Russia, a promising market that has been overlooked?

A study of how Swedish SMEs internationalize in Russia in terms of challenges, barriers and opportunities.

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Abstract
The purpose of this thesis is to provide an understanding of how Swedish SMEs internationalize towards Russia and the barriers, challenges, and opportunities they encounter. In order to conduct this research, relevant aspects regarding the theme have been identified and analyzed. By conducting a qualitative research method a deeper understanding of the issue of how Swedish firms internationalize towards Russia can be provided. The thesis follows an abductive approach, mostly because of that the subject is quite unexplored and therefore a theory will arise, as our understanding of the subject will increase.

The literature review that has been recognized in this thesis includes theories that are related to internationalization, networks, barriers, culture, and sanctions. The literature review developed the conceptual framework. The framework works as a map that describes how the different theories are related to each other. The conceptual framework later served a purpose to analyze the obtained empirical data that was extracted from multiple case organizations. The following chapter consists of the empirical findings and what could be extracted from the interviews. The analysis chapter includes a discussion where the empirical findings are put against the theories in order to identify relations and similarities. The analysis chapter is structured in the same way as the conceptual framework. The final chapter will provide a conclusion that has been concluded from the analysis, empirical findings and it also contains an answer to the research question, theoretical implications, practical implications & recommendations, limitations and suggestions for future research.

The theoretical implications that the thesis resulted in includes filling the research gap as well as identifying how Swedish SMEs internationalize towards Russia and the barriers, challenges, and opportunities they face. The main practical implication is that an understanding of these aspects is highly recommended for Swedish SMEs or organizations in general that wishes to penetrate the Russian market.

As the theme of this thesis is rather unexplored we find it of high relevance and that it could be of high value for Swedish SMEs or organizations in general that wishes to enter the Russian market.

Keywords
Internationalization, Sweden, Russia, SME, entry mode, barriers/culture, networks
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2 Literature review

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1 Introduction

In this chapter, an introduction and background of the research area will be provided. This will be followed by the problem discussion in which the relevance of the topic will be discussed and the practical problem of the phenomenon will be explained. Thereafter the research question and purpose will be presented.

1.1 Background

The internationalization process is described as the process when firms gradually increase their involvement in international business (Johanson & Vahlne, 1977). Internationalization is a strategic option that both small and medium-sized enterprises (SME) and large-scale enterprises (LSE) can use. When an organization has chosen a specific country to enter they have to plan the best strategy for entering, these are called market entry strategies. According to Hollensen (2016), there are three different ways to enter a market; Export mode, hierarchical modes and international sourcing. An advantage when entering a market is to understand the cultural differences in order to plan in advance and be prepared for unexpected events. Cultural differences are often higher in emerging markets than in developed markets due to the dissimilarities of traits, which makes it harder to understand and predict the future outcomes (Cavusgil, Ghauri & Akcal, 2013). Hollensen (2016) mentions that there is no perfect strategy when entering a new market. In order to get to know the market, he recommends companies to interview companies with previous successful experience. Because SMEs have limited resources it can be cost-efficient to look inside their own network to find a possible entrant to acquire information. The global economic environment is becoming more integrated and the barriers are decreasing, therefore SMEs can gain momentum with internationalization as a helping tool (Lu & Beamish, 2001). According to Dyhr Ulrich, Hollensen and Boyd (2014) firms have started to set their eyes on certain countries that some consider being the most important markets in terms of future growth, these pinpointed markets are commonly referred to as BRIC.

BRIC is an acronym created by Goldman Sachs and contains four different emerging markets that is predicted to have a high future growth. The four nations are Brazil, Russia, India, and China, which alone stands for 42% of the total world population as well as circa 20% of the total world’s gross domestic product (GDP) (Hollensen, 2016). The World Bank is an independent financial institution that provides different services, one of these is the Ease of doing business rank, where they evaluate the easiness of doing business in a specific country with quantitative indicators. The World Bank takes 10 sets of business environment indicators into their consideration and Russia performs quite well and in 2018 were ranked as the 35th easiest country to do business in. When comparing Russia to the other BRIC countries, they are ranked as followed; Russia (35), China (78), India (100), Brazil (125) (The World Bank, 2018). Continuing to compare the BRIC countries in terms of received foreign direct investment (FDI) they are ranked as followed; Hong Kong (5), China (6), Brazil (14), Russia (19) and India (21) (Central
In emerging markets, there is often a higher degree of market turbulence that may influence the business environment (Cavusgil, Ghauri & Akcal, 2013).

1.1.1 Russia
The dissolution of the Soviet Union and the birth of the Russian Federation on the 31st of December 1991 was one of the biggest historical events of the 20th century. Since then, Russia has been through a great deal of different development phases in order to acquire a steady domestic environment (Jonsson & Vendil Pallin, 2009). Due to the variety of changes in Russia's development, the level of insecurity for foreign direct investment (FDI) increases (Hayakawa, Kimura & Lee, 2013) and makes it hard to predict where Russia will be in the future. The Western world may have a disruptive picture of Russia that may have emerged because of the Western World’s failure to understand Russian development since the fall of The Soviet Union (Jonsson & Vendil Pallin, 2009).

After the collapse of the Soviet Union, Russia has wanted to become more integrated with The Western world and the global economy. When Vladimir Putin came to power in the year 2000 he wanted to increase the country’s productivity, thus he implemented reforms to a more centralized system. After these reforms, Russia’s economic situation has improved, especially due to the increase of FDI and the privatization of state-owned companies (Cavusgil, Ghauri & Akcal, 2013). In 2011 Russia finally became a member of the World Trade Organization (WTO) after a long time of negotiations. The membership helps Russia to become more integrated with both the global economy as well as international trade (Cavusgil, Ghauri & Akcal, 2013). Russia is in some areas moving more towards a market economy, but they still have some areas that are highly controlled by the state. Today, Russia has a sophisticated and a high-income consumer base that attracts Western and American companies. The Russian people are attracted to and admire both the Western and American products (Cavusgil, Ghauri & Akcal, 2013).

Since the reclamation of Crimea in 2014, The Western world has initiated sanctions against Russia (Hunter, 2016). These sanctions are divided into three different areas; Certain state-owned Russian industries has restricted access to Western markets and services, limited exports from other countries to Russia in high-technology oil exploration and production equipment, regulation of exports to Russia of military goods. The Russian economy had a negative impact as a natural outcome from the sanctions (Hunter, 2016). According to Ashford (2016), the impact on the Russian economy is a bit transparent as it is somewhat related to the decline in oil prices and by estimates of the European Commission, the sanctions have only cut Russia's growth in GDP by 0,3 %.
1.2 Problem discussion
1.2.1 The scientific problem

In the search for relevant information about Swedish established SMEs, there is an abundance of research on the Russian market in general and those most relevant to the topic are in general from the late 1990s and early 2000s. According to Mariev, Drapkin, and Chukavina (2016), research within the field does exist but it is very scarce and it can be considered as out of date due to the recent changes in the market that has emerged since the majority was published. Himlersson (2014) also stress that the currently available research has been conducted when it has been a more stable market and the knowledge regarding SMEs is still limited. Research that has been conducted after the sanctions were implemented in 2014 is therefore very scarce and the validity of the findings during those periods.

When the world becomes more global and integrated it becomes more important for companies to possess the skills to internationalize and penetrate new markets successfully. In order to internationalize in a successful way, one factor is that the companies have to know which barriers they are going to face in the new market (Lu & Beamish, 2001). Most commonly when SMEs wants to enter a new market they gather information by face-to-face interactions or other more informal manners. This way of gathering information can sometimes be a bit incomplete or fragmented which leads to that evaluations sometimes contains a lot of intuition and speculations. As mentioned before, to plan a successful strategy it is of high importance to evaluate which entry mode is most suitable and to understand the distance in different cultures (Hollensen, 2016, Cavusgil, Ghauri & Akcal, 2013).

Russia strives towards being integrated into the global economy, which has failed to some extent. The sanctions from the Western world are one factor of Russia’s failure to integrate them into the global economy (Giles et al. 2015). During the last years, these different perspectives in international order and politics between the Western world and Russia have become even more remote. This has resulted in that the strategic partnership between Russia and Western world has become even more remote. For example, the political tension has highly influenced the business relations between the regions, which make it more difficult in terms of trade (Giles et al. 2015).

If a firm wishes to internationalize their business it is highly unlikely that they will succeed if they do not convey a proper analysis and preparations before entering the desired market (Hollensen, 2016). A detailed and advanced plan on how to internationalize is therefore regarded as important in order to be successful during the process. As mentioned before there is no perfect strategy that guarantees the absolute best outcome, but there are precautions that companies can take in order to increase the chance of a positive outcome such as interviewing previous successful entrants about their strategy (Hollensen, 2016).
1.2.2 The practical problem
Sweden and Russia’s relationship in trade stretches as far back as the time of Vikings (Business Sweden, 2018). There are many Swedish firms that are active on the Russian market. Swedish innovations have a strong reputation and are associated with positive traits. In Russia, Swedish companies are regarded as good business partners. The sanctions in Russia have made it difficult for some Swedish SMEs in certain sectors to do business in Russia, mostly in public procurement. On the other hand, Russia is an interesting market for many Swedish companies and offers a lot of business opportunities. According to Business Sweden (2018), there is today around 400 Swedish companies that own subsidiaries in Russia. However, they have seen an stagnation and slightly decrease of newly established of Swedish companies in Russia since 2016. Jonsson and Vendil Pallin (2009) have identified general negative assumptions towards Russia. An often-shared Western point-of-view is a reflection of the Western worlds failure to understand the Russian business environment.

The aim of this thesis is that it can contribute to Swedish SMEs and firms in general that wish to internationalize towards Russia. It wishes to identify prejudice against Russia and put it into relation to the practical experiences from the interviewees. It also aims to contribute to get a non-prejudice view of the Russian market that is based on objective research form a neutral perspective.

1.3 Research question

How does Swedish SMEs internationalize in Russia challenges, barriers and opportunities?

1.4 Purpose
The purpose of this research is to identify how Swedish SMEs internationalize towards Russia in terms of challenges, barriers and opportunities. The thesis will aim to provide information about how previous companies have successfully entered the Russian market and provide their perceptive on the challenges, barriers, and opportunities.
1.5 Outline
Chapter 1

• Introduction
  This chapter consists of a background regarding the research subject, it also consists of the following: problem discussion, research question and purpose.

Chapter 2

• Literature review
  This chapter will provide the reader with the relevant literature regarding the subject. It will present the main literature of the topic; internationalization, entry mode, market knowledge, barriers, culture and sanctions.

Chapter 3

• Methodology
  In this chapter the choice and motives for the methodology will be argued and discussed.

Chapter 4

• Empirical findings
  In this chapter the empirical findings will be displayed. It will be presented so that it is clear for the reader, what is of value for the analysis.

Chapter 5

• Analysis
  In this chapter the empirical finding will be connected to the theoretical framework. Further it will the relation between the theoretical framework and the empirical findings will be analyzed.

Chapter 6

• Conclusion
  In the final chapter, the main arguments and findings will be summarized and be concluded in order to fill the research gap and answer the research question. Finally, some recommendations and implications of further research will be presented.
2 Literature review

In this chapter, the theoretical framework will be presented. The chapter starts with introducing internationalization as an overarching concept, where the network approach, entry mode, and market knowledge will be further explained. After that, the different barriers will be defined as well as the cultural differences. Thereafter the thesis will introduce how sanctions can influence the business environment. The chapter is finalized with a conceptual framework, which will provide the reader with an understanding how the different theories are linked.

2.1 Internationalization

The internationalization process is described as the process when firms gradually increase their involvement in international business (Johanson & Vahlne, 1977). Johanson and Vahlne (1977) continue to argue that one of the main reasons why firms internationalize is because of the potential growth in revenue, mostly in terms of long-term profits. It is described as a strategy in which an organization expands their activities across borders and to another nation (Hitt et al., 1997; Lu and Beamish, 2004). The outcome of performance from the internationalization has created a big interest for researchers (Li, 2007; Kirca et al., 2012). However, there is empirical evidence though that confirms that not all businesses gain an advantage from internationalizing their business. The negative outcome in these cases ordinarily relates to; lack of knowledge on the local environment in terms of politics, economics, culture, lack of resources and geographic distance (Crick and Spence, 2005). Meyer and Skak (2002) argues that the best way to enter the Russian market is by utilizing networks.

2.1.1 Network approach

The network approach is a combination of social psychology and inter-organizational theory. The network approach describes the different ties and relationships between organizations (Tichy, Tushman, and Fom-brun, 1979). Since then, the network approach has become more common in business strategies and are now described as an internationalization and management strategy. Network strategies are in some essence the same as any other strategies, it is set out to give companies a competitive advantage (Johanson and Mattsson, 1987). According to Chetty and Holm Blankenburg (2000), there are two kinds of network strategies: business network strategies and social network strategies.

2.1.2 Business network strategies

When defining the business network, researchers use the social exchange theory. They define the business network as “a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors” (Chetty & Holm Blankenburg 2000, p. 79). The relationships companies have with their customers, suppliers, competitors, governments, and distributors are described as business networks (Chetty & Holm Blankenburg, 2000).
In the domestic networks, foreign investments can be seen as a bridge to the international network and as a channel to access foreign resources (Hsing Tseng & Chih Kuo, 2008). When accessing the international network, companies can establish relationships with other companies with the same capabilities. If they have a relationship with their corresponding companies, they can acquire strategic capabilities and they can also conjoin joint ventures with firms and use each other’s internal resources to achieve higher mutual capabilities. It is also argued that companies can achieve a competitive advantage when they have accessed the global network (Hsing Tseng & Chih Kuo, 2008).

