expert B, 2021, *Interview on internationalization* [oral]. Transcribed, quotations provided in the Appendix to this work. 30.04.2021

Glowik, M., 2016., *Market Entry Strategies*, 2<sup>nd</sup> edition, De Gruyter Oldenbourg. Available from: [https://arcada.finna.fi/Record/nelli23\\_arcada.3710000000609735](https://arcada.finna.fi/Record/nelli23_arcada.3710000000609735) Accessed 08.04.2021

Hollensen, S., 2019, *Global Marketing*. Available from: <https://www.perlego.com/book/1356508/global-marketing-pdf> Accessed 10.12.2020

International Center for Not-for-Profit Law, 2021, *Nonprofit law in Russia*, Available from: <https://www.cof.org/country-notes/nonprofit-law-russia> Accessed 05.05.2021

Irgibaev A.O., 2019, The features of the Russian startup movement: problems and ways of solution. In: *Management and marketing: challenges of the XXI century*, pp. 85-88 Available from: <http://science.usue.ru/images/docs/itogi/marketing2019.pdf#page=85> Accessed 15.10.2020

- Kamenskikh M.A., 2018, A study of the startup accelerators' activities in Russia. Available from: [https://www.researchgate.net/publication/327724560\\_A\\_study\\_of\\_the\\_startup\\_accelerators%27\\_activities\\_in\\_Russia](https://www.researchgate.net/publication/327724560_A_study_of_the_startup_accelerators%27_activities_in_Russia) Accessed 15.10.2020
- Kenton, Will. *PEST Analysis*. Investopedia, 2020. Available from: [www.investopedia.com/terms/p/pest-analysis.asp](http://www.investopedia.com/terms/p/pest-analysis.asp) Accessed 25.04.21
- Kim J.-H. & Wagman L., 2014, *Portfolio Size and Information Disclosure: An Analysis of Startup Accelerators*, Available from: <https://lwagman.org/Portfolio.pdf> Accessed 15.10.2020
- Korhonen, I., 2019, Sanctions and counter-sanctions – What are their economic effects in Russia and elsewhere?, *BOFIT Policy Brief*, vol. 2019, no. 2, pp. 3-12. Available from: <https://search-proquest-com.ezproxy.arcada.fi:2443/abiglobal/docview/2295417235/BF2D341C0FCF42EDPQ/21?accountid=27294> Accessed 04.05.2021
- Lavrenyuk N., Tikhonova A., 2020, Sociological problems of digitalization in the contemporary Russian society, *Siberian socium*, vol. 4, no. 2 (12) Available from: [https://siberian-socium.utmn.ru/upload/uf/812/eng\\_SibSoc\\_2020\\_2.pdf](https://siberian-socium.utmn.ru/upload/uf/812/eng_SibSoc_2020_2.pdf) Accessed 05.05.2021
- Sampo Accelerator, 2021, Available from: <https://www.sampoaccelerator.com/> Accessed 02.02.2021
- Saunders, M.N.K., Thornhill, A., Lewis, P., 2019, *Research Methods for Business Students*. 8<sup>th</sup> edition. Available from: <https://www.perlego.com/book/971477/research-methods-for-business-students-pdf> Accessed 15.11.2020
- StartupBlink, *Map of Startups in Russia, listed by Industry and Ranking*. Available from: <https://www.startupblink.com/startups/russia#:~:text=Russia%20Startup%20Map%20has%201756,Moscow%2C%20Saint%20Petersburg%20and%20Kazan> Accessed 12.10.2020
- Statista research department, 03.03.2021, *Average monthly U.S. Dollar (USD) and euro (EUR) exchange rate to Russian ruble (RUB) from January 2008 to April 2021*, Statista,



Available from: <https://www.statista.com/statistics/1200821/usd-eur-rub-exchange-rate-monthly/> Accessed 01.05.2021

Toepler, S. & Fröhlich, C., 2020, Advocacy in authoritarian contexts: the case of disability NGOs in Russia, *International Journal of Sociology and Social Policy*, Vol. 40 No. 11/12, pp. 1473-1489. Available from: <https://www-emerald-com.ezproxy.arcada.fi:2443/insight/content/doi/10.1108/IJSSP-03-2020-0077/full/html> Accessed 04.05.2021

