

**Internationalization of companies in the  
Russian market  
Diploma thesis**

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## **Abstract**

Tisovský, O. Internationalisation of companies in the Russian market . Diploma thesis. Mendel University in Brno, 2017. The main aim of the diploma thesis is to key success factors of internationalization of companies in the Russian market. The theoretical part deals with internationalization and globalization businesses, motivators, risks and barriers, way of entrances related to russian market. The second part is devoted to analysis of Russian environment. The factors of motivation, barriers, risks and analysis of internationalization of chosen enterprises are described based on results of in-depth interview by author. The results are compared with the literature review. Furthermore, there are proposals which lead to elimination of problematic factors.

## **Keywords**

Internationalization, risks, barriers, obstacles, factor of success, business, Russian market, in-depth interview.

## **Abstrakt**

Tisovský O. Internacionalizace společností na ruský trh. Diplomová práce. Mendelova univerzita v Brně. Hlavním cílem diplomové práce je identifikace klíčových faktorů úspěchů na ruském trhu. Teoretická část se zabývá internacionalizací a globalizací, motivátory, bariérami, riziky a způsoby vstupu týkající se ruského trhu. Druhá část je věnována analýze ruského prostředí. Motivační faktory, faktory úspěchu, překážky a rizika internacionalizace vybraných podniků jsou popsány na základě výsledků hloubkového rozhovoru provedeného autorem. Data jsou srovnána s výsledky s teoretickou částí. Dále jsou navržena doporučení, která by eliminovala problematické faktory.

## **Klíčová slova**

Internacionalizace, rizika, bariéry, překážky, faktory úspěchu, podnik, ruský trh, hloubkový rozhovor.

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# 1 Introduction and goal of the thesis

## 1.1 Introduction

The phenomenon of the current global economy has become internationalization. Internationalization process for most subjects in a small economy, such as the Czech Republic, play a crucial role. Companies are looking mainly at the market opportunity, growth, and increase production. Involvement in the international competition gives companies the option of view on the world markets, but also indescribable experience and learning endlessly entity. So far, from my perspective totally unsaturated-market becomes Russia, where places for importation for sale of products, services is still insufficient. The only large competitor becomes China, which for the past recent few years has increased economically more rapidly than the Czech economy at the time of the abandonment of planned economy toward a market-oriented economy. Jansson (2007) suggests that the possibilities offered within the internationalization process are especially finding new customers and exploiting economies of scale.

The present time is for the European market characterized by its instability, both economically and politically on this issue. Each company can expand its customer base, especially if it is in countries where the market potentials are attractive enough to enter. During the last decade of the years manifested internationalization processes in greater numbers and more quickly than ever before. Therefore, internationalization theories that can provide practical information are more critical than ever.

On the import and internationalization process are often involved dozens of subcontractors who alone have not been able to import the goods. Often, they are developing long-term business relations and foreign exporters gain customers based on verifiable references. Competitiveness of exporters will endeavor to increase the state through the state export support for example in the form of greater availability of financing.

The disintegration of the Soviet Union in 1991 has significantly changed the geopolitical situation in the former Russia. In his place was created a large number of individual republics, which started the transformation from a centrally planned economy toward democracy and a market-oriented economy. The Russian Federation, with more than 140 million people represents a very important market, which was recognized by most western European and global companies. The way of penetration of companies on the Russian market is way by increasing

the competitiveness of these companies, their products, their business and payment terms, ultimately managing a professional marketing approach to these specific markets. Company making efforts to enter the foreign market is the need to have perfectly mapping the situation inside the market and its environment. Thus before entering the Russian market company should perform several analyses and consider all the potential pros and cons and clearly defined the objective of which goes to enter the Russian market. The Russian Federation, which focuses largely on the export of raw materials is important for the Czech Republic in both security and prosperity. In particular, it is a major supplier of energy products such as crude oil and natural gas, on which the Czech Republic existentially dependent.

The Russian Federation experienced from 1998 to 2011 steady economic growth. Painful reforms during those years had resulted in economic expansion. However, questions still remain, if the Russian Federation is able to maintain its economic growth in the long term despite its export-oriented economy.

## **1.2 Goal of the thesis**

The main objective of the thesis is to identify the key success factors of internationalization of Czech companies in the Russian market. The main goal of the thesis will be supported by sub-objectives: The first of partial goals is to evaluate the success of various forms of internationalization, clarify common features of these companies, their comparison, and evaluation of the various aspects that make these companies successful in their export activities. Another objective will be the determination of competition, fiscal barriers and cultural differences to have the whole view to solving issues complex.

The present thesis is primarily based on primary research conducted with decision makers of Czech companies operating in the Russian market.

## **1.3 Methodology**

In the first part, it will be described the globalization and the internationalization, theoretical approaches to the internationalization process, forms of the entries to the foreign market, what motivates firms to entry foreign market and the success factors for it and risks and barriers which prevents the business to become a part of the internationalization process. Literature resources will be prepared on the basis of printed literature and internet resources.

The analysis method allows splitting into parts characteristics, relationships, and facts to reveal the essence, laws or various properties of the examined phenomenon or process.

To generalize and summarize the results gained with the help of analytical methods, it will be used a method called synthesis. The synthesis serves to understand the mutual relation of the phenomenon.

With induction method, it will be enabled to draw a general conclusion on the basis of the acquired knowledge. The deduction is the opposite of the induction and draws conclusions for the particular case from the general rules. Comparison method compares the characteristics of the examined phenomenon or object and allows the determination of identical or different.

In second part with name specifics of the internationalization process of data from the surveys which were done before. The specifics of the internationalization process of Czech companies in terms of risks, barriers and factors of success will be prepared for an in-depth interview to get into the depth of the problem. This method belongs to one of the most common methods of qualitative surveys.

The half-structured survey serves to the respondent to express their views on the issues in more details. It is an interview where the interviewer tries to ask a question on a certain topic to penetrate into the interior of the respondent and identify the key attitudes, motives and relationships. The interview has three parts. First is the introduction with the interviewer and explanation why the respondent was chosen. The second is the interview and the last part is devoted to the summary interview and the additional questions.

The half-structured survey will be done with each company separately. It will be semistructured, which means that the interviewer has same questions, but it is possible to add other questions depending on the interviewee's responses.

## 2 Literature review

The literature review will come from the study of the printed literature and internet resources. The subject of this chapter is to put theoretical framework and outline of the topic which will lead to the basis for internationalization companies in the Russian market. Each part is divided into chapters and subchapters for greater clarity.

The first chapter will describe globalization with internationalization and their different explanations. It will be mentioned theoretical approaches to the internationalization process and the differences between them.

Next part will deal with the analysis of the Russian market. The following chapters are devoted to forms of the entries to foreign markets, what motivates firms to enter to a foreign market and which success factors influencing internationalization.

### 2.1 Globalization

Globalization is one of the last times very discussed term. Definition of globalization is one of the key issues in the literature and hasn't never precise definitions, as several authors explore the concept of globalization differently. For example Zidek (2004) believes that there are no single definitions of this term.

Generally, we can say that the views on globalization split into two streams. One is that there takes place a qualitative change and other interpretative stream refer to the ongoing integration trends.

Daly (1999) refers globalization as the global economic integration of many national economies into a global economy especially through free trade and free movement of capital, as well as uncontrolled population migration.

According to Mezřický (2006), globalization is a spontaneous, uncontrolled process increasingly intensive integration of countries in a single economic system.

Even the international monetary fund clearly defines globalization as the growing economic interdependence of countries worldwide due to the increasing volume and kinds of cross-border transactions of goods and services and the flow of international capital, as well as faster and wider dissemination of technology. Mezřický (2006)

The first phase of globalization was mainly associated with the development of information technology and today we are talking mainly about the great expansion of the economy worldwide. Jeníček (2002)

The process of globalization is not just about economic expansion as people might think, it is also a process of decentralization of civilization through learning about new cultures and their recognition by society. Globalization brings with it a very important positive element in the form of promoting human rights and democracy. Jeníček (2002)

## 2.2 Internationalization

Over the last two decades, we register growing interest of companies performing international operations to increase efficiency and competitiveness on a global scale. Meanwhile the interest of governments and individual countries is to ensure that the overall internationalization process has a positive impact on national interests. (Buckley and Ghauri, 1999)

For most subjects internationalization process plays a crucial role directly and is an incentive for increasing sales, production and the possibility to react to fluctuating domestic sales. When connected to the international market, the company is able to recognize their true value in the wider competition, but a prerequisite for the internationalization of companies is a favorable political environment.

Due to the continual internationalization of the world economy, there is the interdependence of countries in terms of both economic and also social and cultural. Companies abroad are constantly growing and it is, therefore, necessary that domestic companies in the incessant competitive environment were not able to cope. The concept of internationalization can be seen from several directions.

For example, Johnson and Vahle (1977) describe internationalization as a process where companies gradually increase activity in the international field. Calof and Beamish (1995) looks at internationalization in another direction. They describe it as a process of adaptation of companies such as the establishment of the export department or hiring internationally experienced representatives.

Internationalization process taking place in the global economy for a long time, it changes its form depending on the degree of economic development and socio-economic environment and a speed which increases with the development of scientific and technological progress. In the context of the world economy introduce especially the positive phenomenon by the promotion of the exchange of material and spiritual values. (Kunešová, Cihelková et al., 2006)

We distinguish several stages of internationalization. The first stage is an activity aimed at export and import specialty of companies. The second step is cooperative relations based on a contractual basis. Third degree introduces equity interests of domestic enterprises abroad and the highest level is the establishment of subsidiaries abroad. (Starzyczna, 2010)

Identifying of approaches also mentioned Zapletalova (2011), which distinguishes between global and evolutionary approach. The evolutionary approach assumes that companies proceed internationalization step by step. There is an accumulation of resources that are needed to overcome uncertainties on foreign markets. Globally oriented businesses are able to penetrate markets faster, despite limited resources.

### **2.3 Development of internationalization**

Retail trading has long been an element of a purely regional and had been classified to small and medium businesses. In the 20s of the 20th century began the concentration of trade, which significantly affected the economic crisis in the 30s of the same century. Because of the stagnant concentration of sales and trade, became also first thought of the supermarket. (Starzyczna, 2010)

After the war, there has been a significant change in people's living standards with evolution in the standard market economies. In the 50s we talk about the great impact of the liberalization of commodity and capital flows, which had an impact on intensifying of the internationalization of businesses. 60s and 70s were rich in the establishment of new companies through mergers, the vertical and horizontal cooperation and thanks to bank capital input. (Starzyczna, 2010)

Internationalization includes a simple expansion of economic activity across borders. It is a quantitative process which leads to the geographical expansion of economic activities. Globalization is qualitatively different from internationalization. It involves not merely geographic integration across borders, but, importantly, also the functional integration of internationally dispersed activities. (Žídek, 2009)

### **2.4 Theoretical approaches to the internationalization process**

A theoretical approach to the internationalization of business activities assumes that businesses progressing internationalization at certain stages. Internationalization of the company thus appears to be a gradual process of accumulation of necessary resources needed to overcome the uncertainties in international markets. These theories (models) suggest that companies are growing and becoming stronger in the domestic market and only then begin to develop their export activities.