2.1.3 Social network strategies

Social network strategies capture the impacts of social network on the company’s strategy. Hung (2002, p. 592) defines the social network as “a set of nodes (e.g., persons, organizations) linked by a set of social relationships (e.g., friendship, transfers of funds, overlapping membership) of specified type”. These networks can include different types of relationships that can influence the strategic actions. Galaskiewicz and Zaheer (1999) argues that companies are embedded in their networks. They continue to argue that the embedded companies encompass three types of relational characteristics; network structure, network membership and tie mobility. Network structure refers to which relationships the company is embedded in. The network structure can provide the company with new resources and knowledge about the new market. In the network structure, the companies can see their limitations. The network membership refers to the members of the network. The network can be composed of different types of stakeholders, for example; customers, suppliers, and partners. The stakeholders’ are characters by its identity, resources, and capabilities that can provide the company with opportunities as well constrain the company. The tie mobility means to which extent the companies maintain and builds its social network. This different type of characteristics illustrates both how a company’s network can enable its strategies actions, as well as how the network can constrain its actions (Galaskiewicz & Zaheer, 1999).

2.1.4 Internationalization of the network approach

The network approach argues that companies’ international business process takes place through relationships between the companies and their external parties in the markets and its government. It also argues that the company itself is embedded in its network such as in the governmental and social sector within the markets. The network approach also stresses the importance of cultural influence and understanding when companies internationalizing their business (Jansson, 2007).

Johanson and Mattsson (1988) suggest that for a company to successfully penetrate a new international market, one of the most important aspects is how they are positioned within their networks as well as their relationships within the desired markets. Johanson and Vahlne (1992) continue with mentioning that the process of entering a new foreign market is a continuing process that relies on the interactions between both parties and
relationships that will gradually develop over time. Bonaccorsi (1992) identified the access to external resources plays an important role for SMEs in the process of internationalization. This is further strengthened by Chen and Chen (1998) who mentions the importance of a company’s access to exclusive resources. Companies with access to proprietary assets are more likely to make more diverse investments. Chen and Chen (1998) continues to address that the location for foreign direct investments influence which network strategy that will be applied as SMEs are more sensitive and rely more heavily on what relations can be established on the market compared to large-scale enterprises.

According to Madsen and Servais (1997), it is of high importance to understand companies environments and their relationships to be able to study the internationalization process of companies. The relationships companies have with their customers, suppliers, competitors, governments, and distributors are described as business networks and the company itself as an actor in the business network. During the process of internationalization, new business networks will arise that needs to be maintained. In order to keep a successful business, there are several different ways to develop a successful relationship, such as; establish new relationships on the new market, maintaining and develop already existing relationships and finally through integrating their positions networks of their foreign markets (Chetty & Holm Blankenburg, 2000).

When SMEs enters the eastern market the network is of extra high importance (Meyer & Skak, 2002). The network perspective to internationalization is most suitable when SMEs wants to internationalize to an emerging market. When a company internationalizes through the network approach they use their already existing network to gather information or resources, they utilize their network as a bridge to the new market (Syed Zamberi, 2014). SMEs are more embedded in their domestic business environment than LSE, which makes it harder for them to adapt and understand the new market. In order to understand the new market, they need to collect information and resources from experienced companies that exist in their domestic network (Meyer & Skak, 2002). This is confirmed by Salmi (2000) who argues that companies that had relationships saw it as a strength and those who did not have any network to contact saw it as a weakness. Meyer and Skak (2002) noticed that SMEs rely on obtainable knowledge in their business networks when engaging in international business with Russia. They also address the importance of relationships and networks as it has roots in both Russian cultures as well as the lack of legal institutions that can enforce contracts that people inside the network may influence. Meyer and Skak (2002) conclude with their observations of the importance of the influence of networking in the internationalization process. One of the most critical choices an organization has to make when conducting a strategy for internationalizing to a foreign market is the choice of an entry mode (Agarwal and Ramaswami, 1992; Brouthers, 2013).
2.2 Entry Mode

The chosen entry mode decides how a firm wishes to engage in the foreign market in terms of carrying out their business activities as well as the level of commitment. This is most often conducted with either exporting, joint ventures or establishing subsidiaries in the foreign country (Agarwal and Ramaswami, 1992; Brouthers, 2013).

When a company desires to enter a market there are three distinct ways of entry modes (Root, 1998); export-, intermediate- and hierarchical mode. The export mode is the most commonly used mode today because it offers low risk and high flexibility. This particular entry mode is described as keeping production or manufacturing in either the domestic market or a third country and then exported to the buyer who is located in another country. If a company encounters a significant amount of obstacles or barriers while entering a foreign market they may choose the second alternative, intermediate entry mode, which consists of strategies such as; joint-venture, franchise, licensing, management contracts etc. The final entry mode is called a hierarchical mode or investment mode. It means that the firm should for example set up shop in another country to increase influence and control. The downside with this mode is mainly the capital that needs to be invested increases the potential risk, and another factor is the low flexibility (Root, 1998).

Peter Hultén (2008) argues that the most common entry mode for Swedish SMEs that want to establish themselves on the Russian market is the export mode. This is because when organizations choose an entry strategy they implement the entry strategy that can be best applied to both the internal and external risk level in the regarded business market.

2.3 Market knowledge

According to Ellis (2011), the network theory can contribute and provide companies with market knowledge and thus make it easier to identify international opportunities. The ability to notice an opportunity as well as the knowledge how to can be a trigger to initiate the decision for internationalization (Johanson & Vahlne, 2009). Oviatt and McDougall (1994) argues that it is of extra importance for SMEs to acquire knowledge of the foreign market in order to succeed. Musteen and Datta (2011, p. 96) argues that “superior understanding of the foreign competitive and political environments should mitigate the liability of foreignness, enabling entrant firms to overcome the barriers set up by incumbent firms and governments and allow them to compete more effectively in international markets”.

There are several ways to divide market knowledge (Eriksson et al, 2000; Hilmersson, 2014; Johanson & Vahlne, 2009). The different categories focus on different aspects and levels, therefore it is good to understand and take them into account when entering a new market. According to Johanson and Vahlne (2009), it is possible to divide knowledge into two different categories; objective knowledge and experiential
knowledge. The objective knowledge can be taught and the experimental knowledge can only be acquired through experiencing something at first hand. Johanson and Vahlne (2009) continues to explain how knowledge can further on be divided into market-specific knowledge and general knowledge. Market-specific knowledge brings up the actual knowledge about the desired market in terms of culture, business environment, individual customers and individual firms. General knowledge, on the other hand, discusses different traits of customers, marketing methods or the resemblance in the process of production. All of the mentioned knowledge is regarded to be of high value as it can both enable and make it easier for companies to perform on an international market (Johanson & Vahlne, 2009).

Market knowledge can also be divided into two main dimensions; local institutional knowledge and local actor’s knowledge (Eriksson et al, 2000). Local institutional knowledge can be described as knowledge about the institutional environment in the foreign market, such as culture, laws and governmental principles (Hilmersson, 2014). The institutional knowledge also includes knowledge about import- and export rules. The knowledge of the local actors is defined as knowledge of the customers, suppliers and competitors at the foreign market. This also includes knowledge about their capabilities, access to resources and their behavior (Hilmersson, 2014). To understand and apply these different types of knowledge is regarded as a valuable resource as it can help companies performance on the international market (Johanson & Vahlne, 2009).

2.4 Barriers

According to Hollensen (2016), there are a lot of barriers that can hinder a successful internationalization process. If the companies have a lack of market knowledge it will be hard to identify these barriers. Companies are exposed to both entry barriers and survival barriers (Aidis & Adachi, 2007) and when entering a new market there are several different barriers that companies will face. In order enter the market successful it is important to have knowledge about the barriers on the specific market. Further on, when the company has successfully entered the market they will face new barriers that they have to overcome in order to survive on the market (Aidis & Adachi, 2007). Aidis & Adachi (2007) has identified the following barriers as the most common in Russia.

**Entry Barriers**

In order to enter the Russian market successfully it is of importance to have knowledge of the instrumental barriers the company will face (Aidis & Adachi, 2007). The entry barriers will be divided into the following segments; starting a business and the business environment in Russia.

According to The World Bank (2018), Russia is ranked as the number 28 easiest country to start a business. Aidis and Adachi (2007) also mention that the administrative process of starting a business has improved a lot. However, the administrative barriers are still a big barrier for many foreign companies. Therefore it is common that foreign
companies use intermediates to access knowledge how to overcome the administrative barriers. A major obstacle when starting a business in Russia is the bureaucratic system. Stephen Dalziel who is the Executive director of the Russian-British Chamber of Commerce has mentioned that the system is very complex and requires a lot of forms, stamps and often in triplicate. This consumes a lot of time for the firm that wishes to enter the Russian market, but Russia is trying to reduce the processing time in order to make it easier for foreign firms to establish themselves in Russia (Gvazava & Ogneva, 2013). Gvazava and Ogneva (2013) continues to mention that the sheer size of Russia is in itself an obstacle in terms of transportation costs as well as the required time to transport goods across the nation. Leonidas C. Leonidou, Constantine S. Katsikeas, John Hadjimarcou (2002) argues that a language barrier exists, which means that Russians prefer to speak their own language, which is why it is so common for foreign companies to hire consultants or agents.

Companies will face many different barriers in the Russian business environment such as; lack of enforcement from official institutes, provincial influences, access to networks and lack of capital. Aidis and Adashi (2007) argues that the biggest barrier in terms of entry is the uncertainty that is created by a loose law enforcement that is intensified by enabling interpretations in different ways and the laws can be executed in a way that the authorities find appropriate. In a survey by Radaev (2002), more than 80% of Russian entrepreneurs have experienced broken contracts as a result of this. This is just one example that certifies the loose institutions and the interpretation of laws in Russia. OECD (2005) addresses that many of the regulations from the former Soviet Union are still in force. The outcome from this is the uncertainty of which regulation is actually applicable in specific cases which generate dissolution for both regulators and the community.

**Access to networks**

The approach from developed Western countries is to focus on businesses and to develop networks with both suppliers as well as customers. Russia follows the same principle but not at the same efficiency, especially in the case of business development (Barkhatova, 2000). She continues to emphasize how crucial the right connections and networks are in order to successfully operate a business in Russia. The lack of a well-developed network is therefore regarded as a barrier. Barkhatova (2000) also mentions that simple bribes do not always lead to an advantage, but rather the importance to have good connections and informal relationships with the local authorities. This can be seen as a barrier because of those businesses that refuse to pay bribes will face a much harder time to conduct business (Djankov et al., 2002).

Gvazava and Ogneva (2013) mentions that the biggest problem with conducting business in Russia is the high level of corruption. When Gvazava and Ogneva conducted their research Russia was ranked 143rd out of 180 countries on the Transparency International’s Corruption Perceptions Index of 2011, however, an improvement can be identified as they are ranked 135th out of 180 countries in 2017 (Transparency index, 2017).
Lack of capital
When companies internationalize there are always financial barriers to consider and evaluate, especially in countries where the institutional environment is weak it is significant important (Aidis & Adachi, 2007). As the market has become more sophisticated and the competition has increased, the cost of entering has increased as well. It is important to have the necessary amount of capital in order to internationalize a business and market entry companies sometimes need to acquire capital. When entering Russia this can become a problem due to that external sources to capital in Russia is undeveloped. The loans that are most commonly available is often short-term and therefore not suitable for long-term investments as the Russian banks often only provide loans with a high-interest rate to foreign investors (Opora, 2005).

Survival Barriers
In order to survive in Russia, it is of importance to acquire knowledge about the barriers the company will face when they have successfully entered the market. In the following section, the focus will be on survival barriers such as taxes and inspection activities, regulations in labor, labor resource and industry concentration (Aidis and Adashi, 2007).

Taxes and inspection activities are according to Aidis and Adashi (2007) not direct barriers but rather indirect barriers in terms of firm entry. Aidis and Adashi (2007) continue to argue that the business environment that is characterized by the predatory tax behavior from governmental institutions have implemented can lead to the hindering entrepreneurs from considering the Russian market to begin with. Opora (2005) conducted a survey in Russia and found that approximately 11.5 % of the earnings of companies stationed in Moscow were spent on kickbacks, which can be compared with the national figure of 8.9 %. As an outcome from the figures firms are locating themselves in other, fewer hostiles regions even though they conduct their business in Moscow (Aidis & Adashi, 2007). Barkhatova (2000) mentions that firms that do not have influence in either local or governmental authorities will face more difficulties and pressure from the institutions that regulate the business activities.

The social and cultural environment includes aspect as; attitude, taste, religion, beliefs, behavior, relationships and norms that affect people that belong to a certain culture, society or group (Ellis, 2011). When conducting business in a new market it is important to analyze and understand these environments in order to fulfill the demands that the participants have shaped by their culture and society. If an organization chooses to enter a market it is not unusual for them to adapt their product or service partially in order to be more integrated with the local way of thinking.

2.5 Culture
When conducting international business it is of importance to understand situations of conflict and the differences between cultures. If a firm has knowledge of the cultural
differences they can easier avoid future difficulties (Trompenaars, 2006). Meyer & Rowan (1977) addresses that the complexity of a business environment in an emerging market, as well as the business needs, is a driver for firms to become more differentiable from their competitors in order to gain sustainability in the desired markets. Previous research shows that international firms are cautious when entering a foreign market and are influenced by the cultural aspects of the desired market as well as the compliance of the governance in terms of business aspects (Lorenzo, 2007. Parker, 2000).

When companies enter a new market, they are highly likely to encounter cultural differences, especially when a company from a developed country enters an emerging market, as there is a higher distance in culture between developed countries and emerging markets (Cavusgil, Ghauri & Akcal, 2013). Therefore it is of importance for companies to understand the cultural distance in order to enter in an efficient way. In order to make it possible to measure the distance, Hofstede developed the dimensions of culture. This dimension means the ability to define how the different cultures behave when solving a given problem and how this behavior is compared with other cultures (Naumov & Puffer, 2000). The dimensions are uncertainty avoidance, power distance, masculinity/femininity, individualism/collectivism, long-term/short-term and indulgence/restraint (Hofstede, 2011). In the model, the different dimension is put into a scale of 0 to 100 (Hofstede, 2018).