Tokarev B.E., 2020, Quantitative analysis of innovative startups in Russia. Available from: [https://www.researchgate.net/publication/342928792\\_Quantitative\\_analysis\\_of\\_innovative\\_startups\\_in\\_Russia](https://www.researchgate.net/publication/342928792_Quantitative_analysis_of_innovative_startups_in_Russia) Accessed 15.10.2020

Transparency International, 2020, *Corruption perceptions index*, Available from: <https://www.transparency.org/en/cpi/2020/index/nzl> Accessed 01.05.2021

O'Neill, A., 2021a, *Russia: Unemployment rate from 1999 to 2020*, Statista, Available from: <https://www.statista.com/statistics/263712/unemployment-in-russia/> Accessed 01.05.2021

O'Neill, A., 2021b, *Russia: Age distribution from 2009 to 2019*, Statista, Available from: <https://www.statista.com/statistics/263712/unemployment-in-russia/> Accessed 01.05.2021

Vlasova, V., Gokhberg, L., Dyachenko, E., et al, 2018, *Russian Science in Figures*, National Research University Higher School of Economics. — Moscow: HSE. Available from: <https://issek.hse.ru/en/ruscience/> Accessed 02.05.2021

## APPENDICES

### APPENDIX 1: Interview guides

#### *Interview guide for Sampo Accelerator representatives*

1. Could you give a short description of Sampo Accelerator and its function?
2. What were the main reasons for foreign market entry?
3. Why was the Russian market specifically chosen for expansion?
4. What expectations do you have about entering the Russian market?
5. What obstacles does the company face during the penetration of the Russian market?
6. What value would Sampo Accelerator bring to the Russian target audience?
7. Has Sampo Accelerator entered any other foreign markets? If so, what entry modes were utilized?
8. Is there anything else you would like to comment on?

#### *Interview guide for internationalization experts*

1. What are the main benefits of foreign market entry?
2. What are the key aspects to consider while selecting an entry mode?
3. To the extent of your knowledge, what features does the startup market possess?
4. To the extent of your knowledge, how different is the process of foreign market entry for non-profit organizations as opposed to for-profit firms? In which ways?
5. What activities are in your opinion the most helpful in foreign market entry without funding?
6. To the extent of your knowledge, what market entry strategies/modes are beneficial for non-profit organizations? Why?
6. Is there anything else you would like to comment on?

### Appendix 2: Data analysis

| Interviewee            | Theme  | Category                 | Keyword                  |
|------------------------|--|--------------------------|--------------------------|
| Company representative | Gaining visibility in the Baltics              | SWOT                     | Previous internalization |
|                        | The target market has opportunities for growth | Reasons for market entry | Growth opportunities     |
|                        | Using existing network                         | Most helpful activities  | Networking               |
|                        | Personalities and problems are similar         | Reasons for market entry | Similarities             |
|                        | Political situation                            | SWOT                     | Political climate        |
|                        | Language barrier                               | SWOT                     | Language                 |
|                        | Many entrepreneurs                             | Reasons for market entry | Human capital            |
|                        | Strong competition                             | SWOT                     | Competition              |

|          |   |                            |                      |
|----------|---|----------------------------|----------------------|
| Expert A | Different forms of legislation              | Key aspects to consider    | Legislation          |
|          | Having local employees                      | Most helpful activities    | Adapting             |
|          | Finding growth                              | Reasons for market entry   | Growth opportunities |
|          | Help of attorneys                           | Most helpful activities    | Legislation          |
|          | Building a network                          | Most helpful activities    | Networking           |
|          | Establishing partnerships                   | Possible market entry mode | Strategic alliances  |
|          | Entrepreneurial mindset                     | Reasons for market entry   | Human capital        |
|          | Political environment                       | Key aspects to consider    | Political climate    |
| Expert B | The economic situation                      | Key aspects to consider    | Economic state       |
|          | Translating resources to the local language | Most helpful activities    | Adapting             |
|          | Monopoly                                    | Key aspects to consider    | Competition          |
|          | Analyse potential clients                   | Most helpful activities    | Market analysis      |
|          | "Foreign agent" laws                        | Key aspects to consider    | Legislation          |
|          | Customer development                        | Most helpful activities    | Market analysis      |
|          | Interviewing local founders                 | Most helpful activities    | Networking           |
|          | Active founders                             | Reasons for market entry   | Human capital        |

## APPENDIX 3: Interview extracts

### *Organization representative:*

“the Finnish market is too small”.

