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**Set of recommendations for Maspart Finland Oy to enter
Russian market**

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THESIS ABSTRACT

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This work aims to explore the difficulties that a company will face during their expansion to the Russian market. The case company is Maspart Finland Oy, which is known for its online heavy machinery store Maspart.com. The company is growing all the time, and its potential exceeds the Finnish market where they operating now. The aim of this work is to provide the required information about Russian market challenges for Maspart Finland Oy.

The theoretical framework aims to provide existing information with analysis to adapt that knowledge to the company's needs. It consists of three parts: the importance of starting business on the Russian market, trade barriers for Finnish companies on the Russian market, and the importance of internationalization for Maspart Finland Oy.

The empirical framework presents the main aims and objectives. It also explains how those aims are to be reached in the current study and, finally, the research methods used to reach the solution.

The empirical study includes two types of work: an interview and an online survey. The interview was made with the CEO of Maspart Finland Oy in order to find out their needs. The online survey was conducted among companies in the Seinäjoki region.

A summary is presented as the compilation of the results prepared for the company. The solution consists of four parts: overcoming the language barrier, communication model, cultural differences, and the methods of overcoming trade barriers.

The discussion part describes the possible development of the current results and opportunities for the future analysis of the current problem. Moreover, the results of the current study are evaluated.

Keywords: Russian market, language barrier, trade barrier, cultural differences, Hofstede dimensions, internationalization

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LIST OF ABBREVIATIONS

Oy	Osakeyhtiö (Finnish Limited company)
GDP	Gross Domestic Product
FDI	Foreign Direct Investment
GVC	Global Value Chain
EU	European Union
GNI	Gross National Income
US	United States
HDI	Human Development Index
WTO	World Trade Organization
GATT	General Agreement on Tariffs and Trade
CU	Customs Union
CET	Common External Tariff
CES	Common Economic Space
PCA	Agreement on Partnership and Cooperation
OECD	Organization for Economic Cooperation and Development
PDI	Power Distance
IDV	Individualism versus collectivism
MAS	Masculinity versus femininity
UAI	Uncertainty avoidance
PRA	Pragmatic versus Normative
IND	Indulgence versus Restraint
USSR	The Union of Soviet Socialist Republics
CEO	Chief Executive Officer
EEA	European Economic Area
VAT	Value Added Tax
SME	Small and Medium Enterprises

INTRODUCTION

Society nowadays develops in a way of globalization. Companies in all over the world understand the benefits of international trade. Russian market has always been interesting for Finnish companies as the source of demand for their production. From the other hand, it was never easy to establish business in a land of different culture. The problems arise from the very first sight and more of them are not visible until the company faces them. In other words, trade in the Russian market is very attractive, but its organization requires great effort.

This work is a solution to request of Maspart Finland Oy. The demand of the company is information that is needed to start business in the Russian market. The company needs to know the ways to successful cooperation with counterpart of different culture as well as the documentation and preparations needed to overcome trade barriers of Russian market.

Maspart Finland Oy is a Finnish company that holds online heavy machinery store Maspart.com. The company provides marketing and sales channels to Finnish and European suppliers. At the moment company has over 100 suppliers with about 8000 products to sell. Products are presented by the wide range of different types: from excavators and tractors to spare parts and liquids of over than 200 brands.

This study concentrates on research of cultural differences and language barrier obstacles from the one hand and official documentation and actions needed to overcome customs control.

Research methods

The current work includes two types of research methods used: qualitative and quantitative. Qualitative research is presented by interview with case company's leader to research its current situation and plans for the Russian market. The quantitative research was made in terms of online questionnaire to research current situation on Finnish market – if the companies are ready to enter Russian market and if they need results of the current research.

Objectives

The aim of the study is to prepare recommendations for Finnish company for entering the Russian market. According to the aim and results of interview, four objectives were formulated:

1. Prepare solution to overcome language barrier
2. Research and prepare communication model for the case company with Russian partners.
3. Research and prepare recommendations on Russian culture's features that should be used to reach better understanding how to make business in Russian market.
4. Research and prepare solution to overcome trade barriers in Russian market. This objective consists of three
 - Research and find the information on customs' tariffs.
 - Prepare information on documentation needed for customs
 - Prepare information on certification of products process for Russian market
 - Research other non-tariff barriers and prepare solutions

Limits

This research is limited by two main areas: international business relations and trade barriers in Russian market for international companies. The first area covered by language barrier research, Hofstede dimensions' scores comparison and behavior differences of Russian and Finnish businessmen. The second area covers tariff and non-tariff barriers that Finnish company will have to overcome in order to reach the Russian market benefits of trade.

1. THEORETICAL FRAMEWORK

In this part will be used as theoretical resources that would help in empirical part of research. In theoretical framework will be described such topics as international business relations, international trade between Russian Federation and Finland, benefits of foreign trade, possibilities from trade with Russia and tariff barriers, Finnish companies and obstacles they face when doing business in Russia, also, in this part there will be show main perspectives of a Finnish company Maspart Finland Oy, its plans to enter Russian market and main problems of international trade for e-commerce company.

1.1 Importance of business relations between Finland and Russia

During last decades international trade has become an important part of modern developed countries economies.

There are several definitions of trade between countries. "International Trade is all business transactions that involve two or more countries; the trade is done between private or governmental companies. Companies undertake such transactions for profit". (John D., 2002) This thesis will concentrate on the private companies and the trade between them.

In her article, Chand Smriti gives good definition of international trade and its meaning for the country. The meaning of international trade is to exchange different kind of goods and its equivalents through the customs between countries. Nowadays, international trade's turnover produces meaningful part of GDP. Moreover, international trade has become a driver of economic, social, historical and political development of modern society. (Chand, 2014) Benefit interrelation between countries and companies in terms of international trade is very important aspect that raises importance of development of international business.

Another view is given by Thomas Farole of World Bank. He describes international trade as result of foreign direct investments.

Foreign direct investment (FDI) is becoming an increasingly significant catalyst for output and trade in developing countries, in part due to a major expansion in the scope of global value chains (GVCs). FDI delivers a number of important

contributions to economic development in terms of investment, employment, and foreign exchange. (Farole, 2014)

In this research we will focus on development of international trade between Finland and Russia.

1.1.1 Benefits from international business

To begin with, international trade in face of international business brings positive benefits for both: countries and companies. Development of international trade makes a wider range of goods or services available to larger markets. It also provides lower productions costs through economies of scale and technology that is needed to decrease prices to the end consumer.

The question of the economic reasons arises for trade rapid growth in international trade and specialization raises. In his work, Alan Branch defined the key to economic reasons.

The key to this question lies in the theory of comparative advantage; a nation can raise its standards and real income by specializing in the production of those commodities or services in which it has the highest productivity or comparative advantage. The benefits of the trade may also lie in the transport costs of the goods which are imported. The costs of the transportation will determine whether the trade is profitable or not. (Branch, 2002)

International trade increases competition and prevents the monopolistic control of the home market by local producers. It provides a motivation to economic growth, developing technology and raising living standards. Importation provides wealth to the economy and opportunities arise to exchange ideas and develop the infrastructure of a country or region and its resources. Trade also develops beneficial links between countries.

Finland is situated between two big economic structures: European Union (EU) and Russia. As the member of EU, Finland has an opportunity to trade with European countries without any restrictions and borders. From the other hand, Russia is a big market to sell goods and services. Obviously, trade between Finland and Russia will be beneficial for both countries.

1.1.2 Importance of Russia as a business partner for Finland

In this part the answer will be given to why Russian Federation is an important business partner for Finland. "Being a non-EU country, it belongs to top three export and top three import countries for Finland". (Ministry for Foreign Affairs of Finland, 2009) The value of export and import operations during the period of years 2009 till 1-9 2013 can be seen in Table 1 below. As it shown in the table, the number of import and export operations (Finnish import + Finnish export) between Russia and Finland tend to increase since 2009. After world financial crisis of 2008 all financial operations were decreased in the most of the countries because of risks. By the year 2011 the amount of money involved into international trade reached its peak on the time interval taken. It can be seen that it is almost on the same level that previous year had in 2012 and tend to reach close value in 2013. In 2011 the number is 1388 million EUR/month, in 2012 it is 1356 million EUR/month and in 2013 it is 1328 million EUR/month during observed period that is close to previous two years. From the data in the table we can say that level of import and export operations restored after crisis and reached stable level.

Million EUR	2009	2010	2011	2012	1-9 2013
Finnish exports	4,028.1	4,715.9	5,336.8	5,687.7	3,983.0
Finnish imports	7,035.1	9,217.2	11,319.4	10,582.7	7,965.1
Trade balance	-3,007	-4,501	-5,983	-4,895	-3,982

Table 1 Trade between Russia and Finland in 2009–2013 (Source: Finpro 2014; Finnish Customs)

It is also important what kind of products are imported and exported. The Table 2 shows the top ten Finnish export products in during period from January to September of the year of 2013. According to that table, the most popular type of product to export is paper and different products made of it. That can be explained by the developed paper industry in Finland. The next few lines are taken by machinery that has good reputation in Russia by its quality and durability. One of the most important factors that influence the products to export is trade barriers that emerge and disappear. Export of goods can be harder, because of high tariffs, and, as result, the number of goods crossing border is low. The other reason of the popularity of goods to export is demand of importing country. For example, Russia is reach of its resources, while industry is not well-developed and many companies prefer to buy machinery from abroad. Obviously, the

exchange of goods is not a stable number each year and there are many other things influencing the position on this list.

Product	Value of exports (million EUR)
Paper, paperboard and articles thereof	396.6
Machinery for specialized industries	324.0
General industrial machinery n.e.s.	277.1
Petroleum and products	255.9
Electric machinery, n.e.s.and parts	227.0
Medicinal and pharmaceutical products	224.9
Plastics in primary forms	202.6
Dairy products and birds' eggs	184.8
Metalliferous ores and metal scrap	163.0
Chemical materials and products, n.e.s.	129.2
Total of top ten exports to country	2,385.1

Table 2 Top ten Finnish export products (SITC 2 level) in Jan-Sept 2013 (Source: Finpro 2014; Finnish Customs)

Another important information is the most exported products. The data is shown on the Table 3. As we can see, almost every line in the table is some kind of resource. Obviously, the first two places are taken by petroleum and gas – those are the most exported products in Russia. To conclude, the last two tables show us that Russia and Finland export and import different products that means a good compatibility between these two countries and possibility to increase the number of transactions in future.

Product	Value of imports (million EUR)
Petroleum and products	5,450.5
Gas, natural and manufactured	844.3
Organic chemicals	364.7
Cork and wood	308.1
Coal, coke and briquettes	181.2
Electric current	123.3
Inorganic chemicals	92.3
Rubber manufactures, n.e.s.	77.9
Fertilizers, manufactured	73.9
Power generating machinery and equipment	72.7
Total of top ten imports from country	7,588.9

Table 3 Top ten Finnish import products (SITC 2 level) in Jan – Sept 2013 2013 (Source: Finpro 2014; Finnish Customs)

Russian market is continuously developing with GDP Measured at Purchasing Power Parity of 2,532,072.1 international \$ million, Consumer Expenditure 1,098,476.1 US\$ million and Annual Gross Income 1,600,160.8 US\$ million in the year 2014. (Russia country Factfile, 2014) It is the biggest, by area, country in the world. Russia is placed on two continents – Europe and Asia. It has a lot of trade relations with different markets and its own market is well-developed. Russia consists of many regions (83 including Moscow and Saint Petersburg, which are regions themselves), which are different in geographical matter and by nations living there and culture of these nations. From this point we can say, that the same communication model would not be same successful in different regions. For example, due to historical reasons Republic of Karelia has culture similar to Finnish, while Republic of Chechnya is similar to Islamic countries. There are three levels of power in Russia:

- The federal country with Constitution, federal constitutional laws, federal laws, presidential decrees, government resolutions and other regulatory acts.
- The states, able to enact legislation in those areas that are not in authority of the federal country. At the same time, all these laws must comply with federal law.

- Municipality law.

Those three levels of power are described in Business Hub publication. “This all creates small differences, connected to, either or both, law or culture, between each region and it is important to know what one can meet in his destination”. (Swiss Business Hub Russia, 2012) Obviously, every small difference of Russian organization of power should be taken into consideration while planning to cooperate with companies in this country.