2.5.1.1 Uncertainty avoidance
Uncertainty avoidance is often misinterpreted as risk avoidance, but in reality, it deals with a society’s tolerance for ambiguity. It can be described in which differences members of society’s feel in unstructured situations, uncomfortable or comfortable. Cultures that is uncertainty avoiding are trying to minimize these unstructured situations (Hofstede, 2011).

2.5.1.2 Power distance
Power distance is defined as to which extent organizations/institutions accept and expect that the power is disturbed unequally to members that are less powerful. In other words, it tells that individuals in societies are not equal and that the involved parts should accept this (Hofstede, 2011). Societies with a low score wish more equal terms and equal distribution of power.

2.5.1.3 Masculinity/femininity
The masculine indicator tells that the society is driven by competition, achievement as well as success. Success is defined in this aspect as being the winner or the best within a field, this is a value system that is being taught in school, which later continues throughout the organizational life. A low score, feminine, means in this dimension that the appreciated values in society are caring for other and quality of life. They do not value signs of success as well as standing out in crowds. This creates an issue of what really motivates people the most, whether it is to be best at something or to appreciate the work you are doing (Hofstede, 2011).
2.5.1.4 Individualism/collectivism
Collectivism can be described as a characteristic to which people integrate into their group to a certain degree. On the opposite side, there is individualism where cultural ties between individuals are more loose and undefined. Collectivistic associations often work together as an integrated, strong, organized group with unquestioned loyalty as an opposition. Individualism has been more popular in the Western world, Japan is placed in between individualists and collectivists and eastern European countries lean more towards collectivism (Hofstede, 2011).

2.5.1.5 Long-term/short-term
The values of long-term orientation are such things as persistence, ranking their relationships by status as well as having an understanding of shame. Short-term orientation, on the other hand, is reciprocating social obligations, they show respect towards traditions, protecting one’s own “face” as well as personal control and stability (Hofstede, 2011).

2.5.1.6 Indulgence/restraint
This dimension has been added afterward to cover the aspects that are not covered by the other five dimensions, it is often referred to as the happiness dimension. Indulgence means that the society allows the people to be satisfied when it comes to enjoying life and having fun. Restraint means that the societies controls the people and are regulated by strict social norms (Hofstede, 2011).

2.5.2 Russia compared to Sweden

![Figure 1 (Hofstede, 2018)](image)

**Uncertainty avoidance**
As Russia scores 95 means that they feel threatened by ambiguous situations, and they have established bureaucracies that are considered to be one of the most complex in the world (Hofstede, 2018). When negotiations start the main focus is on building a relationship. Russia’s high score in this particular dimension also means that they are very passionate people with powerful emotions and therefore their feelings can be
expressed through body language. It might appear different though when meeting them as they appear very formal and distant, but in Russian culture, formality is used as a sign of respect. Sweden, on the other hand, scores 29, which means a low preference for avoiding uncertainty. Societies that score low ordinarily have a more relaxed attitude where deviance from the norm is more accepted. A low score also indicates that people often believe that there should not be more rules in the society than necessary if it is proven to be effective it should not need to be changed (Hofstede, 2018).

**Power distance**
In power distance, Russia scores 93 which means that they hold power very distant in society. The high-power distance is a result of the centralization of the country, two thirds of all FDI is going into Moscow and almost 80% of all financial potential is concentrated in Moscow. Sweden on another hand scores very low 31 which are a result of the Swedish management style. The power is decentralized and the team members are given more responsibility (Hofstede, 2018).

**Masculinity/femininity**
Russia has a relatively low score of 36, which contradicts their preference for different symbols of status, these symbols are more related to Power Distance. Sweden gets an even lower score of 5 that means that Swedes finds motivation in caring for others (Hofstede, 2018).

**Individualism/collectivism**
Russia gets a low score at 39 which mean that family and friends are important to them. They believe that relationship is crucial to obtain information and having successful negotiations. Sweden on the other hand scores 71 which means that they are very individual, and the relationships are based on a mutual advantage (Hofstede, 2018).

**Long-term/ short-term**
Russia is a long-term oriented country with a score of 81. This means that they are willing to adapt traditions for change, they are also willing to invest for the long-run. Sweden scores 53, which means that they are neither long-term or short-term. This makes it easier for Swedish organizations to adapt to the new market (Hofstede, 2018).

**Indulgence/restraint**
Russia scored 20 on this dimension, a low score like this means they have a tendency towards being more cynical and pessimistic. They feel that they are being restrained because of the social norms that are surrounding them and they do not want to indulge themselves in something that can be perceived as wrong. Sweden, on the other hand, scores 78 in this dimension, which means that they have a rather high willingness to realize instincts and needs with regard to having fun and enjoying life. They are more optimistic, spend money and put more weight on the importance of leisure time (Hofstede, 2018).
2.6 Sanctions
Sanction has become a key tool for the Western world as a response towards actions that they do not agree with. For example, the outcome after the Russian annexation of Crimea where the Western world implemented sanctions towards Russia as a retaliation (Dreyer & Popescy, 2014).

Giumelli (2011) raises the importance to understand that each case of sanctions are case-specific and is being conducted for a specific reason that often includes a hidden agenda. Sanctions have been used as an alternative instead of military force, material gain, and diplomacy when the sanctioners feel that something needs to be done. According to Dizaji and Bergeijk (2003) sanctions usually only have an impact on the sanctioned nation in the first two years, which in the long run declines and become unsuccessful. After approximately seven years the positive effect changes to negative because the economic and political environment has been adjusted in order to absorb the shock more efficiently and controlled, and they emphasize that time works against sanctions rather than towards a policy change.

The first sanctions the Western world implemented after the annexation of Crimea was supposed to hit specific companies and people that were essential for Russia's economy. When it was shown that the sanctions did not have the effect that the Western world hoped for they started to implement sanctions towards more specific sectors. The new sanctions were supposed to limit foreign investments from leading banks and energy companies. At this time Russia started to impose sanctions towards the Western world as well, they imposed sanctions on agricultural products from the Western world (Gurvich & Prilepskiy, 2015). The sanctions from the Western world resulted in that Russian energy companies started to develop new relationships with the Middle East and Asia. The export of oil to Asia increased significantly after the sanctions were implemented (Wiley, 2017). The sanctions did not only have an effect on Russia’s economy, some of the European countries were affected quite badly. On the other hand, Sweden is one of the countries that has been spared mostly in terms of impact from the sanctions (Francesco, 2017).

Because the sanctions targeted specific companies and people, both the European companies and Russia developed a way to bypass the sanctions. They do this by setting up new independent entities that are not included in the sanction list and can, therefore, be used to conduct business. Some companies within the member states of The European Union also moved their production sites to countries which do not have restrictive measures against trade with Russia (Hille et al. 2015). After the sanctions were imposed, Russia started to export to Asia and the Middle East instead of the Western world. According to Francesco (2017), this meant that the sanction affected some European countries more than Russia.
2.7 Conceptual framework

The following theoretical synthesis has been constructed in order to present the applied theoretical concepts. This is generated in order to understand the relationships between the different theoretical concepts. The purpose of this theoretical synthesis is to provide the reader with a holistic insight of the theoretical framework. The synthesis demonstrates which challenges and barriers Swedish SME:s face and overcome them and their future ambitions in Russia.

When a company faces internationalization, they usually look within their network to acquire relevant information. This is most commonly generated through interviews and by analyzing previous entrants of the market in order to acquire information about what obstacles may lay ahead. The reviewed literature has stressed the importance of networks and personal relationships. When the company decides to enter the market they have to come up with an entry strategy. The entry strategy is often influenced by the risk and obstacles they will encounter on the desired market. Therefore it is important to gather knowledge about the barriers and the culture in the desired market. When the company has entered and overcome the barriers the future in Russia lies in front of them, which contains a lot of opportunities.

![Conceptual framework](image)

Figure 2, Conceptual framework
3 Method

This chapter will explain the methodological framework that has been used in this study. This chapter will present how the data has been collected, the methods that have been used and argumentations of the way these methods are the most suitable in this thesis. The chapter will start by presenting the chosen research approach. Thereafter the selected research methods will be explained, followed by which techniques that were used when the data were collected. Thereafter the operationalization and method of data analysis will be presented. The chapter will be finalized by discussing the ethicality of the research.

3.1 Abductive

When conducting a study, the researchers can choose to work with different approaches when they relate theory to their empirical findings. Patel and Davidson (2011) introduced three different approaches deductive, inductive and abductive. When a researcher uses a deductive approach, he works with the general principles and existing theories to make conclusions on their specific research. In this approach, the theory decides which information is going to be collected. According to Bryman and Bell (2015), the deductive approach relies heavily on the strict logic of testing theories and disproving already existing hypotheses.

Researchers that work with an inductive approach are leaning towards a more exploring path. They start with their empirical findings and the collected information to formulate a theory. When working with an inductive approach there is a risk that the researchers do not understand the theoretical scope, due to the fact that the empirical findings formulate the theory (Patel & Davidson, 2011). According to Bryman and Bell (2015), the weakness or downside with an inductive approach is that no matter how much data is acquired it may not enable the assembly of a theory.

Patel and Davidson (2011) describes the abductive approach as a combination of deductive and inductive. When using an abductive approach it means that the researcher formulates hypothetical patterns to be able to explain single cases and proposal to a theoretical structure. According to Bryman and Bell (2015), the abduction approach has grown popular when conducting business research or other social scientific research. It is similar to both the inductive and deductive approaches in the way that it helps the user to make analytical insinuations as well as build theories about the world. It is sometimes explained as being a way to overcome the limitations in both the inductive
and deductive approaches. Because of the limitations of a deductive and an inductive, the abductive approach is proposed as a way of overcoming these boundaries. The abductive approach is somewhat described as a puzzle with an unknown outcome (Bryman and Bell, 2015). When choosing a method approach, it is important to be aware of the risks associated with the method. According to Patel and Davidson (2011), the abductive method assumes that the researchers are unconditional before beginning the research. In the reality no one is unconditional, everyone has a prerequisite and experiences that may influence the thesis. Therefore, it is of extra importance to maintain a neutral position and let the fact and the empirical findings speak for themselves.

This thesis is going to move between theory and empirical finding and gradually allow the understanding to progressively emerge. As the research will be conducted in an exploratory way and try to understand how the recent changes in Russia’s business environment influenced already established Swedish SMEs, therefore it can be argued that the abductive approach is the most suitable. The researchers in this thesis have a limited knowledge about Russia and the Russian business culture before the research begins, therefore it is of importance to be able to move between the theory and the empirical findings in order develop an understanding. Since the research of how Swedish SMEs has been affected by the recent changes in Russia is limited, the empirical findings are going to be set out as the derive of this thesis, which the abductive approach allows.

3.2 Qualitative research

When conducting a study there are different types of research methods to compress and process the information in order to answer the research question. The researcher can either decide to collect and analyze data from surveys, which are called a quantitative method or the can decide to focus on certain individuals that have a lot of experience and knowledge in the subject and facts, which is called a qualitative method (Patel & Davidson, 2011). According to Denscombe (2010) a quantitative research method is mostly used when conducting a study on a large scale and when conducting a smaller study qualitative tend to be used. The strategy in a qualitative research usually emphasizes words and visual images, in comparison to a quantitative that emphasizes number when analyzing the acquired data. A qualitative research is sometimes described as a way of generating theories rather than testing them (Bryman & Bell, 2015). When using a quantitative method the outcome and result are supposed to be as general as possible. This means that the researchers have to study a group of people which will generate approximately the same result as the average person. In order to gather this information, the researchers conduct samples of the population (Patel & Davidson, 2011). This means that in a quantitative method the worlds general standpoint is collected. While this is a study of Swedish SMEs doing business in Russia it is not suitable with this general view.
Qualitative research, on the other hand, collects a deeper knowledge and understanding than the sometimes fragmental knowledge that is collected when using a quantitative method. When researching a certain aspect that is a part of a wider context, Denscombe (2010) emphasizes to use a qualitative research method. The qualitative method is seeing certain aspects that are a part of a wider context. The meaning of qualitative interviews is to identify and explore the respondents’ perception and experience of the phenomenon. When conducting a qualitative research, it is important to be aware of that the collected data are often derived from a small number of participants. It can, therefore, be questioned if the participants will represent the average person and how much the collected information can be generalized (Kumar, 2014).

As the purpose of this study is to understand how Swedish SMEs has been affected by the recent changes in Russia, it is of importance to collect deeper information than a quantitative research could present. When conducting a qualitative research, the data will be derived from the respondents’ experience and perception, this information will be more profound and be more detailed, than if a quantitative method would be applied. As mentioned before it is also important to be aware of that the qualitative method does not collect the average person's perception of the phenomenon (Patel & Davidson, 2011). In order to collect qualitative information that will be closer to the average person, the selected companies are spread out in different sectors.