“We are expecting 5 to 10 percent of them (companies) to be reasonably successful, and we define that by the tens of millions in annual revenue”.

“we needed to look at a larger region. And so from previous work I've done, in the Baltics, Central and Eastern Europe and Russia personalities are similar and the problems that the founders face are similar, so taking that sort of geographic region, that gives us like two hundred and fifty million people”.

“it is easy for us to find enough companies that match our criteria and that we find at the right time. And when they hear about us, we hear about them so that we can match and help each other out”.

“there is obviously a cultural clash, but it is less than, for instance, French and Russians would have because there is a very different culture and they interact infrequently. And Finns are used to dealing with Russians and can help them get more used to dealing with European business environments, European ways of working, European norms and practices”.

“most of my experiences with Russian entrepreneurs are that they require a level of proof before they will fully engage, that they sort of are constantly testing, they won't let you be able to just present some credentials and they are always looking for the weaknesses and failures”.

“it is no longer a nice, clean blue ocean, as it was when I was first going there and we were kind of one of the very few foreigners that were going into Russia looking to try and find things”.

“and then the final thing is, of course, the global political situation. It is not stable and it's a little bit tense, so it gets complicated”.

“we are happy for you to join us and come and join our network and get the expertise and the connections and then go back and then spread the knowledge that you've gained”.

“We are in the Baltics and the method was using my existing network and attending startup conferences and partnering with local relevant organizations that can get the word out for us”.

#### *Expert A:*

“the main benefit is to find growth”.

“there might be also other benefits which are related to the strategical expansion so that you might have more possibilities to collaborate with other companies which you need to “fill” your offering with”

“If your NGO activity is financed by a non-Russian organization, it is registered differently from the local ones”

“The Russian legislation, the political environment and all those things, especially at the moment, are difficult for non-Russians”

“The attorneys need to be involved”

“Russia has a lot of entrepreneurial mindset”

“Closing a legal entity i Russia is a nightmare”

“Going to a new market is a demand-driven activity”

“Whatever you do, there are expenses accumulated”

“When you need the local people, you need the local support, knowing the right people and organizations and making strategic alliances with them is important to get to the market”

“Every time you make a partner, you have to figure out how to have your strategies aligned”

“The biggest mistakes in joint ventures occur when you have an alliance at the right area, the right market, but your targets are not aligned”

“Knowing people is an asset”

“Having locals as employees is vital”

“You have to have the locals who are helping you work with locals, getting things sorted, finding a location, people, coaches”

“There are laws related to the information flow, management, financing, enterprises, individuals and so on”

*Expert B:*

“a foreign accelerator may enter the Russian market for purposes of accelerating Russian startups that are aimed at the Russian market”

“the Russian economy is in a stagnation phase”

“the economical situation does not facilitate long-term development”

“the technological market is under a monopoly by governmental acceleration and development programs”

“the russian consumer does not have finances”

“the majority of startups that are actively developing in Russia are companies that release products for the international market, or see Russia as a place to start before expanding abroad. Acceleration of these startups has plenty of perspectives”

“an analysis of potential customers, startups that seek soft skills, needs to be collected”

“A name for your company on the Russian market needs to be established”

“video clips and social media posts in Russian can be used for marketing”

“A new entrant needs to implement customer development with few of local firms”

“The market of soft skill acceleration is almost empty”

“The “foreign agents” laws are brutal”

“Operating through a foreign nonprofit in Russia is almost impossible”

“Russian education is seeing a decline”

“First thing is to focus on analysis of the market and the demand, to choose a narrow segment”

“To state clearly what is your proposition”

“Conduct 10-12 comprehensive interviews with local founders, make a Russian version of the website, think about a language intensive module”