Between the financial crisis that struck Russia in 1998 and the global financial crisis in 2008-2009, Russia experienced the strongest decade of growth in its history. On average, GDP grew by nearly 7% annually over this period. A solidly “upper-middle” income country, Russia’s GNI per capita has grown steadily, from US \$5,820 in 2006 to US \$9,910 in 2010. (Russian Federation, 2014)

One of the modern ways to measure the country’s development level is Human Development Report (HDI). It combines indicators of educational attainment, life expectancy and income as the one number - the human development index. The most meaningful feature of HDI is that it helps to evaluate development from both social and economic points of view. (United Nations Development Programme, 2014)

Russian Human Development Index is 0.755. It places country to 66th place of 187 countries. There are several factors of country’s development feature that made damages caused by global financial crisis minimal to Russian’s economic system. The country still has some development challenges.

The political situation in Russia is stable. In 2012 Vladimir Putin was reelected as the president of Russian Federation for six years. From the one hand, that creates political stability in country that, practically, ensures that the policies planned earlier by the government will be introduced and developed. On the other hand, changes could bring a shift to Russian attitude towards other countries and their products. Regulations about importing goods are influenced by Russian Federation membership of in different international organizations. On August 22, 2012 Russia officially join the WTO as 156th member country.

Russian trade regime was pledged to be liberalized, to create an open and fair trade market with increased transparency and predictability. That is another step

towards integration of this major economy into world market. Russia became a party to GATT, along with its related multilateral agreements on trade in goods, and other regulations concerning trade in services and intellectual property. (Swiss Business Hub Russia, 2012)

One of the features of WTO membership is that Russia has to guarantee most-favored nation status to all other members of the organization. There exception in this rule can only be made within structure of free trade agreements, customs union agreements and Generalized System of 42 Preferences (tariff preferences for least-developed and developing countries). WTO's objective is to reduce tariff and nontariff barriers as well as restrictions to market access.

Russia needs to gradually bring tariffs to the level accepted by the international organization. All the nontariff restrictions need to be brought into compliance with WTO principles. Trade barriers and obstructions not consistent with WTO viewpoint and regulations will no longer be allowed. (Swiss Business Hub Russia, 2012)

Russian Federation is one of the members of Russia-Kazakhstan-Belarus Customs Union (CU). In 2010 CU adopted a common external tariff (CET) with most of the tariffs rates based on the level that Russia used. Customs Union has developed Common Economic Space (CES) even further. It has abolished all customs points on internal borders and allowed free flow of the most of the goods between CU members. The decision of Russian Federation to join WTO has influenced CU's tariffs to decrease. By the year of 2015, CU is aiming to unify tariff regulations with EU and organize the Eurasian Economic Union. All the tariff and non-tariff regulations of Russian Federation are based on CU policies. (Swiss Business Hub Russia, 2012) An Agreement on Partnership and Cooperation (PCA) was signed by Russian Federation and European Union. It expired in 2007, but the agreement automatically renew every year.

During EU-Russia summits in Khanty-Mansiysk (June 2008), Rostov (June 2010) and Brussels (December 2011) the intention to create more complete framework for co-operation between Russian Federation and European Union was reconfirmed. The intensification of negotiations is expected to after the completion of Russia's WTO accession. (Swiss Business Hub Russia, 2012)

Nowadays Russian Federation actively seek for full membership in The Organization for Economic Cooperation and Development (OECD), which mission is to promote the policies aiming to improve economic and social being of people world-wide. Russia also aims to enhance its role in other international organizations. One of the reasons to enter trade and economic organizations is to attract investments and establish new international trade relations. Nowadays, many foreign countries are not interested in such kind of relations because of trade barriers in Russia.

In term of Finland it is very profitable to export to Russia, because market size and demand are high. But there are not so many companies that start business with Russia. The next paragraph aims to find the reasons why is it hard for Finnish companies to start business relations in Russian market.

1.2 Known barriers for Finnish companies to enter Russian market

There are several reasons why business with Russia is not easy to start. Firstly, it is language barrier: countries speak different languages and it can be difficult to understand each other during business communication.

Secondly, cultural differences create a psychological barrier that is not easy to overcome. People afraid of things they do not understand. For example, prejudices in Russia about Finns and businessmen prefer to make business on the examined parts of market to reduce risks. Same situation observed from the Finnish side.

Finally, there are another type of barriers for Finnish companies to face when they are about to start export to Russia – it is a customs barriers, such as tariff barriers and excise taxes.

1.2.1 Communication and language barrier

Increased globalization is forcing a growing number of business managers and employees to interact across linguistic boundaries (Lauring, 2008). Since language affects almost all aspects of everyday life, there needs more of a focus on communication barriers by researchers and practitioners engaged in international business and management (Henderson, 2005).

Language barrier is when two people or group of people cannot communicate properly because they do not speak same language. The effects of language barrier, usually, lead to misunderstanding, misinterpretation and lack of communication which results to

inability to express oneself. Russian is a difficult language to learn and all foreigners as well as Finnish businessmen face enormous challenges to be successful in Russian market if they do not speak the language.

In most cases, negotiations with representatives of the Russian companies will be successful if the manager is prepared for Russian features. Other European cultures differ from Russian one. While European negotiations are focused on result, in Russia relations are important as well. Every person should be perceived as a person.

Business communications in Russian companies need preparation of about two hours. Those preparations are usually meetings of the managers to decide conditions of transaction. Every customer perceived individually. Repeated discussions do not require lengthy preparations, as a tactic already developed based on the experience of previous negotiations. The most important characteristic valued is openness in negotiations.

Besides, one of the most difficult parts of the business communications in Russia is language barrier. The problem is that foreign languages are not very popular in Russia. In many cases the partner from Russia may not know English or your mother language. Needless to say, that help of interpreter will be needed in those cases. The other side might have its own interpreter but it is not recommended to come without Russian-speaking associate to avoid misunderstanding. If interpreter translates your speech in a wrong way it can be a reason of the lost deal.

Interpreters can provide opportunistic behavior and change the meaning of translation for the purposes of their own business. The use of separate interpreter means risk for the company. Russian speaking employee with industry knowledge of the proper level is used to entrust control over these communications in Russian-Finnish negotiations practices. Without the problem of language barrier negotiations are usually more successful.

In addition to Language barrier, there is another related issue – cultural differences between two countries that also create specific obstacles, if it is not taken into consideration during preparation for international business relations.

1.2.2 Cultural difference between Russians and Finns

Culture effects significantly how the consumer sees the product and his desire to buy it. Good cultural knowledge can help to avoid unpleasant mistakes in marketing. Studying and understanding of cultures helps to recognize the consumption style of foreign customers. That style is the key to make consumers want to purchase company's products or services. To design a good marketing material the cultural aspects are need to be taken into consideration to make company more attractive. To make target marketing more effective, society can be divided into small groups. There are several tags to divide society for marketing needs: social classes, income, education or occupation. Every person has certain position and role in the whole society and they often have equal values, interests and behavior. Furthermore: they prefer similar products and brands. (Kotler 2010, 161-164)

Culture or sometimes "category" can refer to nations; Finnish, Russian, ethnicities: Lapp, Finland swedes, regions: Northern Finn, Eastern Russian, religions: Christian, Muslim, occupations: Welder, Accountant, organizations: Microsoft culture, genders: Women culture or generations: Youth culture. (Culture, 2014)

Geert Hofstede has defined the culture as follows:

The collective programming of the mind distinguishing the members of one group or "category" of people from another. (Hofstede, 2014)

The main idea of the previous quote is "collective programming" as it describes the process that we all participate in since we were born. For instance, parents usually make some cultural based decisions about the baby's life before babies born. Since young age, our parents and teachers give us advices in order to prepare us for successful cultural interactions in future. However, every culture and society has different set of instructions and beliefs that are usually differ from each other. The children learn, according to their culture, what is bad and good, right or wrong, normal and abnormal. When the child grows up, these advices turn to the core beliefs which are impossible to discard. Therefore, when people meet new culture that is unlike to their own, it is looks strange and different for them. (Lewis, 2006, 17)

Geert Hofstede researched cultural influence on society's moral values and behavior. There are six dimensions distinguished by Hofstede. Each country can score in each

dimension from 1 to 100. Analyze of country's scores gives a clear picture of country's culture, values, and cultural differences. Information about cultural dimensions is a useful instrument to facilitate marketing efforts, cross-cultural communication and international management. (Dimensions, 2014)

Power Distance (PDI)

PDI dimension is the way to express how society handles inequalities among people. For example, in low PDI countries, the power is distributed equally, while in high PDI countries people organized in hierarchical order. (Dimensions, 2014)

Individualism versus collectivism (IDV)

In countries with high score on IDV people are expected to take care only of themselves and their self-images are defined in terms of "I". Low score of IDV means collectivism where people's self-image is "we" and people in such countries have a tight relationship with their families, friends and they take care of each other. (Dimensions, 2014)

Masculinity versus femininity (MAS)

If society has high score on MAS dimension then people of the country, usually, like to compete with each other. Besides, they are heading to achievements, success and rewards. Heroism and assertiveness are also inherent to high MAS. Low score refers to femininity which tends to more cooperative and consensus-oriented society. People want to care of others and to live modest and high quality life. (Dimensions, 2014)

Uncertainty avoidance (UAI)

UAI shows the society's attitude towards uncertainty and ambiguity. The main question is how the society feels about the unknown future. Furthermore, it shows their wish to control the future. Countries with high score in UAI are not easy to make changes and are skeptic about new ideas. They prefer to stay and behave without changes. Low score reflects societies with more relaxed attitude about the new ideas and changes. (Dimensions, 2014)

Pragmatic versus Normative (PRA)

"This dimension describes how people in the past, as well as today, relate to the fact that so much that happens around us cannot be explained." (Dimensions, 2014)

Normative nations want in all to understand. Inhabitants of normative societies are strongly motivated to establish the absolute Truth and they also have a need for

personal stability. Social conventions and traditions are very important. Normative people prefer to live in one day and not to think about the future.

In pragmatic societies most people don't want everything to be explained, they believe that it is impossible to understand the life. Pragmatics' aim is to live a virtuous life. Pragmatic people believe that truth depends on situation, context and time. Those people can accept contradictions, adapt according to the circumstances. They have a strong propensity to save and invest, as well as prudence and perseverance in achieving results. (Dimensions, 2014)

Indulgence versus Restraint (IND)

Indulgence defines a society that allows relatively free satisfaction of normal human needs of happiness. In restraint society gratification of needs is suppressed and regulated by means of strict social norms. (Dimensions, 2014)

Six dimensions of Finland

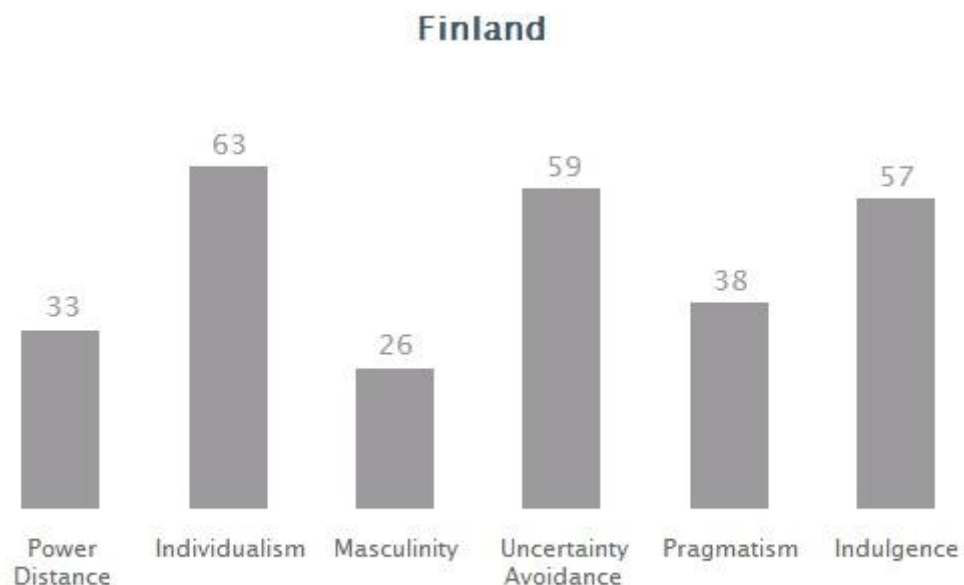


Figure 1 Finland score in dimensions (Dimensions, 2014)

Let us look at Finland through the prism of six dimensions.

