



Internship Report
Master in International Business

RUSSIAN MARKET INTERNATIONALIZATION: CERAMIFOR CASE STUDY

Aliaksandr Lasianok

Leiria, May 2017



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Internship Report developed under the supervision of Phd Vitor Ferreira, professor at the School of Technology and Management of the Polytechnic Institute of Leiria and co-supervision of *Paula Cardoso co-supervisor*, commercial coordinator at the CERAMIFOR.

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Resumo (in portuguese)

O desenvolvimento das tecnologias tornou o mundo "mais pequeno", promovendo o surgimento de conexões entre todas as partes do mundo. Sob tais condições as empresas tendem a envolver o processo de internacionalização expandindo-se para diferentes mercados, empurradas por vários objetivos e motivos. Os negócios e empresas internacionais têm tentado desenvolver uma estrutura ideal que permita às empresas evitar riscos e implementar a estratégia inicial mais apropriada. Entre as perspectivas mais populares podem ser destacadas: Resource based view, Transaction costs view, Institutional view, Uppsala model etc.

O trabalho baseia-se no estudo do caso da empresa CERAMIFOR, um fabricante português de equipamentos de indústria cerâmica e tratamento térmico. A empresa tem uma grande experiência de atividade em todo o mundo e agora está interessada em entrar no mercado russo para ampliar a base de clientes e melhorar o seu desempenho.

Uma análise cuidadosa do panorama russo permitiu identificar as tendências e dinâmica da economia do país, pontos cruciais na vida política e cultural. De acordo com as informações recolhidas, foram determinadas algumas características específicas da negociação com a comunidade russa. O banco de dados de clientes, incluindo a maioria das empresas da indústria cerâmica, foi organizado.

Concluiu-se que os resultados das abordagens teóricas conjuntas e a análise de mercado conduziram à apresentação de ofertas que consideram a estratégia de entrada potencial da CERAMIFOR no mercado russo.

Palavras-chave: Internacionalização, Modos de entrada, Mercado russo, Indústria cerâmica, Tratamento térmico, Cultura, CERAMIFOR

Abstract

The development of technologies made the world “smaller” fostering the emergence of connections between all parts of the world. Under such conditions companies tend to evolve into internationalization process expanding to different markets, pushed by various goals and motives. International business and management have been trying to develop ideal framework allowing companies avoid risks and implement the most appropriate entry strategy. Among the most popular perspectives we can highlight the Resource based view, Transaction costs view, Institutional view, Uppsala model, among others.

The work is based on the case study of CERAMIFOR company, which is Portuguese producer of heat treatment equipment. The company has a large experience of world activity and is now interested in expanding into the Russian market to widen customers’ base and improve performance.

Careful analysis of the Russian environment allowed to identify trends of the country’s economy movement, crucial points in political and cultural life. According to collected information specific characteristics of the negotiation with Russian community were declared. Customers’ database including most of companies from ceramic industry was organized.

Concluding, results from joint theoretical approaches and the market analysis led to suggestions for CERAMIFOR potential entry strategy, which we think should focus on Export.

Key-words: Internationalization, Entry modes, Russian market, Ceramic industry, Heat treatment Culture, CERAMIFOR

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List of acronyms

GDP – Gross Domestic Product

GCI – Global Competitiveness Index

IPLC – Internationalization Product Life Cycle Model

RBV – Resource-Based View

FDI – Foreign Direct Investments

TC – Transaction Costs

OLI – Ownership-Location-Internalization

IMF – International Monetary Fund

EFI – Economic Freedom Index

EDBI – Easy Doing Business Index

APKSM – Association of manufacturers of ceramic wall products

APKM – Association of manufacturers of ceramic materials

SME – Small-Medium Enterprises

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1. Introduction

The current internship report is a case study of a Small and Medium Enterprise internationalization process. It presents the company CERAMIFOR Case and how its expansion to the Russian market was developed. The issue of internationalization remains a significant topic in management and international business studies. The main goal of these studies is to consider and unite all the factors which may affect a company choice of future foreign activity and following actions focused on it. Pursuing that aim, existing researches encompass theoretical and practical observations of companies' activity considering different home and host countries, various industries and sizes, type of production, its innovativeness, employers experience and managers' tempers etc. The object of our study is a company - CERAMIFOR – a Portuguese producer of heat treatment equipment with a large experience in international activity and the company's entrance in the Russian market. The relevance of the topic relies not only on a pragmatic interest of the company's management but on the scientific curiosity about differences between West-end and East-end Europe cultures and possible ways of negotiation.

From the beginning researchers consider the necessity of international negotiations on the basis of countries' relations. It has promoted first concepts of international trade, such as mercantilism, theory of absolute costs advantage, theory of comparative advantage etc. Following criticism and development of scientific thoughts led to emergence of many various approaches, while none of those can be declared as the most satisfied.

Although there isn't a perfect internationalization theory that gives a complete answer to managers on how to proceed and the existence of additional risks facing outside home-market, managers have to decide to internationalize based on several reasons. Motives push companies to take a risk, while an extent of the risk is determined first of all by chosen appropriative host-market. Accurate and careful analysis of future location allows to evaluate its pros and cons, assess the benefits and prepare to uncertainties. Finally, according all collected information and pursued goals, the most coherent strategy can be defined and implemented.

The current work is organized as follows. Section 2, describes the concepts of internationalization, considering existing researches about motives and location choice. Then, the origin and development of essential internationalization theories is presented. The third chapter lists all possible research methodologies and defines the most appropriate. The Russian market analysis is presented in the fourth chapter, it encompasses economic, political, legal and cultural aspects. Brief description of CERAMIFOR and its previous activity are provided. Taking in account all theoretical and practical data suggestions about Russian market penetration are made. Conclusion collects and highlights obtained results.

2. Internationalization

During the last centuries humanity has been showing marked progress in the technical and technological development. Emergence and following improvement of land and air vehicles, discovery of telephone and mobile connections, the internet breakthrough etc. - all these things has made the world “smaller”. The ability to send and receive information fast and simply allows people share their knowledge and experience making interconnections between countries and cultures. Respectively, business aiming for higher profits have accelerated the penetration in other countries’ markets what implied internationalization of business activities.

2.1.1. Motives of internationalization

When going abroad companies always face uncertainty: different laws, cultures, languages and etc. Basically, host country market is full of new information and managers which are not familiar with that have to make decisions according to their imperfect perception and remote assessment of the foreign environment. All those and other factor affect the business activity with additional risks and can lead to the losses of time and capital (Kraus et al., 2015).

Thus, if a company decides to take an additional risk it should be guided by some significant motives. To define what moves the decision to go abroad is rather complex since it is difficult to take into account all the factors that may influence a company. Accordingly, when investigating that topic researchers usually use common concepts but with blurred frameworks. The most systematic and ordered definition is presented by Czinkota and Ronkainen (1995) who divided all the motives between “Proactive” and “Reactive”.

Proactive motives mean internal changes of a company and its attempt to realize them via internationalization in the most profitable way (Czinkota, 2004). Among them, the following can be highlighted:

- Profit and growth goals – desire to reach more profitable markets and increase obtaining revenues and profit;
- Managerial motives – employer’s enthusiasm that reflects the will to work in a company working internationally;
- Foreign market opportunities – ability to receive desirable resources or activities via access to a foreign market;
- Economies of scale – ability to diminish company’s costs expanding its business activity;
- Tax benefits – enter to a market with lower tax rates to get higher profit (Zekiri, 2016).

Reactive motives work as responses to the changes of an environment, i.e. those are company’s endeavors to adapt to a new condition (Czinkota, 2004). Some examples can be identified:

- Competitive pressure – fear of losing some markets to a rival company may lead a company to follow competitors abroad;
- Small and saturated home market or overproduction/excess capacity – market can be insufficient to realize company’s potential in production and economies of scale;
- Unsolicited foreign orders – good marketing activity can provide a company with external orders what foster the internationalization process;
- Proximity of cultural and geographical distance – foreign customer can be perceived as local one, because of psychological and location similarities (Zekiri, 2016).

To conclude, internal and external conditions form environment for a company what provides it with motives to act in that or other way. So, motives structure a base for decisions which manager make, respectively, they should be considered accurately to understand correctly an order and goals of a company’s movements and to be able forecast their consequences.

2.1.2. Location choice

Influenced by different motives a business’s management team decides to initiate an internationalization process thus facing factors that will have an impact on the company

future. The first of the issue is choosing the right location. The process of separation should correspond to a company's goals, so management has to have a more or less clear perception of the conditions in which markets works under. The most reliable way to reach this is to conduct the analysis of the country's environment. In common an environment can be divided by political, economic, legal and cultural areas (Czinkota, 2004).

The first factor is significant, because politicians' power leads a country to a certain direction. Respectively, all changes that may influence operations now and in future are connected with political decisions. The definition of a political environment can be done through the analysis of political decisions and movements (Zekiri, 2016).

The economic factor reflects the general state of economy and allows the evaluation of total market capacity, potential demand, appropriateness and simplicity of entry in the market. The assessment can be done using well-known macroeconomic parameters (GDP, total production of a good and etc.), different complex indexes (The index of economic freedom, GCI and etc.) and their individual components (Zekiri, 2016).

The legal environment of a country determines current legal restrictions for market entry or exit and describe the extent of business safety, the meaning of the legal power in a country and if a manager should rely on it. For this type of investigation, indexes describing corruption and crime costs for a business and parameters characterizing business' start-up and paying tax level, are some useful resources (Zekiri, 2016).

Market entry strategies also imply communication with people from different cultures. Culture affects all the aspects of human activity, sets up norms and guide humans behavior. Accordingly, it impacts the way of doing business and the way of negotiating. Thus, to be ready for conducting business in another country, it's better to recognize cultural differences in advance. The most popular approaches for culture evaluation are Hall's and Hofstede culture dimensions that describe country's culture from various perspectives (Zekiri, 2016).

All the factors above help to increase a manager's awareness of new circumstances. A carefully composed analysis about each of the potential markets create a full picture and provide the possibility to choose the best option for future development.

2.1.3. Main entry modes

The choice of entry mode is the second most crucial question when a manager decides to widen the company's potential market abroad, because it is the point where all following decisions will start from. As Hill, Kwang and Kim (1990, p. 117) have mentioned: "entry mode that a multinational company chooses has implications for how much resources the company must commit to its foreign operations, the risk that the company must bear, and the degree of control that the company can exercise over the operations on the new market."

There are some main entry modes, each of them with its strengths and weaknesses. Accordingly, a company expanding should evaluate its background, history, capabilities, possible obstacles and risks, then determine more appropriate approach. That process is vital for the successful running of foreign operations. Expansion into a foreign market could be achieved through the following mechanisms: *Exporting, Licensing, Franchising, Joint Venture and Direct investments* (Zekiri, 2016).

Exporting is the easiest way of foreign extension which implies direct sales of a domestic-produced good in another country. It can be divided by "direct" and "indirect" exporting, former refers to the direct contact between producer and end-customer, latter binds with sales via local agent. Exporting differs in low level requirements in investments and high level of control, what reflects in low risk value. "Therefore, exporting is appropriate when there is a low trade barrier, home location has an advantage on costs and when customization is not crucial" (Zekiri, 2016, p. 12).

Licensing is one of the contractual modes and stands for an agreement according to which licensee pays to licensor a negotiated fee for the right to use his intangible resources and to receive technical assistance. That mode allows to get more internal information about the market and almost not requires investments from the licensor. However, existence of licensee decreases the level of control. It can be concluded "that licensing is appropriate if there is a well codified knowledge, strong property rights regime, and location advantage" (Zekiri, 2016, p. 12).

Franchising is another contractual mode that is similar to licensing. It equally considers making an agreement between franchiser and franchisee, while latter pays to former a royalty fee for obtaining of the know-how. That mode varies from previous only in the perception of control, because requires franchisee to obey certain rules of operating business (Zekiri, 2016).

Joint-venture implies investment in a foreign country. An extending company receives a part of the ownership in a local company (via purchase of equities etc.). Obviously, it reflects higher costs but also in improved ability to learn from your partner and benefit from his experience of a local market. Thus, partners share risks and benefits. “Joint Venture is appropriate when both parties contribute hard to measure inputs, and if they expect large mutual gains in the long run” (Zekiri, 2016, p. 13).

Direct investment implies full ownership in a foreign company – including employees, tangible and intangible resources. That approached is divided by “Acquisition” and “Greenfield”. The former implies purchase of a foreign company, while the latter – set up of a new company from the foundation. High level of control and ability to benefit more are provided by extremely high level of investments. To conclude “that Acquisition is appropriate when the market is developed for corporate control, the acquirer has high absorptive capacity, and when there is high synergy, whereas Green field entry is appropriate when there is lack of proper acquisition target, in-house local expertise, and embedded competitive advantage” (Zekiri, 2016, p. 14).

2.2. Internationalization theories

2.2.1. International trade theories as the root for internationalization

Throughout history manufacturers have been fostering the growth of benefits from their goods, through production and sales activities to increase their own wealth. Countries have been following the same path to improve their national welfare along with the economy.

International trade was gendered at the rise of the human history. The Chinese Silk Road, trade route from the Varangians to the Greeks, enlargement of trade via Roman expansion and Portuguese discoveries – all these are evidence of an international trade activity. Local economies of the feudal lords together open the way to the growth of countries' economies, so the time to examine trade between them deeply came. For some, it is rather difficult to determine the starting point for the internationalization. However, we can state that 16th century was distinguished in revolutionary processes in science fired up by Renaissance epoch, and the most valuable theories has emerged in that time. Some of those theories considered international trade activity what has become an engine for future internationalization. The first block of the theories which explain the economic behavior has obtained the name “Trade theories” because mainly it was focused on export/import operations (Dorobat, 2015).

The main theory which was followed by most countries in their international activity during 16th, 17th and 18th centuries was *mercantilism*. The main idea was that to increase its welfare a country has to increase its quantity of precious metals. Thus, international trade, via raised of exports and prevention from imports, was the perfect way to reach this goal. To conclude, that model provided a zero-sum game, in other words the winner gained its profit from the looser. However, following inflation has diminished popularity of that model (Herlitz and Lars, 1964).