The main representatives of the evolutionary approach to the internationalization of business activities are Uppsala model school and I- model. Both of these models are based on behavioral theories. But not all enterprises correspond to

the stages model. These firms are international in its orientation since its inception. We are talking about a phenomenon called „Global enterprises born“ (born-globals). This means that companies are beginning with internationalization activities at the moment of their creation, and it confirms that businesses are able to penetrate to markets that are far away geographically or emotionally, despite limited resources and a small accumulation of organizational learning. For these enterprises, internationalization processes run faster than usually in companies of similar size, age and temperament. Other models that are worth mentioning are EPRG model and OLI theory.

### 2.4.1 EPRG model

Herman and Perlmutter were the first to define the characteristic management styles of international companies. These styles described as an ERPG model scheme for management. Managerial styles divided into ethnocentric, polycentric, geocentric and regiocentric, and from the initial letters of these styles assembled EPRG model.

- Ethnocentric firms are concentrated mainly on the domestic market and international trading operations are taken as a result of the success on the domestic market. The company for further internationalization chooses the countries that are culturally closer and simultaneously, where they only need to adjust their business strategy. (Machková, 2009)

- In contrast to ethnocentric firms stand firm polycentric, which are forced to change its corporate strategy and adapt to the economic, cultural and political conditions in international markets in all directions. The polycentric strategy is widely used by medium-sized businesses that expand on the limited number of foreign markets (Machková, 2009) International companies often have their own middleman in certain countries, to be able to understand and adjust to local needs and respect the local culture. (Leeman, 2015)

- Regiocentric companies concentrate to the socio-cultural zones, with each zone are applied different strategies. (Machková, 2009) A further Leeman (2015) tells us that organizations are more focused on the needs of the regional market instead of the needs of the entire country.

- Geocentric orientation is determined primarily for global companies. These companies are trying to adjust their strategy to the local market while giving close attention to profitability, adaptation and acceptance of the company by the local market. (Machková, 2009)



### 2.4.2 Uppsala model

Traditional theories of internationalization are mainly based on the theory of Uppsala school, which was formulated by Swedish researchers Johanson and Vahlne.

Johanson and Vahlne proposed a new perspective on the internationalization of the companies in which domestic companies are gradually becoming an international company. (Štrach, 2009)

Among the initial assumptions of mentioned model belongs mainly the effort of the company for long-term profit growth equivalent to the growth of the company as low risk in export activities. (Zapletalová, 2011)

Furthermore, among the primary basic assumptions include the company's first attempt to develop its business activities in the domestic market and by the gradual steps to internationalize. The obstacle for them could be especially according to Zapletalova (2011) lack of knowledge of the market, which can be eliminated by the stepping decision and learn about foreign markets.

Onkelinx and Sleuwaegen (2008) they add that this is an important traditional theory of the internationalization of businesses and suppose that businesses in internationalization walk through various stages.

This model was created in the seventies of the 20th century and is based on behaviorist theories. Splits entering the international market into four phases:

Step 1: The company exports sporadically.

Step 2: There is used a intermediary, who knows the local market.

Step 3: Founding affiliation.

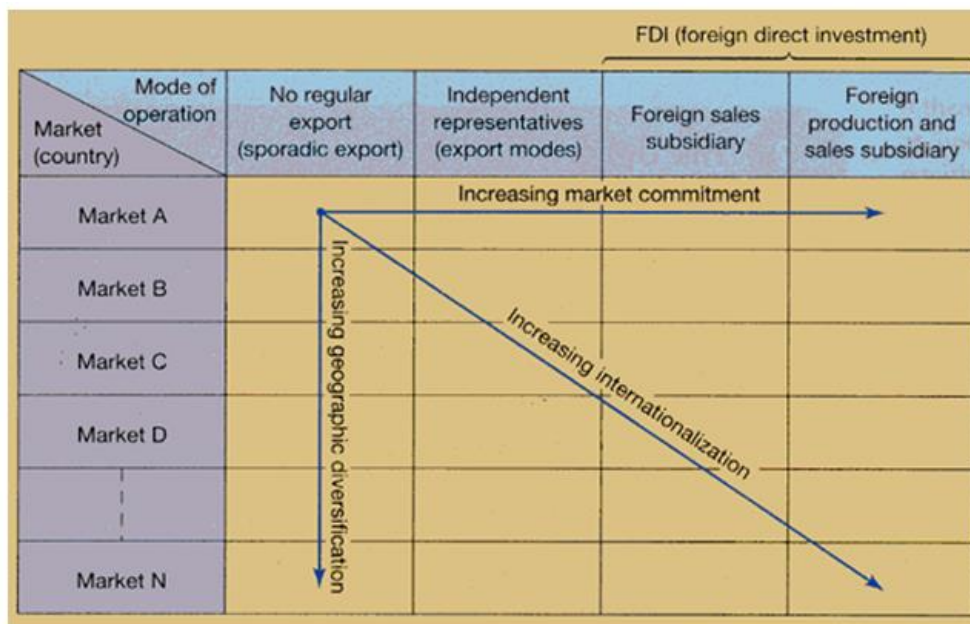
Step 4: The company uses investment in productive activities.

According to Kubíčková, Toulová, Tuzová (2015) Uppsala model is based on the quad-core concept.

- Engagement on the market
- Knowledge of the market
- Current activities
- Fundamental decisions

Furthermore, these factors are divided into two groups - the factors relating to the company status and the factors influencing the changes in the company.

Engagement on the market is just one of the factors of company status, where it is necessary to determine the involvement of resources to foreign markets. Market knowledge is a second factor concerning the company status and it is necessary to identify the amount of information about foreign markets. To the factors influencing changes in the company include two remaining cores - current activities and fundamental decisions. (Kubíčková, Toulová, Tuzová, 2015)



**Figure 1** Entry phase into international markets

Source: Forsgren and Johanson (1975)

It is obvious that companies often start at the closest markets. Eventually, after acquiring sufficient knowledge about the market and greater control of resources trying to expand into more distant countries. (Zohari, 2012)

The degree of involvement in international activities is influenced by two factors. Firstly by resources that a company has and is willing to put into the development of international activities, and the degree of engagement in international markets. The condition for successful internationalization is thus acquired experience and knowledge. (Machková, 2009)

Zapletalová (2011) also dealt with the individual steps of internationalization and adding that various steps represent a gradual increase in demands on resources.

### 2.4.3 Criticism and update of Uppsala model

Uppsala model is also due to the great procedure strategies often criticized. Bjorkman and Forsgren (2000) sees the main problem in the emphasis on organizational learning as the main driving force of corporate internationalization. It is not always clear how empirical knowledge affect organizational behavior.

Forsgren (2002) emphasizes that the model is based on three assumptions. The first of these is related to the lack of knowledge about foreign markets as the main obstacle for internationalization. Decision-making and implementation of investment on the foreign market are made gradually because of the uncertainty

about the market - the second assumption. A final assumption is - knowledge of the market is highly dependent on individuals, so it is difficult to forward information about the market and its context to other individuals.

Uppsala model originally was composed of two variables, status and change aspects. To the status aspect was included engagement in the market and market knowledge while to the change aspect were assigned to current activities and fundamental decisions.

In connection with the criticism was Uppsala model in 2009 by Johanson and Vahlne updated. Although the basic structure of the model remained the same, the company ceases to be seen as an object without ties. There was also modified the four key factors of the model. To the status of aspects were added knowledge opportunities and network position and to aspects of change relationship commitment decision and learning and creating.

Internationalization process of the company is determined by the relationships in the trading system, which is the main idea of the newly modified model. Therefore, an enterprise enters into foreign markets based on their relationships with their business partners from the domestic market or foreign. Following her partner as soon as the decision that he wants to penetrate foreign markets and uses the know-how of one of its major partners.

#### **2.4.4 Born globals**

In the specification of the term is not literature unambiguous. Harveston, Kedia and Davis (2000) define these firms as firms by exporting more than 25 % within 3 years since the foundation. In contrast with this definition is Luostarinen and Gabrielson (2004), who defined the enterprise with minimal exports exceeding 50 % within 3 years since the foundation.

The birth of Born globals can be attributed to several factors.

1. New market conditions
2. Technological development in manufacturing, transport and communications
3. Capabilities of people, including the founder/entrepreneur who starts the Born global firm

The birth of Born Globals can be explained by changes in market conditions, which many companies faced during the last decade. The one-changing condition, which is often mentioned is the increasing specialization and thus the number of specialized markets.

### 2.4.5 OLI theory

In this theory, J. H. Dunning tries to explain the process of internationalization by proposing three conditions that must be met to be able to compete with local firms.

1. The specific advantages, which are owned by the concrete company, when it comes to industrial property, for example, the size of the company and its market position.

2. Placing of international business activities - company chooses the target market with a stable business environment and culturally closer.

3. Process management and experience in international business - effective organizational structure, quality control, etc. (Spero and Hart, 2010)

If the first condition will be met, market entry takes the form of license. When you meet the first and third conditions, then takes the form of exports. However, assuming the acquisition of all three conditions, the company has internationalized in form of capital. (Jurek, 2012)

## 2.5 Form of the entries to the foreign market

Election of forms of entry into foreign markets is for every business key decision, that is influenced by many external and internal factors, and that simultaneously in itself significantly determines the success or failure in the conquest of the target market. Companies may have several reasons for export activities. These typically may include the prospect of higher profitability, unexpected decline in the domestic market or the possibility of entering a new market.

international markets are the investment requirements when enter foreign markets, financial, tangible and intangible resources which the economic operator has in disposal, the potential of target market, control of international trade and business activities, risks of doing business in the target market and also competitiveness of company on foreign markets. (Machková, 2006)

Forms of entry on foreign market:

1. Exporting and importing operations
2. Capital non-intense strategies (license, franchising)
3. Capital intense strategies

### 2.5.1 Exporting and importing operations

Exporting and importing operations belongs among common, traditional and simplest forms of entry to international markets. If the company wants to gain a significant share of that market, it is inevitable to invest substantially in

international marketing. First, fund market research and then adapt marketing strategy to given environment.

Frequent conditions of the market are, for example:

1. Adaptation product policy
2. Ensuring accompanying services
3. Building distribution channels
4. Determination of pricing strategies
5. Funding communication policy (Vochozka and Mulač, 2012)

Machková (2006) also mentions the use of various business methods depending on the nature of the product, business and political conditions, selecting business partners or effectiveness of implementation of foreign trade operations and are implemented on the basis of contractual relationships with partners. It is the intermediary, exclusive distribution contracts, commercial agency and etc.

### **2.5.2 Intermediator**

Intermediaries are doing business mostly in their own name for its own account and also a risk. Their main role is shaping the distribution channels through which the product goes on its own way from the manufacturer to the end user. The intermediary plays a very important role in business and simultaneously it is giving a big benefit for consumers but also for businesses.

In foreign trade, we often encounter a number of intermediate relations. Their undoubted advantage is the lower cost of circulation, but also the elimination of risks associated with exports in the international environment. Machková (2006)

### **2.5.3 Exclusive distribution contracts**

Intermediaries are not the only entity for guarantee higher sales of products and lower risks. A company entering a foreign market can use also exclusive distribution contracts. With this agreement will be a commitment that the supplier in a certain area will deliver the goods to anyone other than the exclusive dealer. The advantage here is still very fast access to foreign markets through already notched up-blows distribution channels.