Finland scores low on Power distance dimension (score of 33) which means that the Finnish style can be characterized by following: equality, no hierarchical meaning, accessibility of top managers, independence, improved management and advanced

features. Power is not centralized in Finland and experience is the most important factor in management. Workers are open for consultations. Employees do not like the control and attitude towards managers is informal. Communication is direct and participative. (Dimensions, 2014)

Finland can be counted as Individualistic society with a score of 63 on IDV. Doubtless, such society tends to be under influence of egocentricity and people's everyday needs are the most important aims to live for. People of individualistic societies esteem offence as unacceptable damage to self-respect. Contract is the main part of agreement between employee and employer. In management, every person considered as individual and promotion is based on achievements. (Dimensions, 2014)

The masculinity score of Finland is 26. Needless to say, that Finland is closer to feminine society. The working life of such societies is not stressful because managers try to get to agreement with workers and everyone is valued equally. Negotiation is a key method to solve misunderstanding. People value free time and flexibility rather than money and no one tries to show higher position. Managers of feminine societies try to understand and listen to workers and use soft methods of influence. (Dimensions, 2014)

Finland scores 59 in uncertainty avoidance dimension. The score is high enough to say that in Finland people prefer to know everything beforehand. Traditions and rituals are valued high and abnormal behavior is unacceptable. People need rules to follow in such countries. Society with high uncertainty avoidance shows need of hard work and time is valued high. People of Finland are punctual and pedant. The change of style of life is to be resisted. (Dimensions, 2014)

The pragmatism score of 38 is low enough to call Finnish culture normative. The truth is highly valued and people prefer to know that truth and think in similar manner. Society aims to short-term targets without savings. Traditions are important and are followed by everyone. (Dimensions, 2014)

Finland's score of 57 means that its society is indulgent. Representatives of such societies strive to achieve their desire for pleasure. Usually, people are positive and friendly. Moreover, they prefer to spend money without planning and follow a moment impulses. (Dimensions, 2014)

According to six dimensions we can assume that Finland has good scores for successful communication with almost every culture: it is adaptive, direct and result-

oriented. The only problems that may occur are cultures with high collectivism – Finnish companies would need to establish relations before making business itself.

Let us look at Russian cultures dimensions. Comparison of two cultures will help to find weak places in communication styles.

Six dimensions of Russian Federation

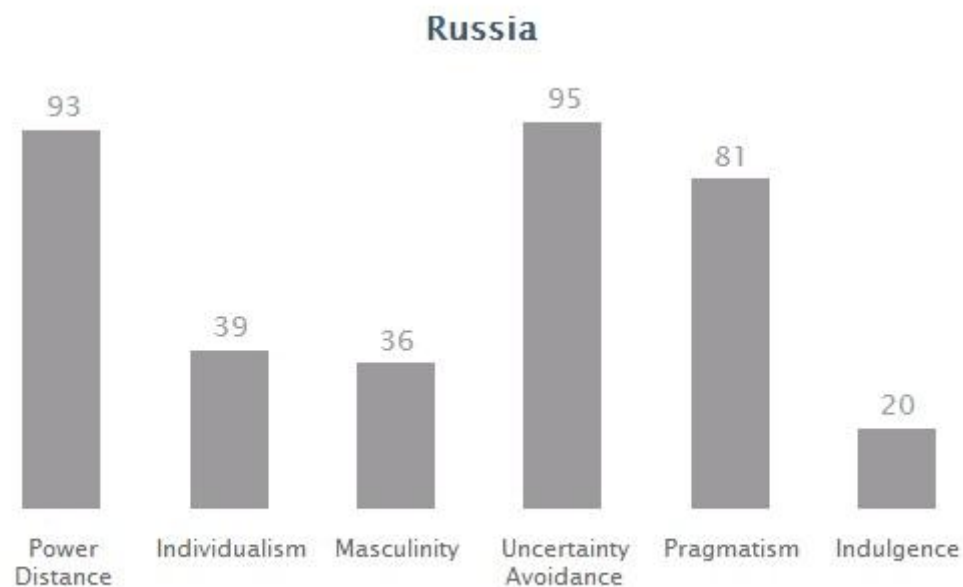


Figure 2 Russian score in dimensions (Dimensions, 2014)

Russian culture is alike Finnish. It is influenced by two big culture centers: Europe and Asia. Another geographical reason is huge territory (biggest in the world) with many different nations living on it. Russian culture absorbed some features of the most of its regional cultures. That makes it so unique and multifaceted. Another reason is communities that were the main organizational type in the rural areas for ages and, then age of USSR decreased individualistic features even more. Last two decades situation changed and Russian culture has experienced entrepreneurship and role of individuality increased. Let us see how Russia scores in six dimensions of Hofstede.

In power distance dimension Russia scores 93. In other words, people with different power have distance between each other. Extremely high power distance score might be a reason of centralization of the country: Financial center and capital of country attracts biggest part of investments as well as accumulates financial capital in it. Status symbols have a great meaning because people with power prefer to demonstrate that

they have it. To show their status and be successful, people have to behave in proper way in all situations. (Dimensions, 2014)

In Individualism dimension Russia scores 39. People of Russia used to use “we” instead of “i” in the most of cases: go for a walk, meet with friends or do normal work – they would think and mean community instead of self. People prefer to face life with their family and friends and not to solve problems alone. To be successful in Russian society in meeting or negotiations, they have to make relationships in business. Russians need to feel trust to counterparts before they can do work or business. (Dimensions, 2014)

In Masculinity dimension Russia scores 36. Low score might be surprising along with high power distance dimension but it has harmonic connection in this culture. During everyday life or meeting a new person, Russians are humble and prefer to hide their status. If asked, Russian will speak modesty about himself. The showing of power happens when boss talks to his employee but not between two employees of same rank. (Dimensions, 2014)

In Uncertainty avoidance dimension Russia scores 95. Russians feel uncomfortable in any unclear situation and try to formalize things more than needed. During meeting they show very well prepared presentation or not prepared at all – it depends on objectives of the meeting. It is very important to have a detailed plan in Russia. In this society people tend to be very formal with strangers until they make a relationship. In speech Russian rely on context and not on straight talk, at the same time, straight and formal conversation means a show of respect. (Dimensions, 2014)

In Pragmatism dimension Russia scores 81. With such score it can be classified as pragmatic culture. Russians see the truth as flexible meaning and it can vary according to the situation. Adaptability is very high and it might be a result of changing conditions of life in the country. People prefer to save and carefully take the risk. (Dimensions, 2014)

In Indulgence dimension Russia scores 20. Russians are very restrained and it is reflected in the score of this dimension. Needless to say that such culture is inclined to cynicism and pessimism. On the contrast to Finland society, Russians are not prone to spent money on their wishes and desires without a plan. People of Russian culture always feel sight of society on their backs and think twice before doing “something wrong”. (Dimensions, 2014)

To draw the conclusion, one can say that Russian and Finnish cultures are similar in many dimensions and the most important things to keep in mind are: power distance difference, individualism and pragmatism. All those differences should be taken apart individually with person to make communication.

1.2.3 Trade barriers

Trade barriers are measures that governments or public authorities introduce to make imported goods or services less competitive than locally produced goods and services. Not everything that prevents or restricts trade can be characterized as a trade barrier. (What is a Trade Barrier, 2014)

The survey, conducted in 2009 for the purpose of creating the report of Ministry for Foreign Affairs of Finland, identified over 40% of all obstacles, in trade with external (non-EU) markets, encountered in Russian Federation.” (Ministry for Foreign Affairs of Finland, 2009)

To compare with, second was China with 11.5% of all problems reported. According to the survey, Russian Federation features almost every kind of products and tariffs. The current results overlapping the similar ones from the survey conducted in 2005. (Ministry for Foreign Affairs of Finland, 2009) The aim of this part of work is to congregate information about trade barriers to occur while exporting goods to Russian Federation.

According to the information available from the survey, the main sources of problems in Russia are slow, unpredictable and inconsistent procedures at customs. Another source of problems comes from high customs tariffs and technical barriers to trade that appear in form of different certification and requirements for documentation. There are problems in every sector of business in Russian Federation. The most problematic parts are forest industry, machines and equipment, building and interior design. Another source of problems occurs from business environment, mainly, because of such matters as corruption and bureaucracy, as well as freedom of movement of people, especially, concerning visas and work. (Ministry for Foreign Affairs of Finland, 2009) There are different levels of transparency of trade barriers. In other words, the more transparent trade barrier, the easier it is to find, recognize and deal with it. Obstacles that appear because of a trade barrier with low transparency is not easy to notice and, as result,

exporter realizes it too late and lose money and time. It is always better to define trade barriers as soon as possible.

From the other hand, tariff barriers create obstacles for globalization. Free international markets, undoubtedly, decrease influence of the meaning of tariff barriers. There are three types of tariffs that company can face in Russian market: ad valorem, specific and combined. According to the report, Russia is the main country to have high tariffs for import. The survey narrates that tariff barrier is the second by popularity trade barrier outside the European Economic Area. The Russian Federation tariff barriers are set according to CU and WTO tariffs. To enter WTO Russian Federation had to decrease tariffs by specified by regulations amount. In other words, the average value of the tariffs on imported products should be close to 7.8%. (Ministry for Foreign Affairs of Finland, 2009; Swiss Business Hub Russia, 2012)

The VAT levels for imports in Russia have three possible values of 0%, 10% or 18% depending on product type. One of the problems that foreign companies face is difficulties of obtaining VAT refunds. At the same time the tax for alcohol production increases constantly. Another kind of tax for imported goods is “recycling fee” that increases with age and size of engine of a car or other vehicle. It is one of the measures adopted by Russia in response to lowering of its tariffs for WTO accession. The similar fee might appear for agricultural equipment production as well. (Office of United States Trade Representative, 2013; Swiss Business Hub Russia, 2012)

To conclude with, there are a lot of difficulties to face for Finnish company on their way to Russian market, not to mention the highly competitive environment. In this research we are to find a solution for Finnish company Maspart Finland Oy (Maspart).

1.3 Main reasons for Maspart to operate on Russian market

To start with, nowadays internationalization is the key to increase sales and to move company to the new level. Needless to say, that company loses money when their production level is higher than demand of the local (Finnish) market. What if the offer is almost unlimited in terms of the local market and increasing all the time? Let us take a look at Finnish online store of heavy machinery Maspart.com.

1.3.1 What is Maspart.com

Maspart.com – is a heavy machinery online store that provides machines, spare parts and consumables for them. Needless to say, that Heavy machinery industry is highly

old-fashioned segment of market. Maspart was the first company in Finland to start selling new tractors and excavators online. “Ecommerce is utilized in almost all the other business areas except in heavy machinery industry. Maspart.com is centralized online store. Customer finds all the machines, attachments and spare parts.” (Maspart.com investors, 2014)

At this moment it is good to explain how Maspart works.

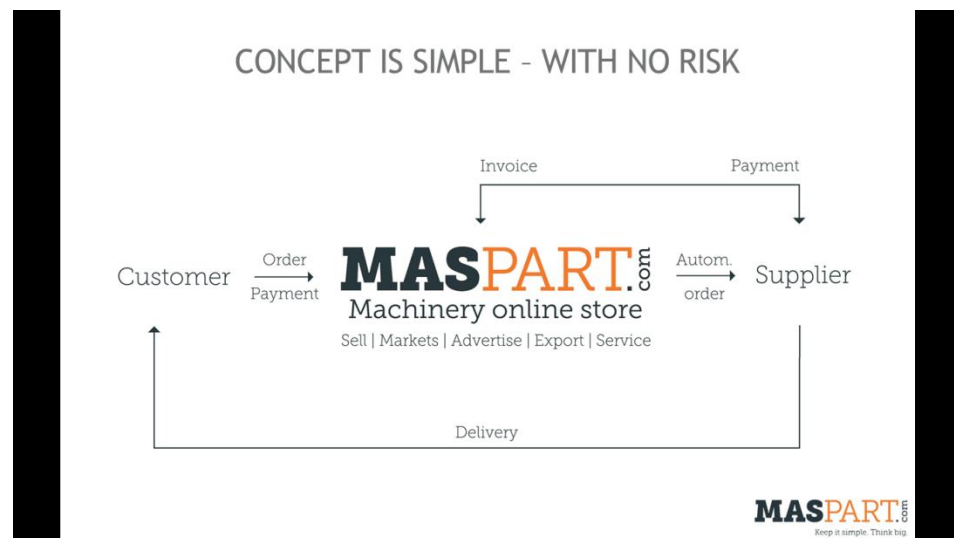


Figure 3 Maspart's concept of work. (Maspart.com investors, 2014)

From the Figure 3 we can see that Maspart is a middle element between Customer and Supplier. Customer order product from the shop and sends payment to Maspart. Maspart deliver order to proper Supplier. Supplier sends invoice to Maspart. Maspart pays the invoice and Supplier delivers product to customer. Moreover, Suppliers are Maspart's customers as well.