Next marked development of the trade theories was reflected in the Adam Smith (1776) model named *absolute cost advantage*. The distinguishing features of the model were: possibility of mutually beneficial positions of the traders and considering the production factor “labor”. The core idea of the model is that each country has an absolute advantage in labor costs in the production of some specific goods. So, applying specialization, focusing on the production of that good and establishing trade relationships, both countries can maximize their productivity and increase total production. The presence of an absolute advantage as necessary condition has stimulated further evolvment which has led to the *comparative advantages model*.

David Ricardo developed that model and introduced the term “opportunity costs” which was the “corner stone” for it perception, still using the one production factor as the determinant.

Ricardo suggested that even if a country doesn't have absolute advantages in the production of a specific good, it can have comparative advantages, which could lead to matching opportunity costs. In that case, a country has to pursue the production of a good with less opportunity costs trading with it with a foreign partner which has higher opportunity costs for that good (Maneschi and Andrea, 1998).

The existence of other factors engaging in production processes stimulated scientific thinking and other models were developed. The Heckscher-Ohlin model was developed by Swedish economist Heckscher and his disciple Ohlin, which have presented it in 1920. That theory was narrowed and further formalized by other researchers, but it maintained the original name. Among the researchers participating in the development of the model it is worth to name Samuelson (1948) and Vanek (1962). In addition, some important theorems were derived from *Heckscher-Ohlin model* (Leamer, 1995).

This model considers any country's production as a combination of two of the production factors (Labor, Capital). Moreover, it assumes that each country has an excess of one factor and the lack of another. Thus, following that assumption countries tend to internationalize their activities, what's more they foster to export goods which require more intensive usage of an abundant resource and import the goods which are manufactured from the rare one. The results of those countries cooperation are presented in the different theorems and predict the growth of production the good requiring prevalent factor, equalization of the factors' prices and redistribution of the benefits between actors in both countries.

The theory has since been criticized by other researchers. The researchers have pointed its low predictable power, considering low quantity of the factors, failure of the factor price equalization (Trefler and Chun, 2010).

2.2.2. Internationalization product life cycle model

The next marked step of international trade theories was presented by Raymond Vernon (1966) in the classical location model or *internationalization product life cycle model* (IPLC). As Vernon stated (1966, 190), "basic concepts have rarely failed to provide some help, they

have usually carried the analyst only a very little way toward adequate understanding”, emphasizing what stimulated researchers to keep on the search of more appropriation models (Vernon, 1966).

The core idea of this theory is the innovativeness of a new product. USA’s market and companies were chosen as the main examples and patterns to explain the model, highlighting the technological advantages of the developed countries. The theory describes the behavior of companies during different phases of the manufacturing product life cycle. It shows the internationalization process, from domestic production to import, focusing more on the uncertainty avoidance, economies of scale and timing innovations rather than comparative costs idea (Vernon, 1966).

So, Vernon has stated that local producers of any market are more interested in the possibility to promote a new salable good in that market than in foreign ones. Simple access to capital and high level of potential demand among consumers which seek for up-to-date technologies to reach the success in developed environment, facilitate and ensure production process. Moreover, at the introducing stage of any product producer should:

- 1) manufacture close to the aim market
- 2) have a great flexibility, because of the still unstandardized product
- 3) have great contact with consumers.

Taking into account these factors, Vernon suggests companies should develop primary facilities in the home country.

The next phase is maturity. In this phase, demand in developed countries should grow. Correspondingly, the standardization of production and its volume in the home country should rise as well. During this stage firms avoid foreign investments as long as the marginal production cost plus the transport cost of the goods exported is lower than the average cost of prospective production in the market of import, but then make a step. (Vernon, 1966). Thus, other developed countries engage in production processes via subsidiaries.

Final phase is named “Standardized product” and consists of the existence of high amount of production capacities and highly standardized process. In this phase, economies of scale are

fully exploited, differences between manufacturing in two locations are presented just by labor costs. Pursuing costs reduction producers will invest in developing countries that have cheaper while less qualified labor forces. From that time import fully replaces export of the product in the home country (Vernon, 1966).

2.2.3. Resource-based view

From our previous discussion, the perception that some kind of advantages are necessary for successful trade activity has been obvious since long time ago (mostly the cost advantage was considered the most relevant one). Nevertheless, other sources of advantage have been vastly studied (Barney, 1991).

The models presented before 1980s mostly has considered obtainment of a competitive advantage from certain external environment characteristics (Porter, 1980). However, a shift of attention to the internal company's resources has fosters *the resource-based-view (RBV)* of the firm.

As stated before, the main sources of the competitive advantage for the company were considered internal resources “including all assets, capabilities, organizational processes, firm attributes, information, knowledge and etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness” (Draft, 1983). Following the assumptions of heterogeneity and immobility of resources, there are 4 characteristics which they must possess to provide a company with competitive advantage: value, rareness, imperfect imitability and non-substitutability.

Value of a resource reflects its ability to increase a company's activity effectiveness through exploitation. Rareness is also a vital characteristic, therefore widely spread resources could be accessed by most companies, proving no competitive advantage. Imitability and non-substitutability are required to prevent obtaining of the same or similar resources by rivals, avoiding the loss of a company's advantage uniqueness (Barney, 1991).

As it was stated before, the main decisions in RBV are made via the analysis of an advantage-gaining recourses and their possibility to be moved (along the boundaries of a company, country, etc.). Entry mode decision is not an exclusion. Accordingly, Sharma and Erramilli (2004) emphasized 4 points for a company to build its internationalization strategy on:

1. likelihood of the firm establishing competitive advantage in production activities in the host country,
2. likelihood of the firm establishing competitive advantage in marketing activities,
3. ability to transfer advantage generating production resources to the host country and
4. ability to transfer advantage generating marketing resources to the host country partners.

The relations between those factors and choice of entry mode are presented in the table 1

Table 1: Relations between factors and mode entry choice

Mode of entry	Parameter	Establish Production	Establish Marketing	Transfer Production	Transfer Marketing
Indirect export		Low	Low	Low	Low
Export via owned channel		Low	High	Low	Low
Export via partner channel		Low	High	Low	High
Licensing/ Franchising		Low	Low	High	High
Joint venture		High	High	One option is high another is low	
Wholly owned subsidiary		High	High	Low	Low

Source: elaborated by author on the base of Sharma and Erramilli (2004)¹

RBV has since been criticized for tautology in some definitions, stativity etc. Nevertheless, it has contributed a lot in the international business study constituting the base for a wide range of its topics and “underlying the theoretical and competitive logic” for international

¹ Sharma, V. and Erramilli, M. (2004) Resource-Based Explanation of Entry Mode Choice. *Journal of Marketing Theory and Practice*. 12 (1). pp. 1-18.

business research (Peng, 2001). So, it is still acknowledged as one of the most influential and cited theories in the history of management theorizing.

2.2.4. Market imperfections theory

The *market imperfections theory* has allowed to look at the investments' movements from a different perspective. Hymer (1960) was one of the pioneers who established a systematic approach towards the study of FDI (Nayak and Choudhury, 2014). Developing the theory, he distinguished the ways and motives which promote the Portfolio Investments and Direct Investment in foreign countries, and stated that the latter is unlikely connected with interest differences between home and host countries. His work was based on the analysis of American and European companies' investment activities and was latter supported by Vaitos (1974), Cohen (1975), Caves (1974) and other researchers.

Its main assumption is the imperfection of market conditions. A perfect market requires many necessary factors, among which are homogeneity of the products, perfect information availability, free market entry/exit and so on. If at least one condition is not satisfied – a market is imperfect. The obvious conclusion is that all the world markets are imperfect and managers have to take it in account. In conclusion, the author promoted FDI entry through company's international activity.

To explain the motives of direct investments Hymer (1960) has used the concept of control and listed 3 reasons that influence the degree of control:

- 1) Elimination of competition between companies in different countries;
- 2) Full exploitation of a company possessed advantage;
- 3) Diversification.

Generally, when going abroad a company faces disadvantages when comparing with home producers because of market differences and imperfections, which increase the risk of losses. So, by implementing fuller control managers aim to decrease the risk and maximize revenues. Nevertheless, Hymer considered the possibility of licensing, but stressed its flaws as

decentralized decision-making process, complexity of the output control an etc., what can lead to profitability loss. Correspondingly, according to the market imperfections theory FDI retains the most useful way of internationalization, while export/licensing are possible as well via external host country environment analysis (Hymer, 1960).

2.2.5. Transaction costs theory

Transaction costs (TC) theory is based on the assumption that the main factor which benefits a company's performance is its advantage in costs i.e. costs' minimizing. Williamson in his work (1985) has pointed the costs arising via market activity. Williamson discussed the link between costs and decision of producing/ buying a good. Other authors considered TC influence on the mode of entry choice and in the internationalization process in general.

TC takes into account the assumptions of "opportunism" and "bounded rationality", linked with market imperfection. Most of the risks that a company faces are connected with the growth of costs (which are at the base of the theory). Anderson and Gatignon (1986) examined how TC influences a choice of mode entry and identified 4 factors that should be assessed through that choice: assets specificity, external uncertainty, internal uncertainty and free riding potential.

When considering assets specificity, we should take into account that it can be determined by two factors. If the assets that a company is going to build abroad are a result of high level of scientific research and development, their transfer to a partner can greatly increase the costs, so a company should maintain a high control. When company sells the goods to the end-customer another situation arises. A company may spend a lot of time to discover the unknown culture, so having a partner with a lower control mode would be preferable. The last component is product maturity. As it was mentioned before matured products are well-known and need mostly standardized processes apply, so the low control and cheaper mode of entry is more useful (Anderson and Gatignon, 1986).

External uncertainty is presented by country risk and should be considered jointly with assets complexity. A high extent of risk magnifies the necessity of control (especially when in a bound with high assets' complexity) (Anderson and Gatignon, 1986).

Internal uncertainty is related with the ability to accurately evaluate an agent performance, avoiding subjective judgments and additional costs likelihood. So, a higher control mode is needed when it is hard to correctly evaluate performance. Sociocultural distance is included in this "internal uncertainty" dimension, thus when this distance is low it decreases the necessity of control (Anderson and Gatignon, 1986).

The last factor is free-riding problem that occurs when an agent can gain benefits without bearing the costs associated with these, so directly connected to opportunism. Generally, the problem arises, while a company as a well-known brand, in this way the high control mode is desirable (Anderson and Gatignon, 1986).

Getting support from some researchers (Brouthers, Brouthers and Werner, 2003; Brouthers, 2002) and criticism from others (Meyer and Peng, 2005; Erramilli and Rao, 1993) the transaction costs theory is one of the most commonly used theory within the internationalization studies.

2.2.6. Innovation-related theory

Innovation-related theory refers to the step-by-step perception of an internationalization process of a company. The core concepts were developed by different authors, such as Bilkey and Tesar (1977), Cavusgil (1980), Reid (1981) and Czinkota (1982). These studies main assumptions are the same but differ in details.

The theory considers company's "learning sequence in connection with adopting an innovation". In other words, the internationalization decision is considered as an innovation for the firm (Andersen, 1993). Basically, the model illustrates internationalization as a stage process. On each stage a company makes some decisions and receives feedback. The motives which incite those decisions are divided by "pull" (internal) and "push" (external)

mechanisms, that vary their significance depending on an author. Evaluating the result the company can make a move to the next stage if it will be considered as satisfactory.

As it was mentioned before, despite the central concept being the same, different scholars highlighted different quantity of stages and adapted their explanation. However, it is possible to extract the main idea. The first stage reflects absence of export and sometimes even interest within a company to go abroad. Each the next step augments the company's involvement in internationalization process leading usually to a large volume of resources committed into foreign market and ensured by accumulated experience and knowledges.

Despite the evolution of the model that was based on the empirical studies, analyzing manufacturing companies from different countries and sectors, it was criticized by various researches. Among its main limitations, we find low extent of explanatory power, vague theoretical boundaries, low attention to the theory testability and etc. (Andersen, 1993). For sure it gives an impetus to the next development of the model.

2.2.7. Eclectic paradigm

The development of transaction costs theory has led to the creation of *the Eclectic paradigm* (or OLI theory) which was presented by John H. Dunning at the Nobel Symposium in 1976. Despite Dunning claiming that his approach mainly focuses on “explaining the international production of all firms from a country or group of countries” and not on the individual firm internationalization (Dunning, 2001), the theory retains significant value for internationalization studies.

Research examined international activity of American companies in Great Britain in 1950th within the framework of his work Dunning's framework. Dunning observed the differences in production effectiveness between home and host countries' factories as well as between the main factories and their affiliates. Considering this he assumed the existence of two types of advantages that companies might have from various assets– he called them Ownership-advantages and Local-advantages. Afterwards, Internalization-advantage was added to make

a “sustainable tripod” in the Eclectic paradigm. Thus, those three factors construct the core of the OLI approach (Dunning, 2001).

The name of each factor refers to its meaning. So, Ownership-advantage is formed when a specific set of assets only belongs to one company. They distinguish that company from others and they could augment its competitiveness both in the home market and in the foreign one. That advantage could be transferred across a company’s borders and moved to affiliates without (or with some extent of) reducing of its effect (Dunning, 2001).

A Location-advantage is linked with particular territory features. Those features influence performance of all actors placed inside the borders of the territory in a positive or negative way. Since that factor relates to an area, its effect cannot be transferred outside the area’s borders and possibly be varied via local social, political and economic changes (Dunning, 2001).

An Internalization-advantage emerges from the benefits which a company can get when developing more activities by itself without other actors’ involvement. Through a vertical or horizontal extension, a company can shorten costs what enlarge its competitiveness at a market (Dunning, 2001).

Combining the OLI bundle from different assets and at the same time assessing the strength of competitor bundles companies decide the strategy that they may use within the internationalization framework. Dunning highlighted 3 ways of acting outside the country, dependent of OLI analysis– export, licensing and FDI.