### **2.5.4 Piggyback**

Piggyback is cooperation in the field of exports between several companies active in the same sector. Usually, large and well-known company for consideration gives to smaller firms his external distribution channels. (businessinfo.cz, 2012)

## **2.6 Capital non-intense strategies to enter foreign market**

It is a form of entry, where businesses have rejected the possibility of investment but in the development of international activities they want to highlight the existence of their products and services on a given market. The most commonly among there are license, franchising, management contract, the processing operation or production cooperation. (Machková, 2006)

### **2.6.1 License**

A license for the use of intangible assets used by someone who has the absolute right to it. One of the licensees may be the owner of the patent. In the case that a patentee will not grant a license to another business entity, it is forbidden to handle with intangible assets. A license is, therefore, one of the most popular forms of entry to international markets. (BusinessInfo, 2009)

### **2.6.2 Franchising**

Franchising is a contractual relationship between the partners, in which the franchisor entitles and obliges the individual franchisee to use a business name or trademark and the right to use object of business of its company, ie., That provides its know-how, including system management, security services and as well as providing sales and technical assistance. (Machková, 2006)

### **2.6.3 Management contract**

Management contract represents a special type of contract, which is very often used by companies from developed countries with specific managerial know-how. The main theme of the contract is the providing management knowledge and top managers on a contractual basis. (Machková, 2006)

### **2.6.4 Refinement operations**

Nature of refinement operations is processing or reprocessing of raw materials or semi-finished products to a greater degree of finality respectively to the finished product. Sometimes they referred to as hired labor. The reason for this implementation is mainly lower processing costs in foreign markets or more lenient legislation in the field of labor law or environmental. (Vochozka and Mulač, 2012)

### **2.6.5 Production cooperation**

International production cooperation is based on the distribution of the production program among producers from different countries, without linking their capital or even merge. The final product is then assembled either by one or two manufacturers. (Businessinfo.cz, 2009)

## **2.7 Capital intense strategies to enter foreign market**

This is the highest degree of internationalization process of corporate activities. These inputs are used primarily by large companies because it is a very expensive operation. The most common form are direct or portfolio investments. Portfolio investments are usually associated with the insertion of foreign capital into short-term securities, meanwhile foreign direct investment can be described as a long-term relationship, especially on direct expansion into foreign branches or subsidiaries. (Kalínská, 2010)

Foreign direct investments are dominated by these forms for entry-border markets:

- Acquisitions,
- Merger,
- Greenfield investments,
- Joint ventures,
- strategic alliances. (Machková, 2006)

**Table 1 Benefits and challenges – Forms of entries**

Table: comparing export methods	<b>Exporting</b>	<b>Alliances</b>	<b>FDI</b>
<b>Benefits</b>	Relatively easy, fast	Requires limited resources and market knowledge	Increased firm competitiveness and growth
	Low investment cost, commitment		Location-based advantages
	Flexible		Development of new knowledge and capabilities
	Lower risk		Minimises transaction related risks
<b>Challenges</b>	Possible lack of alignment with foreign sales agents	Identifying the right joint venture partners is critical	Complex, time- consuming
	Tariff and non-tariff trade barriers	Structuring effective partnerships can be tricky	High investment/commitment
	Cost of transportation of goods		Least flexible approach
			Higher risk

Source: Lu and Beamish (2002)

## 2.8 Motivation factors for internationalization

There are a few facts, due to which companies can pursue about internationalization. The company can focus on the type of product that is produced because this type can be a key factor in the internationalization process of the company. The process of entering foreign markets is very complex and brings many risks. It is, therefore, obvious that if the company did not expect any subsequent opportunities and benefits that it offers the foreign market, company wouldn't voluntarily for such a move has never decided. Motives which company lead to this step is the entire series. They vary depending on the focus of the company,



whether it is a manufacturing or trading company, depending on the type of industry, size etc.

The following factors represent the experience of the founders and managers of companies with an international ambitions. Higher capital investment is currently based on the experience of managers and declining trend in risk aversion. (Kubickova, 2011)

Other motivating factors include economic reasons, laying in an effort to make a profit, and non-economic reasons, which are eg. the image of the company and monitoring the needs of power and influence. (Berndt, 2007)

The primary factor according to Wilson (2006) is to maximize return and minimize costs and secondary motive includes the strategic development of the company gaining access to international competencies, technologies, but also human labor and capital.

According to Rodriguez, Barcos and Alvarez (2010) companies motivate to participate in the internationalization process particularly:

- Access to new markets and to customers or compensation for the crisis on domestic market
- Reduction of risk through diversification into different countries
- Balancing temporary losses in specific regions using profits in others,
- Reduce costs in production, research, and development, distribution or purchase through economies of scale
- Obtaining greater profitability from large investments
- Compensation shorter product lifecycle by taking advantage of the relatively homogeneous markets
- Gaining prestige and competitive advantages
- Increase sales in markets with higher barriers to entry
- Reduction of production costs by moving selected operations to countries with cheaper labor

According to Stremtana, Mihalache and Piorasa (2009) is determined the selection of internationalization and internationalization determinants are divided into 4 groups.

- Commercial
- Industrial
- Environmental
- Opportunity

Světlík (2003) but divides the factors of entering into active and passive. There is no surprise that an active and a major factor of the company for ex-

pansion include mainly profitable advantageousness or uniqueness of the product. Despite the great enthusiasm of businesses and companies, are mentioned active factors strengthening competitive environment constantly eliminated.

Passive factors influence the deliberations and decisions of company management in response to the changing business environment and adapting to changes in their activities. An integral part of the motivation for internationalization is also a reduction in the domestic market share, lower sales on the local market or the saturation of a concrete product. Therefore, the expansion of the company can save not only his lifespan but also the life cycle of a product. (Světlík, 2003)

Other interesting approaches to motivating factors of internationalization are the pull and push factors.

While the push factors are pushing the company to expand into foreign markets and pull factors are based on developments in foreign markets. Push factors refer to the resources of the company, the life cycle of a product or its competitiveness. It may be a limited potential in the domestic market, marketing skills, government subsidies or export promotion. On the other hand pull factors driving businesses to internationalization due to the globalization of international markets, associated with the development of communication, information or transportation technologies. (Onkelinx, Sleuwaegen, 2008)

Another way determines motives for entering international markets Harrison (2008), as follows:

- Primary motives - profitable opportunity, business growth, competitive advantage
- Motives specific to each country - political and economic stability, culture, supportive government policies, absence of impermissible costs
- Motives for specific companies - access to large and growing markets, competition monitoring, access to resources, access to cheaper mater-lum, energy, labor, financial incentives
- Unstable international environment - international peace and stability, world economic growth and developing regions, reducing trade barriers, technological development and skills
- A further impetus for successful internationalization may be support from the state. In the case of Czech Republic, a successful proactive policy of the state becomes a state aid. Support the creation of institutions such as the Czech Export Bank, CzechTrade or CzechInvest also. (Businessinfo.cz, 2012)

## 2.9 Factors influencing of selection of forms of the entries to the foreign markets

Internationalization process brings many specifics. From the entrepreneurs and firms are required requirements not only on financial, marketing or business capacity. But it also requires the expansion of production capacity, production adaptation of products to target foreign markets. Or also concerns changes in human resources management in recruiting new employees, who will know the local language and team with experience in international trade. (Machková et al., 2010)

Machková et al. (2010) further states that the choice of the form of access to the target market must always take into account the maturity of the market and a number of other factors, such as:

- commercial policy conditions - ie. customs and foreign exchange regime, Exchange rate policy, technical barriers, minimum prices, quantitative restrictions, anti-dumping duties, import surcharges, etc.,
- economic environment - economic growth, rate of unemployment, inflation, industrial production growth, demographic change, living standards and consumption dynamics, the development in terms of trade,
- political environment - the political system, political stability, relationship with foreign companies, the importance of interest groups, the country's membership in regional integration groupings and their political ties to other states, corrupt pro-environment,
- Legal environment - stability and credibility of the legislative environment, conditions for foreign businesses, the possibility of buying property and land, ownership checks, the conditions for employing foreigners, foreign exchange legal aspects of the business of foreign entities, the possibility of repatriation of profits abroad, resolving disputes when doing business with foreign countries ,
- characterization of products - industrial products, agricultural products, consumer goods short- and long-term consumption, supplies for the public sector
- Characteristics trading partner - the legal form of the company, homeland-ironic structure, market position, size of the entity, a person authorized to act, reference,
- The effectiveness of selected forms of enterprise - the ratio of costs incurred and risks, the expected rate of profit, return on invested funds

## 2.10 Success factors of the enter to the foreign market

Many authors are concerned with the factors that may affect the success of the subjects, not only domestically but also in foreign markets. In 1984 they were the first Leidecker and Bruno, who identified key success factors with regard to the strategic planning and creation of a business strategy for the company, because of awareness of these factors will help the company assess its strengths and weaknesses and the opportunities and threats in its surroundings. According to other authors in the internationalization success depends on the motivations and barriers associated with this process. (Korsakienė and Baranauskienė, 2011) Küster and Vila (2011) states that the businesses that are involved in the internationalization process can be more successful than those that operate solely on the domestic market. Katsikeas et al. (1997) identified the success factors of export activities, with success defined as a performance dimension of the company,, evolving from the export share, growth, and profitability of export activities. The authors summarize the potential success factors can occur in three main areas, namely settings up of marketing strategy (selection of the market, payment conditions, packaging, pricing policy, customer service, product, promotion, distribution strategies, etc.), Areas that are specific to the company (financial strength of the company, technology, planning and control, employees, etc.) and the external environment of the company (diplomatic relations between the countries, trade agreements, export subsidies, trade barriers, sectoral regulation, accessibility to foreign markets, etc.).

Fonfara (2011) mentions that the company's success depends not only on the quality of the product offered, price and market knowledge, but emphasizes that the potential source of a company's success in the internationalization of the company may be relationships with other entities. Majocchi (2005) points out that businesses are important experiences gained with foreign business operations. Child and Hsieh (2014) add that these experiences can enterprise to acquire not only directly through their involvement in internationalization, but also indirectly through contacts in the network of relationships. Leonidou et al. (2002) summarize the important role plays marketing strategy of an exporting enterprise, namely, market segmentation, product quality and pricing strategy, promotion and sales support. Hötzing (2014) suggests that the preconditions for successful internationalization can be divided into five areas, namely: its capacity for strategic planning, cultural integration, knowledge management, communication and establishing networks of relationships and the quality of leadership that is important in forming the other mentioned abilities and skills.

Bose (2016) grouped the factors that are often mentioned in the context of a successful business in foreign markets and tried to capture the links between identified factors. The basic prerequisite for successful internationalization is, of course, the current position on the domestic market, which is the starting point for future internationalization process. Enterprise monitors its surroundings, other companies and their activities and evaluates the benefits and obstacles which are met daily, and which broaden his knowledge. The company has a basic information which operates when evaluating their potential for their future involvement in internationalization.

### **2.11 Risks and barriers in internationalization proces**

Riskiness in international economic and economic relations in recent years was intensified, what becomes a result of globalization, policy changes, technology development, changes in lifestyle and life priorities. It is, therefore, important that businesses acceded to active risk management.

In a czech business environment, this is quite neglected. Businesses are confronted with risk factors that are specific to their line of business and the risks accompanying the cross-border economic cooperation. (Vojík, 2010)

Most decisions held companies is associated with risk-taking. If a company decides to expand its sales also to foreign markets, they must also confront the risks that the given market entails.