To explain the mechanism let us start with Supplier. Managers of Maspart are contacting supplying companies all the time. Maspart does not have its own stock. The products are delivered directly from the Supplier's stock. Once the company signs contract, Maspart provides its services of advertisement and selling of their products using both: online shop and traditional ways. Company (supplier) pays for marketing of its products: banners, newspapers and magazines, in addition, Supplier can pay for special stand on a trade fair. Moreover, if the product is sold via Maspart.com the part of the price goes to Maspart, while the main amount is moved to supplier. All the guaranties about the product are given by supplier and if customer is not satisfied with quality of the product, his complaint will be redirected to Supplier. Delivery of the goods is provided by transportation companies and is calculated automatically during order

process. The price of delivery depends on size of the product and distance between supplier's stock and address of destination.

From the Customer point of view Maspart is online store (see Figure 4) where he/she can buy products, compare characteristics and prices (alike the most of heavy machinery sites, Maspart shows the prices of the products to sell).

Figure 4 Maspart's front page. (www.maspart.com)









Firstly, when the Customer comes to the site, he sees the front page (see Figure 4). If he is interested in some particular product, he can type it in one of the search bars (upper one to search through the products and lower one to search through the pages). The result pages differ according to type of search. In case of product search, Customer is redirected to result page (see Figure 5) and sees the products in relevant order. The customer can either buy or request a quote for product. The other search shows pop-up window with Google-like results of pages (including categories of searched type of product). On the Figure 6 the results of the Google-like search for "led" are shown.

Home > Search results for: 'kuormaaja'

Search results for 'kuormaaja'

Category Navigation:

- Estate management
- Transportation
- Construction
- Agriculture
- Material handling
- Forestry
- Building
- Partners

			
Schäffer 9330 z kuormaaja (Konefarmi Oy) kon9330-z	Schäffer 4350 z kuormaaja (Konefarmi Oy) kon4350-z	Schäffer 2033 kuormaaja (Konefarmi Oy) kon2033	Schäffer 2028 kuormaaja (Konefarmi Oy) kon2028
Request Quote	Request Quote	Request Quote	Request Quote
			
Schäffer 3550 t kuormaaja (Konefarmi Oy) kon3550-t	Schäffer 2030 kuormaaja (Konefarmi Oy) kon2030	Schäffer 2445 kuormaaja (Konefarmi Oy) kon2445	Schäffer 9530 t kuormaaja (Konefarmi Oy) kon9530-t

Price

€0.00 - €500.00 (3)

€500.00 - €1,000.00 (4)

€1,000.00 - €1,500.00 (4)

€2,000.00 - €3,000.00

Tyre size

18/70-20 (1)

20.5 R 25 (3)

28.5 R 25 (1)

Machine weight / t

4-8 (1)

Figure 5 Maspart's search page. (www.maspart.com)

Search entire store here...

Advanced Search | Log In | My Account | Checkout

About 903 results (0.19 seconds) Sort by: **Relevance**

powered by Google™ Custom Search

[LED-äärivalo Was punainen 12-24V \(Teohydrauli Oy\) - 8.79 ...](#)
[www.maspart.com/led-aarivalo-was-punainen-12-24v-8318.html?_...](#)

[LED-äärivalo 12-24V punainen. Sopii perävaunuihin veneitrailereihin jne. Mitat: 102x48x19mm. Kiinnitysleveys: 85mm. Asennusohjeet: n. 22cm. Eu hyväksytty.](#)

[LED-äärivalo Was pun./valk. vasen 12-24V \(Teohydrauli Oy\) - 12.1 ...](#)
[www.maspart.com/led-aarivalo-was-pun-vaalk-vasen-12-24v-8333.html?_...](#)

[LED-äärivalo Was pun./valk. vasen 12-24V \(Teohydrauli Oy\)-12.1LED-äärivalo Was pun./valk. vasen 12-24V \(Teohydrauli Oy\)](#)

[Proplast LED Front Position Lamp white with reflector, 90deg ...](#)
[www.maspart.com/review-product/110?_...](#)

[LED Front Position Lamp white with reflector, 90deg. Hotmelt connector & cable 0.6m, 24V-52.2€Proplast LED Front Position Lamp white with reflector, 90deg](#)

[Proplast LED Rear Lamp 3-functions stop/position/dir. Indicator PRO ...](#)
[www.maspart.com/proplast-led-rear-lamp-3-functions-stop-position-dir-indicator-pro-disco-with-triangle-reflector-cable-1-75m-left-ri...](#)

[Proplast LED Rear Lamp 3-functions stop/position/dir. Indicator PRO-DISC, with triangle reflector & cable 1.75m, left/right, 24V-89.9€Proplast LED Rear Lamp ...](#)

[Proplast LED Rear Lamp 3-functions stop/position/dir. Indicator PRO ...](#)
[www.maspart.com/proplast-led-rear-lamp-3-functions-stop-position-dir-indicator-pro-disco-with-triangle-reflector-cable-0-2m-5-pole-...](#)

[cable 0.2m + 5-pole connector, left/right, 12V-91.8€Proplast LED Rear Lamp 3-functions stop/position/dir. Indicator PRO-DISC, with triangle reflector & cable 0 ...](#)

[LED-valot 24V - Maspart.com](#)
[www.maspart.com/kuljetus/varaosat/.../led-valot-24v.html](#)

[LED-äärivalo Was kikas 12-24V \(Teohydrauli Oy\) 16405. Veroton: 8,79 € Verollinen ... LED-äärivalo Jokon keltainen 24V Ei Eu-hyväksyntä! \(Teohydrauli Oy\) ...](#)

[LED-valot 12V kuljetusala - Maspart.com](#)
[www.maspart.com/kuljetus/varaosat/.../led-valot-12v.html](#)

Täältä löydät laajan valikoiman 12V LED-valoja kuljetusalan ammattilaisten käyttöön. Tee tarjous! Biofire Oy · Eurosteel · Lakeuden Hydro logo · Hydroman logo.

[Aspöck LED Control Gear PRO-LCG ASSII, for 3 LED functions \(stop ...](#)
[www.maspart.com/aspock-led-control-gear-pro-log-assii-for-3-led-functions-stop-position-direction-indicator-with-amp-connector-24v-p-...](#)

[Aspöck LED Control Gear PRO-LCG ASSII, for 3 LED functions \(stop/position/ direction Indicator\), with AMP connector, 24V \(Proplast\)](#)

INCL. TAX: €5,254.67

[Add to Cart](#) [Add to Cart](#) [Add to Cart](#) [Add to Cart](#)

Figure 6 Maspart's Google-search page. (www.maspart.com)

On the other hand, if the Customer does not know what he exactly searches for, he can use expanded menu from any page of the site (see Figure 7). Menu is divided into 8 main categories: 7 production categories and 1 category of Suppliers (every link there leads to the page with all Suppliers' products). Main categories have first and second levels with sub-categories to simplify search through the site. You can see examples of the sub-categories on the Figure 7.

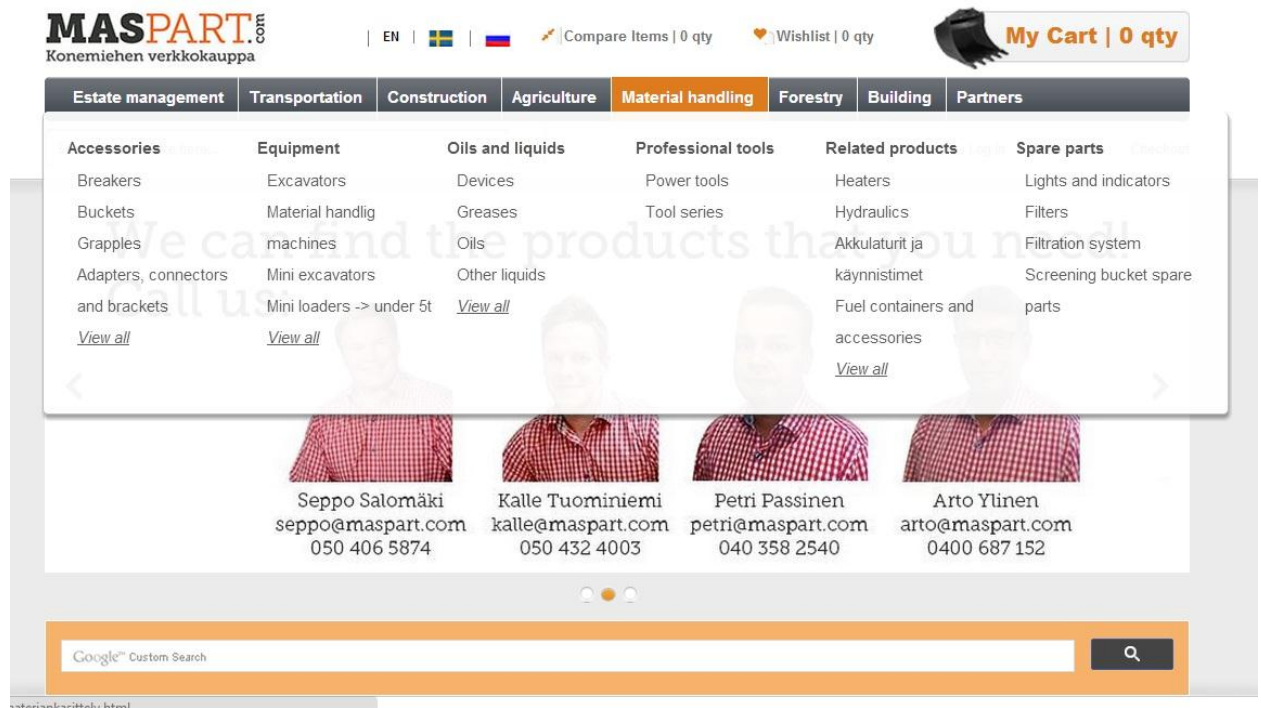


Figure 7 Maspart's menu. (www.maspart.com)

Finally, when the Customer decided to buy a product he has several methods to pay:

- Using electronic payment systems: See Figure 8
- Ask for the loan from financing companies online
- Ask for bill that can be delivered both via electronic mail and common mail systems
- Customer can also contact one of the sales managers to discuss conditions and buy in old-fashioned way.



Figure 8 Maspart's payment systems. (www.maspart.com)

Five revenue models of Maspart

1. "Sales channel – 2400€ yearly fee

2. Marketing channel – 500€ monthly fee
3. Export channel – 2400€ yearly fee, 500€ monthly fee
4. Sales provision – profit of the product sales
5. Own online store for partner's net site “ (Maspart.com investors, 2014)

First of all, let us try to understand how those models work.

Sales channel is basic service for suppliers. For the fee they get unlimited amount of their products in the Maspart online shop. As additional service, they have access to statistics of their products on the site.

Marketing channel is a service of advertising of company and its products via Maspart. That service includes banners on the main page, advertisement in magazines and newspapers.

Export channel – additional sales channel opportunity in the country different from supplier's one. This option is available from the moment, when Maspart opens in different from Finland country.

Sales provision – every sale from maspart.com shop bring some amount of profit to Maspart.

Own online store for partner's net site is a special offer for suppliers to place their products to sell inside their site. With this service, visitors can buy from Maspart when they browsing Supplier's web pages.

With those revenue models Maspart can develop fast and survive without investments, while investment would speed up development process in times. As it was mentioned above, to increase sales, Maspart needs to enter international markets and start selling to other countries.

To enter international markets company should be internationalized first. The next part of work aims to define internationalization process for companies and, especially, in terms of e-commerce.