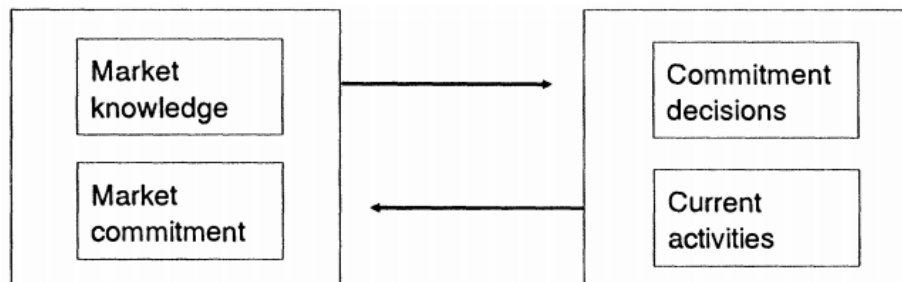
Considering modern trends and replying the colleagues’ criticism for the variables interdependence, the model’s static and etc., Dunning has been developing the model and trying to follow modern tendencies, thus extending OLI theory by applying Investment Development Path, the importance of non-equity alliances and relational assets (Dunning, 2001).

2.2.8. Uppsala model

The most well-known internationalization model is based on the works of the Uppsala University researchers Johanson, Vahlne and Wiedersheim-Paul. The researchers developed a dynamic model which explains the progress of internationalization. The model *Uppsala model* is presented in Figure 1.

Taking in account the existence of some obstacles while the company is expanding abroad, the authors concluded that main drawback to reach the goal is the lack of necessary experiential knowledge. Mostly that gap is based on the physical distance which provides differences between home and host countries in language, education, business practices, culture, and industrial development. (Johanson and Vahlne, 1977)

Figure 1: Uppsala model of internationalization



Source: Johanson and Vahlne (1977)

To explain the model Johanson and Vahlne used 4 interconnected concepts: market knowledge, commitment decisions, current activities and market commitment. As it was mentioned above lack of experiential knowledges is the main obstacle while company is going to a foreign market. Therefore, the quantity and quality of market knowledge influences uncertainty as well as risks via better/worse perception of possible problems and opportunities. Obviously, commitment decisions appear as a response to the current environment which is characterized by those potential problems and opportunities. Taken decisions are reflected in following actions and activities and manage them. Activity in turn always links with some resources. Market commitment stands both for quantity of resources involved in certain market and the extent of their involvement. Accordingly, changes in

current activities directly affect current market commitments. In this way, a company increases market knowledge through experience in certain market and proceeds to the next level when it accumulates knowledge (Johanson and Vahlne, 1977).

When assessing entry modes through the framework of the model, the authors propose the evolution from low-commitment to high-commitment approaches in the following sequence: absence of export, export, export via agents, establishment of an overseas sales subsidiary and overseas production unit. Each step is going along with incremental growth of a market knowledges (Johanson and Wiedersheim-Paul, 1975). Further development of the model included licensing and joint venture.

Johanson and Vahlne have found some empirical confirmation of the model when studying the internationalization of Swedish companies (Johanson and Vahlne, 1977), likewise in previous works of other researchers investigated different industries and countries (Behrman, 1969; Vaupel, 1971).

The model was criticized for lack of explanatory power, delineation of the theoretical boundaries, connection between empirical and theoretical parts an etc., it benefits from a general acceptance in the prevailing literature, and it is still being used as a theoretical basis for empirical analyses (Andersen, 1993).

2.2.9. Institutional theory

Despite of their wide application, the resource-based view and transaction costs theories were strongly criticized for the lack of attention to the context in their frameworks. This was one of the main reason of the emergence of a totally new model named *Institutional-based theory*. Thus, researchers tried to join that approach with RBV and TCT benefiting from it (Peng, 2009).

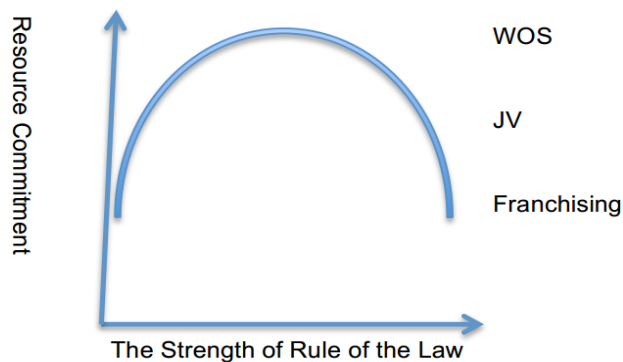
The basic concept which reflects in institutional theory is the idea of institutions. Different researchers provided various definitions for that phenomenon. North (1990, p.97) defined it as “the humanly devised constraints that structure human interaction,”, sociologist Scott

(1995, p.33) defined them as “regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior.” In the common words institutions mean “rules of the game” in the host country and form its internal environment, what have to be taken in account by investors.

Sternquist and Huang (2007) have made a contribution in the business strategy science linking in their article choice of a company entry mode to a foreign country with institutional theory. They considered the same concepts proposed by Scott look at institutional conditions from the different points of view. Thus, regulative, normative and cognitive branches influence was shown analyzing a manager’s process of making decision going abroad.

Regulative dimension refers to legal and political factors. On one side, government may use those factors to prevent and reduce foreign companies’ activity in a country, on the other side, the same sources lead to stable economic environment protecting rights and property of all actors. Sternquist and Huang offered the relation between the dimension and entry mode, which is drawn in the Figure 2.

Figure 2: The strength of rule of the law



Source: Sternquist and Huang (2007)

Hence, poor legal environment is too unsafe while strong legal frameworks are very restrictive, which is why in those cases a less committed entry mode is preferable. Medium level of commitment show a perfect combination of the regulation and commercial freedom and entry modes with more control allow to benefit more (Sternquist and Huang, 2007).

Normative dimension means norms and habits, distribution of social roles and etc. Generally, those factors differ more as the cultural distance between foreign and home markets

increases. Accordingly, a company should choose high control mode if the distance is small, while low control if deals with higher distance. In a case when adaptation is evaluated as a long-term applying of the local partner facilitate increase company's performance (Sternquist and Huang, 2007).

The cognitive dimension reflects a company's perception of the former entry-decisions and analyzes the likelihood of their successful implement in the future. Within that dimension's framework management considers previous entrances implemented by their own company likewise rivals' extant to the foreign markets. If some similarities between markets have defined and internationalization process was successful, management tend to apply the same approach (Sternquist and Huang, 2007).

2.2.10. Network based theory

Considering questions of distinguishes and variety of their profitability among businesses, companies were considered as separated entities which benefit from competitive advantages from external and internal environment. The ways to receive advantages in internationalization have taken in account resources, market and costs' factors, institutional environment and company's experience. However, Johanson and Mattsson (1988) have developed a new view which considered a company bonded in a bundle with other companies by social and business relationships forming a network.

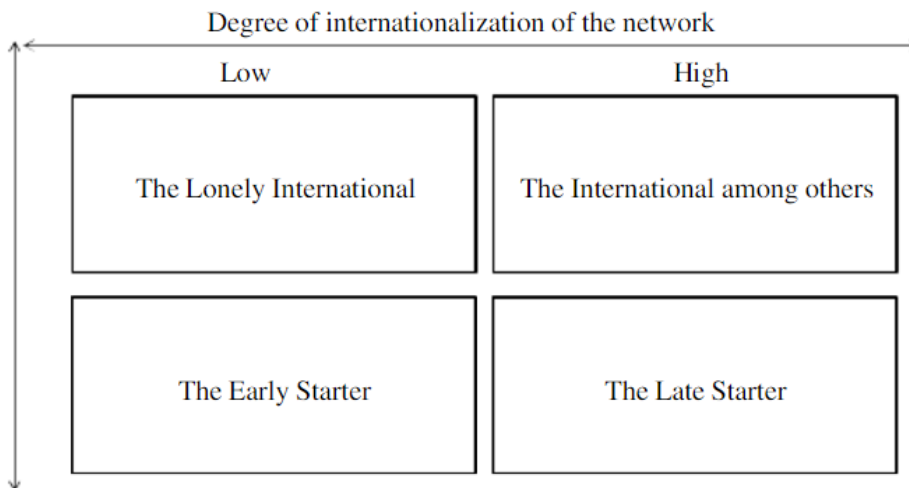
As each person is connected to his friends and relatives so every company is linked to its suppliers, agents, competitors, and other units. Those links are conducted via communication between organizations and their management's mutual social and business activity. Thus, existence of such kind of relationships implies presence of trust and joint goals, a network can be used to benefit by all its participants. Members have an opportunity to share their knowledges, experience, technologies benefiting and receiving an advantage at the different markets (Johanson and Mattsson, 1988).

Through the framework of network based perspective internationalization is considered as an evolutionary process which divided in three steps: 1) market extension – the stage of a

new market analysis and search of a company place on it; 2) Market penetration – enlargement of company’s commitments and network building; 3) International integration – using of the network to increase company’s presence on the market (Johanson and Mattsson, 1988).

The preferable internationalization approach is determined by combination of two factors: company’s internationalization level and network’s (market’s) internationalization level. The former refers to the total company experience at the certain market while the latter means the total activity of international organizations (including competitors, suppliers and etc.) at the market. Those factors matching combine four different types of firms: the early starter, the lonely international, the late starter and the international among others. The next figure is drawing the relationships between factors and types of firms:

Figure 3: Relation between the factors and firms’ types



Source: Johanson and Mattsson (1988)

Each type usually tends to use certain modes of entry considering pros and cons of its market position. So, “the early starters” prefer expand through the agents, “the lonely international” can use opportunities of more complex and expensive entry modes benefiting from its highly competitive position. The late starters act in a highly competitive international environment while have hardly valuable links to a local network. So, they pursue the goal of high coordination and should to establish sales subsidiary as fast as it possible starting from the less commitment modes. The last type of the firms is internationalized well equally to the

local network. It means higher integration and interdependence between most of the market participants. Accordingly, the companies can benefit more via implement of their own local sales and production subsidiaries, making their influence stronger and pushing rivals harder (Johanson and Mattsson, 1988).

2.3. Conclusions

The strategic management has passed a long way of development while scientists evolved a large scope of approaches to resolve the one of the main issues of management – internationalization. From the feudalists' economy to modern one scientific method have been trying to consider newer influencing factors and construct more effective models. As it was mentioned before those factors included stages of production cycle, internal resources, market characteristics, institutions and etc. However, the perfect model still is not existing.

That work is based on the case study of the company CERAMIFOR. In the fourth chapter, we will apply all the considered approaches to the current case study and will determine results for each. Then, a mutual solution based in the theories will be conducted and complemented with practical conclusions received.

3. Research Methodology

This chapter introduces the research methodology used in this work. The concept of the research strategies will be considered from different points of view and will be briefly described.

The process of choice one or other strategy will be presented, then justification of the case study methodology applying within the thesis will be introduced.

3.1. The meaning of «Research methodology»

First of all, to correctly understand the term it would be better to reply the question «What is a research? ». The word research is composed of two syllables, «re» and «search». The dictionary defines the former as a prefix meaning again, anew or over again and the latter as a verb meaning to examine closely and carefully, to test and try, or to probe. Together they form a noun describing a careful, systematic, patient study and investigation in some field of knowledge, undertaken to establish facts or principles. (Grinnell, 1993, p. 4)

Burns (1997, p. 2) defines research as «a systematic investigation to find answers to a problem», while Redman and Mory (1923, p. 7) define research just as a «systematized effort to gain new knowledge». Kerlinger (1986, p. 10) emphasized that «scientific research is a systematic, controlled empirical and critical investigation of propositions about the presumed relationships about various phenomena».

It is worth to return to the second part of expression and figure out what «methodology» means. Following the ideas of Irny and Rose (2005) methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. Typically, it encompasses concepts such as paradigm, theoretical model, phases and

quantitative or qualitative techniques. According to the Webster's dictionary², methodology is determined as « a body of methods, rules, and postulates employed by a discipline : a particular procedure or set of procedures» and « the analysis of the principles or procedures of inquiry in a particular field».

Considering the different views, it's possible to state that research is a primarily systematic action which is focused on the exploration of the core of some phenomenon, using different scientific meanings, methods and techniques which are based on the existing facts, aiming to discover the truth. Kothari (2004, p. 4) verified that determining the main purpose of research as «to discover answers to questions through the application of scientific procedures». Actually, as it was mentioned the methodology represents all scientific tools and is responsible for gathering facts and evidence.

3.2. Research strategies

According to Kothari (2004) the methodology is a way to systematically solve the research problem or a science of studying how research is done systematically. The idea implies steps what are implemented by researchers and the logic behind them. So, it comprises methods and means of data collection, ways of calculating and concluding results.

To choose the strategy what will be coherent with our study we will list the most common methodology strategies.

According to Yin (1994) there are 5 main research strategies which you can choose between. Each of them has its own advantages and disadvantages depending the certain cases. Yin has emphasized: experiment, survey, archival analysis, history and case study. We will present the different strategies.

Following the Ross and Morrison (2003) we can conclude that *experiment* is manipulation of one or more variables by the experimenter to determine the effect of this manipulation on

²Merriam-Webster (2017) *Methodology*. [Online] Available from: <https://www.merriam-webster.com/dictionary/methodology> [Accessed: 24 March 2017]

another variable. The researchers have highlighted that experimenter's interest in the effect of environmental change, demanded designs using standardized procedures to hold all conditions constant except the independent (experimental) variable. This standardization ensured high internal validity (experimental control) in comparing the experimental group to the control group on the dependent or «outcome» variable.

Following De Leeuw, Hox and Dillman (2008, p. 2) «a *survey* can be seen as a research strategy in which quantitative information is systematically collected from a relatively large sample taken from a population». Kraemer (1991) emphasized 3 characteristics of any survey research: survey research is used to quantitatively describe specific aspects of a given population, the data required for survey research are collected from people and are, therefore, subjective and, finally, survey research uses a selected portion of the population from which the findings can later be generalized back to the population. Glassow (2005) noticed that in survey research, independent and dependent variables are used to define the scope of study, but cannot be explicitly controlled by the researcher. Before conducting the survey, the researcher must predicate a model that identifies the expected relationships among these variables.