Enterprises faces more than just economic or political changes, is also worth to mention the development of exchange rates. These decisions are mainly focused in the future, in which the business entity is not sure in what conditions will take place and if they meet targets. Some risks may affect the expected result only negatively (eg. The risks associated with the transport of goods), other both negatively and positively and bring a better result than had been anticipated (eg. The risk of price movements). Development of the market conditions may result in the ultimate goal will be different from the original. (Machková et al., 2010)

The risk may also be different depending upon the various forms of entry into foreign markets. In the case of indirect exports is a risk different than direct investment. The decision involved in the internationalization process affect currently mentioned risks. (Kubíčková, 2013)

If a company wants to participate in the internationalization process should not ignore and classify various barriers, which limit the company. For example Leonidou (2004) looks at barriers such as internal and external barriers. Internal barriers further divide into informative, functional and marketing, meanwhile,

external barriers are divided into procedural, government, business environment.

**Table 2 Classification of barriers**

	<b>Functional</b>	<p>Lack of managerial time to deal with exports</p> <p>Inadequate/untrained personnel for exporting</p> <p>Lack of excess production capacity for exports</p> <p>Shortage of working capital to finance exports</p>	
		<b>Product</b>	<p>Developing new products for foreign markets</p> <p>Adapting export product design/style</p> <p>Meeting export product quality standard</p> <p>Meeting export packaging/labelling requirements</p>
<b>Internal</b>	<b>Marketing</b>	<b>Price</b>	<p>Offering satisfactory price for customers</p> <p>Difficulty in matching competitors prices</p> <p>Difficulty in matching competitors prices</p>
		<b>Distribution</b>	<p>Complexity of foreign distribution channels</p> <p>Accessing export distribution channels</p> <p>Obtaining reliable foreign representation</p> <p>Maintaining control over foreign middlemen</p> <p>Difficulty in supplying inventory abroad</p>

		<b>Logistics</b>	Unavailability of warehousing facilities abroad Excessive transportation/insurance costs
		<b>Promotion</b>	Adjusting export promotional activities
	<b>Informational</b>		limited information to locate /analyze markets Problematic international market data Identifying foreign business opportunities Inability to contact overseas customers
<b>External</b>	<b>Procedural</b>		Unfamiliar exporting procedures/paperwork Problematic communication with overseas customers Slow collections of payments from abroad
	<b>Governmental</b>		Lack of home government incentives Unfavorable home rules and regulations
	<b>Task</b>		Different foreign customer habits/attitudes Keen competition in overseas markets
	<b>Environmental</b>	<b>Economic</b>	Foreign currency Exchange risks Poor/deteriorating economic conditions abroad
		<b>Political-legal</b>	Political instability in foreign markets Strict foreign rules and regulations High tariff and nontariff barriers
		<b>Sociocultural</b>	Unfamiliar foreign business practices Different sociocultural traits Verbal/nonverbal language differences

Source: Leonidou (2004)



The European Commission via questionnaire even identified that in the internationalization is among the main barriers mainly the high cost. Which can be divided, for example, market analysis, purchase legal services, translation of legal and legislative documents, customizing products and travel costs. (Wilson, 2006)

Wilson (2006) adds the lack of an open strategy in the early stages of business formation and also a large underestimation of know-how as a serious problem in international activities.

### 2.11.1 Classification of risks

Some risks occur together and complement each other, so between the various types of risk close links exist. Risk allocation to each category differentiates between many authors. Kotler and Keller (2013) provides some basic risks that businesses must consider before deciding to enter foreign market:

- Do not have to offer a product that is sufficiently attractive and competitive,
- Do not have to understand the preferences of customers in the foreign market,
- Do not have to know the business culture in the country,
- Will miss managers with international experience,
- May not estimate foreign regulations, which may arise with unexpected expenses,
- The country where he decides to enter may adjust its trade laws, there may be a political revolution, currency devaluation (Kotler and Keller, 2013)

In the literature, it is possible to find many different perspectives and classification of risks associated with international trade, the most frequently cited risks that describe Machková (2006) belongs the risk of internationalization of market, commercial, transportation, territorial, currency and language.

- Market risks - risks emerged from changes in the market situation. This change may be, for example, the economic downturn in that country, the entry of strong competition on selected markets, changing consumer preferences, the decline in demand for certain products, changes in technology, seasonality, etc. This, as well as other risks, may lead to changes in prices, loss of position on foreign markets and a number of other unfavorable impacts. (Machková, 2006). Vojík (2010) recommends as the most effective market research, innovation and ability to timely respond to the wishes and needs of consumers and customers.

- Territorial risks - Group these risks are associated primarily with political and economic instability in each country. The most common risks falling into this

group can include eg. Payment difficulties caused by political events (such as war, civil unrest, strikes or revolutions), the administrative state interventions (removal of the import license, imposing anti-dumping duties, regulations, which limit the possibilities of business etc.), natural disasters (earthquakes, floods), risks associated with the transfer and another (Machková, 2006). Vojík (2010) mentions that the anticipation of certain political decisions and their consequences is difficult and very demanding for analysis. If it wants to entrepreneur territorial minimize these risks, must get as much information about the country, while Machková (2006) adds that one of the options reduce the impact of these risks is the insurance.

- Foreign exchange risk - This risk is present in international markets and is one of the most important because it arises from the variability of exchange rates of different currencies. (Machková, 2006).

- Commercial risks - risks of foreign partners resulting from the failure of a business partner or companion. The most common problems related to international business operations include unjustified withdrawal from a trading partner agreements, failure or defective performance of the contract by the supplier, unjustified non-acceptance of goods by customer, paying unwillingness or inability of the debtor to pay. (Machková, 2006) Any business entity can avoid these risks, and that by careful choosing his business partner and negotiation of favorable payment terms (Vojík, 2010)

- Transport risks - arise in business transactions with material goods during transport which may cause damage or loss of the goods. Damage sustained by either buyer or seller, depending on who at the moment bears the risk, which is generally agreed before the conclusion of the contract. This risk can be insured in international trade, but it is important to pay enough attention to an insurance policy (Machková et al., 2010).

It is also often neglected language risk that states Vojík (2010), which is associated with poor or no knowledge of the language in the foreign market. There arise then for example errors in commercial contracts. Prevention options is a language training and the use of translators, interpreters.

Furthermore Kubickova (2013) tells us a list of nine categories of risk, and those are:

- Risks associated with the organizational strategy of the company (eg. the definition of internationalization goals, comprehensive procurement strategy,

cost estimation of the project, setting the terms in internationalization strategy, etc.)

- Risks associated with the management and culture of the company (eg. the development of a corporate culture that promotes employee mobility, training plans for employees who will be works at offices in that country, the development of engagement with those who are involved in internationalization process, etc.).

- Risks associated with the logistical infrastructure (eg. knowledge of the supply market, transport costs, knowledge of distribution networks)

- Risks associated with project management (eg. project planning, the importance of information and communication technologies for the internationalization process, plan of transfer responsibility to the employees working in the country of destination, identifying roles and responsibilities)

- Risks associated with relations of company (eg. the company relationships with partners, effective cooperation with local suppliers, commercial, technical and legal contacts in the markets of selected countries)

- Risks associated with the economic and political situation in the target market (ie. political and economic stability of the country, availability of infrastructure, tax policy for foreign businesses in the selected country, currency depreciation)

- Risks associated with the legal statements of the target market (eg. business, legal, and cultural realities, which differ in different geographic areas, customs regulations of that country)

- Risks associated with the market (eg. knowledge of business opportunities, problems associated with penetration of own brand into a new market, the perception of the product by foreign customers, knowledge of competitors, market saturation, the selected market legislation, knowledge of customer expectations in selected markets)

- Risks associated with the culture of the target market (eg. customs, traditions, language)

The list of these risks is obviously not exhaustive, additional risk group might form eg. the risks associated with the choice of distribution channels, the risks associated with changes in interest rates, developments in one market and so on.

### **2.11.2 Risk management**

In any system or in our case in internationalization has to be reckoned with risks, to which companies are exposed has to face them. Some risks can be moved

away, we can avoid them or reduce them. Unfortunately, it is often necessary to start cope with a specific risk.

Smejkal (2010) defines risk management as, *„ a process in which the subject tries to stop existing and future factors and proposes solutions that help eliminate the effect of unfavorable effects and enable the use opportunity of the action of positive influences. ”*

For evaluation of risk was compiled by Smejkal and Rais (2010) table, where there are graded probabilities and size of the impact of risk-specific factors. In the interval of 2-4, it is possible to accept the risk. It is not necessary therefore these risks take in the account, or in any way eliminate. The degree of risk 5-7 shows the need to risk adequately approach. However in the case of the degree of risk from 8 to 10 is necessary to immediately access the risk.

**Table 3 Risk management**

Impact	6	7	8	9	10
	5	6	7	8	9
	4	6	6	7	8
	3	4	5	6	7
	2	3	4	5	6
	Probability				

Source: Smejkal, Rais (2010)

Basic areas according Smejkal and Rais (2010), where we talk about risk management is primarily:

- Natural disasters and accidents
- Risks of environmental protection
- Financial risks
- Investment risk
- Insurance risk
- Project risk
- Business Risk
- Marketing risk
- Strategic risk

Vojík (2010) distinguishes between two types of risks that we can affect. Objective risk is when the entire economic proces is influenced by random facts. And secondly subjective risk, which means that decision-makers are not sufficiently informed about them.

The company itself may influence risk, so they should especially anticipate, not just meet them. Mainly depends on the attitude of the company to risk. Risk

avoidance can lead to failure of the entrepreneur. On the other hand, active and positive attitude to risk may lead the company to bankruptcy, but there is also a very high chance of success.

## 3 Russian market characteristics

Basic analysis of the Russian market must also be based on secondary data, where we can fully analyze successful internationalization. It is, therefore, necessary to analyze the Russian market in terms of political, economic and socio-technological environment.

### 3.1 Russian market

As one of the largest emerging markets worldwide are investment opportunities in Russia potentially lucrative. But it should be noted that the business and investment climate still carries risks. The government continues in limitation of trade flows and foreign direct investment in some sectors, while institutions owned by the state prevail in all areas of the economy. Corruption is also on daily basis, and the judiciary is weak and is subjected to political influence, which undermines confidence in the legal system. In addition, the overall tax burden and some considerable bureaucratic procedures continue to be plagued by delays.

Western sanctions against Russia disrupted trade flows, restricted access to financing and thereby suppressing the economic growth of Russia. Although the reform of business conduct caused the improvement of the environment, Russia will always be an unattractive destination even after when the sanctions will be canceled. (Russia Trade and Investment Risk Report, 2016)

### 3.2 Russian political environment

If we look at domestic entrepreneurs and managers, we have to certainly notice that they have to Russia's environment there is some differentness in opinion. World's largest country becomes uncritically admired and discussed.

In 2015, Russia ranked at the bottom of the scale Corruption Perceptions Index, investigating the rate of corruption activities in individual countries. Now widespread corruption environment has a negative effect on the attractiveness of entering the Russian market.

The current political culture is the product of several factors, some accumulated long turbulent history of Russian statehood. Some other reflect the changing political and economic institutions since the end of the Soviet regime.

After the Soviet Union began in the emerging Russian Federation big economic crisis. Therefore nineties was a very difficult period for Russian residents who called for the strong government. This government offered Vladimir Putin.

Putin reigns in power for several years, actively exchanging with Dimitry Medvedev as president and prime minister and assumed to remain in power until 2024.

The government of these men causes currently very contradictory emotions, political stability in Russia is therefore highly questionable. The authoritarian government of president Putin may constitute relative stability of the Russian political system, but at the cost of curtailment of democratic principles and human rights violations.