1.3.2 Internationalization in terms of e-commerce

Internationalization is a process of expanding production, sales or other business activities to markets of other countries. The internationalization is a discrete process where companies, usually, go through various pre-internationalization stages during some period of time in order to reach global actions. (Hollensen, 2007, 41) It is critical to have the proper resources and the number of international contacts, as well as knowledge about internationalization. Moreover, financial limitations are one of the biggest prevalent factors among smaller SMEs. (OECD, 2009)

Needless to say, that the first matter for any company is to decide should they internationalize or not. To make a decision, company needs to analyze the situation, does it have enough resources and knowledge. Another important thing to check, are the company's goods or services such by nature that they will succeed in international markets and where are the hotspots for those products? There is always the alternative to stay at domestic markets and it is crucial to analyze and observe every step of the internationalization process and, of course consider the advantages and disadvantages at each stage. Finally, the company should know how it will enter the chosen markets, since it affects the long-term effects.

According to OECD's study, there are four key motives for internationalization:

1. Growth motives
2. Knowledge-related motives
3. Networking and Social ties
4. Regional and domestic market drivers

Growth opportunities in international markets are, usually, used as a key driver in internationalization. The increased profits and growth due international expansion are the main stimulator for exporting to various countries. Other motivators are growth opportunities, increased market size and stronger market position. The important aspect of international expansion is that the company is less likely to depend on one single market.

Networking and social provides a great importance in triggering internationalization and extending current internationalization processes. These networking and social ties are usually acquired with the help of managers with associated links. The common motive of these collaborative links is to take an advantage.

Michael Hollensen, author of the *Global marketing: a decision-oriented approach* (2003) has divided the motives to internationalize into proactive and reactive reasons. Proactive reasons include:

- Profit
- Managerial urge
- Technology competence
- Market opportunities
- Economies of scale

Reactive reasons are competitive pressure and small and saturated domestic markets. (Hollensen. 2007, 42-46.)

Moreover, market development and regulation are also important external issues. There is not much to benefit from the mature market. The competition is important external motive which pushes companies to international markets. Good knowledge of the competitors should be prepared and the company's strategy has to take in to consideration the actions of the rivals.

The following table 4 is adapted from Äijö et al. and OECD's report makes summary of internal and external motives of internationalization.

Internal motives	External motives
<ul style="list-style-type: none"> - Management, owners and personnel; their characteristics & skills - Product, production - Financing, financial resources; need in external funding - Relationships; networking and social ties. - Image; favorable image and credibility 	<ul style="list-style-type: none"> - Market development - Regulation - Business life-cycle - Customers - Relationships; networking and social ties - Competition

Table 4 Internal and external factors pushing SMEs to internationalization (adopted from Äijö, 2005, 16)

In terms of e-commerce, internationalization has its own special features. The main place to sell in e-commerce is online shop. Online shop is a special site that contains information about products, including prices, and provides several methods to pay for those products through the internet. As the site, online shop is open to every internet user. Basically, we can say it is already internationalized. But few problems appear during internationalization of online shop: localization of interface to all the languages that speak countries where the company wants to sell to. Moreover, company should

organize delivery of the products to every country. In case of Russia, company should find a way to overcome trade barriers, such as customs rules. In case of Maspart, there should be also agreement with supplier to sell its products abroad. But what is situation about e-commerce in Russia?

Nowadays, many Finnish companies open E-stores to be available in Russian market. However, the delivery of products to Russia is not offered. Russians are asked to come to Finland to pick up their shopping's.

The Finnish post company called Itella opened a new pick up point in Lappeenranta for these purposes. The fact is that many Russians are coming to pick up their online purchases from Lappeenranta, and one pick up point was not enough to proceed. To compare, on the year 2012, only dozens of Russians per month came to get their packages from Lappeenranta post office, but by year 2013 the number increased to over one thousand visitors per month.

Language and delivery are the main barriers that slowing down the growth of trade. There is a great growth potential in Russian E-commerce business. On the year 2012, online trade's turnover reached \$13 billion. This number is only 2% of the country's total retail market. Every year online retail increases by on the average 27%. Undoubtedly, the growth rates will increase. There are 140 million people living in Russia. While 61 million people are online, only 26 million are making shopping online.

To summarize, internationalization of e-commerce demands localization of the site, delivery plan and international payment methods. In case of Russia, company needs to overcome language (localization) and delivery (customs and taxes) barriers. Moreover, there should be good networking established with big enough number of suppliers' and customers' contacts to start with.

1.3.3 Maspart as international company

Maspart is aiming to be an international company with many countries to trade with. As a company that connects suppliers and customers online, Maspart gets multiple effects from every additional country to join it. For example, if Maspart establish trade connections between countries, it can sell products of country A to country A and country B, at the same time; it can sell products of country B to both, countries A and B. Altogether, four places to sell to. If the third country joins Maspart, there will be 9 places

to sell to and so on. Internationalization promising huge profit from both: marketing and sales channels.

Maspart has already started its internationalization preparations: there are 4 languages on the site (Finnish, English, Russian and Swedish). Moreover, Maspart has many contacts in different countries all over the world.

Maspart is planning to be in 30 countries by 2019 year. There is a plan how many companies are planned to enter.

- "2014, 1 country, 190 partners
- 2015, 2 new countries, 500 partners
- 2016, 4 new countries, 1190 partners
- 2017, 8 new countries, 2590 partners
- 2018, 8 new countries, 4950 partners
- 2019, 8 new countries, 8270 partners" (Maspart.com investors, 2014)

As it shown above, there are big plans in the company. The European countries are easy to enter (similar culture, no borders) and it would be good start for internationalization. While non-EU countries would be not so easy to start. The closest to Finland non-EU country is Russia and its market is very promising.

At the moment Maspart.com is Finnish online store that is mainly oriented to Finns. The most of the products can be delivered only inside the country because suppliers are local companies.

International Maspart is planned to be multi-site system. Every country with Maspart would have its own instance of the online shop with the products of the local companies. As an additional service, they could sell abroad. Nevertheless, system will be centralized with head office in Finland.

To make all those plans live Maspart needs people and knowledge of the cultures and market environment. E-commerce trade system demands special information on how people behave when they are doing online shopping:

- What kind of services they prefer?

- What payment methods are the most popular on chosen country?
- How often people buy online?
- What competitors operating at the market?
- What people think about production of Maspart?
- What is the main reason to choose: quality or price?

Those and other questions are to be asked from targeted audience of the chosen country. The methods that Maspart is using at the moment are social networks, emails and direct meetings.

To conclude with, theoretical main aim is to support empirical research and data process. In this chapter main definitions of international trade, communication and language barrier, cultural differences including Hofstede's six dimensions, customs barrier and internationalization were given. Also Russian market was defined as important place to enter for Finnish companies. One of the main aspects of theoretical framework is view of cooperative company was given. In the next part the aim of this work will be defined as well as research methods and targeted results.

2. EMPIRICAL FRAMEWORK

In this part of the work the methodology of research is described. Firstly, there will be definition of the research question, targets and objectives of the work. Then implementation of research will be described. In addition, next part will highlight research problem and the goals of the research to achieve. Finally, this part shows research methods used to achieve the goals of the research, including target group and research sample as well as response rate for online questionnaire.

2.1 Research question

This work is devoted to the interaction between companies from Finland with representatives of Russian market: suppliers and customers. The main topics covered in this thesis are international relations, cultural differences and trade barriers. Problematic feature of this work is that the issue is addressed in the framework of e-commerce. Customer of this research is the Finnish company - holder of online store of heavy machinery, which plans to start trading on the Russian market.

2.2 Description of the research target

This part is to describe research target and its meaning for the company.

The research of this thesis aims to prepare solution for Finnish companies that want to enter Russian market and start successful business there. This work is done in cooperation with the Finnish company Maspart Finland Oy, which also intends to expand its zone of influence on the Russian market. The solution should cover the main needs of information that company will use during expansion to Russian market. On the basis of the proposed definition, the result of the work should consist of several solutions for each aspect of the task. Therefore, each solution has its own approach and methods of research. To achieve solutions needed there are several objectives were formulated:

- Find a way to overcome language barrier. Language barrier is a serious problem for international company. Majority of Russian people do not speak Finnish and English. Some of the ways to solve this problem were mentioned in theoretical part. Further research will show what the most appropriate solution is in this case.
- Create communication model for business meetings with Russian companies. Doubtless, communication is the key to international business operations. Those

companies, that know how to behave in different cultures, obviously, have higher chance to sign a contract and to find partners.

- Define and describe all cultural differences between Russia and Finland that should be taken into consideration. Cultural differences such as behavior and manners are very important in the country with high level of Uncertainty avoidance, especially, on the first meeting that is, usually, used to evaluate contacting person and make an image of the company.
- Prepare information on trade barriers in Russia and ways to overcome them. As not a part of EU, Russia has customs on the border with Finland. To deliver goods through the border, company needs to prepare all papers according to legislation of the country as well as pay taxes and duties. Amount of duties depends on type and size of the product to sell.
- Prepare the plan of internationalization of Maspart with aim to enter Russian market. As the conclusion of all previous objectives, this one is to combine and prepare ready solution for the company. It is very important to format the final solution in simple and clear way. Company should not have troubles to use it.

According to solutions formulated, the next steps of this work will be aimed to achieve the goal and on fulfillment of tasks. The next part of the work is how the research is being implemented.

2.3 Implementation of the research

The research work is conducted to reach the research target that was formulated in previous part. Therefore, every objective needs to be implemented in a way to achieve the proper result. In this part implementation of the research will be described. Every objectives implementation will be described separately to highlight the meaning of each part of research.

Language barrier is an obstacle that appears when two or more people cannot speak the same language on appropriate level. There are several ways to overcome that obstacle in international business area:

- contacting person can learn the language of the country which market they want to enter;
- to find an employee with good/native language skills to be a representative of the company;
- to hire an interpreter for translations of the speech of both sides of communication.

Learning language is the most appropriate way to build strong relations with partners and earn their trust. Russian partners should have opportunity to communicate on their mother language it will show a good will and attitude for cooperation. Unfortunately, Russian language is not easy to learn and, unlike English, is not an international language. Moreover, it is not popular in Finland and it is hard to find a Finnish person with Russian language skills on business level.

During this research, sub-objective is to check if there is a Russian speaker in Maspart. To get this information, it is needed to make a conversation with Human Resource manager of Maspart. If the company has that person then it is to recommend use of him or her to overcome a language barrier. If the person has good business communication skills then it will be recommended to propose him or her to the role of representative on business meetings with Russian partners. On the other hand, if person speaks Russian on appropriate level (business language) but, at the same time, does not prepared to communicate on his own behalf, he might be used as interpreter.

Secondly, if there is no native (appropriate) speaker to perform communication with Russian partners, then it will be suggested to hire such person as a part of preparation for internationalization. To start the search for the person, the main criteria should be defined:

- degree in international business programme
- native or professional speaker of Russian language
- basic computer skills (MS Office, Internet)
- possibility of frequent trips to Russia
- (desirable) Google optimization skills

Once the person is in the company, sub-objective one can be applied. Russian language skills as well as Google optimization skills can be applied to prepare online shop for Russian market (to be described in the next parts). As it mentioned above, it might happen that there is no appropriate candidate to perform the role of representative or interpreter. In this case the last sub-objective is to offer.

Finally, to overcome the language barrier in case of lack of employee with Russian language skills, company may hire a Russian interpreter to perform translations on a single meeting. In this case company needs a professional, preferable, from Russia, to avoid transportation costs. The solution is to check the companies of the Russian city of

meeting to find an interpreting company and book their services beforehand. As the part of solution, Maspart should be warned that hiring a professional entrepreneur is the most risky for business choice. As it was mentioned in theoretical part, the person out of company and, in some cases, employee-interpreter might have his own business. In other words, company should be aware of opportunistic behavior. It should be noted, that some Russian companies prefer direct communication in English to services of interpreter and Maspart will be recommended to find out the preferable options from each company to meet with.

To conclude with, company will get a solution for language barrier according to the current situation in Maspart and on the labor market. The order of actions: meet Human Resource manager and ask about Russian-speaking employee. If they have that person, give them first sub-solution as solution of the problem. In case the company does not have one, advice to search for such employee first. And, finally, recommend the last sub-solution find a professional in place of meeting.