Historical researches are also presented by different authors. The simplest definitions equalize it with historiography, as the mean of investigation history's elements (Berg, 2012), or just distinguish the strategy as a type of qualitative researches (Hendl, 2005). Kerlinger (1972) has provided us with deeper perception and has stated that historical research is a critical investigation of events, development and experiences of the past, careful consideration of past testimonies from the perspective of information sources validity and subsequent interpretation of the concerned testimonies.

Archival researches are based on the analyses of historical records and documents and have some similarities with historical ones. The main differences that should be emphasized are that archival researches are an explanatory type of research and possibly apply to contemporary events, while historical researches focus on the past trying to explore reasons and aftermaths of some facts (Ventresca and Mohr, 2001).

Finally, we present a brief explanation of *case study*. Schramm (1971) emphasized that the essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result. Yin (1994) has conducted researches and found his own definition. He has connected the concept of case study with the links between a phenomenon and environment and describe it as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. In the same way, as other strategies case study can appeal a lot of different data collecting tactics and has specific design.

3.3. The choice of the appropriate strategy

Yin (1994) has presented an approach which allows to choose which strategy links more with each certain situation. He has distinguished 3 significant conditions which have to be taken into account: (a) the type of research question posed, (b) the extent of control an investigator has over actual behavioral events, and (c) the degree of focus on contemporary as opposed to historical events. The relations between main strategies and those conditions are presented in the table below:

Table 2: Connections between main research strategies and main conditions

Strategy	Form of research question	Requires control over the behavioral events	Focus on contemporary events
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many/much	No	Yes
Archival analysis	Who, what, where, how many/much	No	Yes/ No
History	How, why	No	No
Case study	How, why	No	Yes

Source: Yin R.K (1994)³

The first condition refers to the research question. Basic categorization provides next standard types of the questions: «who», «what», «where», «how», «why» and «how many/much». Each of them links to certain strategies and reflects exploratory or explanatory concept of a study.

The second condition stands for the necessity of the environmental and behavioral control during research. The division is very simple: therefore «history» and «archival analysis» mostly gather data from the past events, while «survey» and «case study» collect information from an independent environment as it exists. So, the only strategy which has the full control under all elements of research is «experiment».

Finally, the third condition consider the position of an investigating event at the time scale. Contemporary and past events are differentiated. The obvious fact that «history» explores past events was mentioned before. Another strategy which can be used for that type of research is «archival analysis». In the same time, the latter can be applied for the contemporary events also when their analysis just based on the previous archival records. Other strategies examine by-self actual existing issues.

3.4. CERAMIFOR case study

Application of the case study strategy for the current thesis can be supported following the way described before. The main goal of the study is to analyze Russian ceramic industry and market as well following the determination of the enter ways which shall provide the best results. So, the research question can be formulated like that: «How CERAMIFOR company can enter the Russian market with the best performance»?

Then considering the control extent, it can be concluded that researcher can't make decisions guiding the company as well as the market in any direction. It means that ability of the control is

³ Yin, R. (1994) Evaluation: A Singular Craft, In: C. Reichardt and S. Rallis, ed., *New Directions in Program Evaluation*. pp. 71-84.

not existing, because monitoring of all parameters while acting in live environment is absolutely impossible.

To sum up, the necessity of analysis actual market conditions, company's activity and making the offers to future development, undoubtedly refer to the contemporary event investigation. Thus, gathering all the conclusions together the choice of «case study» strategy is obtained and fully justified.

The next chapter will be devoted to the description of the Russian market and making the author's offers to resolve the issue of entry. Economic, political, legal and cultural analyses shall be done, using different points of view and source of information. Through the research activity primary and secondary sources of information were used. Then briefly examination of the company and its activity at the world and local Russian levels was presented. Considering the internationalization tendencies and experience of other companies (both Portuguese and not) certain proposals about market expansion were done.

4. Findings

4.1. Description of the Russian market and trends of its developments

Economic environment

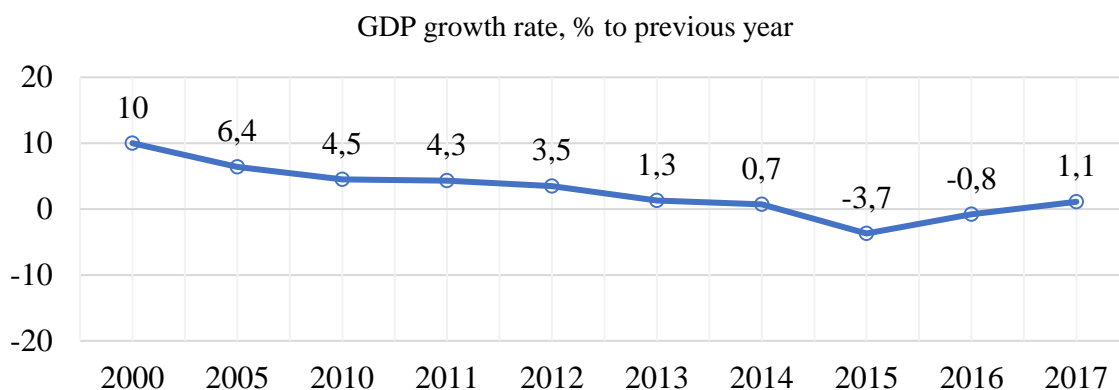
Today Russia is an emerging economy in the Europe. The country covers more than 17 mln. km² with population of about 143 mln. people. Russia's economy is highly dependent on exports of commodities with revenues from sales of crude oil, petroleum products, and natural gas accounting for about a half of Russia's federal budget⁴. In 2015, more than 63% from total export consisted of oil, petroleum and gas supply⁵. Since oil prices had been growing from 2000 year to 2008, the Russian economy has been increasing its power as well. However, the oil price level had been depressed in 2009 following the recovery in 2013. Then within the Ukrainian Crisis in 2014 Russia illegally annexed Ukraine's Autonomous Republic of Crimea. Moscow's support of Russian separatists in Ukraine has led to capital outflows and targeted sanctions by the United States and the European Union. Moreover, world oil market has become unstable and average price has fallen again rapidly. Correspondingly, possible reasons that have influenced Russian economy are: the low price of oil, the financial burden of annexing Crimea, and the desire to rearm the Russian military. That led to the recession in the economy. Regardless Russia became a member of the World Trade Organization in August 2012 all positive changes have been postponed as a result of its recent actions in Ukraine.

The Figure 4 below shows GDP growth rate movement in Russia from 2000 with the forecast of International Monetary Fund (IMF) for 2016 and 2017 years:

⁴ Wikipedia, (2016) *Russia*. [Online] Available at: <https://en.wikipedia.org/wiki/Russia> [Accessed: 23/11/2016].

⁵ Trading Economics, (2016) *Russian export*. [Online] Available at: <http://www.tradingeconomics.com/russia/export> [Accessed: 23 Nov. 2016].

Figure 4: GDP growth rate dynamic, 2000-2017



Source: Elaborated by author on the base of World Bank (2016)⁶ and International Monetary Fund (2016)⁷

We can see that although Russian's economy grew consistently until 2012 it has since entered a declining trend. As previously stated, we can admit the aftermath of Ukrainian Crisis which has reflected in negative GDP growth rates in 2015 and 2016 years. Nevertheless, IMF indicates in the World Economic Outlook (2016) that Russia's economy shows signs of stabilization as it is adjusting to the dual shock from oil prices and sanctions and following the expected hardening in oil prices it will be slowly recovering with 1.1% GDP growth in 2017.

For the additional analysis, we will use complex index of Economic Freedom and its components separately and Global Competitiveness Index.

The Index of Economic Freedom is an annual index and ranking created by The Heritage Foundation and The Wall Street Journal in 1995 to measure the degree of economic freedom in the world's nations. According to the authors economic freedom is the fundamental right of every human to control his or her own labor and property so we can easily use it to describe internal economic environment of the one or other country.⁸ The

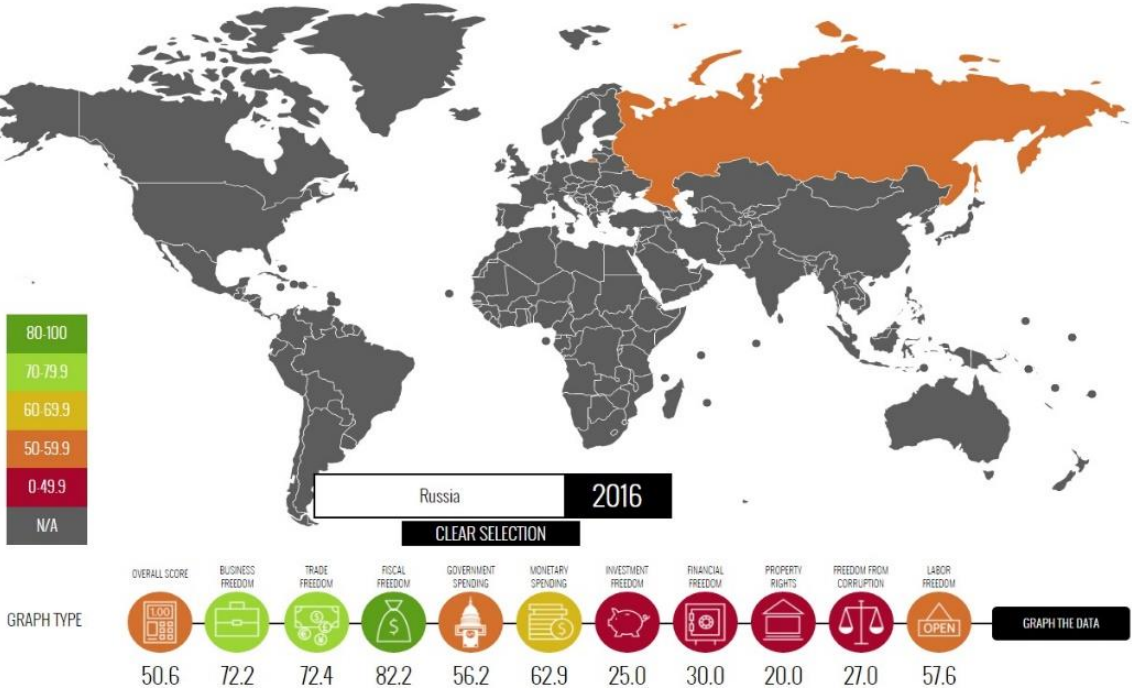
⁶ World Bank, (2016) *GDP dynamic*. [Online] Available at: http://databank.worldbank.org/data/reports.aspx?Code=RUS&id=556d8fa6&report_name=Popular_countries&populartype=country&ispopular=y [Accessed: 23 Nov. 2016].

⁷ International Monetary Fund, (2016) *World Economic Outlook*. [pdf] Washington: International Monetary Fund. Available at: <http://www.imf.org/external/pubs/ft/weo/2016/02/pdf/text.pdf> [Accessed: 23 Nov. 2016].

⁸ Heritage, (2016) *About the index*. [Online] Available at: <http://www.heritage.org/index/about> [Accessed: 23 Nov. 2016].

index consists of 4 blocks which comprise 10 parameters: property rights, freedom of corruption, fiscal freedom, labor freedom, investment freedom and etc. Each of them measures from 0 to 100 such that in common words 0 stands for unfree while 100 for the totally free environment. The total value for 2016 year and values of all the parameters you can see at the graph below:

Figure 5: Heat map of The Index of Economic Freedom for Russia, 2016



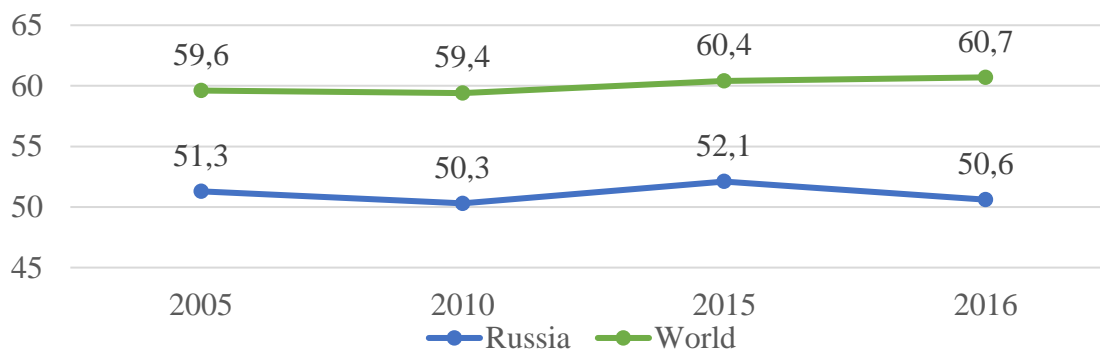
Source: Heritage (2016)⁹

Russia today according to the experts from Heritage.org has no efficiently functioning legal framework, and government continues to interfere in the private sector through myriad state-owned enterprises.¹⁰ So, it was evaluated as «Mostly unfree» with 50.6 points. The comparison between dynamic of Russian and World Average indices is represented at the figure below:

⁹ Heritage, (2016) *Interactive heat map*. [Online] Available at: <http://www.heritage.org/index/heatmap> [Accessed: 23 Nov. 2016].

¹⁰ Heritage, (2016) *Russia*. [Online] Available at: <http://www.heritage.org/index/country/russia> [Accessed: 23 Nov. 2016].

Figure 6: Comparative the Index of Economic Freedom dynamic, 2005-2016



Source: Elaborated by author on the base of Heritage (2016)¹¹

We can admit that during the last 11 years World average index has been growing smoothly what means that in total World is keeping trend to become free. In opposite, the line representing Russia has declined despite some improvements in 2015. Strong external pressure may have played a very important role in that changes and probably dealing with negative responses from the world community the government has decided to “turn the screws” as noticed some internet mass media.¹²

The Global Competitive index (GCI) attempts to quantify the impact of a number of key factors which contribute to the competitiveness of counties, with a particular focus on the macroeconomic environment, the quality of the country’s institutions, and the state of the country’s technology and supporting infrastructure. It is represented from 2009 in the annual report of World Economic Forum and ranked 138 countries. The index considers 12 blocks which comprise 114 variables and ranged from 1 to 7 points, where 7 points reflects the best competitive position of the country. Some of the parameters which are considered: property rights, public trust to politicians, business costs of crime and terrorism, quality of infrastructure, education, market efficiency and etc. The choice of parameters is based on

¹¹ Heritage, (2016) *Graph the data*. [Online] Available at: <http://www.heritage.org/index/visualize> [Accessed: 23 Nov. 2016].