Despite the fact, that is still a democratic country where the business or free trade are not restricted. Russian democracy seems to perform a high-wire act, but exporters or investors can be confident that the market mecha-organisms work. (Havlicek, 2007)

The Russian Federation is a very influential actor in the international political and economic relations. Russia was the genesis of the United Nations, and belongs to the permanent members of the UN Security Council. Besides membership in international organizations cultivate Russian Federation relations within the regional cooperation '(eg. The Commonwealth of Independent States) and ratify bilateral agreements with big economies such as .: USA, China or Japan.

The Russian Federation is still facing numerous ethnic conflicts or terrorist attacks of militant separatist groups. The disintegration of the Eastern Bloc in the 90s of the last century brought a clash of nationalities and ethnicities seeking, inter alia, the acquisition of an independent territory.

### **3.2.1 Tax policy**

Since 2015, the Russian government has practically imposed a moratorium on increasing the tax burden on the national economy.

A stable tax system provides a comprehensive and predictive business environment. The current tax burden in Russia is much lower than in most western economies. A special tax regime is applied to small and medium-sized enterprises.

Russia offers tax advantages for foreign investors starting a business in special economic zones and territories. (Russian Investment Agency, 2015)

The general tax system consists of

- Corporate profit tax
- Value added tax
- Corporate property tax
- Transport tax
- Land use tax

- Excise taxes
- Water tax
- Mineral extraction tax

And for a person:

- Personal income tax
- Social security contributions

### **3.2.2 Membership in international organizations**

Integration into the family of developed economies in the world predicts a bright future for Russia and Russia itself is aware of that. The logically is clear from the fact that Russia, with more than 140 million people are among the most important business partners.

Russian trade also helps the fact that he is part of several international organizations. Worth mentioning is except WTO membership also in the UN, BRICS (Brazil, Russia, India, China and South Africa), EEU (Eurasian economic union) and other organizations that have considerable prestige for Russia. (Russian Investment Agency, 2015)

### **3.2.3 Russia and WTO**

The year 2012 became a great milestone in the field of foreign trade of Russia because after 18 years of negotiations with the Russian Federation becomes a rightful member of the WTO. Other WTO members welcomed this step, despite some skepticism, because it will be the setting of clear rules, rules for entering the Russian market. Just that the membership will contribute to the strengthening of legal liability and predictability in their commercial relationships and improve the business and investment environment in the country for all foreign entities. (Jukl and Minčev, 2013)

WTO had ordered to reduce customs, abolish quota, except for agricultural commodities, protect property and other rights.

An analysis of the sociological, economic impacts and also political consequences, we concluded, that they were primarily political decisions in order to increase the prestige of Russia in the international arena.

Entry into the WTO was followed by the necessary reforms. Above all, it was a sociological or economic reforms. Or the introduction of systematic trading legislation compatible with international law.

Among main positive impacts could be mentioned:

- 1) Economic growth has increased by 0.96%
- 2) Growth in consumption was reported by 0.4%



- 3) Growth of foreign investments
- 4) Increased productivity and efficiency
- 5) Increased demand for skilled workers

Among the negative effects:

- 1) The decline in federal revenues
- 2) general decline in production
- 3) Increase in unemployment (Kirsanov and Safonov, 2014)

### **3.2.4 Russia and G8**

Russia, Canada, USA, Germany, Great Britain, Italy, and Japan - this group is called the G8 since they form the group of most developed economies in the world. G8 solve problems of an economical, sociological or safety origin. Russia became part of a large group in 1998.

In 2006 was Russian current political, economical and social development very closely analyzed. For example, foreign politicians in Britain argued that Russia was economically backward compared to other members and Russia is still a junior partner of democracy, rights and free media (Hajnal, 2007)

The active foreign policy of Russia towards Ukraine and Crimea resulted in the exclusion of a large G8.

### **3.2.5 Russian membership in the Organisation for Economic Cooperation and Development - OECD**

The OECD is a unique form of community where 30 governments cooperate together to face the economic, social and environmental challenges of today's globalization era. The OECD is also at the forefront of efforts to understand and to help governments respond to new global development, for example in an aging population or the information economy.

The organization provides advice and recommendations where governments can compare their experience with politics, seek answers to the common problem and coordinate domestic and international policies.

The Russian Federation has established cooperation with the OECD in 1992 and in 1996, formally requested the application for membership in the organization. The OECD Council at Ministerial level has adopted a resolution in May 2007 to open discussions with the Russian federation for its membership of the organization.

The OECD is working with Russia on several widespread reforms. First, on the economic, but also on regulatory reform, education, investment, innovation, science, and technology, etc.

Although already in 2016, Russia is still situated only on the candidate list.

### **3.3 Economic environment**

The disintegration of the Soviet Union in 1991 marked the end of the economic system as a mechanism for organizing production, distribution of goods, services and wealth. And so, a new need to develop a new form of economics, but the task of economic reforms was complicated by legislation in the Soviet economy. This legislation can be best described as a relative economic backwardness in comparison with the advanced capitalist economies.

New forms of legal and illegal entrepreneurship emerged and also engaged in contests over property and access to markets. Lines between criminality and honest economic activity blurred as economic administration floundered and fragmented. The result was a crisis caused by the incompatibility of the competing interests produced by the fragmentation of the economy. It was this crisis that produced the August 1998 devaluation and debt crisis, and it was this problem that Vladimir Putin took aim when succeeded over Yeltsin. (Robinson, 2013)

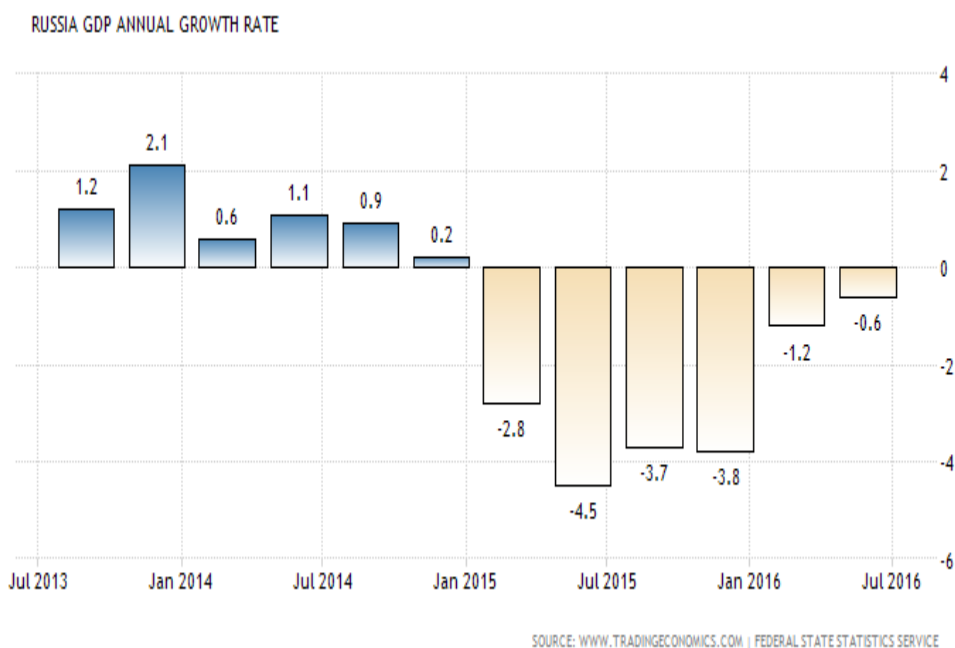
#### **3.3.1 GDP**

In 2015, the Russian economy was in a phase of economic recession with an annual decline of 3.7 % of GDP. GDP decline was due to a decrease in oil prices on world markets, including the extension of the sanctions regime imposed by Western nations as a response to the Ukrainian crisis, where Russia played a dominant role.

To make matters worse, added to these factors a decrease in consumer demand due to the steep decline in real incomes, reduction in investment activities and also evident fluctuations in the exchange rate of the domestic currency.

Other negative issues include in particular the shortcomings of the banking and financial sector, high levels of corruption and economic crime.

The World Bank predicts that 2016 will be reduced-peak economic growth in 2016 of 1.9 %. (Businessinfo.cz, 2015)



**Figure 2 Russian GDP annual growth rate**

Source: Trading economics (2016)

### 3.3.2 Inflation

Inflation in Russia has been characterized by a considerable degree of persistence. After an initial rapid decline from about 30 percent in 2000 to close to 10 percent in 2003. Since then inflation has declined to about 8 percent, but it remains higher than in many other emerging market economies.

We see slower growth in prices for most goods and services included in the consumer basket. Almost half of the pace were increased food prices, but on the contrary, the price of alcohol also increased.

Slight disinflationary developments we observe mainly in textiles, tobacco products or electricity and housing, which reports a significant decrease in prices.

The weak ruble has changed significantly rise the price of holidays abroad. Although inflation has slowed in Russia, the collapse of the Russian currency at the beginning of this year will most likely happen on consumer prices and inflation would then be able to get to the double-digit level.



**Figure 3 Russian inflation rate**

Source: Trading economics (2016)

As can be seen from the graph, inflation over the last year went down sharply. Inflation for 2015 was due to mainly a significant drop in oil prices, which led to a fall in the ruble and, consequently, to double-digit inflation.

### 3.3.3 Unemployment

Despite the economic crisis, the unemployment rate in Russia is still not as high as was predicted. However, the labor market is facing many challenges, especially in the form of rising youth unemployment.

One of the many other major problems of the Russian labor market is the so-called hidden unemployment. People are sent on unpaid leave or their working hours or shifts are truncated. It is one of the factors by which excels the Russian labor market, unlike most western markets.

Whereas in most countries of the world, in times of economic turmoil, industries and companies downsize, first of all through staff reductions, in Russia, fearing the worsening of social tensions, all market actors behave differently. Employers prefer, instead of firing redundant workers, to lower people's wages, reduce their weekly working hours, send them on unpaid leave, and reduce the number of hours worked per day and lower production norms.

Employees, for their part, adapt themselves to this system, in view of the limited alternatives – the risks of not being able to find a new job for a long time scares people, even in large metropolitan areas. The state is also quite satisfied with this behavior of employers and workers, as it ensures the absence of a large

influx of people seeking unemployment benefits, which could undermine the already depleting budget.

Another serious problem of the domestic labor market lies in the fact that almost one-quarter of all unemployed people in the country are to be found among young people. Unemployment of young people under the age of 24 in Russia is five times greater than the number of unemployed 30-49-year-olds.

Today, one in five young Russians under the age of 25 cannot find work, and problems with finding employment are noted by every third respondent from this category. Turnover among the youth, in general, is breaking all records – more than 45 percent of young people do not stay in their positions for even one year. (Dokuchaev, 2015)



**Figure 4 Unemployment in Russia**

Source: Trading economics (2016)

### 3.3.4 State debt

In 2015, state budget revenues reached according to data from the Ministry of Finance of the Russian Federation 13 600 billion rubles, while expenditures exceeded income by the amount of 15,600 billion rubles.

With regard to economic development in the during 2015 was severally modified, both in revenue and the expenditure part. RF federal budget for 2015 was still largely dependent on income generated from oil and gas.

Part of the state budget RF is controlled by the so-called. Reserve fund, which aims to finance expenditure associated with the failure of the state budget revenues accruing from oil and gas due to a significant decrease in prices of these raw materials on world markets.

The second is a separate fund National Welfare Fund of RF, which is used to co-finance voluntary pension scheme of Russian citizens and to ensure a balanced budget for the pension fund of Russian federation. National welfare fund of RF accumulated resources from oil and gas sales, which arise in the case of excess revenues oil and gas sector over contributions to a reserve fund and over funds used to finance the state budget expenditures. (Businessinfo.cz, 2015)

### **3.4 Social and cultural environment**

Russia is a multicultural country with the noticeable differences between rural area and the city.