Communication model defines behavior and communication style during business meeting. In case of Maspart communication model depends on the result of the first solution. To make solution clear, let us divide it into two parts: not dependent communication model and dependent on person communication model. Not dependent model applies to all cases. According to part 1.2.1 of this work, there are several recommendations to make business communication in Russia. Therefore, it will be recommended:

- Use the formal version of address until it will be instructed otherwise. In Russia it is customary to address everyone by their full name until told that it is acceptable to switch to first names only. The Russian full name is structured as following: First Name + Paternal Name + Last Name. When addressing someone formally, First Name + Paternal Name should be used. For example, if the name is Vasiliy Igorevitch Dorofeev, you should address as "Vasiliy Igorevitch" until the person says that it's okay for you to call him "Vasiliy". The same will then happen to international company representative: people will try to address him or her by their full name – as such, it's probably easiest if it is told that they can call him or her by just his or her first name (this is polite, unless it is a senior manager speaking to his employees).

- Do not do business over the phone in Russia. Russians are unaccustomed to this and it will generally be awkward and unproductive. Body language and negotiations are important in business in Russia and it will actually lower your chances of success by choosing to conduct business over the phone rather than in person.
- Russians, generally, do not take spoken agreements seriously. Therefore, nothing is for certain in Russia until you have it in writing. To make a deal, there should be written contract, signed by both counterparts.
- Any meeting should be agreed upon in writing. It's also uncommon for Russian business people to simply walk into each other's offices – it is considered impolite. As such, make sure to set an appointment if it is needed to have a discussion with someone in a Russian office. Guest person must be on time as soon as the appointment is set. Even if the person you are meeting with might be late, it is unacceptable for the newcomer to be late to a meeting.
- Business cards are essential in Russian business relations and communication. Foreign businessman should always carry business cards with him. It is important to translate those cards into Russian, and have one side in Cyrillic and the other in English. In Russia it is customary to put any university degrees (particularly those above a Bachelor's level) on business cards.

On the other hand, there should be special recommendations for 3 cases: manager speaks himself in Russian and makes direct communication, manager comes with Russian-speaking employee to make translations, and manager comes with hired interpreter.

Firstly, if manager has good Russian language skills, he can speak himself. Every meeting starts with greeting of each other then, host stretches out his hand to shake yours. Handshake is important part of Russian business etiquette. If the host person did not stretch out his hand, you should do it yourself. Handshake should be short and firm people look into each other's eyes during this process. Do not sit until you asked to. Russian host will ask to sit into chair the guest to make a conversation. To increase chances for good result, manager should not start with business topics. It is usual to start with some neutral topics such as weather. It is important to become known to each other. Russians do not make business with people they do not trust to. Manager might be asked to have a lunch or to drink something – this is sign of sympathy from host. But,

at the same time, business should not be discussed during lunch, unless manager asked to (this usually happens when one of the sides has lack of time).

Secondly, if manager comes with employee, employee greets host first and then presents manager. Further, the situation is similar to the first option. But it will be more formal because of third person and accurate phrases for translation. It is important that the employee is aware of the transaction and the conditions for a smoother communication. Another difference is that neutral topics are usually skipped or much shorter than in first case but, at the same time, it is very important how employee-interpreter performs to get host's sympathy.

Thirdly, company can hire an interpreter to translate communication. This is the most difficult case, from the point of view of successful transaction. Interpreter translates everything that every side says without deep understanding of the issues. Moreover, opportunistic behavior makes it more risky to choose. From the other hand, Russian interpreter with experience in such kind of meetings will be good help to support manager in Russian traditions and etiquette.

Finally, it is important to find out beforehand if host knows English and ready to use this language for communication. It is always recommended to make business communication in Russia without third person – it will make the host trust manager more and make it easier to discuss issues. In this case model is similar to first case, but language is English.

Russian and Finnish cultures are different in many aspects. Therefore, Finnish company, such as Maspart should consider those differences in their approaches to make partnership with Russian companies. From theoretical framework it is known what features and scores Russian and Finnish culture have. Let us compare those cultures in six dimensions of Hofstede.

In power distance dimension Russia scores 93. To compare with Finnish score of 33, Russia has much more higher level of distance between manager and employee. That is one of the dimensions that Finnish companies should keep in mind when they start their business in Russia. It is always depends on a person you contact with. For example, meeting with CEO would need to be more official with show of respect, while sales manager would prefer more informal communication with equal level of the sides.

In Individualism dimension Russia scores 39. Finland, as we found out in part 1.2.2, has score of 63 in individualism. That is also very important to keep in mind: collectivistic culture makes business according to relations. Russian company would, probably, not make a contract with person they don't know. That is why important to start with informal meeting to get to know with each other before making business.

In Masculinity dimension Russia scores 36. With very close score, Russian and Finnish (26) cultures are very close in this dimension. As the both sides are not trying to show themselves better than others and do not talk about their achievements, it will be productive and smooth talk.

In Uncertainty avoidance dimension Russia scores 95. Finland has score of 59 that is also high. Doubtless, this is another dimension that makes two cultures similar in some way. Formal Finns would earn high respect in Russian companies and it will be threaten as professional way of making things.

In Pragmatism dimension Russia scores 81. Finland has low score in Pragmatism dimension that is different to Russia. Finnish company would, probably, need to prepare their managers for the Russian type of communication and situation-dependent kind of thinking.

In Indulgence dimension Russia scores 20. Another difference between two cultures in Indulgence score: Russian has 20 versus Finnish 59. While Finns can do whatever they want, Russians are stopped by society norms. It would be important factor during informal meeting to establish relations.

The most different dimensions' scores are power distance, collectivism and pragmatism. These dimensions have to be described more detailed. Power distance in Russia is defined as high and in Finland it is low. Russian companies used to have strong hierarchical system where employee shows great respect to higher rank colleague. When two managers meet on business conversation, they also speak with respect and official language. That way of communication is used to show that they are grateful to be able to do business with each other. Maspart managers will need to use same behavior model with respect to make successful contact on first meetings with new affiliates. It is essential to mention it, because in Finland those rituals are not so important for business.

Alike Finland, Russia is collectivistic country. Russians prefer to think about society or group of people they have relationship with. Finnish managers should get recommendation to focus on making relationship with Russian partners. It is very important to be a “friend” to the host person. During conversation, manager should try to use “us” instead of “me” to make it feel like they are in one team.

Finally, pragmatism is another dimension that makes Russian and Finnish cultures different. In all spheres of culture Russians rely on their mind and can change traditions and rituals according to the situation. In Finland traditions are strong and those things should not be changed. Finnish manager should be ready to face some optimized rituals and behavior.

Information on trade barriers in Russia is very important part of solution to provide to Maspart. Nowadays most of Finnish companies that sell to Russian market, deliver goods to the closest to border stock, where customers have to come and get it their selves. What if customer has no time or visa? How would customer deliver a tractor himself? Company needs a ways to deliver goods through the border to any point of Russia. There are two types of trade barriers: tariff and non-tariff barriers.

Tariff barrier means that company should pay tariff from the product price to deliver it through the border. Maspart specializes on heavy machinery products such as equipment, spare parts and consumables for machinery. According to information from Russian National Trade Point Maspart products have the following tariffs:

- Equipment – 15% from customs value
- Spare parts – 0-5% from customs value
- Consumables – 5% from customs value (Russian National Trade Point, 2014)

Therefore, spare parts to machinery would be the easiest product to sell on Russian market as some of those products can be transported avoiding tariff barrier and the rest have low 5% tariff that would not influence much on competitiveness of spare parts. The most difficult to transport product is equipment such as tractors, excavators and loaders. Those products have 15% tariff and this would affect the competitive advantage of Finnish companies on Russian market.

What is more, non-tariff barrier makes additional obstacles for the company. Russian government uses the classic instruments, based on different treaties and federal law, to control or restrict imports and exports. As it was mentioned in theoretical part, there are several non-tariff barriers company can face during its expansion to Russian market.

- Russian government participates in trade by adding subsidies to several areas of business, such as pharmaceuticals, telecommunication equipment, and aircrafts and aircraft equipment. (Ministry for Foreign Affairs of Finland, 2009) As we can see, heavy machinery is not additionally supported by government and that border can be avoided by Maspart when they plan to sell on Russian market.
- From the other hand, customs and entry procedures can create negative experience as difficult and time-consuming transactions. Russia is one of the most bureaucratized countries in the world and its legal procedures can take a lot of time, especially with such products as heavy machinery.
- Another non-tariff barrier is presented by technical regulations. Russian national standards are different from EU standards, which can be used only for marketing purposes. Foreign certificates are not accepted in Russia. It is easier to certify products locally than from abroad. To control Russian distribution channels, Maspart needs to obtain the certification in its name. (Swiss Business Hub Russia, 2012; Ministry for Foreign Affairs of Finland, 2009)
- Finally, there should be mentioned business security barrier. Company that enters Russian market must be ready for such things as cheating of business partners, bribery and crime organizations. There are no special recommendations how to overcome those concepts; the only thing is that foreign company can do is to try to avoid them.

To conclude with, Russian market has several trade barriers for foreign companies to enter. Those barriers can be divided into tariff barriers and non-tariff ones. Maspart will face almost every trade barrier and competent strategy would allow passing them without significant losses.

To summarize with, implementation of research aims to achieve the goal of this work and by performing each objective into part of the solution that would help Maspart to enter Russian market. According to description of the target of the thesis, implementation of the work consists of 5 parts: language barrier solution, communication model, cultural differences to take into consideration, conclusion of

previous parts as plan of internationalization of Maspart with aim to enter Russian market. Clear plan to present to Maspart will be formulated in another part of the work because it demands research data to be show in next parts.

2.4 Research problem and the goals of the research

The research problem to present in this work is the lack of information on the Russian market and its peculiarities. There are companies in Finland that would start business with Russian market participants but they do not know how to start and how to behave in the country with different to Finnish culture and different market laws. Moreover, Russia, as non-EU country, has border with Finland and customs border makes delivery of goods even harder because of tariff and non-tariff barriers. Important fact is that Russia is known of its bureaucracy and procedures of certifying and delivery through the border can increase delivery by several times. All those factors frighten Finnish companies to start business on Russian market despite its financial attractiveness.

The main goal of this research, as it was mentioned in the part 2.1, is to prepare a solution for Finnish companies that want to enter Russian market and start successful business there. Cooperating company is Maspart Finland Oy. With the solution, Maspart will have information needed to start preparation for expansion to Russian market. Solutions recommendations can save client and money loses at start of sales on new for Maspart market. To reach the goal, objectives formulated in part 2.1 should be reached. Information for the research is taken from different sources:

- Written information from books and periodicals: respected authors and organizations publish important information for the study. Researched information helps to make proper conclusions and recommendations.
- Official data from web-portals of authorities of Russia: important information on Russian import tariffs was taken
- Interview with Kim-Jussi Nurmela, CEO of Maspart: important information of company's goals in Russia helped to formulate objectives of research.
- Online questionnaire among Finnish companies helped to evaluate the problem and develop research.

To conclude with, the goals of this research will help Finnish companies to start business in Russian market and Maspart would be first to evaluate effectiveness of recommendations given.

Finally, in this chapter empirical framework was described. Firstly, research target was described and objectives defined. Then process of research was presented in implementation of research part. Afterwards, research problem and goal were described. Finally, research methods of this work were disclosed (see Appendix 1.). According to empirical framework the research is held. The next part is dedicated for research results description. It will highlight the respondents' background and the results obtained on the basis of their responses.

3. RESULTS OF EMPIRICAL RESEARCH

This part is dedicated to show and explain results of research, respondents' background as well as implementation of results in this research. Empirical results of the research based on two different approaches to collect data: quantitative and qualitative methods. Qualitative research data represented by interview results and quantitative data represented by online questionnaire answers. Further, the results of the study will be discussed in more detail.

3.1 Background information of the ones who have responded

This part is dedicated to background information of those people who responded to questionnaire and interview. As it is two different approaches to get the data, every method will be discussed separately.

Firstly, interview respondent's background will be described. Interview was taken from CEO of Maspart Kim-Jussi Nurmela. He is one of the founders of the company as well. Moreover, Kim-Jussi is a shareholder and member of the board of Crossfit Seinäjoki Oy founded on year 2013. That person was chosen for interview as the one who manages Maspart and has vision of its future development.

Secondly, respondents for questionnaire were chosen randomly from the list of all companies of Seinajoki area. The list of companies was taken from online resource seinajoenseutu.fi (Seinajoen Seudun Elinkeinokeskus, 2014) and the search criteria is companies that has turnover less than 1 000 000 euro to get only small and medium ones to contact to. Those companies are perfectly fits the research criteria by their size and distance from Russia.

The next part is about research results that were get from the interview and questionnaire.