### 3.3 Research design

The research design is described by Bryman and Bell (2015) as a provider of the framework that will be used to collect and analyze data. The chosen research design will provide the framework as well as a design of how data will be collected and present how the research will be conducted (Saunders et al. 2016). Kumar (2014) continues to address the importance of an appropriate research design as the selection enables the researcher to arrive at valid finding, comparison, and conclusions. Whereas following an inferior design will lead to a waste of human resources. According to Yin (2014), there are most commonly five different approaches that are being used; archival analysis, history, experiment, case study and a survey. When choosing the appropriate research design, it is of importance to choose one with regard to which method and approach the research will be conducting. In a qualitative research, the design can alter depending on which of the following methods are being used; explanatory-, exploratory- or a descriptive approach (Yin, 2014). In an explanatory approach, the main focus is on explaining relationships between variables in a problem or a situation (Saunders et al. 2016). The exploratory approach can be described as a way of conducting a data analysis that highlights the use of diagrams in order to investigate and comprehend the presented data. A descriptive approach is used when the purpose is to present a correct representation of people, events or situations. Saunders et al. (2016) argues that the best way of using an exploratory approach is by conducting in-depth interviews with knowledgeable employees and through case studies. This approach is suitable when the phenomenon is of uncertainty (Yin, 2014). This is why it will be used in this thesis.
When conducting a qualitative research various study designs can be identified such as archival analysis, history, experiment, survey and case studies (Yin, 2014). Different designs are more appropriate for different types of research approaches and research methods (Ghauri and Grønhaug, 2010). Merriam (2009) argues that a qualitative case study design is foremost applicable when researchers want to focus on variables as insight, interpretation and to discover instead of creating a hypothesis. Yin (2014) continues to argue that a qualitative research design is the most appropriate design in order to get a more thorough understanding of a topic as it opens up for more discussions and insight.

3.3.1 Multi-case study design
For a researcher to being able to choose which case study he or she will use, the first decision to be made is whether a single or multiple-case study design should be used (Yin, 2012). Merriam (2009) continues to explain that multiple-case studies involve a variety of different cases which is collected, evaluated and analyzed as on the other hand a single-case study only studies a single case. Yin (2012) continues and argues that that using two or more cases provides information of higher value than what can be drawn from a single case because there are several cases that support the evidence. Single case studies are more commonly used in cases where the topic is unique to a single case, which is not the case when writing this particular thesis. Therefore we have come to the conclusion that a multiple-case study would be the best alternative in order to conduct a proper research.

As this thesis will research an uncertain and unexplored phenomenon the exploratory approach will be applied. There are limited studies made on the subject that are relatable and therefore this thesis should consequently help to fill the research gap. In order to acquire as much information as possible, a multi-case study will be conducted. Several interviews with different companies that work within different sectors will be selected and interviewed in order to hopefully gain a variety of answers as well as broaden the perspective and gather as much information as possible. Bryman and Bell (2015) emphasize that when conducting a multiple-case study it is important to be able to identify the relations between variables and to actually prove that the relation is real and not false. A false relation is for example if two variables are identified as being related to each other when in fact they are related because of a third variable.

3.3.2 Purposive sampling
The purpose of a purposive sampling is to in a strategic way sample cases or participants (Bryman & Bell, 2015). The participants should not be chosen at random but rather be a selection of relevant cases of participants. They should preferably not be the exact same in terms of working title or topic in order to get a variation on answers for later evaluation. Merriam (2009) argues that purposeful sampling is based on an assumption that the researcher wants to investigate, understand and gain knowledge. Therefore the researcher must choose a participant or topic that can provide the
researcher with as much information as possible. As the research aims to create an understanding of how the Russian environment has developed since the sanctions, the selected firms have been established in Russia before 2014 in order to get a comparison of eventual changes.

Due to the presented arguments, we have chosen that we will be conducting a purposive sampling strategy to better identify and choose relevant respondents for our interviews. When choosing participants, different criteria are needed in order to evaluate how relevant a participant may be (Merriam, 2009). These criteria should be relevant to the research as well as reflect on the purpose of the thesis. Because of the importance of relevant criteria we have developed and stated that the participants should be:

1. Swedish small and medium-sized enterprises
2. Active operations in Russia
3. Have entered Russia before the most recent sanctions started in 2014

Continuing the interviewees from the different organizations must:

1. Have a managerial position and involved with the operations in the Russian market
2. Have experienced the Russian business environment
3. Experience from operating alongside different actors in the Russian market
4. Have significant knowledge of both the Swedish and the Russian business environment

3.4 Cases
Some of the companies have chosen to be anonymous, for the consistency the decision was made to name the companies and the interviewee; A, B, C, D and E. Based on the above criteria we have selected the following organizations in order to acquire knowledge and provide us with empirical data.

3.4.1 Company A
Company A is a Swedish manufacturing company which mainly engages in export operations within Russia and the rest of Europe. The company started around 2004 with exporting to Russia. The interview was conducted by telephone with company A:s Market Manager, who is involved in the company's export operations to Russia.

3.4.2 Company B
Company B is a Swedish export company which develops and produces tracks for forestry machines, cutting edges and wear bars for construction machines. Company B is increasing its global presence as they continue to take market shares globally. Today, Company B has sales companies in Finland, Canada, and Russia, the manufacturing is still conducted in Sweden. The interview was conducted by phone with the market and export manager. Interviewee B does not only have experience of Russia from Company
B before hir started to work at Company B hir worked at Business Sweden. At Business Sweden interviewee B worked with helping Swedish companies to establish themselves on the Russian market, hir has also been running a consulting company of hirs own that helped Swedish and Finnish companies to conduct business in Russia. This means that hir has a long and broad knowledge about doing business in Russia.

3.4.3 Company C
Company C is one of the world-leading suppliers of high-performance tube filling systems. The company has had a presence in Russia for a long time. Company C has a today big international presence. The interview was conducted at Company C:s headquarters with the area sales manager. Interviewee C has been employed at Company C for five years and has been working towards the Russian market since then.

3.4.4 Company D
Interviewee D is the CEO of two companies that are active in Russia, therefore hir will talk about hirs experience from both of the companies. The first company that hir represent is a manufacturer of electronic equipment, which have their manufacturing in Russia. The other company hir represent manufactures sun protection, blinds, especially to large retail firms. The companies entered the Russian market together in 2001 and have since then been active in Russia. The interview was conducted by phone with the CEO.

3.4.5 Company E
Company E manufacturers sealing solutions for cables and pipes. They are currently working with three different segments in Russia; marine offshore, power process industry and infrastructure. The interview was conducted through Skype with the global segment manager, which is working towards Russia.

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewee</th>
<th>Date of the interview</th>
<th>Conducted</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>Market manager</td>
<td>30/4 2018</td>
<td>By phone</td>
<td>23,25 min</td>
</tr>
<tr>
<td>Company B</td>
<td>Export manager</td>
<td>2/5 2018</td>
<td>By phone</td>
<td>35,13 min</td>
</tr>
<tr>
<td>Company C</td>
<td>Area sales manager</td>
<td>4/5 2018</td>
<td>Face to Face</td>
<td>29,04 min</td>
</tr>
<tr>
<td>Company D</td>
<td>CEO</td>
<td>9/5 2018</td>
<td>By phone</td>
<td>20,20 min</td>
</tr>
<tr>
<td>Company E</td>
<td>Global segment manager</td>
<td>9/5 2018</td>
<td>Through Skype</td>
<td>25,06 min</td>
</tr>
</tbody>
</table>
3.5 Data collection

When conducting a study the empirical data can be collected in two different modes of procedure, primary data and secondary data (Merriam, 2009).

3.5.1 Primary data

According to Merriam (2009), primary data are collected from the researcher himself from primary sources. Which means that the researcher collects information from a person that has had a first-hand experience with the phenomenon of interest. When doing a qualitative researcher the data are often collected through interviews (Ghauri and Grønhaug, 2010). With interviews, the researcher can acquire an understanding of the feelings, behaviors and a deeper sense of the primary source. An interview can be conducted in different ways, it can be conducted through face-to-face meetings, phone and email (Ghauri and Grønhaug, 2010). In this thesis, the primary data was collected through face-to-face interviews in order to provide enriched and detailed information that suits the research question in the thesis (Denscombe, 2010). Due to the distance to some of the primary sources, the primary data was also collected through a phone. Collecting the data through interviews can provide us with a deeper understanding of the Russian market through the perspective of Swedish SMEs. Therefore it can be argued that the primary data is the most suitable as a main source of information when gathering empirical data. By collecting primary data through interviews it is simpler to collect more tailored and hands-on information (Merriam, 2009).

3.5.2 Secondary data

When using data that is already available in for example a database or in official statistics that are being offered through publications or registers, this data may be applied immediately but as a rule, they need some processing before they can be applied. This sort of data is referred to as secondary data (Dahmström, 2011). Secondary sources may be from governmental publications, earlier research, personal records or the mass media. The problem with using sources such as these is that they might have the problem of personal bias and therefore not as objective as a research thesis is (Kumar, 2014). Kumar continues with saying that the validity of secondary data may vary a lot depending on the source. To use the census as a source is considered to be of higher validity and reliance in comparison to a diary or a blog. Therefore, the source where the data is extracted is of relevance for validity.

3.5.3 Structure of interview

According to Merriam (2009), there are three different structures in terms of conducting an interview; Highly structured/standardized, semistructured and unstructured/informal. A structured interview is when the interviewer has a list of predetermined questions (Thomas, 2011). Thomas continues to argue that to have a structured interview does have a limited range or strengths; it can be administered quite easy and quick as well as the responses from the interviewees’ can be easily coded and translated. On the opposite, there is the unstructured interview, which Thomas (2011) compares to a conversation. There is no fixed way or guideline to follow and the main point is that an
agenda is established where a determined topic is discussed. Lastly, there is the semi-structured interview where the researcher combined the two previously mentioned aspects. In this sort of interview, there is rather a list of issues than predetermined questions. Because it is not as formal as for example a structured interview the interviewees’ are more liberated to ask follow-up questions. Merriam (2009) states that the questions can be used in a more flexible way and are able to add more ideas on the topic that needs to be discussed. With these mentioned arguments, Thomas (2011) states that the semi-structured interview is the most used approach for most small-scale social research.

In order to be able to acquire as much information from the respondents as possible, semi-structured interviews will be conducted. When using semi-structured interviews it is easier for the researchers to adapt the question to the respondent during the interview. As an abductive method is going to be used, the researchers are going to move between theory and empirical findings. It is therefore important to let the respondent talk freely about the subject but within some guidelines. When doing this, new interesting phenomenon can emerge during the interview. The semi-structured interview makes it possible for the researchers to ask follow up questions in order to get deeper and more detailed answers from the respondent.

3.6 Operationalisation

Before starting to write the interview guide it is necessary to conduct the literature review, in order to have an understanding of the chosen subject (Jacob and Furgerson, 2012). When having an understanding of the subject the researchers can easier formulate the research questions, so it reflects the theoretical framework. Hence, it is important to formulate the research question, so it can be applicable to the real world and so the respondent will have an understanding of the questions (Patel and Davidson, 2011). The theoretical framework that has been presented in the literature review, has therefore been operationalized. The interview questions (Appendix) have thus been based on this framework.

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**3.7 Method of data analysis**

By analyzing the data the researcher will get a better understanding of the information that has been collected (Ghauri & Grønhaug, 2010). Merriam (2009) also argues that the data analysis can be described as the process of making sense out of data. Continuing, Merriam (2009) argues that the collected data is supposed to make it possible and help the researchers to answer the research question. When the researchers analyze the data they move between the data and abstract concepts, definition, and explanation, and abductive reasoning, which later is moving towards a conclusion of the thesis. Ghauri and Grønhaug (2010) emphasize the benefits of dividing the complex data into minor parts to simplify the analysis process. According to Miles and Huberman (1994), there are three different elements when conducting an qualitative data analysis, data reduction, data display and conclusion drawing/verification. Miles and Huberman (1994) describes the data reduction as the process of selecting, focusing, simplifying, abstracting and transforming the data into written form. When the data has been reduced
and transformed it is later shown in the thesis to enable the researchers to draw a conclusion.

In order to be able to answer the research question, the qualitative research data has been divided into different parts to match the theoretical framework. The data has been divided into; internationalization, entry mode, barriers, culture, market turbulence, and sanctions in order to simplify the process of drawing a conclusion between the theory and empirical findings.

3.8 Quality of research

When conducting a research it is of high importance that the discoveries are both legitimate as well as reliable (Denscombe 2010; Bryman & Bell 2011). Yin (2009) describes that different approaches towards research will give a varied quality. Hir continues to mention the different approaches are defined as two concepts; validity and reliability. When these two are put together they make up the fundamental building stones and the core of what is viewed as scientific proof.

3.8.1 Validity

Validity can be defined as when the discoveries during the research are actually in accordance and relevant to the specific topic of research (Kumar, 2014). It is regarded as a way to evaluate the quality of quantitative studies (Jakobsson, 2011). Depending on what instruments are used while conducting the research, the evaluation process may vary. When determining the quality of a research and its instruments the validity is usually used in a variety of ways that are often combined with different measures of reliability (Jakobsson, 2011). Bryman and Bell (2015) mentions that there are four different variables that need to be taken into consideration when validating the credibility of a source; credibility, transferability, dependability, and confirmability. Credibility corresponds to internal validity, that is, how likely or true results are. Transferability is a parallel to external validity, which means if the outcome is applicable in other contexts. Dependability resembles reliability, which is if you get similar results even on another occasion. Confirmability corresponds to objectivity, which is if the researcher has been in control of his values so as not to influence the investigation in a crucial way.

There are certain steps that that will be used to increase the reader’s view of the validity of this research. The first step is regarding the authentication of the respondent, this involves that the researcher has to correctly interpret and analyze the collected data from the respondent (Denscombe, 2010; Merriam, 2009). The recommended way to validate the data is by returning the collected data and discoveries to the respondents in order for them to confirm the researcher’s understanding. Kumar (2014) recommends another way as well with triangulation. This method uses different perspectives when evaluating data and discoveries in order to get a more proper and thorough understanding.
3.8.2 Reliability

Reliability determines the grade of authenticity when conducting a research (Jakobsson, 2011). The concept is often used in repetitive measurements and is as well a measurement in terms of accordance between numbers of measurements that are measured in the same way. Reliability can, therefore, be translated as an expression for the internal circulation between the measured values. Bryman and Bell (2015) argues that it is most commonly used when conducting a quantitative study in order to help the researcher to conclude if the answers from for example a survey is stable or not. There are three factors that will be taken into consideration in this thesis when considering if a measure is reliable or not; stability, internal reliability and inter-rater reliability (Bryman & Bell, 2015).