¹² Forbes, (2014) *Rate is more than sanctions: Why Central Bank “turns the screws*. [Online] Available at: <http://www.forbes.ru/mneniya-column/gosplan/263925-stavka-bolshe-chem-sanktsii-pochemu-tsb-zakruchivaet-gaiki> [Accessed: 23 Nov. 2016].

Inosmi, (2016) *Russian economy crashes*. [Online] Available at: <http://inosmi.ru/economic/20160120/235106175.html> [Accessed: 23 Nov.2016].

their coherence to the goals of each certain analysis presented below. Basically, this index has some similarities with previous one, but takes in account larger range of the factors.

The dynamic of the GCI for Russian economy is represented on the figure below:

Figure 7: The Global Competitiveness Index for Russia, 2009-2016



Source: Elaborated by author on the base of Global Competitiveness Reports (2009 -2016)¹³

It can be stated that Russian GCI line trend is positive and reflects fluent growth during the last 8 years. The country has added 0.3 points to the score however according to the statistic has rapidly improved its position in the rank from 63 to the 43 place. This is partly the result of strengthened fundamentals, including the quality and quantity of education (up six places) and innovation capacity (up 12, although from a low base).

Politic environment

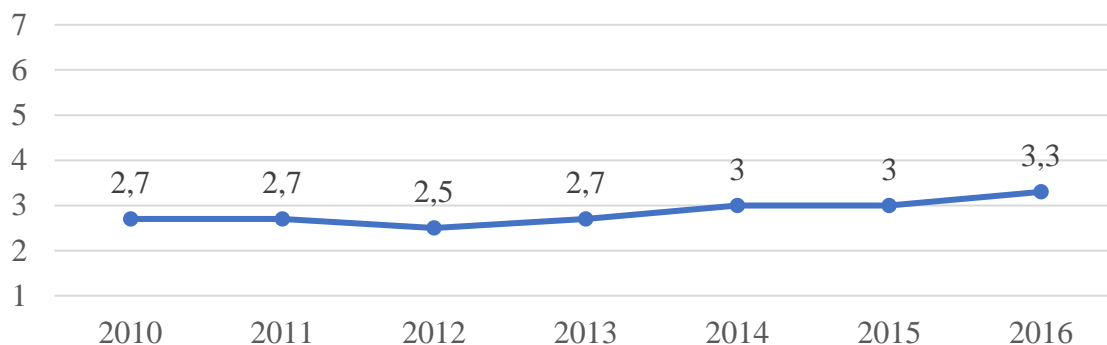
The ruling United Russia party retained its parliamentary majority (76.2% of the Duma places) in legislative elections on September 18, benefiting from President Vladimir Putin's high approval ratings, patriotic fervor, and a weakened opposition. It has overridden dissatisfaction with actual poor economic conditions. The main political risk for Putin remains a challenger from within his circle, although he remains the frontrunner ahead of presidential elections in March 2018. Vladimir Putin - Russia's dominant political figure since 2000 - has enhanced his control over state institutions and the media - a process

¹³ World Economic Forum, (2016) *Global Competitiveness Report*. [pdf] Geneva: Woeld Economic Forum. Available at: http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf [Accessed: 23 Nov. 2016].

supplemented more recently by an emphasis on fierce nationalism and hostility to the West as noted BBC news.¹⁴

Governmental system has a lot of problems connected with corruption, bribery, and authority abuse. Local administrative and control organs using their powers are able not only to pressure the population and other economic agents, but also to create different barriers or doing business, limiting and blocking the access to the information and resources. The study by Shirokova et al. (2011) shows that 70 percent of the respondents find the behavior of controlling officials (including police) “aggressive”. To analyze the relation with the government we can check the dynamic of the Public trust to politicians’ index (one of the variables from GCI), that is represented on the figure below:

Figure 8: The Public trust to politicians’ index in Russia, 2010-2016



Source: Elaborated by author on the base of Global Competitiveness Reports (2009 -2016) ¹³

From the graph, we may conclude that despite the rather low values and perceived «aggressive» behavior, public trust on the existing government has been growing. Probably this is a consequence of the strong propagandistic policy pursued on the country territory.¹⁵

Legal environment

In terms of business activities, the legal environment represents the complex of laws that regulate and control internal activity of the economic actors as well as different administrative barriers and

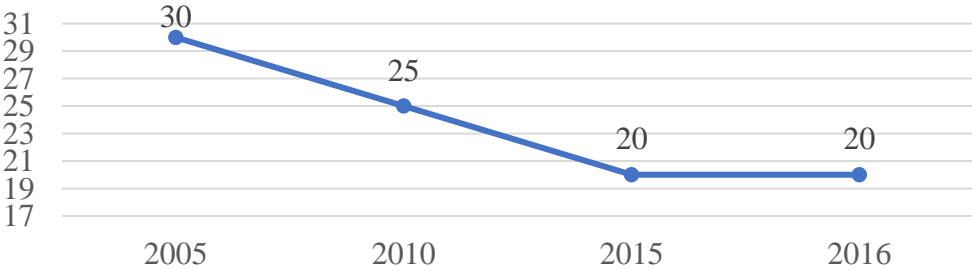
¹⁴ BBC news, (2016) *Country profile overview – Russia*. [Online] Available at: <http://www.bbc.com/news/world-europe-17839881> [Accessed: 23 Nov. 2016].

¹⁵ STOP FAKE, (2015) *Public opinion and propaganda in Russia*. [Online] Available at: <http://www.stopfake.org/en/public-opinion-and-propaganda-in-russia/> [Accessed: 23 Nov. 2016].

incentives which could be applied to foreign businesses (Meiners, Ringleb and Edwards, 2009). Russian legalization system is well developed and the laws are usually written in a very detailed way. The problem is that citizens and companies disobey these laws more so than in the West, mostly due to reasons stemming from the Soviet era. Still, one significant cause of the dearth in legal adherence is the insufficient enforcement of laws and corruption; since breaking laws and avoiding any juridical consequences by paying bribes is perceived as rather easy. (Nieminen, 2011).

While an individual or company is doing an effective, useful activity and creating something the sureness that results of your efforts will be secured by the law plays a significant role within the assessment of attractiveness any country for business. Therefore, property rights and their protection represents a very important aspect of the legal environment. To assess them we must look at the dynamic of the Property Rights index (one of the variables from EFI). Experts from the web-site heritage.org define this index as an assessment of the ability of individuals to accumulate private property, secured by clear laws that are fully enforced by the state. It measures the degree to which a country’s laws protect private property rights and the degree to which its government enforces those laws. The more certain the legal protection of property, the higher a country’s score; similarly, the greater the chances of government expropriation of property, the lower a country’s score.¹⁶ The results are represented on the figure below:

Figure 9: The Property rights’ index in Russia, 2010-2016



Source: Elaborated by author on the base of Heritage (2016)¹³

¹⁶ Heritage, (2016) *Property rights*. [Online] Available at: <http://www.heritage.org/index/property-rights> [Accessed: 23 Nov. 2016].

As we can see the value of the property rights index in Russia has been decreasing during the last 11 years which reflects poor legal conditions. Per this rank, Russian Federation has weakly protected and difficult to enforce property rights. The low level of protection leads to additional hazards for the companies such as raiding and other economic crimes. International company PriceWaterhouseCoopers has provided us with the Russian Economic Crime Survey in 2016. According to the results, 48 percent of respondents have experienced an economic crime in the past 24 months, what is lower than 2014 result, but still is higher than global result (36%). At the same time, at least 41% of respondents believe that their organizations are likely to experience an economic crime over the next 24 months. The significant sign that most of the economic crimes is presented by misappropriation (72%), what underline once more the weakness of property rights protection in Russia.¹⁷ Moreover, we can investigate dynamic of the indices: Business costs of crime and violence and Organized crime (variables from GCI). They reflect extent of existing business costs of crime and organized crime, where 1 point – great extent and huge costs, while 7 – absence of this kind of costs and organized crime respectively:

Figure 10: The Business costs of crime and Organized crime indexes' dynamic in Russia, 2011-2016



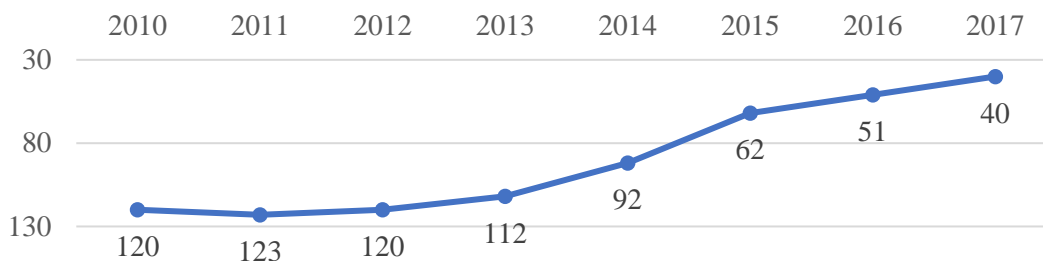
Source: Elaborated by author on the base of Global Competitiveness Reports (2011 -2016)¹³

We verify from the graph above that values of indexes during the last 5 years have been growing and have added 0.3 and 0.4 points respectively. On one hand, this fact should be a good sign, on the other hand, we can admit that in absolute terms Russia is still in the 75th and 85th place in the global rank, regarding these parameters respectively.

¹⁷ PriceWaterhouseCoopers, (2016) *Russian Economic Crime Survey*. [pdf] Moscow: PriceWaterhouseCoopers. Available at: <http://www.pwc.ru/en/recs2016.pdf> [Accessed: 23 Nov. 2016].

For the complex analysis of legal conditions, we can research Easy Doing Business index (EDBI). The index is based on the study of laws and regulations of different countries and is presented by World Bank Group. According to the assigned points the global rank is organized aiming to indicate better, usually simpler, regulations for businesses and stronger protections of property rights.¹⁸ The dynamic of Russian EDBI rating is showed on the figure below:

Figure 11: The Ease of doing business index´ dynamic in Russia, 2010-2017



Source: Elaborated by author on the base of the World Bank¹⁹

We find that the country has rapidly increased its position in the last seven years, and it has grown up to 80 places. Considering the last changes, we can find that the improvements came mainly from the variables «Starting business» and «Dealing with construction permits» while other variables have worsened.

Country tax policy is also a very significant variable to consider in internationalization. If the Government sets high levels of taxes (corporate and personal) it may instigate emergence of «black market» and other earning management ways.²⁰

¹⁸ World Bank, (2016) *Doing business* [Online] Available at: <http://www.doingbusiness.org/rankings> [Accessed: 24 Nov. 2016].

¹⁹ World Bank, (2016) *Russian Federation*. [Online] Available at: <http://www.doingbusiness.org/data/exploreeconomies/russia> [Accessed: 23 Nov. 2016].

²⁰ Investopedia, (2016) *The mechanics of the black market*. [Online] Available at: <http://www.investopedia.com/articles/economics/12/mechanics-black-market.asp> [Accessed: 24 Nov. 2016].

Table 3: Taxes' rates in Russia

Type of the tax fee	Rate, %	Comparing rates in the world, highest/lowest %
<i>Federation taxes</i>		
Individual income tax	13	60.4 / 0
VAT	18	50 / 0
Corporate profit tax	20	55 / 0
<i>Regional taxes</i>		
Corporate profit tax	cannot exceed 2.2 of taxable value	-
Social security tax for companies	30	49.7 / 7
Social security tax	30	54.83 / 3

Source: Source: Elaborated by author on the base of the Federal Tax Service of Russia²¹ and Trading Economics²²

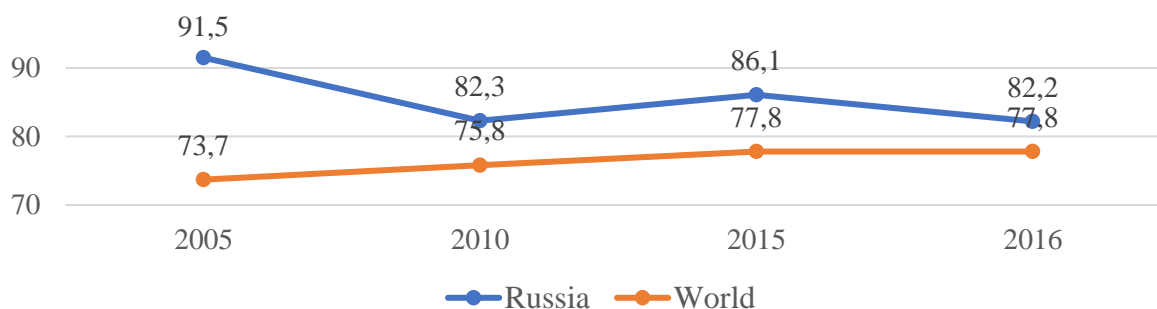
We can see from the table above, considering the minimum and maximum values of different taxes rates, that the tax level in the Russian federation is in an adequate framework. According to that we can assume that the tax policy cannot stimulate social unrest in Russian community.

For additional tax analysis, we proceed to investigate the dynamic of the Fiscal freedom index (variable from EFI). This index is a measure of the tax burden imposed by a Government. It includes both the direct tax burden in terms of the top tax rates on individual and corporate incomes and the overall amount of tax revenue as a percentage of GDP. Dynamic is showed on the figure above, 0 points stand for huge tax burden, while 100 points stand for low tax burden:

²¹ Federal tax service of Russia, (2016) *Taxes in Russia*. [Online] Available at: https://www.nalog.ru/eng/taxation_in_russia/ [Accessed: 24 Nov. 2016]

²² Trading Economics, (2016) *Social-security rates*. [Online] Available at: <http://www.tradingeconomics.com/country-list/social-security-rate> [Accessed: 24 Nov. 2016].