The Russian Federation is the ninth most populous country in the world besides the Russians live here many minority nationalities, among the largest of them, include Tatars (3.8%), Ukrainians (2%), Bashkirs (1.2%) and about the Chuvash people (1.1 %). Russia occupies a vast area where various Russian cities are separated by hundreds or even thousands of kilometers. The vastness of Russian territory logically causes a distinctive national and ethnic heterogeneity of the population. Numerous armed conflicts and overall social imbalances between the regions stems precisely from this heterogeneity. Negative natural growth should cause, according to the predication of demographers, population decline by almost a quarter in the next 40 years. (CIA Factbook, 2013)

Demographers research is based on the development of the Russian population since the beginning of the new millennium, where you can watch a continuous downward trend. Problematic alcohol dependence became widespread throughout Russia, which has already caused the loss of many human lives. In 2010, government therefore announced the antialcohol campaign, which was aimed at reducing alcohol consumption in half by 2020. (Novosti, 2013)

The country has high mortality rates due to elevated rates of smoking, alcohol consumption and obesity. Investment in healthcare is low. Over the next decade, Russia's labor force is expected to shrink by about 15 percent. Other countries with low fertility rates turn to immigration to pick up the slack. While immigrants make up about 8 percent of Russia's population, the nation has a reputation for nationalism and xenophobia, and fertility rates are even lower in neighboring Belarus, Ukraine and Lithuania, all possible sources of immigration.

Throughout most of the second half of the 20th century, Russia's population increased. Whereas the Russian population was slightly more than 100 million in 1950, it peaked at nearly 149 million by the early 1990s. Since then, the population has declined, and official reports put it at around 144 million. (Chamie and Mirkin, 2014)

### 3.5 Technological environment

The Russian government has announced investments in development and technology as the main priority of investing 1% of GDP in the coming years.

Russians begin to develop the hi-tech sector and perceive its importance as highly promising. In 2010, therefore, with the blessing of President created projects, which should ensure the creation of a knowledge-based economy in Russia. One of these projects is the construction of Skolkovo, which should be a Russian imitation of Silicon Valley, Skolkovo is located near Moscow and on 400 hectares should produce research university for 1,800 students, 40 corporate research and development centers and so-called. "Technopark" which should serve up to 1,000 startups. Skolkovo should unite scientists with entrepreneurs and investors especially from industries such as IT, saving energy or biomedicine.

Moreover, since Putin's return to the presidency, the project has fallen out of favor. (Brin, 2014)

### 3.6 Opportunities of enter to the Russian market

The Russian Federation becomes a gradual globalization despite its barriers and obstacles. It should be noted that the first step to better attract companies to construct already mentioned the Skolkovo technology center and a further impetus was the accession of Russia to the WTO, which will result in closer trade regime to WTO rules and greater transparency of trading and settlement of disputes. It is a market with a significant resource base for Czech companies, particularly as regards oil and gas prices, as well as with an available and qualified labor force.

Another driving force is interested in developing bilateral economic relations and the corresponding set of financial (CEB and EGAP) and non-financial (CzechTrade, CzechInvest) tools to support exports and investment, although as stated Ryneš (2016), Czech companies export to Russia is only 1.5 % of the entire exports.

The formation of a customs union between RF - Belarus and Kazakhstan (uniform custom tariff, harmonizing the system of import licenses, simplifying and speeding up customs procedures, facilitate trade among manufacturing companies and then even larger market thanks to the nascent Common Economic Space) is one of the major opportunities to thanks to the Russian Federation more easily penetrate the other two markets.

### 3.7 Threats of the enter to the Russian market

One and nowadays observable threats that affect the Russian market is the dependence of the Russian economy on the extraction and export of raw materials and thus the possible negative impact of a sharp drop in world prices for raw materials. Lowering the price of oil on world markets was one of the reasons for the decline of 4 % of GDP of Russia. (CIA Factbook, 2013)

Russia also indicates a high degree of interference in the national economy. One well-known case was interference elimination western Russian food from the market in response to sanctions imposed by the US and Europe.

Through tariffs, barriers and other economic or administrative obstacles wants the Russian Federation to protect industries that are primarily aimed at the internal market and threatens them with foreign competition.

The aim of Russia's foreign trade policy is to regulate territorial and commodity structure of exports and imports of goods and services. Russian trade policy is known for its protectionist measures. Even after Russia's entry into the WTO in 2012 used 78 protectionist measures in the following year.

For example, in 2010 the Russian president Vladimir Vladimirovich Putin increased duties on cars imported from abroad, to motivate foreign companies to produce cars in Russia. (Lidovsky.cz, 2010)

Or Russia in 2004 in the internal agricultural market introduced mobile tariffs on sugar imports, pork or poultry meat. (Javůrková, 2004)

Given that the Russian Federation is not a member of the EU, it's not the premise of freedom of movement of goods and services with all the advantages of it own. Nevertheless, the Russian Federation is part of the World Trade Organisation, which protects it against their protective actions in relation to international trade. (Havlíček, 2007)



## **4 Internationalization process of Czech companies to Russian market**

The first part will be focused on the performance of companies that they choosed for the internationalization process. After evaluation here will be presented motives, risks, and barriers of internationalization and finally the factors for a successful internationalization.

To verify the obtained data was used in-depth structured questionnaire created by the author of this thesis. Of the 50 companies surveyed was finally willing to cooperate about 5 companies. These enterprises are stratified throughout the Czech Republic. It should be noted that in two cases, I took the possibility to use electronic voice communication via Skype.

### **4.1 The introduction of respondents**

5 companies were selected from different sectors that export to the Russian market. A large part of the respondents came from different corners of the Czech Republic. All respondents addressed by me operate on Russian markets. In 90 % of cases are part of the Chamber of the Commonwealth of Independent States (CIS abbreviated) or the Czech Business Club in Moscow.

#### **4.1.1 Company 1**

The company no. 1, has a long history going back to 1828, where are the first mentions about the founding of that company in the Czech lands. The company operates in various branches through metallurgy to energy. Began trading on the Russian market from the 20s of 20th century.

#### **4.1.2 Company 2**

The company no. 2 was founded in 2000 by the merger of three companies operating in the Czech and Slovak markets. Eventually, it builds on the experience and tradition of fittings in the Opava region. Its begin production of the first products in its own factory in Dolni Benesov. The company employs about 200 employees. In 2004, it opens new dealership in Moscow.

#### **4.1.3 Company 3**

The company was founded in 1992. It focuses mainly on the implementation of on a turnkey basis farms and in this field in recent years belongs among the

key players on the world market. It focused mainly on large agricultural and food projects with which expanded to the whole world, including Russia in 2004. The Company employs approximately 3 300 employees.

#### 4.1.4 Company 4

The company was founded in 2005 and is among the leading companies in the Czech republic in providing services and solutions that help people and businesses provide a better environment through air-conditioning, measurement and regulation in their homes, shops, offices and industrial buildings. It is an official distributor and retailer of brands Toshiba, Samsung, Fujitsu, etc. They entered into Russian market in 2013 and employs 150 employees.

#### 4.1.5 Company 5

The basic business plan is the development and implementation of technologies for the treatment of industrial waste produced by industrial companies especially in the Czech Republic. After 2000 the company extended its business plan to other production and business areas - international road transport, engineering, trade in metallurgical semi-products and scrap iron. They entered the Russian market by starting product sales in 2005 and employs 205 employees.

## 4.2 Motivation of the enter to the Russian market

One of the questions was connected with the motivation to enter the Russian market. What motivates companies to be part of the internationalization process and why they operate abroad. Contacted companies clearly agreed that one of their reasons is the growth in turnover.

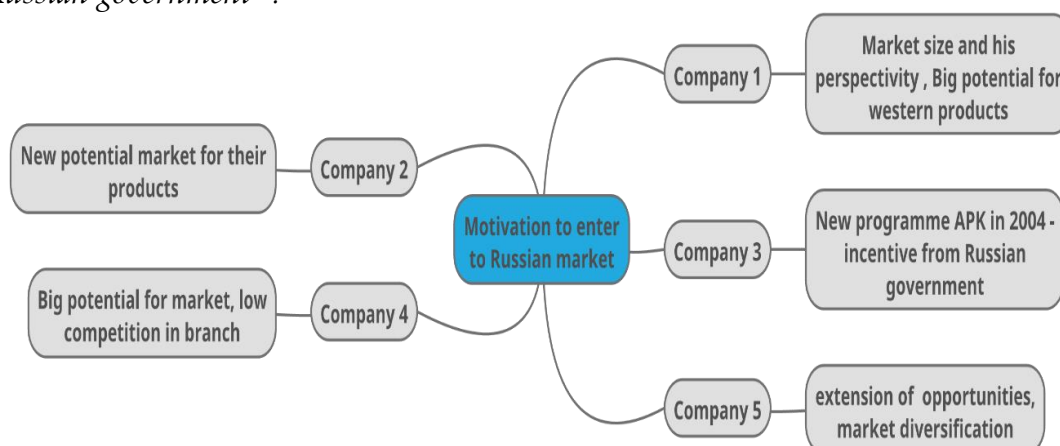
The factors that motivate businesses to internationalize are different.,, *It motivates us the weak competition and a big appetite for Western goods, as well as unsaturation of the Russian market and also its perspectivity.*' (Company 1) ,,*It's also about the basement of the industry in Russia, because Russians are not sufficiently familiar with world technologies that are standards in the world.*' (Company 4

And for that reason, they see great potential in selling their services and products.

Also Company no. 2, has inclined to think that the Russian market is mainly perceived as a new possibility for their products, and another reason is that Rus-

sia is often a traditional market for fitting manufacturers, which is the main export commodity. Company no. 5 inclined to a common factor, ie. Extension of export opportunities and diversification of markets.

Company no. 3 confided that her greatest impetus was the announcement of the development program, „ *Our biggest motivation was the announcement APK development program, which is agriculturally support program announced by Russian government*”.



**Figure 5 Motivation to enter to Russian market**

Source: Own research, 2016

### 4.3 Had companies analysed Russian market?

Next question was whether individual companies carried out analyses of the Russian market before they enter this country. The Russian market in recent years is very variable. Mainly due to interference from the government, external countries or well-tuned system of government. As a critical factor, I consider that the answers to these questions were mostly negative. Put simply analyzing the Russian market was devoted minimal time.

The company no. 1, 4, 5 never carried out in modern history analysis of the Russian market. Company no. 5 hasn't carried out because of the expensive cost marketing tool, „ *Analysis of the Russian market in the form of application of marketing tools would be very expensive, so we decided that we need a just basic overview of Russian market*” (Company 5). Third company analyzed the Russian market in a very limited level. Examined whether the Russian government tends to make protectionist measures in their field, but came to a negative conclusion.

The only meaningful analysis was conducted by company 2, they analyzed mainly competitors and the development of the field based on historical results. „ *Before entering the market itself, we analyzed the competitors and we used data obtained*

from history'' (Company 2). Its analysis wanted to make sure if the internationalization process of the Russian market has in the long term significance. Based on the historical results analyzed especially if the branch is attractive enough and if the Russian market in the field didn't notices fatal fluctuations in demand.