Kumar (2014) mentions that there are several reasons that there is no such thing as a perfect research tool that will generate answers that are 100 percent accurate. He continues to emphasize the influence from the following factors: The wording of questions, the physical setting, the respondent's mood, the interviewer's mood, the nature of the interaction and the regression effect of an instrument. Kumar (2014) continues to argue that the reliability of an instrument can be measured with two questions; How reliable is an instrument? How unreliable is it? The first question focuses on the practiced instrument and if it is able to reproduce the same measurements or not. The second question focuses on the extent of differences when using the same instruments repeatedly under the same conditions. Bryman and Bell (2016) mentions that a way to measure the reliability of for example measuring tools is by reviewing the interviewees’ answers. If the same person gives different results while conducting, for example, an interview, the reliability is either not that high or the interview is conducted in an improper way.

The interviews in this thesis will be analyzed and compared with each other in order to find patterns that are actually reliable and not just loosely connected to each other because of one variable. The interviews will not be conducted several times with the interviewees so the evaluated answers from the different respondents will instead be compared to each other in order to find independent patterns.

3.9 Ethical considerations

According to Merriam (2009), when conducting a qualitative study there are many ethical considerations that emerge that are concerning the data collection. Therefore the researchers have the responsibility to conduct a honest and accurate research (Ghauri and Grønhaug, 2010). In order to ensure the ethical consideration, this thesis follows the considerations provided by Denscombe (2010, 310-315), who argues that in order to make a professional study there are four principles to take into consideration to conduct a research ethically:

(1) “Participants will remain anonymous”
During the conduction of this thesis, there has always been of importance to ensure the transparency. In order to do that the thesis presents the outline of methodology and the pros and cons of the method choices made in the thesis. All the respondents are offered anonymity and so they are ensured that the information will be kept confidential. All the respondents are informed of the subject and purpose of the study in order to understand it before the interviews are conducted.

4 Empirical findings

In this chapter, the empirical data that has been gathered will be presented. The empirical findings will be divided into the different respondent in which the findings will be presented in a manner that follows the conceptual framework, in order to get a clear structure for the reader.

As some of the interviewees wish to remain anonymous, all of the respondents will be named as interviewee A an onwards.

4.1 Company A

Company A is a manufacturer of machinery who has been conducting business in Russia for more than ten years. The respondent is the market manager at company A, the manager will be referred to as interviewee A.

4.1.1 Internationalization

Interviewee A mentions that Company A identified a large potential in the Russian market, there is a high demand for their products within the Russian market. This is why Company A decided to enter the Russian market. When Russia had caught their attention they interviewed and discussed Russia and its business environment with other Swedish companies that previously had already entered Russia. After that, they started to analyze the strategies the companies within their networked used in order to identify the most suitable for their specific company. At this point, they hired agents that could help them acquire relevant information about Russia, which they could not acquire from the company’s own network.

When company A decided to enter the Russian market there were no stereotypes within the company about Russia and its market. Interviewee A explains that this was much thanks to the CEO at the time. The CEO was not afraid to expose the company to the
risk that a new market entry may include. Before they entered the Russian market they did not do any changes within the company. As interviewee A puts it, they are an international company with international experience and therefore they did not have to do any organizational changes. However, they did start to use letter of credit when conducting business in Russia, which they do not use when trading with other countries in Western Europe. Interviewee A confirms that they started to use this because of the increased risk of missing payments.

4.1.2 First step into Russia
Before company A entered the Russian market, they already had an existing network within the Russian market. One of their biggest clients had both productions sites and customers in Russia. This gave them an advantage as they already had a business client that was operating in Russia. The first sale on the Russian market was in collaboration with their client that already had knowledge about the market. Therefore they could use the business clients knowledge about the Russian market to their advantage. This also gave them the advantage of getting a sense of the Russian business environment and market before committing to a full entry. After the completion of their first sale they chose to start collaborating with a local firm that acted as their representatives on the Russian market, but after a while, they decided to hire their own local agent. Interviewee A argues that this decision was made because they felt that they had already acquired enough knowledge about the business environment and culture in Russia. When the interviewee A looks back on their way of entry his is positive about the way they chose to approach the market and could not find any bad aspects of using their network.

4.1.3 Challenges in Russia
Before company A entered the Russian market, they obtained knowledge about some certain barriers that were expected to be very time consuming, such as; administration, assembly, and transportation. These factors influenced them by adding more time to the processes in order to reassure that the time plan actually was realistic. They discovered that one of the biggest faults with the Russian administration was how long it would take to process forms and permissions. As the distance to and in Russia is quite large they wanted to reduce the transportation and assembly costs, therefore they sent a surplus of materials to avoid sending new more than one shipment. In order to reduce the risk of transportation, they use the Incoterm FCA (Free Carrier), which means that the buyers’ bears the risk after the product is loaded onto the buyers’ carrier. Another barrier that they expected was the language barrier. The level of English was and is still quite poor, but as mentioned before they first collaborated with a Russian firm has helped them with translation. Today their own local agent helps them to communicate with their Russian clients. Interviewee A mentions that corruption in Russia

"is more rumors that flourish".
Hir continues to stress that they have never faced corruption at first hand. Hir also stress the importance to have an agent or person that have experience of the Russian market and their way of doing business.

4.1.4 The difference between Swedish and Russian culture
Interviewee A start to mention that in hirs experience it is important to have knowledge about the cultural differences before entering a new market. Hir continues to mention that if a company does not have knowledge about the Russian market and would continue to conduct business in the same way as in Sweden, they would probably not survive on the Russian market. Interviewee A mentions that one of the biggest differences hir had noticed is that the Russians wants to build long-term business relationships. Interviewee A argued that

“the Russians is more relying on trust and reliance than... the performance of the machines”.

Therefore the business process is often time-consuming, as the Russian customer wants to build a positive picture and relationship with the seller before making any decision. As the relationships and networks in Russia are so important hir continues to mention that it is of importance to hire an agent that can help them to build relationships if a business cannot obtain knowledge in any other way. Interviewee A continues to stress one other big difference, in Russia, the decisions are made further away from the manufacturing level. In Sweden the decision is often conducted by the manufacturing manager thus the operators can influence the decisions more. However, in Russia the owner or the CEO of the company often makes the decision. It is therefore important to adapt the way of selling interviewee mention this as

“you have to talk to a farmer on a farmers way of talking”.

In Sweden where the manufacturing manager often conducts the decisions, the manager often chooses the machine that they would prefer. But in Russia where the decision is conducted further away from the manufacturing, it is important to adapt and talk directly to the decision maker.

4.1.5 The effect of the sanctions towards Russia
Interviewee A mentions that their products are not covered by the sanction and that they, therefore, have not been directly affected. However, hir has noticed that after the sanctions were implemented towards Russia, it has become more common that their customers have problems to acquire capital and finance the projects. This has sometimes resulted in that some projects have been stopped as the customers could not acquire capital. Hir continues to mention that the financial problems result in some neglected orders and that they have therefore been affected. Interviewee A has also noticed some sanctions towards the Russian market in general.
4.1.6 Future ambitions

Interviewee A mentions that Company A’s future ambitions are to continue working on the Russian market as they see they can see the potential and benefits of conducting business there. Hir continues to mention that the Russian market has become very important for them. Hir mentions that hir has identified a positive development in the Russian market, especially in increased market demand and especially in high-performance machinery.

Interviewee A recommends the Russian market for other Swedish companies. However, it is important that their product is suitable for the Russian market and that they have knowledge of the market before entering. Hir continues to mention that company A:s experience in Russia

“has been easier than we thought from the beginning”.

4.2 Company B

Company B is a company that manufactures and sells, tracks for forestry machines, cutting edges and wear bars for construction machines. Company B has since 2001 been present on and off the Russian market. The respondent is the market and export manager at Company B and has a long experience of doing business in Russia and its culture.

4.2.1 Internationalization

Interviewee B start to mention that Company B is an international organization that acts in 40 different countries worldwide and that they, therefore, have a knowledge of conducting international business. Hir mentions that at the beginning of the 21st century the Russian market started to show a positive growth and development within the forest industry. Therefore they saw the great opportunities the market offered them and therefore chose to gather more information about the market. When Russia had caught their attention, they started to gather the facts and knowledge of the market from external consultations. With the help from a consultant, they started to create a network of their own in Russia. Hir continues to mention the importance to create a network of your own and that it is important to have good contacts in Russia that you can trust and get help from.

Before the company chose to enter the Russian market, there was a stereo-political idea of the Russian business culture within the company. Interviewee B himself believes that this view is based on assumptions and ignorance, and do not think it is possible to justify that view. Hir argue that

“it is not often based on knowledge and experience, but it is based on preconceived sentences and medial perceptions”.

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Even though Company B has been active in Russia for a long time, there are still people within the company that have these assumptions. Hir believes that the general perception of doing business in Russia has improved within the company. However, interviewee B continues to mention that Hir believes that the recent changes in Russia have impacted the general perception of the Russian market in a negative way in terms of prejudice.

4.2.2 First step into Russia
When Company B made the decision to enter the Russian market they started with hiring an external consultant that could help them to obtain knowledge and understanding of the Russian market. The external consultant also helped them to create a network within the Russian market. The consultant accompanied Company B on the Russian market and introduced them to different networks through business events and customer greetings. Through their obtained networks they started to conduct business, with the help of the external consultant. After a while, they felt that they needed to hire a Russian agent of their own that could help them at the Russian market. However, they did quite quickly come up with the conclusion that it would be better if they established a subsidiary instead. When doing this they increased their control, which was important since sales to the Russian market increased rapidly. When the interviewees look back on their way to enter the Russian market Hir cannot identify any particular bad aspects of their way to enter, instead Hir looks into the future with a positive perspective.

4.2.3 Challenges in Russia
Interviewee B start to mention that one of the biggest challenges when doing business with Russian companies is the fluctuation of the Russian currency. When the Russian currency is weak Company B:s products becomes to expensive. This has at sometimes led to a decrease in sales, but it comes and goes but currently Hir has noticed a positive trend coming back again. Hir also stress that this is not only specific to the Russian currency it is something that occurs with all currencies. However, Hir believes that the fluctuation in the Russian currency can be more volatility than the general.

Hir continues to argue

“no matter how positive you can be to Russia or not…. you should not hide the fact that Russia is a bureaucratic country and it requires its knowledge in terms of customs, declaration, and handling of paper and such things”.

Every paper and form needs to be properly prepared and stamped, especially because of the customs. Hir stresses that

“If you have all the papers in order and do it right and do not try to take any shortcuts, then it is no problem”.
It is important for companies to know that there are no shortcuts, and those who try to create such shortcuts often fail because of it, it is therefore of importance to follow the rules and be prepared to wait for the administrative procedures.

Interviewee B has also identified that Russians often rather do business with Finns, therefore they started to use their subsidiary in Finland as a middleman to their subsidiary in Russia. This resulted in an optimization of the transportation as well, they start by manufacturing the product in Sweden, which is later shipped to the subsidiary in Finland where they stock it in a warehouse until a purchase is completed, which resulted in faster deliveries. Hir also stress the complicated customs in Russia, but when shipping from Finland the customs is less complicated in comparison to shipping from Sweden.

Based on interviewees B:s own experience in Russia hir has noticed that corruption often occurs within the public sector and public procurement. Hir based this on state employed persons within his own network and describe

“This person who on the paper is a very mediocre Russian with an ordinary Russian bureaucracy salary, he or she seems to live a very good life that is not in line with the income”.

However, hir has not noticed any corruption within the private sector.

4.2.4 The difference between Swedish and Russian culture

Interviewee B stress the importance of having knowledge about the Russian culture before entering the market, hir also mention it as

“I think it is extremely valuable”.

It is important to show respect towards the Russians and have knowledge about their culture. If you do not respect the Russian culture, you will not be able to succeed in Russia.

When doing business in Russia it is important to be aware of the cultural differences. Interviewee B has noticed that there is a difference of who makes the decisions; in Sweden the employees often have some saying when it comes to the decision-making. However, in Russia, the owner often makes the decisions or the CEO, and the other employees does not have anything to say when it comes to the final decision. Hir describe this process as

”you can meet how many subversions you like, but you will never get to a contract or anything until the top manager has taken a look at it”.
Interviewee B mentions that his hypothesis is that this is something can be traced back in Russian culture hundreds of years of who beholds the power.

Another major difference that interviewee B has noticed are that the one that can prove his power of authority is the person who will get the most attention. Hir argues

“in Russia, it is very important to show in any way who decides”.

If you show that you possess power they are always ready to listen to you. Interviewee B also explain another difference, in Sweden, it is plenty of meetings that is time-consuming and does often not result in anything. However in Russia, when you are in the meeting room, the process should be efficient. It is the process to enter the meeting room in Russia that often is time-consuming. This is a major difference as well, the interviewee explain

“I have seen all too many bad examples of Swedes who have gone there and participated in a scenario and handed out some pens and brochures and then they go home. After two months, they say those... Russians, they do not buy anything!”. 

Hir continues to argue that when you want to do business in Russia it is very important to first build relationships and after that, you can start talking business. Swedish companies are often in a hurry to sell and do not get to know their customers before. Hir also mention his own experience in Russia, it took him a little more than three years before hir felt that hir really could contribute to the business.

4.2.5 The effect of the sanctions towards Russia
According to interviewee B, the sanctions did not have such a negative outcome on the Russian market as media often portrays it. Instead of exporting to Europe, they just shifted towards Asian countries and have done so successfully. Hir also mention that

“some even say that this with the sanctions was the best thing that could happen to Russia because it puts pressure on Russia to become a bit more creative and make more effort for its own industry”.

This is a sign of an increasing domestic production within Russia, which means that the demand for industrial machinery increases in the market. Therefore, interviewee B argues that if the sanctions have affected them somehow it is in a positive way.