Figure 12: The Fiscal freedom index' dynamic in Russia, 2005-2016



Source: Source: Elaborated by author on the base of the Heritage²³

We have noticed that despite of the declining trend of the Fiscal freedom index, in absolute terms it still reflects comparatively good conditions and advantage of the Russian economy. During the last 11 years, this parameter has been exceling the average world's scores. Therefore, we can highlight that the tax system may provide an opportunity for business actors.

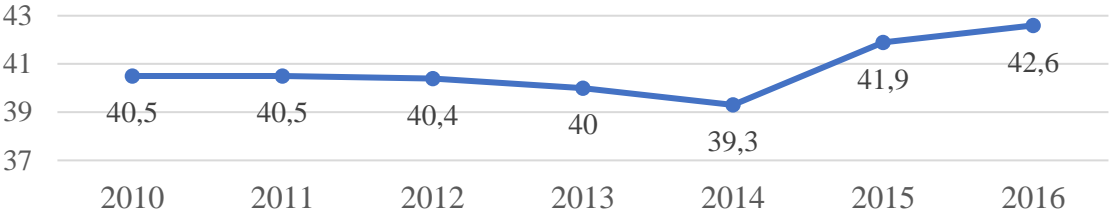
Corruption and «Blat» perception

As highlighted previously, corruption is one of the most significant problems of the Russian market. Rodriguez, et al. (2005) also state in their research done on Russian economy that corruption in Russia is the main reason that SMEs and foreign enterprises show reluctance to enter the Russian market and they further state that corruption is the reason that control is in hands of few people that are powerful in the political system and due to this the legal system is also intransparent and changes in the legal and everyday procedures take place very frequently sometimes over-nightly in order to give rise to the bribery. As was mentioned before different administrative and control organs present different obstacles to a company's activity. Thus, to cope with it, companies incur in bribing schemes. As the result, Russian environment from economic, social and politic sides has been impacting by corruption existence: political goals are deviated and redirected to secure power and get benefits of selected private groups, social problems remain unsolved and market competition is also

²³ Heritage, (2016) *Fiscal freedom*. [Online] Available at: <http://www.heritage.org/index/visualize> [Accessed: 24 Nov. 2016].

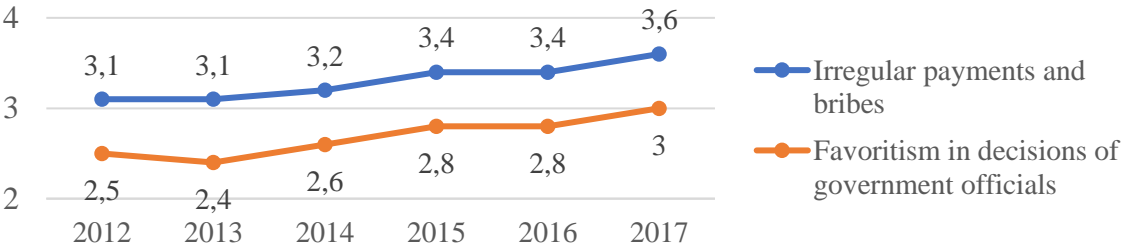
weakened, since the winners often prove to be not the most competitive agents, but rather those who gain advantages through bribery (Levin, Satarov, 2000). To evaluate corruption in the market we use an array dynamic indexes: Freedom from corruption (variable from the EFI), Irregular payments and bribes and Favoritism in decisions of government officials (variables from the GCI) which have shown on the plot below:

Figure 13: The Freedom from corruption index' dynamic in Russia, 2005-2016



Source: Source: Elaborated by author on the base of the Heritage ²³

Figure 14: Irregular payments and bribes and Favoritism in decisions of government official indexes in Russia, 2005-2016



Source: Source: Elaborated by author on the base of Global Competitiveness Reports (2011 -2016)¹³

Regardless the improvement of the all indexes' scores during the last 7 years they still reflect rather low absolute values and an environment impacted by corruption. For example, Heritage.org has ranked Russian economy as “repressed”.

The feature of the Russian corruption is «blat». Blat is best defined as the use of personal networks for obtaining goods and services in short supply and for circumventing formal procedures. Blat networks use an informal exchange of favors instead of currency. The main basis for the blat applying is friend relations between individuals. So, the one more evidence of importance of local network connections has found (Ledeneva, 2009).

To conclude there can be underlined some specific factors of the Russia and its environment. The Russian economy is strongly depended on the prices of oil and gas. Their growth has provided the economy boost until the 2008 and following decline which was additionally affected by crises of 2012 and 2014. Now Economy is in recession; however, it is expected its gradual revival. Political system is dominated by the only party «United Russia» under the aegis of the President and differs by presence of corruption, power abuse and bribery. Though applying the propaganda government still remain the satisfactory level of public trust. The legal environment is formed by poor property rights defense, respectively high level of crime costs for business while simplicity to start business and soft tax «pressure». So, to organize a business is simple but to obtain its safety probably a lot of efforts will be spent. The «blat» is additional characteristic of the Russian environment. Basically, it represents the type of corruption where favors are used instead of money. As result it lead to high level of favoritism in decisions of governmental and non-governmental agents considering important issues.

4.2. Russian culture

According to www.reference.com a cultural environment is a set of beliefs, practices, customs and behaviors that are found to be common to everyone that is living within a certain population. Cultural environments shape the way that every person develops, influencing ideologies and personalities.²⁴ Cultural environments are determined by the culmination of many different aspects of culture that influence personal choices and behaviors.²⁵ Thus, entering a new market entrepreneur or manager have to deal not only with local actors but with the culture as the basis of their behavior. To distinguish specific aspects of it we can assess and compare any culture with our own one. Within the framework of international

²⁴ Reference, (2016) *What is cultural environment*. [Online] Available at: <https://www.reference.com/world-view/cultural-environment-8b07d454e1bf7c8e#> [Accessed: 24 Nov. 2016].

²⁵ Daily News, (2016) *Entrepreneurial culture, ethnicity and entrepreneurship*. [Online] Available at: <http://dailynews.lk/2016/10/18/business/96198> [Accessed: 24 Nov. 2016].

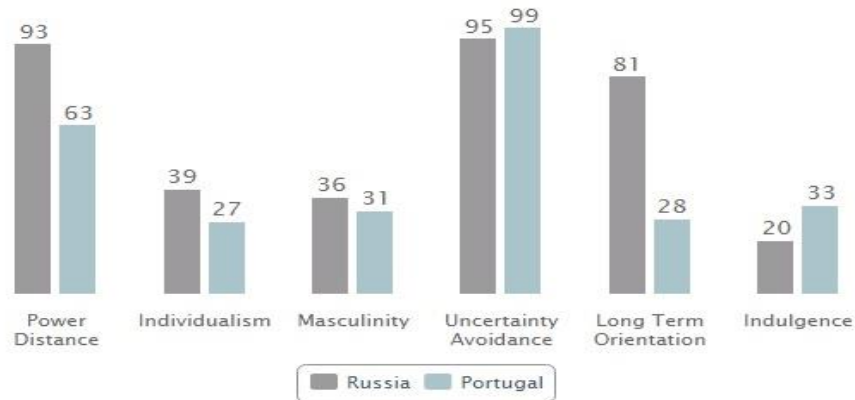
business exist a few main approaches to investigate culture differences. In this section, the Russian culture will be described and compared with Portuguese one.

According to Hall's dimensions, Russian community is represented by high-contextual culture such as Portuguese society. Context, in this sense, has to do with how much you need to know before you can communicate effectively. In high-context cultures 'most of the information is either in the physical context or internalized in the person, while very little is in the coded, explicit, transmitted part of the message'. In low-context cultures, in contrast, 'the mass of information is vested in the explicit code' (Hall, 1989). Hall has added that "high-context cultures communicate intensively within their in-groups, who are aware of the context while out-groups are largely left out (particularism)". He has noted that "Low-context cultures do not differentiate as much as high-context cultures between in- and out-groups; information is freely available for both in- and out-group members (universalism)" (Hall, 1989). The legal system in the high-context societies usually is based not only witness's testimonies but its social position, while people confidence more to the informal groups as relatives, friends and colleagues instead of administrative and governmental organs and politicians.

Also, Hall categorized cultures by their members' attitude to the concept of time. According to his theory, there can be monochronous and polychronous cultures. People from monochronous cultures usually do one thing at a time. Careful planning and scheduling is often present. Members of monochronous cultures are usually emotionless and never mix personal and professional activity. Germany, USA, Scandinavian countries are among countries with such kind of cultures. Otherwise in polychronous cultures human interaction is valued over time and material things. Being punctual is not that important in these cultures. People from such cultures pay more attention to human relations, do not mind doing several things at the same time and use a lot of emotions within communication. Russian and Portuguese societies refer to that type of cultures (Lewis, 2001).

According to the **Hofstede's** approach cultures differ in 6 dimensions: power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance, Long term orientation and indulgence. Meaning of each of the parameter and it's respectively position we will consider in the next paragraphs. The comparing results for Russian and Portuguese societies' values are represented on the plot below:

Figure 15: Hall's dimensions for The Russian and Portuguese cultures



Source: Source: Geert Hofstede Error! Bookmark not defined.

Power Distance means the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. Russia, scoring 93, is a nation where power holders are very distant in society. This is underlined by the fact that the largest country in the world, Russia, is also extremely centralized: 2/3 of all foreign investments go into Moscow where also 80% of all financial potential is concentrated. Error! Bookmark not defined. Basically, it is an additional evidence of the importance of personal networks in the country. As far as real power is concentrated in few hands outsiders should to look for mediators to resolve any important issues at the top level because everything is following top-to-down way in that culture. Portuguese culture has 63 points which is rather high value distinguishing the Portuguese culture in presence of some power at the middle level of management.

Individualism means the degree of interdependence a society maintains among its members. Error! Bookmark not defined. Regarding this dimension, Russian and Portuguese societies have rather close values: 39 and 27 respectively, that identify these countries as «collectivistic». It reflects long-term and emotional relationships between individuals, so social links play very important role. This might be a good factor for business because if we consider business actors from the two countries they might build strong partnership based not only in contractual ties. However, moderating by higher Power Distance subordination still remains significant, so it should be considered planning the communication.

High scores in *Masculinity* mean that the society will be driven by competition, achievement and success, with success being defined by the winner. Low scores (*Femininity*) mean that the dominant values in society are caring for others and quality of life. Both Russian and Portuguese societies are defined as Feminine. However, moderated by higher Power Distance there is a relevant difference in Russian culture. Despite of “modest behavior” being common in both cultures, in Russia “dominant behavior” is acceptable as well, especially if it comes from people with higher social positions. However, it is still not appreciated among peers.^{Error! Bookmark not defined.} We may suppose that to avoid a misunderstanding mutual communication should be conducted between individuals with approximately equal social position.

Uncertainty avoidance means the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these.^{Error! Bookmark not defined.} Again, we find rather close positions for Russian and Portuguese cultures – 95 and 99 points respectively. This reflects that both societies prefer to avoid uncertainty by maintaining complex systems. That’s why Russian bureaucracy system is one of the most complex in the world. Moreover, Russians interact with strangers carefully and with distance. However, considering business it provides a good sign – if you will have done you agreements well, to avoid an anxiety in future they will work with you as long as possible.

Long Term Orientation describes how every society has to maintain some links with its own past while dealing with the challenges of the present and future. Another great cultural difference between Portugal and Russian.^{Error! Bookmark not defined.} The countries have 28 and 81 scores respectively. In practice, it means that Portuguese tend to live according to the traditions and focusing quick results while Russians more likely adjust norms to the existing reality and focusing on the long-standing results. So, have found another evidence that Russian managers tend aim to develop lifetime relations, while trust has to be earned (Hofstede, Jonker and Verwaart, 2008).

Indulgence reflects the extent to which people try to control their desires and impulses. Both cultures are determined as Restrained (with 20 and 33 scores). Restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with

this orientation have the perception that their actions are Restrained by social norms and feel that indulging themselves is somewhat wrong. Error! Bookmark not defined.

To conclude we can highlight some features of the communication with Russian culture:

- Presence of high volume of the context. Society members have better perception of environment;
- Human relations, social networks and emotions play significant role;
- Better and more trustful communication is built between individuals with similar social position;
- Top-to-down decision system – to resolve any question should to contact only with top management;
- The trust has to be deserved but if it will, strong and long-termed relations will be built.

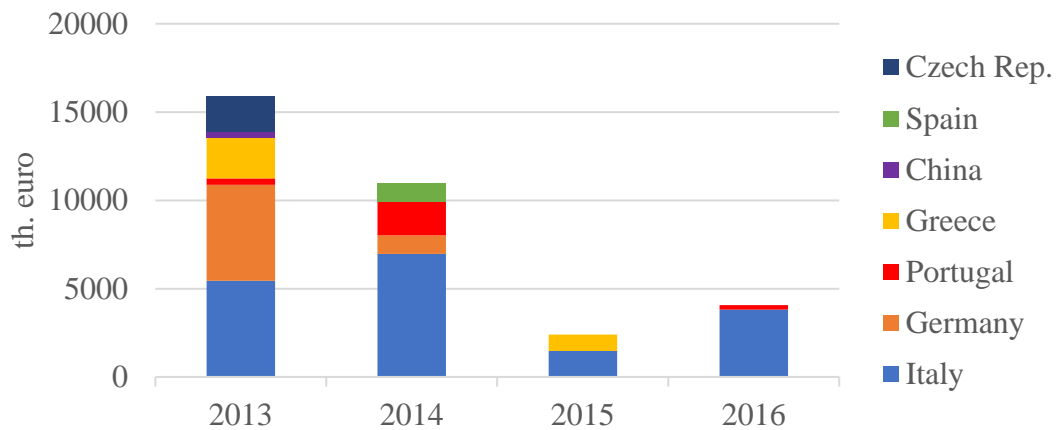
4.3. Ceramic industry analysis

Manufacture of ceramic products is one of the fastest growing industries of the Russian economy. The 2008 economic crisis has not had a significant effect on the rate of output of this sector, as in other industries (in particular steel).

They have been partially or completely offset within 2-3 years. By 2013, virtually all existing ceramic enterprises reached pre-crisis level, some sub-sectors, especially production of building ceramics (bricks, tiles), demonstrated outstripping growth rates: there is output capacity, laid and tested new deep modernization of existing production facilities (Russia, Federal Agency for Technical Regulation and Metrology, 2015).