**Figure 6 Russian market analysis**

Source: Own research, 2016

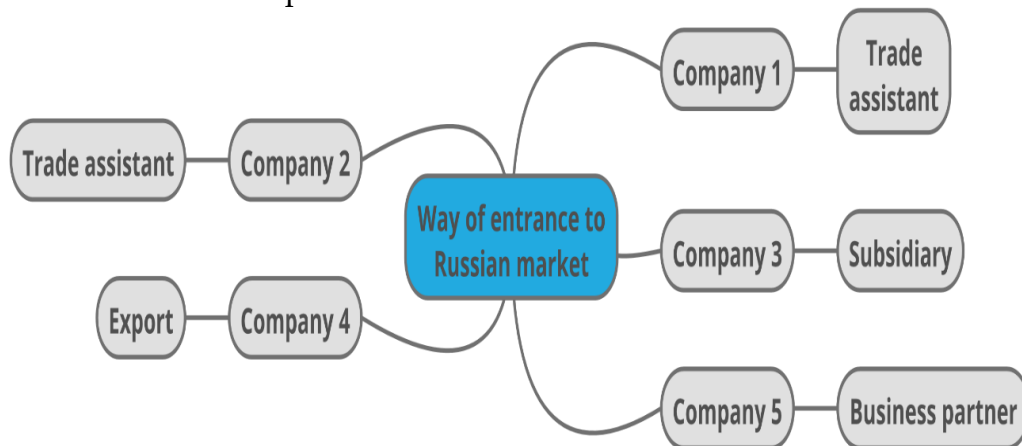
#### 4.4 Forms of entering for the Russian market

The form of entering the Russian market can be as one of the very important factors, which is crucial for success. Companies should at internationalization process study all the requirements from the state, by their choice they should eliminate the risk of losing extra financial costs. They should act in accordance with the maxim „for little money, a lot of music“.

The company no. 1 in modern history, entered the Russian market through direct contact with Russian partners and the subsequent opening of foreign representation in Moscow. Its form they justified by that, „the Russian market is already known, and we take it as the most effective way“ (Company 1). During its internationalization process took into account the need of adaptation to the market due to the transition from a centrally planned to a market economy. Another necessity was to be proactive, to be ultimately doing better than the competitors. Company 4 started its internationalization process by exporting to the Russian market and use its experience gained from the local market. Company 5 also agrees with the company 4 and adds that only personal contact, verifying the reliability of a partner and trial supply of goods can lead to the initiation of good cooperation.

Company 3 had intended at the outset to establish a subsidiary, but it was not legally possible, „We could not immediately establish a subsidiary, it wasn't possible legally. After a few years we were allowed to establish subsidiary“ (Company 3)

Thus started the export policy and then founded a subsidiary. It was also easier to form in terms of the use of Czech export credits. While Company. 2 also entered the Russian market with the help of exports and subsequently opened a representative office in Moscow. The strategy was created based on ignorance of environment and was necessary to find qualified people who held important positions in their dealerships.



**Figure 7** Way of entrance to Russian market

Source: Own research, 2016

#### 4.5 Barriers of internationalization for the Russian market

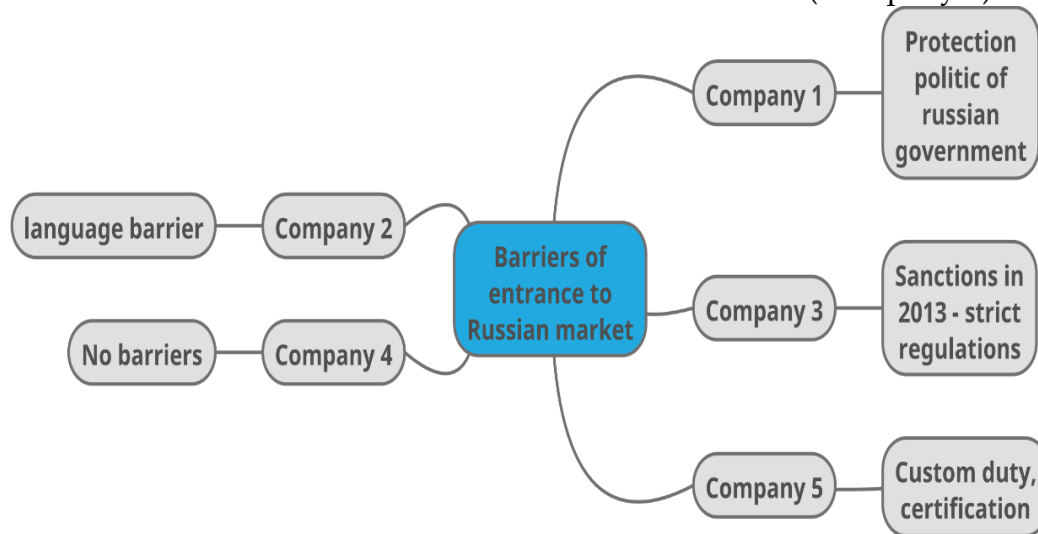
The company no. 1 stated, „ *We saw as the biggest barrier protectionist policy of the government, but it affected us much less than we expected*” (Company 1). The Russian government is in its protectionist policy very well known.

The company no. 2 saw as the biggest problem especially in the inability to speak the foreign language of customers.

Company no. 3 mentioned as a major obstacle introduction of sanctions in 2013. Sanctions negotiations resulted in reduced exports and low sales in the territory of the Russian Federation. Company no. 5 introduced duty and certification as a great barrier to the lucrative market.

The company no. 4 but already has a different opinion, perceived barriers to entrance into the Russian market are minimal. They were afraid of primarily

customers' insolvency. This assumption was not confirmed,, *In our case after the experience we have concluded that entrance barriers are minimal''* (Company 4)



**Figure 8 Barriers of entrance**

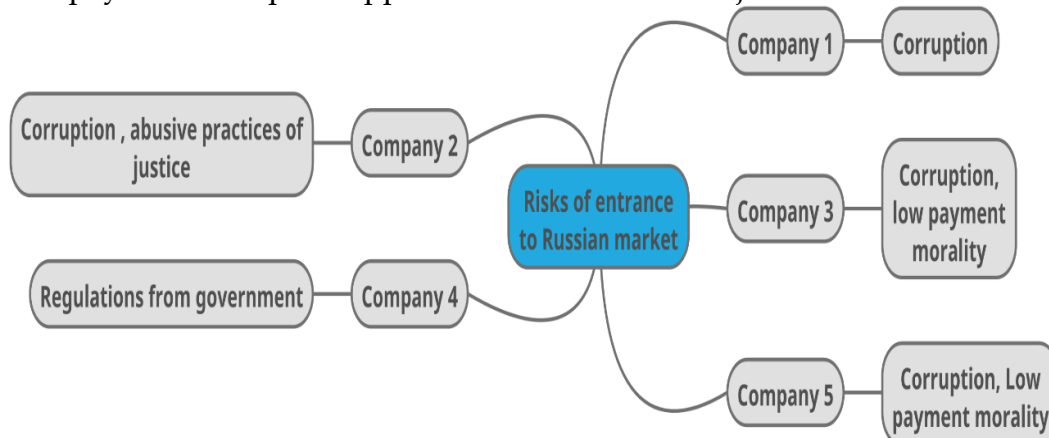
Source: Own research, 2016

#### 4.6 Risks of internationalization for the Russian market

One of the other issues was related to the risks that belong to internationalization process. The question was based on their views on the internationalization process and which they consequently affected.

The company no. 1 before entering the market itself perceived as the biggest risk of corruption in the state sector. With this response also identifies company no. 2 and remind the unfair practices of the judiciary as an additional risk, which together with the corruption in the state sector are directly related. Both of these companies has already found out that the level of corruption and the judiciary in the Russian environment is at a moderate level. The company no. 4 also perceived before entering a high risk as the high growth of competitors in the fast-developing sector, which appears to be highly profitable. For this reason, there is a deduction that this branch could be potentially regulated. But that company can not tell whether this risk affected him in any way because they ar exporting just 3 years on the Russian market. Company 5 and Company 3 confirms the assump-

tion of the Company 1 that the greatest risk is perceived as corruption in the public sector. A further these two companies add that the limited purchasing power and low payment discipline appears to be one of the major risk factors.



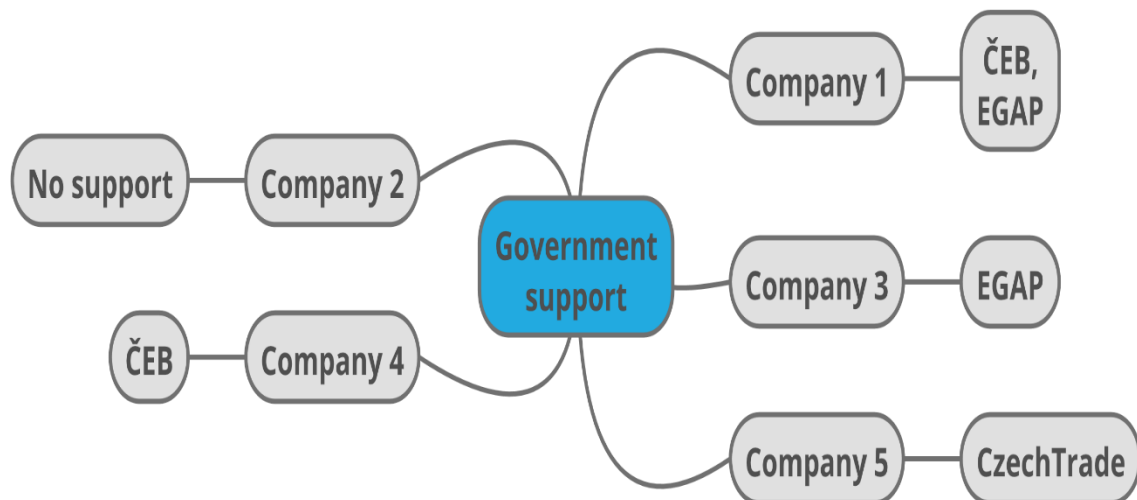
**Figure 9 Risks of entrance to Russian market**

Source: Own research, 2016

#### 4.7 Support from the Czech government – CEB, EGAP, CzechTrade

Company 1 uses the support of CEB, EGAP, sees it as very important for the failure of trade on the Russian market and their potential financial cost that can have destructive consequences. Company 4 has been using for eventual export only their financial resources. But for some time now cooperates with the CEB. Company 2 did not use any support or insurance, „ *It was not necessary to use insurance that insurance was for us a very costly*” (Company 2)

Company 3 used EGAP for insurance in case of failure on the Russian market. Partly they used the financing of CEB. „ We used both EGAP and CEB” (Company 3) The Company no. 5 used in a limited level CzechTrade agency, but only on the basis of supporting marketing projects co-financed from EU funds.