However, hir did notice that Russians became more restrictive immediately after the sanctions were implemented and did not invest as much in new products, which meant a decrease in sales. As the business has a positive incline after the sanctions, hir now regards the Russian market in terms of forestry as one of the two biggest markets in the world. After 2015 hir has noticed that they are regaining their position on the market
and Company B are currently selling more products than ever towards Russia. Hir describes this with

“We have the ability to put the political piffle aside. We do business and socialize, are together, whether you do business with Russians or Americans or Germans or anyone. The politicians can keep track of and piffle with their stuff”.

4.2.6 Future ambitions
Interviewee B looks bright on their future in Russia and hir describes the company’s future vision as

“it is to simply grow”.

Hir continues to mention that since 2016 they have built new facilities in Russia and hired more staff. The company has grown four times in terms of personnel the last years in Russia and wants to continue to grow. He also mentions

“Russia is described as a rotten country, a corrupt country, a dangerous country, an aggressive country governed by a madman who is just trying to fight and, like, living completely his own life and in some way can be perceived as dangerous to the outside world. This is simply based on incorrect grounds”.

Interviewee B concludes with recommending Swedish companies to enter the Russian market if they desire to do so and have conducted proper research. If the company decides to enter Russia it is important that they have an open mind and do not listen to the prejudices against Russia. Hir also recommend them to both have and develop networks in Russia in order for them to conduct a successful business.

4.3 Company C
Company C is one of the world's leading manufacturers and supplier of tube filling systems. Interviewee C is the Area Sales Manager for the Russian market and hir has been working towards the Russian market since five years back.

4.3.1 Internationalization
Interviewee C starts to mention that company A has been present in the Russian market since the 1960s, therefore the interviewee C did not know all the motives for the internationalization. However, they did identify a great potential market where they could obtain market shares. From interviewee C:s own knowledge, hir stress the importance to have both knowledge and a network within Russia in order to conduct successful business in Russia. Hir also mention that company C has always worked with an external agent in order to obtain knowledge about the Russian market. Hir, later on, describes the importance of having access to networks in Russia, which the agents could provide them with. Hir continues to mention that company C wants to have a local
presence on the market they are working towards and therefore it was a logical step for them to hire an agent.

Interviewee C explained his perception towards the Russian market in the beginning as such

“When I first heard that I would be working towards Russia, I got cold shivers. You have some sort of prejudice towards how Russians are in terms of working together as well as the country in general. But that has been put to shame, and Russia is now the last market I would let go of.”

**4.3.2 First step into Russia**

When company C started to get interested in the Russian market, they started to look for an agent to hire, in order to acquire as much knowledge about the Russian market as possible and get access to networks in Russia.

Interviewee C has noticed the high importance of having a local agent that knows how to conduct business in Russia and has knowledge of the Russian language. When the company had obtained enough knowledge about the Russian market they chose to enter the Russian market with the help of agents. Interviewee C does not have any knowledge of exactly how they entered the Russian market, with the exception of that the company hired agents.

**4.3.3 Challenges in Russia**

The first barrier that interviewee C experienced when hir started to work towards the Russian market was the language barrier. The general level of English is quite low in Russia and it is, therefore, necessary to have a person or agent that can communicate with them. Hir continues to mention that hir has noticed a high level of bureaucracy, especially in terms of paperwork, administration, conducting business and that a certain stamp has to be on every document in order for it to be valid. Hir continues with saying that the feeling from the Russians is that they do not like this bureaucracy either, but because of the situation, they still need to work within the law and its framework.

Interviewee C has noticed corruption in both the private and public sector but does not identify it as a major barrier. Hir continues to mention that they dealt with it by staying strong and giving straight answers that they do not conduct business in that way which is being recognized and accepted by the counterparts.

**4.3.4 The difference between Swedish and Russian culture**

Interviewee C starts to mention

“if we choose to act on a market we have to play within the rules of law, but at the same time we have to understand how to conduct business over there”.
Hir continues to mention that Russians want to build relationships and personal chemistry before making any decisions. Therefore it is important to have a local presence and often travel and meet the actors in the network as well as business associates. Hir continues to mention that company C works with building a long-term relationship with their customers and has therefore been successful in Russia. Hir continues to mention that Russia is a very hierarchically country which is reflecting the business environment in Russia. Here in Sweden, we are famous for our flat organizations where every employer can influence the decision. However, in Russia, it is often the CEO that makes the decisions and the employees have no influence. Hir continues

“I think they are listening more and more on the different levels, but of course, the final signature is from the CEO or the owner”.

On the other hand, hir continues to argue that

“they get more and more Western European style, that they listen, not everyone, but most people listen to those who operate the machines”.

Hir has noticed that they are asking more question of the Western European leadership style and wants insight and understanding.

Interviewee C has identified another cultural difference, body language, which hir is quite positive about. Hir mentioned that when sometimes when doing business with people from other cultures, they are numb in terms of facial expressions, Russians, on the other hand, express their emotions through body language and are therefore easier to understand. Hirs perception on this is very positive as it makes it easier to see if they are willing to make a deal or not, which simplifies the process.

4.3.5 The effect of the sanctions towards Russia

Interviewee C has not been able to identify any major downside because of the sanctions aimed towards Russia. Some deals have not been completed, as the counterpart has not been able to finance their projects. Hir argues that this is mostly because the sanctions are not aimed towards their products. Interviewee C continues to mention that for the first six months after the sanctions were implemented there was a minor decline in business inquiries but it later recovered and is now doing better than ever. Hir continues

“if this has affected us, it is predominantly positive”.

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The reason for this is that they wanted to increase their domestic production in Russia. In the past, Russia wanted to import but since the sanctions were implemented it became too expensive. Therefore company C:s customers are constantly increasing their production.

**4.3.6 Future ambitions**

Company C:s future ambitions are to continue to gain market shares in Russia. They are very pleased with their current agent and wishes to conduct business in the same way. Interviewee C would recommend other Swedish companies to enter the Russian market if they have suitable products. Hir also argue the importance to use and develop networks when doing business in Russia. Further on, hir recommends the companies to examine how other firms have entered the Russian market and take knowledge from that.

He continues to mention that he has identified a staircase-effect in Russia, that is, you take two steps forward and then one step back. Hir thinks that this is a result, in which the administration and ruling in Russia are to blame. Hir addresses that as soon as this modified into a more efficient system, Russia will see great results. it is also important to be aware of that Russia is still a very young nation and therefore it should be implied that not everything is perfect, but rather that there are still some aspects that need to be improved.

**4.4 Company D**

Interviewee D is the CEO of two companies in which the first company works within the electronic industry and the other sells blinds. Currently, both companies consist of about 70 employees and the future ambitions in both is that they have doubled in size until the end of 2019.

**4.4.1 Internationalization**

The interviewee made the decision to enter the Russian market because of its huge potential, neighbor country and because of the low salaries. When they had identified Russia as a potential market they started to obtain a lot of knowledge from their network with the local municipality that themselves had relationships in Kaliningrad. The interviewee and hirs associates started by obtaining as much information and knowledge as possible through different sources within their own network and external networks within the network. Hir mention that they started to travel to Russia and from there they started to build relationships and networks on the Russian market by themselves. Hir mention that they got a lot of help from the Swedish foreign ministry when they first started this process.

**4.4.2 First step into Russia**

After obtaining sufficient information about Russia they bought real estate in Russia and renovated it for a period of two years. They took the long way and build everything
from the ground up with their own hands. Even though the companies understood that this would be time-consuming and expensive they acquired first-hand experiences of the Russian business and culture, which they regard as highly valuable.

4.4.3 Challenges in Russia
When they entered Russia they identified barriers such as;

“The major ones are bureaucracy and the legal framework, and that is almost the hardest parts, it takes time and you have to be surrounded by people that know and understands the legal frameworks.”.

Interviewee C argues that it does not matter how much you have read in books, it is when you encounter it and practice it that you really learn something. Interviewee D mention that hir has not noticed any corruption against company D, hir continues to argue that it does not occur in their line of business and suggests that it might be more common in other sectors.

4.4.4 The difference between Swedish and Russian culture
In terms of differences between the cultures, interviewee D has noticed that Russians in terms of people, Russians are a lot more open than Swedes as well as the importance of relations. Hir continues by stating

“It is a lot more about relations, even though relations are important in Sweden it is far important in those markets”.

Interviewee D emphasizes again the importance to understand the culture of a foreign country in order to conduct successful business but mentions that Russia is not special in this way but rather that it is a general rule that every company should try to obtain.

Interviewee D mentions that Swedes are in general very punctual and never late, in Russia, it is more common that it is the other way around. Hir says that it occurs frequently that representatives from other companies are late without notifying the participants.

4.4.5 The effect of the sanctions towards Russia
Since the sanctions both the companies that interviewee D represents has to produce more risk analyses and evaluate the different risks such as closed borders etc. Interviewee D is happy as long as the companies are allowed to stay in the Russian market. Both companies have invested in the country and are in it for the long-run. Other companies might be more frightened to enter Russia which decreases the threat of possible new entrants. Instead, both companies are obtaining market shares and interviewee D is therefore very happy about the outcome of the sanctions. Interviewee
D has realized that it will become a lot harder for foreign companies to successfully penetrate the Russian market in the future as an outcome of the sanctions. Hir argues that the sanctions forced Russia to increase their domestic production and that many substitutes for Western products appear more frequently and continues to increase. In order to be a competitor on the Russian market, one should not be frightened because of the sanctions but rather see it as an opportunity to enter and gain as much market shares as possible before the domestic market is able to fulfill its demand without foreign investors.

They did, however, realize that in order to continue to act on the Russian market, both companies have to conduct research about the companies that they want to do business with in order to avoid clashing with any of the regulations from the sanctions.

4.4.6 Future ambitions
The companies that interviewee D represents will finalize their new production site in Russia in August according to the plans. This means that a lot of office space will become available at both sites because that they are currently sharing one site. Both companies aim to double in size in terms of employees until the end of 2019. The interviewee ends by mentioning that he thinks that it is a shame that Westerners have a lot of prejudice against Russia, but at the same time he seizes the opportunity to acquire more market shares.

4.5 Company E
Company E manufactures sealing solutions for cables and pipes. The interviewee is the global segment manager that works towards Russia.

4.5.1 Internationalization
Interviewee E starts to mention that company E realized about 15 years ago the huge potential of the Russian market. They noticed that it was both large and interesting enough to introduce the company’s products. As they started to introduce themselves on the Russian market and completed their first sale they realized the importance of the market and decided to continue to conduct business in Russia.

Interviewee E mentions that before they were able to enter the market they had to conduct several surveys and analyses of the Russian market. After that, they started to evaluate the different markets and segments that they had identified as attractive and after that, they continued to research their possible competitors in Russia. They obtained information and market knowledge from a variety of sources such as; specialist newspapers, Internet, interviews with already established firms and external actors. They also started to contact companies that already had entered the Russian market in order to obtain more knowledge about the market. Interviewee E argues that this is the only proper way to obtain the required information before making the decision to enter
the Russian market. When Company E realized that they could offer the Russian market something unique that no competitor had access to, they chose to enter.

When interviewee E talks about stereotypes he says

“one thought it would be very hard as Russia is linked to corruption, difficulties with the language, different culture, but if you have a plan and are determined to enter. Then it is time to take the next step.”

4.5.2 First step into Russia

Interviewee E realized that the easiest way to start conducting business in Russia was through a local distributor. Hir argues that the biggest advantage of this approach is that the local distributor already has an established network and therefore which would save company E a lot of time instead of building one from the ground up. Before this decision was made they had already realized that they did not have access to the required network on the Russian market both in experience with conducting business as well as information about the domestic market. Interviewee E argues that one of the major obstacles is to find the right distributor, you have to be thorough to ensure that the distributor is professional.

4.5.3 Challenges in Russia

Interviewee E mentions that the international certificates and tests were not of interest in Russia and therefore they had to create new ones that were in the framework of Russian standards. The distributor helped company E to obtain the right certificates and standards as well as how to get things done. Interviewee E mentions that in hindsight they would have started a lot earlier to obtain the proper certificated and standards that are valid in Russia. Hir continues to address the Russian bureaucracy. In comparison when shipping to other countries, Russia has very complex custom systems, but once you know how to overcome these challenges the problem is eliminated. Hir argues that it does require a lot of time to get all the administrative aspects in order, but when you know which papers to use and which people you should contact, the process is a lot smoother.

Interviewee E continues to say that when they first entered Russia, all the material and instructions were in English and needed to be translated,“

We had to translate everything into Russian in order to assure that the message was understood”.

Hir mentions that if they knew about the seriousness of the language barrier they would have translated everything earlier in the process.
Their agent helped them to translate everything and helped them to get on their feet. Another great advantage of having a Russian agent is that according to interviewee E, Russians like to do business with Russians because they feel at home and are more relaxed because they can speak their native language.

Interviewee E has encountered corruption a few times, mostly in terms of unprofessional businesses that

“wants to make a quick buck”.

Hir continues to argue that in these situations it is very important to stand your ground and tell them about the policies that company E represents. Interviewee E has noticed that Russian businessmen generally admire this as well as the Swedish policies in terms of conducting business. Company E is always very clear about their way to conduct business as well as their policies, and that the only way to fight corruption is by not participating and contributing to the system. Hir argues

“there are ways to obtain the required papers in a correct way which does not include any corruption”.

4.5.4 The difference between Swedish and Russian culture

Interviewee E has identified that Russia is highly influenced by its history, traditions, and climate when it comes to conducting business. When conducting business in Russia it is very important to get to know the persons on a personal level, this is a major difference when comparing Russian business culture to Swedish. It is very important to have frequent contact with the customers in Russia, hire continues

“you conduct business between people, not between companies”.

Hir argues that even though you might have a great product, in the end, it is the relationship between you and your customers that will determine the outcome of success.