Following the specificity of CERAMIFOR production further analysis of ceramic industry in Russia will be considered from the point of view firing kilns area. The investigation of Russian firing kilns market has shown existence of local producers as well as foreign exporters. The main countries-exporters of firing kilns for ceramic and their volume for the last 4 years are presented on the graph below:

Figure 16: Export of the kilns for ceramic industry in Russia by countries



Source: Elaborated by author on the base of Federal Customs Service²⁶

It can be resumed that main importers come in Russia from Italy, German, Portugal, Czech Republic and Greece. Moreover, the declined trend can be noted from 2013 to 2016 and in the actual year import represents about 4 000 000 euro comprising Italian and Portuguese equipment delivery.²⁶

Researching the participants of the most significant ceramic exhibitions in Russia: OSM, Keramika, MosBuild, Termoobrabotka from 2012 to 2016 and local market, the potential foreign competitors are determined and reflected on the Appendix 1.

However, needs of the local clients are satisfied not only by import but through supply of Russian producers. As was found the production mostly is represented by small companies which provide kilns with low working volumes. The list of companies and features of their activity are showed on the table below:

Table 4: Main producers of kilns for ceramic industry in Russia

Name	Features
SIKRON	Chamber and Shutter kilns, volume to 2 m ³

²⁶ Federal Custom Service, (2016) [Online] Available at: <http://stat.customs.ru/apex/f?p=201:2:3918624478736438::NO> [Accessed: 24 Nov. 2016].

Ltd «NPP «NITIN»	Chamber and Shutter kilns, volume to 2 m ³
Ltd «Tula-Term»	Chamber kilns, volume to 2 m ³
SIIT Motor	Chamber and Top-hat kilns, volume to 3.5 m ³
Ltd Corporation Western Siberia	Stutter kilns, volume to 9 m ³
Ltd «Uralektropech»	Chamber and Shutter kilns, volume to 2 m ³

Source: Elaborated by author

So, considering the main local producers of kilns for ceramic industry it was recognized that they not represent a strong competitive environment because of very narrow production assortment. Thus, can be argued that main competitors are foreign exporting companies.

Next table shows some parameters reflecting the extent of potential demand considering depreciation of fixed assets in the “Other non-metallic mineral products manufacture” area:

Table 5: Depreciation of fixed assets in non-metal mineral goods manufacture

Parameter	2005	2010	2011	2012	2013	2014	2015
Extent of fixed assets depreciation	38.5	36.2	38.4	38.2	35.8	35.2	41.0

Source: Elaborated by author on the base of the Federal State Statistic Service²⁷

The data from the table above allows to note smooth decreasing trend which is an evidence of actual renovation activity in the industry within the fixed assets, including equipment. Moreover, following the diagram is presented in Appendix 2 is determined that Russian manufacturing sector consisted in 2015 27% of equipment with more than 15 years’ life time meaning high level of its depreciation and necessity of modernization in the near future²⁸. So, existence of potential demand can be concluded.

Within ceramic industry some sub-industries can be highlighted:

²⁷ Federal State Statistics Service, (2016) *Russian Industries*. [pdf] Moscow: Rosstat. Available at: http://www.gks.ru/free_doc/doc_2016/prom16.pdf [Accessed: 11 Jan. 2017].

²⁸ Federal State Statistics Service, (2016) *Russian Manufacture*. [Online] Available at: http://www.gks.ru/bgd/regl/b16_48/Main.htm [Accessed: 11 Jan. 2017].

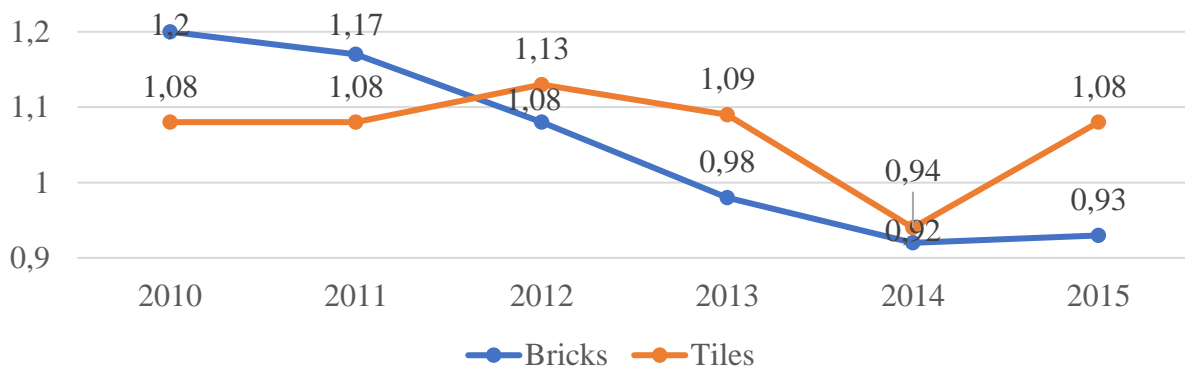
- Structural ceramic;
- Refractories and Technical ceramic;
- Sanitary ware;
- Tableware

4.3.1. Structural ceramic

Structural ceramic market embodies mainly bricks and tiles producers. Ceramic bricks production is represented by more than 300 facilities, while the outfit shares of the largest of them Wienerberger and LSR are just about 10%. There are two main associations: Association of manufacturers of ceramic wall products (APKSM) and Association of manufacturers of ceramic materials (APKM) which include producers of 55% and 40% shares of ceramic bricks production in Russia.

Ceramic tiles production is represented by 25 companies native as well as foreign. Internal production satisfies 65-80% of the total demand and was composed 161.4 mln. m². Next figure shows the dynamic of the extent of the growth natural production of ceramic bricks and tiles:

Figure 17: Growth rates of the Bricks and Tiles production in Russia



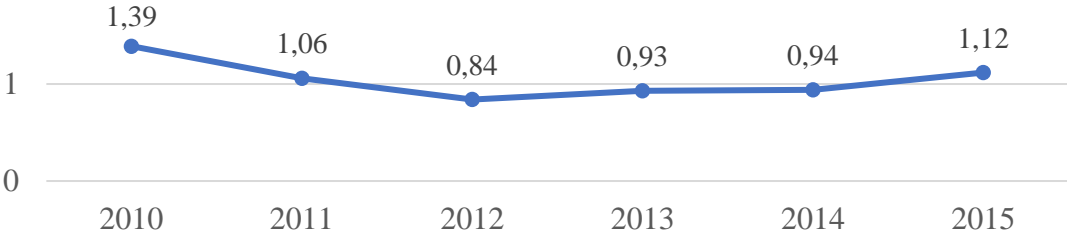
Source: Elaborated by author on the base of the Federal Agency for Technical Regulation and Metrology (2015)

From 2012, onward the sub-industry registered a decline. This was a combined result of the economic crisis in 2012 and following Ukrainian crisis in 2014. However, the growth rate is almost 1 and following the forecasts of Russian economy improvement assumption about sub-industry recovery can be done.

4.3.2. Refractories and technical ceramic

Refractories production is represented mainly by 12 companies and some small separated manufactures. The main outfit is reflected by 2 companies: «Group «Magnezit» ltd. and Borovichskiy kombinat, making 40% and 14.3% of total production. The is the union of some refractories manufacturers which are joined within Association of refractories producers «Ogneuporprom». Next figure shows the dynamic of the extent of the growth natural production of refractories:

Figure 18: Growth rates of the Refractories production in Russia



Source: Elaborated by author on the base of the Federal Agency for Technical Regulation and Metrology (2015)

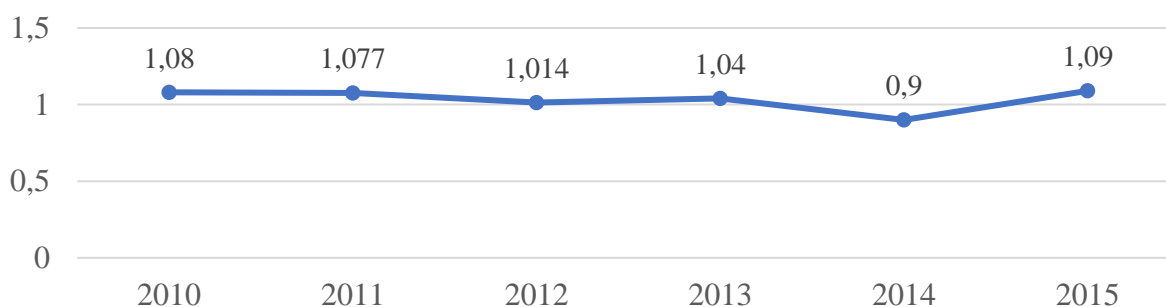
The refractories sub-industry as well as structural ceramic one were affected by both the crises of 2012 and 2014 which led to a production decrease. This decrease in demand is also the result of strong competition with Chinese and Europeans high-quality refractories with cheaper prices.

A significant portion of products of technical ceramics has a dual purpose, therefore, to evaluate the production and the dynamics of the industry is difficult. On the basis of an open reporting companies for the production of technical ceramics can be concluded that the annual output from 400 to 8000 tons. List of the main producers of refractories and technical ceramic is presented in the Appendix 3.

4.3.3. Sanitary ware

Russian market entails 15 main sanitary ware producers. The largest are CJSC «Ugrakeram» (a representative of the ROCA group) and CJSC «Kirovskaya keramika» which manufacture 31% of total production, following the «Samarskiy Farfor» and Ltd. «Keramika» (representative of the ROCA group) with 16% share and 14% respectively. Next figure shows the dynamic of the extent of the growth natural production of sanitary ware:

Figure 19: Growth rates of the Sanitary ware production in Russia



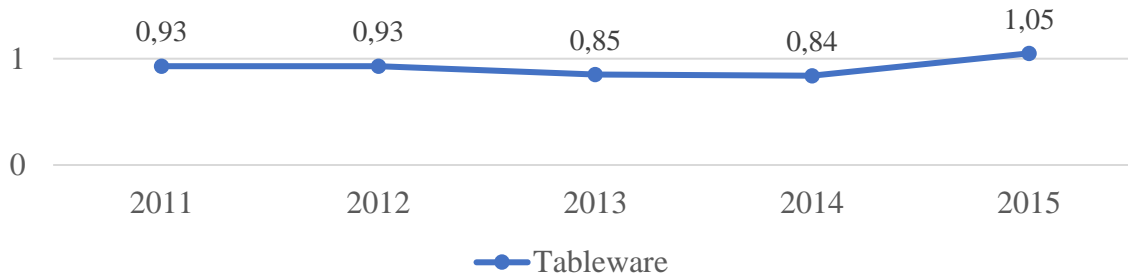
Source: Elaborated by author on the base of the Federal Agency for Technical Regulation and Metrology (2015)

According to the graph it could be noted that the Russian sanitary ware market is very stable. Despite of the crises, production has been growing during the last 5 years with just a small pit in 2014 following the rapid growth rate in 2015. It was mainly provided by low prices of goods with comparing equal quality. The list of producers is presented in the Appendix 3.

4.3.4. Tableware and decoration

The ceramic tableware production today is falling on hard times; it is represented by some facilities (about 10) which are using approximately 10% of their maximum performance. Next graph shows the dynamic of the extent of the growth natural production of tableware:

Figure 20: Growth rates of the Tableware production in Russia



Source: Elaborated by author on the base of the Federal Agency for Technical Regulation and Metrology (2015)

The main problems of the sub-industry are low competitiveness and high prices of the production, because of worn-out equipment and high level of energy consumption. So, that sub-industry is the most actual area for machines modernization and renovation. The list of producers is presented in the Appendix 3.

4.4. Case study of CERAMIFOR

Company review

CERAMIFOR is a direct heir of Fornos e Equipamentos para Cerâmica, S.A, having inherited its experience, knowledges and working team. Today the company is a well-known Portuguese producer of kilns and furnaces for heat treatment of ceramic and metal products. During the 30 years of activity a great number of clients was accumulated with more than 5000 kilns supplied around all the world. The company's sales network has spread around the 3 continents and has agents in the Eurasia, South America and Africa. The main target of the company are manufacturers of ceramic bricks and tiles, sanitary ware and tableware, as well as refractories and technical ceramic.

The company's vision is to be a global reference in the manufacturers of kilns and equipment for ceramic, recognized by its exceptional quality and performance standards. While mission is determined as building of long lasting relationships with clients, based on the full

satisfaction on their needs, with services and equipment of superior performance and quality. Moreover, management of the CERAMIFOR underlines the main values of the company:

- Constantly seeking of improvement and innovation
- Never compromise the quality that makes our difference
- Promotion of team spirit and experience sharing
- Develop close, long lasting relationships with our partners
- Listening and trying to identify our client's needs so that we deliver the most suitable solution
- Everything doing is based on moral and ethically irrepressible²⁹

The company is strongly import-oriented. The clients base has comprised more than 40 countries. Main way of doing business and selling of the products is through the local agents. The CERAMIFOR management trying to get the certain agent for each large country market. In total the company has 22 representatives: 7 in the South America (all under control of the Morgan Advanced Materials group), 6 in the Europe (Latvian is responsible for 3 small Baltic markets), 2 African (comprise all North African countries) and 7 in the Asia.

The first step in the Russian market was taken in 2004. Following the usual strategy and targeting the low level of risk from the geographically and culturally distant market the enter was conducted through the agent - Linmet Glas-Keramik company – the German representative of many European manufacturers, importing products for ceramic industry to the Russian market. Considering the results, the agent has provided CERAMIFOR with a 10 kilns sale, referred to the revenue around 1 million euro during the 12 years. Thus, if take in account that average company turnover is about 4 million euro per year, it is easily determined that share of Russian market presents just around 2%. This value is rather low comparing to the potential market volume, so we suspect that the agent is not working effectively. Through a brief analysis, we can deduct some reasons. Analyzing the web-site of the current agent links with large manufacturers of machines and full-equipped plants for ceramic in all areas from German were observed. Thereby the first reason could lead from

²⁹ CERAMIFOR web-site, (2016) [Online] Available at: <http://www.ceramifor.com/en/Ceramics/CERAMIFOR> [Accessed: 27 Nov. 2016].

the lobbying of larger clients' interests including local ones. Another reason could be a large territory distribution of the Russian market and difficulty to cover all the potential customers. However, it can be noticed the necessity of improvement the way that CERAMIFOR is acting through the Russia.