3.2 Research results

Results are essential part of every research. In this part results of empirical research will be described.

To start with, interview was held in the Maspart office in Seinajoki. Respondent is CEO of Maspart Kim-Jussi Nurmela. Retelling of the interview is presented below.

Interview

What is expected from opening Maspart in the Russian market?

First of all, it is expected that people will know Maspart better and site will have more visitors. It is known that Russian customers are interested to get and buy products with good quality and under guarantee. It is suggested that they trust more to Finnish companies. And also access to potential of the Russian market and that Maspart will be able to sell there. It is expected that all customs transactions can be made automatically with help of internet and email. All the information of the Maspart and its products will be available for Russian customers in Russian language and product are possible to buy through different payment methods.

What benefits will Maspart gain from business operations in the Russian market?

All the things mentioned above: extra visitors on the site of online shop, new customers, extra orders for products and sales as well. Another benefit is multiple effects: Finnish products are sold to Russian market and Russian products are to be sold on Finnish market that means more transactions and revenue for the company.

What benefits will your suppliers gain from business operations in Russian market?

All suppliers that Maspart cooperates with, from Finland and other European Union countries, are interested to enter Russian market and to sell their products on it. Later on there will be Maspart center where suppliers will be able to demonstrate and sell their production to all visiting customers including Russian ones.

During transfer of goods through the border, the price will increase by amount of tariff for the goods. Do you think your products will still be competitive on the Russian market?

To be able to sell on Russian market, Maspart needs good connections and cooperators who will help to establish customer base and develop business. That would make process much easy.

What information is needed to start Maspart in Russia?

First of all, the site of Maspart should be fully translated into Russian. Nevertheless, it is needed to know what barriers Maspart will face when it starts business in Russia. In more detailed, they need information on tariffs on production, all the documentation that is needed and how to prepare it. Another important thing to know is what certificates are needed and how suppliers can get them. Furthermore, the special software for preparation of that documentation is needed because online shop should be fully automatized. Maspart also needs information on transportation and payment methods

What obstacles prevent Maspart from entering the Russian market?

To start with, language barrier: it is common to Finnish companies to get confused about Russian language that is needed in Russia to make business, but it is not the main problem. The biggest problem is customs: bureaucracy, tariffs and certification. Another important thing to mention is the lack of contacts on the territory as well as cooperating companies. The last but not the least is price: it is increased because of delivery and tariffs and it can be hard to compete with Russian analogs on the market.

Who are your competitors in the Russian market?

Same as in Finland and everywhere – traditional (not online) machinery sales companies, who sells machines and spare parts and also similar to Maspart online stores (that information needs to be found). The main problem of Maspart is that companies in Russia with similar business model can offer same brand products with lower price as it will not include tariffs and transportation from another country (Finland or other EU country). Russian market is known by its high competitiveness rate but we believe that Maspart will be able to operate there anyway.

What competitive advantages Maspart can offer?

Maspart is Finnish online store. Finnish products have good reputation in Russian – people trust Finnish products. They are famous by its quality, technological level and durability. Maspart operates already two years and its personnel have experience in the field of sales heavy machinery products online. Maspart is already brand itself and it has over two hundred brands among its products to sell. In other words, Maspart has become a reliable company that people can trust. Maspart is Finnish company and

Finland is situated between Europe and Russian. Maspart aims to become a bridge between those two big marketplaces. (Nurmela, 2014)

Finally, interview showed what information does Finnish company needs to enter Russian market. To summarize let us list that information below:

- A way to make connections with Russian market operators
- Site interface in Russian language
- Information on tariff borders
- A set of documentation that needs to be prepared to deliver products to Russian market
- What certificates are needed and how suppliers can get them
- What software can be used to prepare documentation for customs automatically
- Transportation and payment methods in Russia
- A way to overcome language barrier
- Information on competitors in Russian market

The aim of the research is to find as much answers for the company as possible. This work contains solution to all problems except translation of the site and search of competitors.

Questionnaire

Online questionnaire was send to 500 companies and during 1 week 142 (28,4%) companies have filled the form and submitted results. The questionnaire is anonymous and we cannot identify answer of each of the respondents. Therefore, statistics of answers will be given below. The aim of questionnaire is to identify if there is demand on the research conducted in the thesis.

Firstly, response rate in one week is 28,4% it is mean that 142 companies replied in short period. Let us look on each question and answer statistic to them.

Question #1 - Would you like to sell to Russia?

Question #2 - Do you see obstacles in conducting business in Russia?

Question #3 - Would you pay for assistance in preparing your company for business in the Russian market?

Question #4 - Does your company have a website?

Question #5 - Does your site have a Russian interface?

Question #6 - Do you sell goods?

Question #7 - Do you provide services?

Question #8 - Could you provide your goods/services to Russian customers?

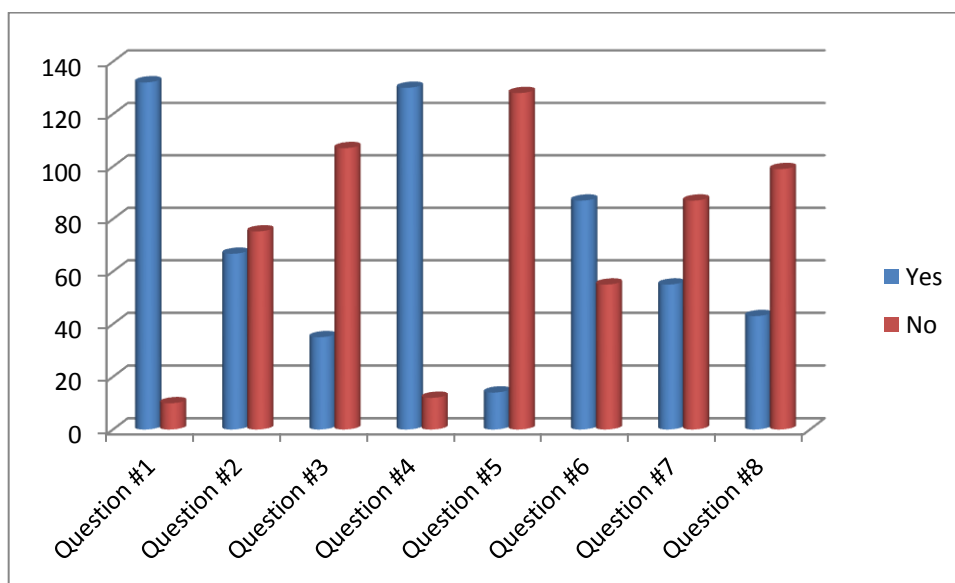


Figure 9 - Questionnaire response rate

As we can see from figure 10, the most of respondents would start business on Russian market. At the same time, half of them see obstacles in conducting business in Russia. Spite of everything, respondents is not ready to pay money for assistance in preparing company for Russian market realities. While almost every company has its own website, those sites have no Russian interface. 61% of respondents sell goods and 39% provide services. Over 30% of respondents are ready to sell goods or provide services in Russia.

To conclude with, we can say that idea of starting business in Russia is popular among Finnish companies of South Ostrobothnia region. Needless to say, that every company would be ready to use free solution for starting business on Russian market. In other words, result of this research is valuable for real companies and helpful to prepare company for international business.

3.3 Research for Maspart

Interview showed what information Maspart needs to prepare its business for Russian market. The most of that information has been already found during theoretical research, but such questions as documents for customs and certification process needs some empirical research that will be shown in this part.

Documents for customs

There is no clear information on what documents are needed in the network or magazines. To find out the exact documents that are needed for import goods to Russian an email was sent to Russian customs. The answer about documentation is listed below.

- One of the following documents for value confirmation:
 - Price list verified by seller (catalogue page, print-out from internet etc.);
 - Receipt;
 - Copy of export declaration (if permitted by law in your country of export)
- Permissions where required by your HS Tariff coding (e.g. for plant products quarantine permission is required from consignor)
- Copy of insurance certificate with insurance amount (for incoterms: CIP, CIF), where insurance is part of contract/shipping requirements
- Company registration documents
- Import/export contract
- Signed Brokerage contract if Customs Broker Service is used
- Passport of Import Deal (a special document of currency control issued by the importer's bank if customs value more than 50 000 USD)
- Official letter to customs
- Permissions issued by Russian Authorities (e.g. import permits etc.) where required by HS (tariff) code.

As it shown above, there are several documents needed to show on the customs to get products over the border. Such documents as passport of import deal and official letter to customs demand human participation, in other words, this process cannot be fully automatized without special conditions.

Certification process

Certification process conducted to get mandatory certificate for exporting products to Russian market. There are different standards offered by certification centers in Russia and Europe, in this research the aim was to identify the one that fits to Maspart business.

According to Rustandard, the mandatory certificate of conformity contains information how “the independent from producers and consumers bodies prove the suitability of a product with certain safety requirements of normative documents” (2014). The certification of the product in Russia is based on the Law no. 2300-1 of 7 February 1992 "On protection of consumers' rights" and on the federal Law no. 184 of 27 December 2002 "On Technical Regulation". (Rustandard, 2014)

The certificate is can be applied only to products of the same type. The certificate includes the name of the product with its customs code, the internal classification code of the product, the name of the producer and the applicant and the Russian regulations and standards of reference. (Rustandard, 2014)

The total number of schemes for certification is ten. Those types differ from each other according to the type of relation with the Russian market. Maspart and its suppliers might be interested in two of them. One type is given to manufacturer and valid for unlimited number of goods. Another one is given for single or small supply of goods and can be achieved by Maspart every time the products need to be delivered. (Rustandard, 2014)

There are six different documents needed to perform certification process. The list can be found below:

1. product HS code
2. catalog, brochure
3. Product Data Sheet
4. manufacturer declaration of conformity
5. samples of the product (if necessary)
6. power of attorney letter (Rustandard, 2014)

Those products can be delivered by email or fax and they must be translated into Russian. Moreover, all the copies of documents should have stamp and signature on

them. The person to sign is legal representative that will submit the application for certification. Certificate is usually issued in period of 2-10 working days. The cost varies from 300 to 1500 euros. According to the Russian law, the renewal of the certificate is not allowed. Therefore, it will be necessary to make a new application once the old one has been expired. (Rustandard, 2014)

To conclude with, empirical research of this work helped to define the main problems of the cooperating company that need to be solved through the interview with CEO of Maspart. Moreover, questionnaire showed that there is demand for such kind of information that was prepared during this research. And, finally, some of the problems needed empirical research. Therefore, information for customs documentation and certification was presented in this part as well.

4. SUMMARY AND CONCLUSIONS

Research conducted in this work, aimed to prepare solution for Maspart. According to chapter 2, solution consists of several sub-solutions to objectives defined. This part will show the ready solution for Maspart as the answer to research problem.

4.1 Solution for Maspart Finland Oy

In this part, the data to present to Maspart as result of research is shown. As the solution consists of four parts with different approaches to solve the final target, the presentation of solution is also to be divided into four parts.

1. **Language barrier.** It is recommended to export managers to start learning Russian language by their own to reach the highest level of communication. From the other hand, there is native Russian speaker in the company that is not manager. It is suggested to use him to overcome a language barrier. Kirill Germanov is recommended to use his skills as interpreter/manager during communication with Russian partners that do not know English or prefer Russian for business transactions.
2. **Communication model.** According to Russian communication style, it is proposed to use the next recommendations:
 - Use the formal version of address until it will be instructed otherwise. In Russia it is customary to address everyone by their full name until told that it is acceptable to switch to first names only. The Russian full name is structured as following: First Name + Paternal Name + Last Name. When addressing someone formally, First Name + Paternal Name should be used. For example, if the name is Ivan Petrovitch Fedorov, you should address as "Ivan Petrovitch" until the person says that it's okay for you to call him "Ivan".
 - Do not do business over the phone in Russia. Russians are unaccustomed to this and it will generally be awkward and unproductive. Body language and negotiations are important in business in Russia and it will actually lower your chances of success by choosing to conduct business over the phone rather than in person.
 - Russians, generally, do not take spoken agreements seriously. Therefore, nothing is for certain in Russia until you have it in writing. To make a deal, there should be written contract, signed and stamped by both counterparts.