4.5.5 The effect of the sanctions towards Russia

Interviewee E believes that the sanctions have had a negative impact on the Russian business environment and that the Russians now have started to invest in domestic production. As company E chose to start production within Russia, the impact from the sanctions hit them in a positive way. They could continue their manufacturing and continue to sell products to their Russian customers when competitors are struggling with the sanctions.
The first impact of the sanction was the fall of the oil price, which impacted the Russian economy negatively. The Russian currency lost its value against the Swedish and suddenly company E:s products were too expensive for the Russian market. Hir also noticed that a lot of companies withdrew their business from Russia and that the investments from foreign companies decreased. However, hir continues to mention that they had their plans in Russia and

“instead of moving out of the country, we started to invest more and we started to manufacture products in Russia to mark long-term plans in the country”.

In general hir mention that the situation is different today and that a lot of companies are scared away from Russia, they are afraid of the sanctions and the political environment. Hir continues

“but on the other hand, we have been there for more than 15 years and we have been growing year after year which is proof that if you have a good concept and you are prepared to invest, you can make money anyway”.

4.5.6 Future ambitions
Interviewee E looks at the future in Russia in a positive perspective and argues that Russia offered more potential than they initially offered. Hir argues that the Russian market is currently one of the top 10 markets that company E has, but hir can see that is growing into becoming a top five and maybe top three markets in the future.

Hir recommend other Swedish SMEs to enter the Russian market if they have a suitable and unique product. Hir continues to recommend that the companies that wish to enter, to do a proper research before entering, in order to be aware of what lies ahead of them. If they do so hir would definitely recommend other Swedish SMEs to enter the Russian market.

5 Analysis

In this chapter the analysis will be presented, which will analyze the empirical findings by connecting them to the theoretical framework. The structure of the analysis will be conducted in the same manner as the empirical finding, in order to make it more clear to the reader.

5.1 Internationalization
Internationalization is described by Johanson and Vahlne (1977) is a process where firms expand into markets that are outside the borders of the nation and thereby
involving themselves in international business. The reason why firms internationalize according to Johanson and Vahlne (1977) is because that they have identified potential growth in revenue, mostly in terms of long-term profits. All the interviewees mentioned that the main object of internationalization to Russia was because that they identified a potential market, low salaries, neighbor country, and opportunities. Interviewee B continues to mention that the sector that they work in Russia has had a positive growth from the beginning of the 21st century. When the companies had identified a potential market they started to obtain information from a variety of networks about how to proceed. Johanson and Mattsson (1987) mention that when a company uses their network as a strategy to enter a new market companies use a network approach.

Meyer and Skak (2002) mention that when a company strives to internationalize towards the Eastern markets, it is of extra importance to utilize their network. Syed Zamberi (2014) argues that companies can use their networks as a bridge to a new market by utilizing their already existing network, information, and its resources. All the interviewees mentioned that they used their networks and stressed the importance of doing so in order to obtain as much knowledge about Russia as possible as well as obtaining access to resources and networks. Company A used their network to obtain knowledge of how companies within their network had internationalized towards Russia and the strategy they had used, this is called business networks according to Chetty & Holm Blankenburg (2000). They later analyzed these strategies in order to come up with the most suitable strategy for their company. When company B wanted to acquire information about Russia, they talked to interviewee B who used what Chetty and Holm Blankenburg (2000) calls social network, in order to gain access to a variety of information. Company C obtained most of their knowledge and access to networks from external sources. Company D utilized both interviewee D and hirs associates networks, they traveled more frequently to Russia than the other companies in order to build a network from the ground up. By traveling to Russia frequent it could be argued that interviewee D built both social networks as well as business networks. This is more time consuming but company D is happy about the way they executed this as they have very strong relationships in Russia because of it. However, company E obtained their knowledge form a variety of sources such as; specialist newspapers, Internet, external actors and interviews with companies within their network that had already established themselves in Russia. Interviewee E argues that the network approach is the most efficient way to obtain market knowledge about Russia. It could be argued that company E used such a variety of sources in order to get a wider picture of what the environment was like and not only rely on their network. It can be noticed that the companies used their networks in different ways, some chose to focus more on their business networks and others used social networks. Meyer and Skak (2002) that it is of extra importance to use networks in Russia as it has roots in both Russian culture as well as the influence that may be provided from networks. Because of the existing culture in Russia, it can be argued that social networks might be a more proper approach than business networks, as interviewee E said that business in Russia is conducted between people, not between companies. However, it is easy to see the importance of
using existing networks, especially when entering Russia, as every interviewee has mentioned this approach.

Some companies had identified stereotypes towards Russia within the companies, such as corruption, language, and culture. However, not all companies identified stereotypes, as they wanted to conduct business and therefore had no interest in identifying stereotypes as they failed to see the value in terms of doing business. The companies that did identify stereotypes, however, was prepared if these obstacles would arise. The companies that did not a network on the same level as the others identified more stereotypes in Russia, this might be an influence from the obtained information from a network that is not so well-developed. Galaskiewicz and Zaheer (1999) argues that the positive or negative perspectives from the networks may influence the company's expectations in terms of prejudice.

5.2 Entry mode
When a firm has acknowledged the opportunity that exists in a foreign market and decided to enter, they have to decide which strategy to use when conducting the internationalization process, these different strategies are referred to as entry modes (Agarwal and Ramaswami, 1992; Brouthers, 2013). Root (1998) continues to argue that there are three different entry modes; export-, intermediate- and hierarchical mode.

The interviewees have chosen to enter the Russian market with different strategies that were most suitable for them at the time of entry. Company A entered the Russian market accompanied with an existing customer that had knowledge of the Russian market. They started what Root (1998) calls a joint venture in the intermediated mode with their customer when they conducted their first sale in Russia. This gave them the advantage of getting a sense of the Russian business environment and its obstacles and barriers. Root describes that the intermediated mode is suitable when the chosen market consisted of major obstacles and barriers. Interviewee B used his social network to connect company B with different networks in Russia. The networks provided company B with an external consultant that became the company's face in Russia, this is described by Root (1998) as an intermediate mode. Root (1998) argues that by using the intermediate mode, a firm may decrease the risks in terms of obstacles and barriers when entering a new market. This was taken into consideration as company C started with the intermediate mode in order to both conduct business in Russia as well as continue to obtain information. Company D entered in another way as they started by establishing a production site immediately and invested a lot of capital as soon as they entered. Interviewee D mentioned that this might be more cost and time consuming, but in the same way, it paid off in terms of relationships and access to a network, as well as over time it will hopefully lead to cost reduction. According to Root (1998), this approach is called a hierarchical mode in which the company gains more control and influence. When company E made the decision to internationalize, they realized that the most appropriate way to enter was through a local distributor. Interviewee E argues that
the reason for this entry was to gain access to already established networks in Russia. This is according to Root (1998) called export mode.

It can be identified that the most common way of entry, in accordance to our interviewees, is through intermediate mode. Even though one company uses the export mode, the outcome contradicts the theory by Peter Hultén (2008), who argues that the most common approach to Russia for Swedish SMEs is export mode. Hultén (2008) mentions that the reason for this is because it is easy to use and it holds a low risk, both internal and external. However, four of the five companies are moving towards an hierarchical mode as they are investing in production and office spaces in Russia. All interviewees have stressed the importance to have a local presence in Russia.

5.3 Barriers

Hollensen (2016) start to mention that during the internationalization process there are plenty of barriers that can be seen as obstacles. Aidis and Adashi (2007) argues that a company can avoid these barriers if they realize the problem of barriers and tries to map out what may lay ahead. To enter a foreign market successfully, the company needs to acquire as much information as possible about the specific market and other surrounding aspects that may arise as barriers (Aidis & Adashi 2007).

Before company A entered the Russian market they gathered information from their network of potential barriers. By doing so they become aware of the administrative barrier, they also identified the transportation as a barrier. However, as they had identified these barriers they could prepare and cope with them in a successful way. Interviewee A continues to mention that the language barrier was bigger then they had expected. Hir continues to argue that the Russian people do often not speak English. Company B identified barriers such as; administration, bureaucracy, customs, corruption and the size of Russia. Even though interviewee B had noticed a decline in terms of paperwork and administration, the problem still exists. The company explains that the only way to overcome this barrier is by doing everything properly and inside the legal framework and get the appropriate stamps. Further on they felt that it is easier to pass through the customs is easier from Finland rather than from Sweden, with this identified they started a subsidiary in Finland that they use as a warehouse. This decreases both problems with customs as well as transportation, as Finland is closer to Russia than their office in Sweden. Interviewee C mentions that to develop a network in Russia can be seen as a barrier. Hir continues to mention that the English level is quite poor in Russia and it is hard to communicate with people that do not speak Russian. Another barrier that interviewee C has noticed is the bureaucracy, it takes a long time to process the paperwork and that the administrative process is very inefficient. Interviewee D mentions that the barriers that they identified were bureaucracy and legal framework as the major ones. They overcame these challenges by surrounding themselves with people that knows and understands how the legal framework is applied. The major barriers that company E identified were; bureaucracy, administration, language, and customs. They found that the only way to prepare for bureaucracy,
customs and administration is mainly by preparing everything beforehand and get everything stamped to confirm the validity of the papers. Company E did, however, identify the language barrier shortly after and realized that the most efficient way to overcome this barrier was to translate all their materials and manuals into Russian.

Aidis and Adachi (2007) argues that one of the biggest barriers with Russia is the bureaucratic barrier, which can be found in all the responses from the interviewees as they all identified this barrier. As all the interviewees mention this barrier it can be argued that the bureaucratic barrier is one of the most occurring barriers. Continuing, four of the interviewees have mentioned the language barrier as a major obstacle, they stress that the English level is relatively low in Russia. John Hadjimarcou (2002) argues that one of the biggest barriers in Russia is the language, as they prefer to speak their own language, which is why many of the companies hire agents or consultants. Gvazava and Ogneva (2013) argues that one barrier that needs to be taken into consideration is the size of Russia, which itself is a barrier because transporting products across the country will be expensive. Two interviewees have acknowledged this barrier and therefore it is probably not the main barrier, but it still needs to be taken into consideration. Finally, two of the interviewees mentioned the customs as a barrier, this might be an outcome because of the administration and bureaucracy that is in use in Russia.

Gvazava and Ogneva (2013) argues the biggest barrier in Russia is the level of corruption. Even though Russia is placed 143rd out of 180 countries according to the Transparency International’s Corruption Perceptions Index (2017), only two out of the five companies had encountered it first hand. They overcame the barrier simply by saying no and by standing their ground about Swedish policies in terms of bribes and corruption. The empirical finding contradicts the theory by Gvazava and Ogneva (2013). The reason why only two out of five companies had identified corruption might be because the cash flow is not that great in the industrial sector and corruption might be more common in others.

5.4 Culture
In order for a firm to conduct business in a foreign country, Trompenaars (2006) argues that it is of high importance to understand the differences in various cultures and this is especially important to understand as it may decrease the risk of future difficulties.

When interviewee A describes the differences between the Russian and Swedish culture, hir starts to mention that Russian preference long-term relationships that rely on mutual trust and reliance. Hir continues to mention that the business process is often time-consuming, as the Russian customers want to build a relationship with the seller before making any decisions. Interviewee A continues to argue that if a Swedish company continues to conduct business in the same way as they do in Sweden, they will probably not survive in the Russian business environment. Interviewee A mentions
another cultural difference, was the difference of who makes the final decisions within the company. Generally, when conducting business in Sweden, the employees that use the machines, are involved and are able to input their opinions about whether or not in the purchase decision. This is not the case in Russia, as interviewee A mentions that the owner of the company is the one who makes the decision based on his own assumption. Interviewee B has noticed some big cultural differences, such as; who makes the decisions, conducting meetings and relationships. Company B noticed that it is the CEO or owner of the company who makes all the final decisions. Interviewee B mentions that when meetings are being conducted in Sweden they are usually inefficient and most commonly does not leave any results, in Russia, on the other hand, they aim to be very efficient. Interviewee B argues that one of the most important things to know when conducting business with Russians is to understand that they like long-term relationships and wants to invest in their relationships. Interviewee C emphasizes the importance of having a long-term relationship with their business partners in Russia as well as that Russia is a very hierarchical country. Another cultural difference that interviewee C has identified is that Russians uses a lot of body language as they interact with each other. Interviewee C believes that this makes it easier to conduct business because it is easier to understand what emotions they want to predict in comparison to an absence of expressions. Interviewee C continues to mention that Russia's hierarchically history has influenced the business environment where the owners make the decisions. When interviewee D started to conduct business in Russia hir noticed that the Russian is more open than Swedes. Hir continues to mention that they are the Russian wants to build relationships more than Swedes usually do. Another differences hir has noticed is that Russian often are late to meeting without notifying which almost never happens in Sweden. Interviewee E mentions that he thinks that the Russian culture is highly influenced by Russia's history and continuing to emphasize the importance of relationships. Hir continues by mentioning that business is conducted between people and not companies. The strength and influence of a relationship can determine the success of the product according to interviewee E.

When Hofstede (2018) compares the Russian with Swedish culture he mentions that the biggest differences are in the uncertainty avoidance, power distance, individualism, and indulgence. All the interviewees have mentioned that one of the biggest differences is that the Russians wants to build a long-term relationship. This might be an outcome that can be related to the long-term dimension by Hofstede (2018) it can also be linked to the uncertainty avoidance, which means that they wish to build relationships before conducting business in order to reduce the uncertainty. Three of the interviewees also mention that they have noticed that the CEO or owner are the ones that make all the decisions, in Sweden, it is more common that the production manager has more influence on the decision. It can be argued that the reason for the high centralization is because of Russia's score in the Hofstede's (2018) cultural dimension, power distance. Interviewee E argues that Russia is highly influenced by its history, which could be an explanation of the high power distance. Interviewee B, mention that the Russians are more efficient and detailed when conducting meetings, in comparison to Sweden where
hir argues that most of the time is spent on rescheduling the next meeting. Interviewee C mention that the Russians use body language, it can be argued that this is because of Russia's score in the cultural dimension, uncertainty avoidance. Interviewee D mention that the Russian are often late without notifying the participants, the reason for this could be that the Russians are more individual persons as Hofstede (2018) explains, therefore they simply do not care.