**Figure 10 Government support**

Source: Own research, 2016

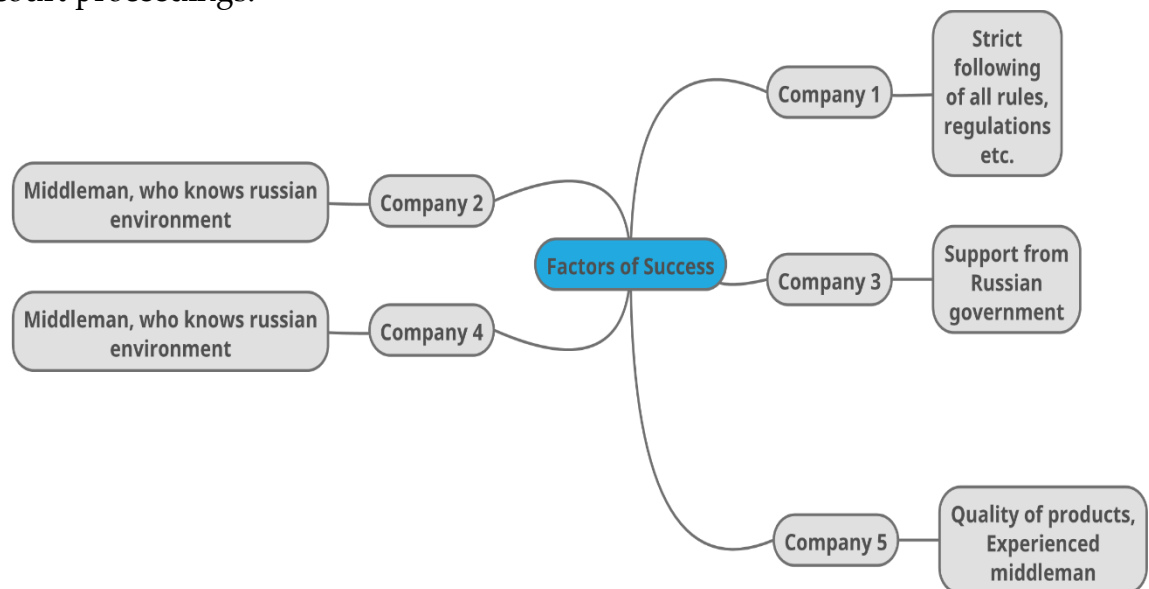
#### 4.8 Success factors of the respondents to the Russian market

The company no. 1 has demonstrated his success as a respect for the rules, systems, and environments. Strict following rules and bureaucracy was especially essential for the success of successful sales and increase market share. While the Company 4 used the services of an intermediary who knows the Russian market. Shortly knowledge of Russian environment proved to be one of the great success criteria. Company 4 added another success factor. Taking experience from Czech market to the Russian market. The company no. 2 agree with statement of company 4 and adds that another factor in the success of the business itself is a business skill in the branch. Company 5 emphasize as own factor of success, quality of work and reliability of intermediary, who acquired experience from the Russian environment. Furthermore, it is also a quality range of products as was given by company 5.

Company no. 3 spotted investment support from the Russian government as a success, which was limited since sanction period and the sudden collapse of



the ruble. Also very sophisticated legal system since she was forced to face several court proceedings.



**Figure 11 Factor of success**

Source: Own research, 2016

#### 4.9 Summary of analysing of primary data

The questionnaire was answered by respondents from all over the Czech Republic. In most cases were involved small and medium businesses. In the largest number of cases, companies began to export up some time after the establishment. Entry to the foreign market through indirect exports voted most respondents. The most common reason for companies to enter into Russian market is increasing export, potential of the Russian market and the aim of increasing turnover.

During the collection of primary data, I also met several times with the reluctance of the companies to answer the questions. The competition uses every niche of the market and also own experience or opinion of a direct competitor can be used for their own benefit. I decided it would be best if the firm remains in absolute anonymity. To analyze the output data I used mind maps, appeared to me as the perfect tool for absolute clarity.

In the case of entering the Russian market was used mainly indirect export. For given question about barriers, they did not answer unambiguously. These answers were very different from the custom duty to the language barrier. Only at the risks of the market they introduced its own attituded and stated and as the risk a corrupted environment. For the analysis of the Russian market, I expected

the more intensive cooperation of the businesses and their deeper involvement in the internationalization process, because companies didn't make competitor analysis and Russian market analysis. Supports of exporting was used especially by the CEB and EGAP. The answers can be seen that among the key factors of internationalization belongs mainly the middleman, who knows Russian market. Therefore it is necessary to know about the Russian market almost everything.

The results in many responses did not differ significantly, companies in their answers matched. Individual response to my questions were expected and I was not also surprised by any answer.

## 5 Discussion

Individual results differed depending on how the entrepreneur perceives individual factors. The results showed us that on the base of the analysis of the five above-mentioned enterprises was found that almost all companies have established a subsidiary in the Russian market, or used the services of an intermediary. Even though the sample analyzed was in small scale, it can be described conclusion concerning the characteristics internationalizing Czech companies on the Russian market.

The main aim of the research was to identify the key success factors in the internationalization of companies on the Russian market. It is not possible to find out accurately what is a key factor in the successful internationalization, but we can say that one of the major factors is using the services of an intermediary, who knows the mainly Russian market as is written in the book of Machková (2006) and even Machková (2006) to this form of entrance also incline. In strong competition environment in the Russian market can survive now only those who already have some experience in trading and at the same time know specifics of Russian environment. Majocchi (2005) in his book emphasizes that for businesses are important experiences gained with foreign business operations. Other factors were the quality of products, the support of the Russian government and also the strict following of the rules in the Russian market, even at high bureaucratic burden. As stated Bose (2016), the basis for successful internationalization are especially the right strategic decisions on the timing of entering the Russian market. This statement also supports Fonfara (2011), according to him, the successful internationalization of the company may be relationships with other entities.

Another success factor was spotted to investment support from the Russian government. Katsikeas et al. (1997) defined the support of the Government as one of the areas of successful internationalization.

In order to fulfill the objective of the thesis, it was necessary to obtain primary data from companies operating in the Russian market. The chosen form of a half-structured questionnaire, however, has also disadvantages, which need to be mentioned. It is quite difficult and challenging way of obtaining primary data. Most companies are not willing to entrust important information in a thesis, on

the one hand, due to the time that the respondent must devote on the other hand fear of information leakage to competitors.

The aim was addressing about 5 companies, that after several days finally happened. Nevertheless, the research sample is smaller, we can not specify any conclusions and generalizations.

Questionnaire survey results, therefore, suggest that in the context of internationalization behavior of exporting companies are reflected fundamental principles of Uppsala model. Almost all companies are used by 4 steps according to Onkelinx and Sleuwaegen.

The first area that has been given attention is the motivation of enterprise internationalization. Based on the analysis was identified three factors that represent areas that may motivate the company to participate in internationalization. One of them is "*new potential market for their products*" where for the company is the internationalization process a way how to enter to new perspective market. The second factor was, "*low competition in branch*", which emphasizes low engagement a low offer by competitors, from we can conclude that for the given company becomes a potential market attractive temporarily. A final factor was, "*investment and development program*" that summarizes particularly proactive government policy to attract new investors into the country. Proactive government policy also mentions in his book, Harrison (2008). So, as mentioned by Rodriguez, Barcos and Alvarez (2010) in his book, also agree on motivators internationalization on of the individual companies. Almost all companies mentioned Russia as the new market for their products, possibility sales growth or see great potential in him.

The following step was quite fundamental. It was examined if companies are taking steps to analyze the Russian market. The results were very under my expectations. Three of the five companies responded negatively, as never carried out any analysis of the market. Company 5 added that the marketing tools the would come to the unimaginable cost, therefore they deducted that basic knowledge about Russian market should be sufficient. And the last two companies mentioned only two factors. The first of these two factors is an analysis of

the protectionist policy of the government itself alias, *Protectionist interventionist*'. Next factor was the analysis itself of competitors in the industry, and factor has been identified as, *analysis of competitors*'.

In the next step, they have detected areas that may pose to businesses resources of specific barriers that may discourage businesses from the internationalization of the Russian market. From the investigation, it was found out that one of the factors is *Protectionist policy of Russian government*'.

Another factor was a serious *insolvency of their buyers*' where companies feared of insolvency of its customers. Later this factor wasn't in most cases confirmed.

One of the last factors were, *duties and certifications*' that had a large impact on company 5, but at the final showed only as obstacle duty.

At last, *western sanction*', resulting in reduced export and is taken as one of the barriers of internationalization process. Of all these barriers Leonid identifies in his book.

Another area, which was devoted attention, was risks in the internationalization process. On the basis of the analysis was identified corruption that from the survey seemed like the biggest risk factor of internationalization process. Next, poor payment discipline, which may influence the company greatly and may result in extreme cases, for example, to ruin the company. With the commented risks also identifies Kubíčková (2013) and Pioras (2009) and also Machková (2006), which states that among the most common problems in connection with international business operations include unjustified withdrawal of business partner out of contract, unjustified no taking over of goods by customer, paying unwillingness or inability of the debtor to pay. A final risk can become a regulation by the state, which I consider one of the greatest risks, especially in such a volatile environment such as the Russian market, which also describes in book Kotler and Keller (2003).

## 6 Conclusion

Diploma thesis dealt with internationalization process on the Russian market. The main objective was to identify key success factors of selected Czech companies. Along with the main aim had been designated sub-objectives. One of the sub-objective was to evaluate the different aspects that make these companies successful in export activities. Another objective was the determination of competitors, fiscal barriers, and cultural differences.

Sub-objectives also include the specification of common features of exporting companies, among which I would put, for example, that companies do not arise solely for the purpose of trading in foreign markets, but entered the Russian market after some time after the establishment. A form of internationalization and export to the Russian market have chosen some time after the company was founded. Furthermore, its export activity started mainly due to higher foreign demand and efforts to increase sales. A final common factor was the use of the services of Czech exporting bank to ensure a financial return in case of unsuccessful internationalization. Companies also used provided services of EGAP or Czech Trade.

As it is seen from research, people can be surprised, that companies instead of direct export mainly used services of intermediators in order to reduce risk and financial costs related with exporting activities on minimum.

Last partial objective was to determine the competition, fiscal barriers, and cultural differences. Exporting firms moreless did not treat to the question as competitors and cultural differences because in their opinion it is very closely related to the market, even they were very enthusiastic about the Russian mentality. Only in one case did company analysis of competitors, but they didn't register any incidence of competitors in the branch.

Another important assumption was found that the company did not meet during their internationalization process almost any corruption activity. In the other way they have seen increased activity of government officials to provide best service to make internationalization process easier..

In the opinion of Russian companies is not a market at all damned, rather despite the negative news about the Russian environment, politics, and mentality, are in most cases Czech companies really excited about the continuous growth in sales and profits, thanks to incomplete saturation of the Russian market.

Finally, I would like to mention that the Russian market has unambiguously potential for the future development, but must, in particular to work on himself. In order for Russia to fully use its potential could forever change their policy and

set up this policy in unambiguous direction. Czech society constantly sees great potential in Russia, but they are afraid of the protectionist policies of the Russian government.

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## 10Attachments

### The questionnaire for companies exporting to the Russian Federation

What does your company do? Can you briefly describe it?

What are your products?

How long do you export to Russian market?

What were your motivation to enter the Russian market?

Have you did a detailed analysis before entrance to the russian market?

- Yes  No

If so, what results you achieved in your industry?

Could you just tell me please what form of entry you have used and why you used this strategy?

Were you forced to change the strategy of entering the Russian market during internationalization process?

- Yes  No

If so, what major change you made?

**What do you think helped you to succeed in the Russian market? What factors, the criteria for success had influenced you?**

**What fiscal or cultural barriers or risk had you perceived as the most influence your willingness to enter the market?**

And what you at the finall really affected you?

**What other economic, social or political risk had you perceived as crucial to your entering the Russian market?**

And what you at the finall really affected you?

**Had you perceive wide corruption in the Russian system, or other unfair practices (favor domestic companies, politics of president, protectionist measures of the Russian government, etc.)?**

Yes

No

**Have you been supported by Czech Trade, Czech Invest, EGAP, Czech export bank or other?**

Yes

No

If yes, how?