- Any meeting should be agreed upon in writing. It's also uncommon for Russian business people to simply walk into each other's offices – it is considered impolite. As such, make sure to set an appointment if it is needed to have a discussion with someone in a Russian office. Once an appointment is set, be on time! Even if the person you are meeting with might be late, it is unacceptable for the newcomer to be late to a meeting.
- Business cards are essential in Russian business relations and communication. Foreign businessman should always carry business cards with him. It is important to translate those cards into Russian, and have one side in Cyrillic and the other in English. In Russia it is customary to put any university degrees (particularly those above a Bachelor's level) on business cards.

Firstly, if manager has good Russian language skills, he can speak himself. Every meeting starts with greeting of each other then, host stretches out his hand to shake yours. Handshake is important part of Russian business etiquette. If the host person did not stretch out his hand, you should do it yourself. Handshake should be short and firm people look into each other's eyes during this process. Do not sit until you asked to. Russian host will ask to sit into chair the guest to make a conversation. To increase chances for good result, manager should not start with business topics. It is usual to start with some neutral topics such as weather. It is important to become known to each other. Russians do not make business with people they do not trust to. Manager might be asked to have a lunch or to drink something – this is sign of sympathy from host. But, at the same time, business should not be discuss during lunch, unless manager asked to (this usually happens when one of the sides has lack of time).

Secondly, if manager comes with employee, employee greets host first and then presents manager. The next steps of greeting are the same as in the first case. At the same time, meeting will be more formal than the case with Russian-speaking manager because of third person and accurate phrases for translation. It is important that the employee is aware of the transaction and the conditions for a smoother communication. Neutral topics are usually skipped. It is very important how employee-interpreter performs to get host's sympathy.

3. **Cultural differences.** Russian and Finnish cultures are different in many aspects. The most important things to keep in mind are: power distance difference, Individualism and pragmatism of Hofstede's six dimensions.

Power distance in Russia is defined as high and in Finland it is low. Russian companies used to have strong hierarchical system where employee shows great respect to higher rank colleague. When two managers meet on business conversation, they also speak with respect and official language. That way of communication is used to show that they are grateful to be able to do business with each other. Maspart managers will need to use same behavior model with respect to make successful contact on first meetings with new affiliates.

Alike Finland, Russia is collectivistic country. Russians prefer to think about society or group of people they have relationship with. Managers should get recommendation to focus on making relationship with Russian partners. It is very important to be a “friend” to the host person. During conversation, manager should try to use “us” instead of “me” to make it feel like they are in one team.

Finally, pragmatism is another dimension that makes Russian and Finnish cultures different. In all spheres of culture Russians rely on their mind and can change traditions and rituals according to the situation. In Finland traditions are strong and those things should not be changed. Maspart’s manager should be ready to face some optimized rituals and behavior.

4. **Trade barriers in Russia.** Tariff barrier means that company should pay tariff from the product price to deliver it through the border. Maspart specializes on heavy machinery products such as equipment, spare parts and consumables for machinery. According to information from Russian National Trade Point Maspart products have the following tariffs:

Equipment – 15% from customs value

Spare parts – 0-5% from customs value

Consumables – 5% from customs value (Russian National Trade Point, 2014)

Therefore, spare parts to machinery would be the easiest product to sell on Russian market as some of those products can be transported avoiding tariff barrier and the rest have low 5% tariff that would not influence much on competitiveness of spare parts. The most difficult to transport product is equipment such as tractors, excavators and loaders. Those products have 15% tariff and this would affect the competitive advantage of Finnish companies on Russian market.

What is more, non-tariff barrier makes additional obstacles for the company. There are several non-tariff barriers company can face during its expansion to Russian market.

Heavy machinery is not additionally supported by government and that border can be avoided by Maspart when they plan to sell on Russian market.

From the other hand, customs and entry procedures can create negative experience as difficult and time-consuming transactions. Documentation that is needed for customs is listed below.

- One of the following documents for value confirmation:
 - Price list verified by seller (catalogue page, print-out from internet etc.);
 - Receipt;
 - Copy of export declaration (if permitted by law in your country of export)
- Permissions where required by your HS Tariff coding (e.g. for plant products quarantine permission is required from consignor)
- Copy of insurance certificate with insurance amount (for incoterms: CIP, CIF), where insurance is part of contract/shipping requirements
- Company registration documents
- Import/export contract
- Signed Brokerage contract if Customs Broker Service is used
- Passport of Import Deal (a special document of currency control issued by the importer's bank if customs value more than 50 000 USD)
- Official letter to customs
- Permissions issued by Russian Authorities (e.g. import permits etc.) where required by HS (tariff) code.

Another non-tariff barrier is presented by technical regulations. Russian national standards are different from EU standards, which can be used only for marketing purposes. Foreign certificates are not accepted in Russia. It is easier to certify products locally than from abroad. (Swiss Business Hub Russia, 2012; Ministry for Foreign Affairs of Finland, 2009)

The certificate is can be applied only to a homogeneous group of products. The certificate includes the name of the product with its customs code, the

internal classification code of the product, the Russian regulations and standards of reference, the name of the producer and the applicant.

There are ten types of certification schemes, which differ based on the ongoing business relationship is established with the Russian market. Maspart and its suppliers might be interested in two of them. One type is given to manufacturer and valid for unlimited number of goods. Another one is given for single or small supply of goods and can be achieved by Maspart every time the products need to be delivered.

There are six different documents needed to perform certification process. The list can be found below:

1. product HS code
2. catalog, brochure
3. Product Data Sheet
4. manufacturer declaration of conformity
5. samples of the product (if necessary)
6. power of attorney letter

Those documents can be delivered by email or fax and they must be translated into Russian. Moreover, all the copies of documents should have stamp and signature of legal representative submitting the application for certification on it. Certificate is usually issued in period of 2-10 working days. The cost varies from 300 to 1500 euros. The Russian law on certification does not allow the renewal of the certificate. Therefore, once it has been expired it will be necessary to make a new application. (Rustandard, 2014)

Finally, there should be mentioned business security barrier. Company that enters Russian market must be ready for such things as cheating of business partners, bribery and crime organizations. There are no special recommendations how to overcome those concepts; the only thing is that foreign company can do is to try to avoid them.

4.2 Feedback from Maspart Finland Oy

The research results were presented to CEO of Maspart. The work was submitted in electronic format through email. The feedback is also received on email address. The text of the message is shown below.

Feedback of thesis

Comments

Kirill's research was very comprehensive packet of starting business in Russia. Kirill has made good "map" how Maspart should go on and it's very useful for us.

Cultural differences, habits and specially custom and board things including all the documents and certifications are so valuable information for us.

Thesis was wide and made with quality and time which really give us knowhow.

Ystävällisin terveisin;

Kim-Jussi Nurmela (Nurmela, 2014)

The next part is about discussion of the work. Development ideas, achievement of the aims and future research possibilities are to be discussed.

5. DISCUSSION

This part of the work is devoted to discussion of the thesis. It consists of three parts. Firstly, it is discussed how the current solution can be developed through extra sources of information and researches. Secondly, the analysis of the successfulness of the aims is provided. And, finally, some future research possibilities, based on current topic are discussed.

5.1 Possible development ideas

To start with, this work is based on few bibliographical sources, online questionnaire and interview with interested in research side. Each of these sources should be supplemented. More detail to be presented below.

Researches of communication model of Russians and cultural differences have infinite potential and its development deserves dedicated research. Possible development is to extend the data about Russian communication with description of rituals and some experience-based remarks.

Online questionnaire has low number of responses it is recommended to attract more people to this part of research by sending the form to more people. If the number of responses will be at least 1000, the results can be interpreted as statistical data and be used to make conclusions about preparation of Finnish companies for business in Russian market side by side with research of importance of the work.

The number of interview determines the demand of the work. To make it more needed among Finnish companies, interview should be taken from several companies that are aiming to start business in Russian market, to find out what information they need. That information should extend existing solution and make it more universal.

To conclude with, there are different approaches existing to develop this research and the main aspect to be developed is the sources of information. The next part describes success of achievement of the aims.

5.2 How well the aims of the study have been achieved

As it was mentioned before, the aim of this research was to prepare a solution for Maspart that will help them to enter Russian market. The aim was divided into objectives. Each objective was completed and provided some useful information for the

company. The effectiveness of the solution will be known as soon as Maspart will try it on practice.

There are two wishes received from Maspart with interview that were not researched in terms of this work: translation of the site and search for competitors. The first one does not needs any research but work of specialist. Second one does not fits into the borders of this research and will be discussed more detailed.

In conclusion, aim of this researched were reached and solution for Maspart is prepared. There is some extra knowledge that Maspart needs, but it is out of the topic of research. The next part is devoted to future possibilities.

5.3 Future research possibilities

Future of the thesis has different ways of development. Each way has the aim of extension of the current results.

Firstly, as it was mentioned above, work can be extended with research of Maspart's competitors in Russia. From interview it is known that the main categories of competitors are traditional (not online) methods of selling of heavy machinery companies and similar online stores. To get this information, researcher needs to search for all heavy machinery suppliers in Russia, and then range them by regions and methods of sales. That information would help Maspart to be aware of competitors on the very first steps.

Secondly, there can be other countries added to this research. For example, prepare Maspart for business on Poland's market. This extension will need similar research methods applied to another sources of data. The successful result will be as valuable as current one.

Thirdly, other markets can be researched. In this research the market of heavy machinery was the target segment of Russian market. Extension can provide information on trade barriers in other segments.

Finally, there are a lot of possibilities of how to extend the current topic and contents of research. It is because thesis includes researches in such fields as culture, international communication, international trade and its barriers.

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APPENDICES

APPENDIX 1: Research sample and methods

During research both types of methods were used: qualitative and quantitative. Qualitative methods are represented by interview and analyze of information sources, such as books, periodicals and online publications. On the other hand, quantitative methods are represented by statistical analyze and questionnaire. Interview is taken from CEO of Maspart to clarify the problem and figure information that is needed from this research. Interview consisted of seven questions, suggested to get open answers:

1. *What is expected from opening Maspart in the Russian market?*
2. *What benefits will Maspart gain from business operations in the Russian market?*
3. *What benefits will your suppliers gain from business operations in Russian market?*
4. *What information is needed to start Maspart in Russia?*
5. *What obstacles prevent Maspart from entering the Russian market?*
6. *Who are your competitors in the Russian market?*
7. *What competitive advantages Maspart can offer?*

As we can see from the questions, they are formulated to get companies view of Russian market and their expectations from business with Russian companies.

Analyze of different sources of data helped to prepare recommendations for Maspart to prepare expansion to Russian market. As example of usefulness of printed data, Hofstede's research can be mentioned: six dimensions that describe country's culture is very effective way to compare two cultures and find differences that should be taken into consideration. As example of Hofstede dimensions, dimensions of Russian can be shown (see Figure 2).

Statistical analyze of quantitative information is essential part of research. It helps to identify demand and number of successful Finnish companies on Russian market. As the data for this analyze, official statistics is taken.

Finally, Questionnaire is another quantitative method used. It is based on internet form that is send by email to Finnish companies' official addresses to collect data about their opinion on questions. This method differs from previous while it has also statistical

analyze of collected data. Response rate is 28,4% out of 500 companies asked. Target group are small and medium Finnish companies. The target of this questionnaire is to collect data and figure out number of respondents that would like to start business on Russian market and companies that sell goods to Russian market already. The questionnaire is shown below.

1. *Would you like to sell to Russia?*
2. *Do you see obstacles in conducting business in Russia?*
3. *Would you pay for assistance in preparing your company for business in the Russian market?*
4. *Does your company have a website?*
5. *(if yes to previous) Does your site have a Russian interface?*
6. *Do you sell goods?*
7. *(if no to previous) Do you provide services?*
8. *Could you provide your goods/services to Russian customers?*

As we can see, the questions are formulated to receive answer “yes” or “no”. The form that was used to collect this data is shown below on figure 9.

Would you like to sell to Russia?

Yes

No

Do you see obstacles in conducting business in Russia?

Yes

No

Would you pay for assistance in preparing your company for business in the Russian market?

Yes

No

Does your company have a website?

Yes

No

Does your site have a Russian interface?

Yes

No

Do you sell goods?

Yes

No

Do you provide services?

Yes

No

Could you provide your goods/services to Russian customers?

Yes

No

Please, answer the questions

Submit

Figure 10 - Questionnaire online form

Question 5 is shown if question 4's answer is "yes" and question 7 is shown if question 6th answer is "no". If first question is answered "no", all the rest are also counted as "no".

To conclude with, in this research both quantitative and qualitative methods were used. It helped to show research problem from different points of view.