5.5 Sanctions
Sanctions have become a major instrument for nations against other countries that do not share the same values, a good example of this is the sanctions of the Western world towards Russia (Dreyer & Popescy, 2014).

None of the companies was impacted directly by the sanctions towards Russia. However, almost every interviewee identified a link between the sanctions towards Russia and the companies disrupted businesses. They noticed a decline in business inquiries that was linked to a lack of financing because of the resilience of the Russian banks. Gurvich & Prilepskiy (2015) mention that the sanctions were imposed against certain Russian banks. This could be why the Russian customers had problems to acquire enough capital. Another aspect might be because of the high-interest rates that banks offer their customers, as they are currently more interested in short-term loans (OPORA, 2005).

The sanctions did not have a direct impact on Company A as their products are not included on the sanction list. However, interviewee A mentioned that they have missed out on some businesses as their customers could not acquire capital as the Russian banks are now more restrictive. This can be related to the sanction the Western world has imposed towards Russian Banks (Dizaji and Bergeijk, 2003).

Apart from some disrupted business, none of the interviewees noticed any major changes on the Russian market. Dizaji and Bergeijk (2003) argues that sanctions only have effect during the first two years and after that, they are adapting their policies in accordance with the sanctions and generate new markets. For example, interviewee C only noticed a minor decline in business inquired for the first six months after the sanctions. Interviewee B mentions that the affected businesses found loopholes in the sanctions that they are utilizing in order to continue conducting business at the same level as previously. Hille et al. (2015) argues that one way to bypass sanctions is by creating independent subsidiaries in different countries that are not affected by the sanctions. Hille et al. (2015), as well as interviewee B, argues that one aspect of why Russia is not affected so badly is because they simply shifted their market towards Asia instead of Europe.

Some of the interviewees argue that the sanctions towards Russia have been good for Russia and their own business. The Russian has started to invest more in domestic production and as the companies already are located at the market they can continue to
conduct business as previously. The only thing that has changed according to interviewee D and E, is that the competition has decreased from other foreign companies.

Interviewee B argues that the information that is being provided is inaccurate and that even though the sanctions are in full effect, he knows companies that use loopholes in order to go around them as well as that Russia just changed their market to Asia instead of Europe. This is strengthened by Hille et al. (2015) that mentions both that European and Russian companies found ways to bypass the sanctions as well as that Russia moved their business towards The Middle East as well as Asia. Interviewee B mentions that Russia has become more creative with their domestic production, Dizaji and Bergeijk (2003) argues that countries learn to adapt to their new business environment in order to absorb the shock.

5.6 Future

Every company according to the interviewees aims to expand in Russia and gain market shares. They have identified a potential in the Russian market as they have identified an increased market demand for their products. They have identified an increasing demand for high-performance machinery and products, which can open up the market for more Swedish companies. As all the companies aim to expand in Russia and have identified an increasing market demand, it could be argued that it is time for more Swedish SMEs to enter the Russia market.

Each of the companies argues that as long as Swedish firms have a demanded product and have ambitions to internationalize, they should not be afraid to enter the Russian market. However, before entering the Russian market it is highly recommended to conduct proper analyses beforehand in order to decrease the resistance and to survive on the Russian market. Interviewee E mentioned that before they entered Russia they could not foresee the real potential of the Russian market. Shortly after they had successfully entered Russia their expectations were met and beyond. In other words, it is time for more Swedish SMEs to enter the Russian market!

6 Conclusion

In this chapter, the answer to the research question will be presented that originates from the previously conducted analyses. Thereafter the reader will be provided with the theoretical and practical implications followed by limitations and suggestions for future research.

6.1 Answering the research question

As the world becomes more internationalized and integrated it is important that companies have the courage to interact in cross-border activities. According to the World Bank, Russia is ranked 35th in the world in ease of doing business and should
According to us, be one of the major recipients in terms of FDI within the BRIC countries, however, this is not the case. As Russia is placed third out of the four countries in terms of received FDI, the question arises of how this can be as they outrank the other countries in ease of doing business. Therefore, the purpose of this thesis is to identify how Swedish SMEs perceive the barriers, challenges, and opportunities in Russia. The object of this thesis was to investigate if something has been overlooked, as there seems to exist prejudice to some extent about doing business in Russia. When the research was being conducted a lot of information and insight were obtained that contradicts what the media portrays. Therefore the question arose; How does Swedish SMEs internationalize to Russia: barriers, challenges, and opportunities?

When internationalizing towards Russia it has been found both in the theoretical chapter as well as in all of the interviews that it is of importance to have access to well-developed networks. The network has a major influence on the success of entering a foreign market as well as prejudice. Depending on what the actors within the network have experienced in Russia, the outcome will naturally vary. Those who had a network that had positive opinions towards Russia seem to have been more successful in terms of entry. The literature argued that companies should use their networks as a bridge into new countries as it may grant access to a variety of resources. The empirical findings showed the same story, which is why we came to the conclusion that this is essential to utilize the available networks. The reviewed literature argued that export-mode was the proper way to enter Russia as it minimizes the internal and external risks, which is of value for any company when entering a foreign market. However, the empirical findings contradict this theory as only one out of five companies used this entry mode. The empirical findings suggest that a local presence on the Russian market is essential, therefore the export-mode is not the most appropriate. The interviewed companies had taken this into consideration and therefore used either the intermediate-mode or the hierarchical-mode in order to enter the Russian market. All the interviewees used agents or consultants in order to acquire as much knowledge as possible about the Russian market before they entered, and we believe this is the appropriate way to obtain information about Russia unless an employee or someone within the network can provide the required knowledge and network.

The literature mentioned a wide variety of barriers that organizations in general face when they enter the Russian market. However, the empirical findings did acknowledge some of them but not all, such as; bureaucracy, administration, language, transportation as well as cultural differences. Therefore we believe that these are the biggest barriers that companies will face when entering Russia. However, the literature argues that the biggest barrier in Russia is the level of corruption but the empirical findings contradict this theory as only a few of them have encountered corruption and those who did simply turned it down. Even though the level corruption might not be as high as the literature suggests, we still consider it of importance to at least be aware of that it does exist. There are major differences in terms of culture when comparing Sweden to Russia and it can be identified that their history has a major influence on their culture. Both the
literature and the empirical findings argue that the power in Russia is very centralized and very top-down managed. Therefore we believe that it is important that sales representatives can identify the decision maker in order to generate an efficient strategy when conducting to business. Both the empirical findings and the literature suggest that the Russians encourage long-term relationship and some of the interviewees mention that it is essential to build relationships with the Russians in order to conduct business. Therefore, it is important that the companies are ready to invest and are committed to build relationships with their Russian associates.

The reviewed literature argues that sanction only has a direct effect within the first two years, and after that, the effect will decrease as the nation starts to adapt in accordance with the sanctions. The empirical findings confirm this theory as the interviewee argues that the Russian market has become more creative and innovative in refining their raw materials. Therefore, we believe that the sanctions might have impacted the Russian market in a positive way and that it is has been lucrative for the Swedish SMEs in Russian if they have not been affected directly by the sanctions. The only downside that was identified in the empirical findings was a decrease of business inquiries during the first few months.

The empirical findings argue that if a Swedish company has the right product, proper analyses, well-developed networks and have the ambition to internationalize towards Russia, they should not hesitate. The empirical findings also argued that one of the companies could not see the real potential of the market until they entered. Therefore we believe that if the companies are ready to invest in long-term relationships, have a good and unique product and have access to a suitable network, the Russian market can provide them with good opportunities. As it seems that the sanctions did not have the expected results, it did, however, reduce the competition as foreign companies withdrew from the Russian market. One of the interviewees in the empirical findings identified that the Russian market is shifting and becoming more self-sufficient it can be argued that the sooner a company enters, the quicker they can position themselves and gain market shares before there are too many domestic competitors. Therefore, we believe that is a good time for Swedish SMEs to establish themselves on the Russian market.

6.2 Theoretical implications

This thesis provides valuable theoretical implications that will contribute to the scarce and out of date literature in the field of internationalizing to Russia. Research about how Swedish SMEs internationalize towards the Russian market and the implications of the sanctions is almost non-existent, and a research gap has thus been identified. The outcome of this thesis aims to provide an understanding of the Russian market and to contribute an understanding of how Swedish SMEs internationalize towards Russia. If Swedish companies do not have an understanding of the Russian market and its culture can have a negative impact on the companies and their businesses.
The theory brings up the importance of relationships and to maximize the outcome, one should invest time and aim to build a long-term relationship. To approach a Russian businessman and not be willing to invest these factors into the relationship is doomed because it shows a lack of commitment. In order to minimize the risk when entering the Russian market, the theory suggested that the most appropriate way to enter Russia is through the export-mode. The theory also argues the importance to have knowledge about the Russian business culture as it differs a lot from the Swedish way of conducting business. The theory argues that the biggest obstacle in Russia is the level of corruption and that the companies must take this into account when entering the Russian market as Russia is ranked as one of the countries with the highest corruption in the world. The theory mentions that the Western World has implemented sanctions towards Russia. However, the theory also mentions that the sanctions did not have the effect the Western World wished for, the theory further argues that the effect from sanctions stagnates within a two years period as the market learns to adapt.

6.3 Practical implications and recommendations

Our empirical finding suggests that when a company wishes to internationalize towards Russia it is essential to have access to a developed network. The companies can through their networks obtain knowledge about the Russian market. When the company which to enter the Russian market the empirical findings stress the importance of having a local presence and being long-term. Depending on which network is obtained, they can offer a variety of influence into different sectors, both private and public. The empirical findings also stress the importance of having knowledge of the Russians history as it influences the business culture. When conducting business in Russia it is important to identify who is the decision maker, as the employees, in general, has no influence on the decisions as much as they have in Sweden. From the empirical findings, it can be identified that Russians value their relationships and that the counterpart is ready to invest a lot of time into their relationship.

The interviewees generally had a positive view towards the sanctions as it has decreased the competition and has forced Russia to become more innovative and creative with its raw materials. The sanctions resulted in that companies have been withdrawing from Russia as they are scared that they might be affected by sanctions. The interviewees feel that the decrease in competition has given them a competitive advantage that provides them with an opportunity to obtain market shares. The interviewees believed that by gaining market shares during this phase, they will have a great advantage over future competitors when the sanctions dissolve. Hence the companies have seen an increase in market demand in terms of high-performance machinery and products. This is a result from that Russia aims to increase the domestic production and become more self-sufficient. Therefore the empirical findings suggest that if a company offers the right product and wishes to enter the Russian market, they should do so. If a company enters now they have a good opportunity to acquire market shares and position themselves on
the Russian market before it becomes too late and the competition increases and becomes too advanced.

6.4 Limitations
As this thesis progressed, we made an observation to some limitations that may influence the quality of the conducted research. One limitation that needs to be taken into consideration is the results from the empirical findings as all the respondents work in a niched industrial sector, which may not provide this thesis with the general perspective. One more aspect is the amount of participating companies, if the amount was greater the results might have differed with the outcome that was identified. It can be seen as a limitation that the corresponding companies have different levels of commitment to the Russian market.

6.5 Suggestions for future research
As this thesis is built on a qualitative methodology it would also be of interest to conduct an quantitative research on the subject in order to see if it would provide the same results. A quantitative study will provide the thesis with a more general view of the phenomena.

This thesis aims to fill the research gap of how Swedish SMEs perceive the barriers, challenges, and opportunities in Russia after the sanctions were implemented. While the empirical findings were gathered a number of other interesting topics was identified that can be further research.

*Have the sanctions against Russia created more entrepreneurs in the Russian?*
Since the sanctions were implemented towards Russia, while investigating the effect, we identified that the sanctions actually might have had a positive impact as the Russian market is increasing their domestic production and that the Russians was forced to become more entrepreneurial.

*How does a market adapt when sanctions are implemented against them?*
After the sanctions were implemented the domestic production in Russia has increased, the empirical findings argued that the sanctions only had an effect for a short period and shortly afterward they were no longer noticeable. They identified that the market demand increased and that Russia shifted their exports to Asia rather than Europe.

*How do the social networks impact business in Russia?*
When gathering the empirical findings we identified that to possess social networks within Russia is a great advantage for companies that wish to conduct business there.
7 References

7.1 Interview participants
Interviewee A is the marketing manager at a Swedish company that manufactures machinery for the foresting industry. They have been working on the Russian market since 2004 and continue to do so. The interview was conducted via phone on the 30-04-2018.

Interviewee B is the marketing manager at an industrial company that produces steel machinery. The company has been present on the Russian market since 2001 and is continuously gaining market shares. The interviewee has been working with helping Swedish companies to enter the Russian market for over 25 years and has been an employee at the company since 2014. The interview was conducted via phone on the 02-04-2018.

Interviewee C is the area sales manager that manufactures machinery for filling tubes. They have been on the Russian market for over 60 years and the interviewee has been working for the company towards Russia for the last five years. The interview was conducted face-to-face on the 04-05-2018.

Interviewee D is the CEO of two companies that are active in Russia. the first company manufacture electronic equipment and the second manufacturing blinds. Both the companies have been working in Russia since 2001. The interview was conducted by phone on the 09-05-2018.

Interviewee E is the global segment manager of the company E. Company E are manufacturing sealing solutions to cables and pipes and are currently working with three different segments in Russia; marine offshore, power process industry and infrastructure. The interview was conducted through Skype on the 09-05-2018.

7.2 Books


7.3 Articles


**7.4 Online resources**


http://www.doingbusiness.org/data/exploreeconomies/russia#starting-a-business#moscow (accessed 2018-03-23)


Bilagor
Bilaga A Skriv in titel
Skriv in bilaga