Theoretical suggestions

The theoretical approaches which were described before present different points of view. When contemplating entry strategies in practical terms we must realize that a large and complex scope of the factors are involved. Therefore, we tried to compare the different perspectives within the scope of the CERAMIFOR's case study and results are provided in the table above:

Table 6: Depreciation of fixed assets in non-metal mineral goods manufacture

Internationalization Theory	Suggested mode of entry
IPLC	Maturing product stage
Resource-based view	Export via owned channel
Market imperfections	Export (after market analysis)
Transaction costs	Lower control mode
Innovation-related model	Experienced exporter/ Large exporter
Eclectic paradigm	Export
Uppsala model	Direct or indirect export
Institutional theory	Export via owned or agent channels
Network theory	Direct or indirect export

Source: Elaborated by author

If we consider the heat treatment equipment (main product of the company) we realize that this product is not innovative because it is widely copied while it has some hardly repeatable characteristics (innovative own produced control system). Following the *IPLC* perspective, we can conclude that this a mature product, therefore we should avoid foreign investments as long as the marginal production cost plus the transport cost of the goods exported is lower than the average cost of prospective production in the market of import, but then make a step. (Vernon, 1966).

Following the *Resource-based view of the firm* perspective, it can be stated that likelihood of obtaining a competitive advantage via establishing a new facility or transfer an existing one into the Russian market is low (working team and atmosphere are one of the resources that will be difficult to imitate and relocate to different culture); an advantage via establishment of local activity can be received (because of large personal experience in international activity) but not transferred. So, Export via owned channel is one possibility suggested.

Market Imperfection theory usually claims FDI as the best solution, but according to the complexity, high risk and uncertainty level of the Russian market Export mode can, in this case, be a better solution.

Transaction costs choice is based on four factors. Considering “product specificity” we realize that produced kilns are matured product (as explained before) and the product is sold to the end-customer, which in itself lead to cheaper and low owned-control entry mode. High risks in “external uncertainty” lead to lower control mode as well. Taking in account high socio-cultural distance “internal uncertainty” offers a low control mode. The last factor “free-riding problems likelihood” proposes high control mode in case of existence of well-known brand, but composed with previous ones it can be considered as low control. To conclude, low control mode is preferable.

According to *innovative-based theory* the real position of CERAMIFOR can be determined as “Experienced exporter” or “Large exporter” because of its wide export experience worldwide, so next steps are “active involvement” and “enlarge of export”.

Taking into account the *Eclectic paradigm*, we need to evaluate existence of OLI advantages in the company. An Ownership-advantage is owned by one company and can’t be moved outside its boundaries without reducing its value. The working team (and its environment) and the brand can be considered as ownership advantages. A Location-advantage is bound to a certain territory and can’t be transferred outbound. In the case of Russia low labor costs might be considered as a location’s advantage, but they only play a role in the case of local production establishment, so that factor is marked as “low”. An Internalization-advantage embodies reasons what a company can benefit from handling all its activities by self,

eschewing rights renting and selling. To avoid “brand name deterioration” and high risks of uncertainty avoidance (including costs of searching partners) an advantage of own production exists, so internalization factor is marked as “high”. Respectively, following the guide of mode of entry choice, Exporting is preferable.

The *Uppsala model* as an evolutionary approach suggests proceeding incrementally. Since CERAMIFOR has very little experience in the Russian market and there is high cultural and geographical distance between that market and Portuguese one, Export seems to be the best solution.

The *Institutional theory* guide implies an analysis of 3 dimensions - regulative, normative and cognitive. Taking in account Russian the legal environment (insufficient enforcement of laws, bribery), the property rights defense (high rate of misappropriation), the large distances between countries and previous international business activity all indicate export mode via own or agents’ channels.

From the research of the Russian market and the assessment of the company connection, the *Network theory* defines CERAMIFOR more likely as a “Late starter”. Accordingly, the most useful solution is to start from the less commitment mode – export.

When examining the CERAMIFOR case study from different perspectives, similar modes of internationalization with low control and low commitment seem more evident.

To conclude, from theoretical point of view export (via owned or agent’s channels) is the best solution for CERAMIFOR expansion to the Russian market.

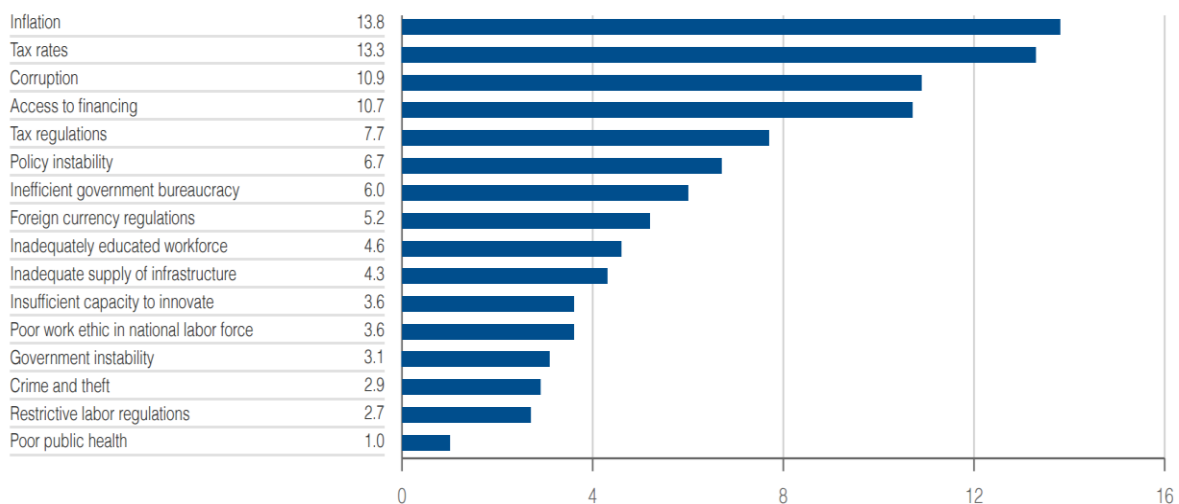
Enter market offer

When a company is choosing its entry mode it should, at first, consider four strategic effects which are risk exposure, control, resource commitment and flexibility (Chen and Messner, 2011). So, according to the external analysis of the Russian market, which was previously presented, we can briefly notice the most problematic fields which entering company have to cope with:

- Unstable economy is strongly influenced by crises of 2012 and 2014 years, strongly depends on oil and gas export
- Comparatively high level of organized crime and relative costs for business
- Strong government system with a lot of administrative organs following power abuse
- High level of corruption and presence of «blat»
- High-context society better adapted to communicate with «locals»
- Relatively simplicity to start business while low level of property defense.

It is possible to check the accuracy of obtained results comparing them with the Global Competitiveness Report 2016-2017, which has provided us with the results of actual actors' evaluation of the most problematic factors of doing business in certain countries. The respondents have estimated extent of impact among 16 different factors using 16-score scale. Next picture shows that rank:

Figure 21: Evaluation of the main Russian market risks by the foreign agents, 2017



Source: Global Competitiveness Reports (2016)¹³

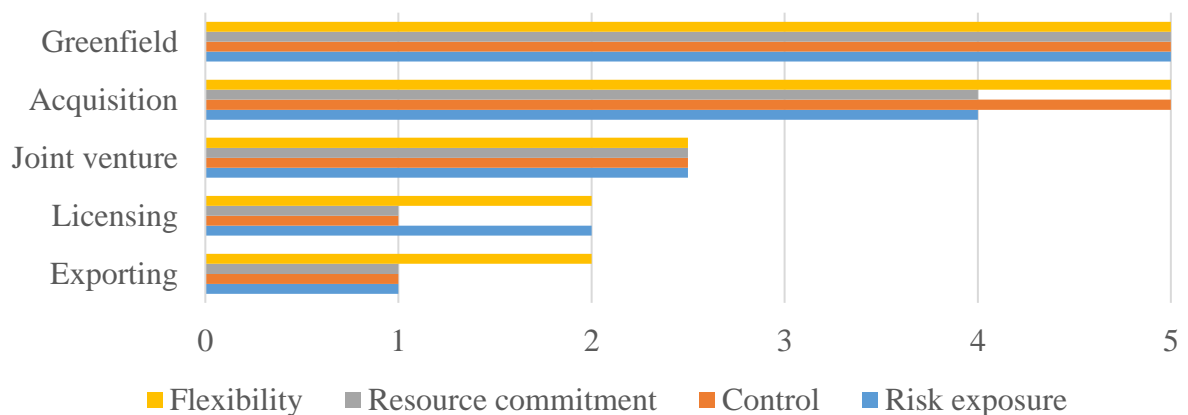
Among the most problematic risks we find inflation, which corresponds to an unstable economy, and corruption, what was determined by previous analysis too, crime and theft have noticed as well. Tax problems usually are connected with custom cleaning and high import rates. However, taking in account product type which plan to be sell, any specific taxes were not observed. So, this area should not present any obstacles for the business.

Additionally, it is worth to remind the cultural differences of communication with Russians that were reflected in previous section:

- Presence of high volume of the context. Society members have better perception of environment;
- Human relations, social networks and emotions play significant role;
- Better and more trustful communication is built between individuals with similar social position;
- Top-to-down decision system – to resolve any question should to contact only with top management;
- The trust has to be deserved but if it will, strong and long-termed relations will be built.

As it was mentioned before there are different alternatives to enter a new market: exporting, licensing, joint venture, acquisition and greenfield. Chen and Messner (2009) have noticed that choosing its entry mode, company should consider four strategic effects of future decision which are risk exposure, control, resource commitment and flexibility. Next picture has presented comparing characteristics of the most common entry modes according to these effects, approximately evaluated from 1 to 5 scores (where 1 means «low level, while 5 – «high level»):

Figure 22: Evaluation of the main enter strategies



Source: Elaborated by author

In a few words, the Russian market environment can be described as unpredictable and unfriendly for newcomers what refers to high likelihood of different types of risks. Moreover, lack of experience and knowledges of working in Russian market likely to increase the extent of uncertainty. So, the prime goal while penetrating the market is to decrease the risk. Following this simple rule, the options «Greenfield» and «Acquisition» could be excluded from the start.

As it was noted before Russian culture differs by high-context, as well by significance of social networks and links with the internal environment. These reasons indicate that the most effective way to enter the market is with the help of a local partner.

Regarding the “return to risk variable”, SMEs tend to avoid high extent of risk because of rigorous control of the resources especially financial ones. It is a result of resource restrictions which lead from moderate level of turnover in SME. So, another sensitive parameter is resource commitment. Focusing the goals before only two approaches has left – licensing and exporting.

Analyzing statistics about the internationalization processes of the Portuguese companies, from the report of European commission about SME internationalization in 2015, we find that 34% of respondents internationalizing outside the EU market prefer export, 8% - use abroad sub-contract, and just 4% have invested in a company based abroad³⁰. Moreover Fernando, Pereira and Diz (2009) have provided an investigation about internationalization of Portuguese company from ceramic industry. The results showed that 68% of the companies rely on export both direct and indirect (Fernando, Pereira and Diz, 2009).

From the other side, exploration of Russian market environment and obstacles what importer can face with have been presented in the thesis writing by Albetini, Auffray and Aziz (2011). The work has considered some Swedish SMEs behavior. So, it was concluded, that considering challenges stemming from the Russian conditions' features, international firms tend to enter the market through export practices. Ulrich, Hollensen and Boyd (2014) have

³⁰ European Commission, (2015) *Internationalization of small and medium-sized enterprises*. [pdf] Brussel: DG COMM. Available at: <http://ec.europa.eu/COMMFrontOffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/FLASH/surveyKy/2090> [Accessed: 29 Nov. 2016].

researched the enter modes of Danish SMEs to the BRIC countries' markets. The conclusion was founded that foreign companies tend to use strategies of direct sales (33.9%) or through agents and distributors (45%) what refers to export.

From the above discussion, one might suppose that export is the most useful way for CERAMIFOR to enter the market and the company have done right steps entering the Russian market before. Moreover, following the characteristics of the Russian market, an export agent might be a better solution. The necessity of the local partner is determined by the next few reasons:

- exact perception of local context and practices (especially in bribery and corruption);
- existence of social networks in the internal environment;
- simplicity of analysis of the potential market and its movements.

However, considering the large volume of the market and high specificity of different ceramic parts' production, for a more effective market supply, it would be better to have some agents in each sub-industry.

Most of the Structural ceramic producers in Russia are engaged in APKM and APKSM associations which include 40% and 55% of the local producers respectively as was noted above. It is suggested to use them as agents, because they can get an access to all internal information of the potential customers and the most full and up-to-date information about current situation in a sub-industry.

Considering refractories, more than 50% of total market production derives from the «Group «Magnezit» ltd. and Borovichskiy kombinat. They are independent and full-completed units with their own raw materials base and distribution channels. So, probably it is worth to work with such large representatives directly. Other producers could be accessed applying Association of refractories producers «Ogneuporprom» as an agent.

The largest players in Sanitary manufacture ware were represented by four enterprises: CJSC «Ugrakeram» (representative of the ROCA group), CJSC «Kirovskaya keramika», «Samarskiy Farfor» and Ltd. «Keramika» (representative of the ROCA group) which output about 61% of total Russian production. Such significant producers better to keep in direct

contact from the start. Other smaller companies could be covered by agents-raw materials suppliers, for instance.

Through the framework of the Tableware sub-industry there are some large producers as well. Among them we highlight: JSC «Imperial Porcelain», LLC «Kubanfarfor» and «Dulevskiy Farforoviy Zavod». As it was noticed above that sub-industry now is not in good technological conditions and require modernization and renovation because of worn-out equipment. So, it could be good opportunity for the CERAMIFOR. The rest of the manufacturers can be covered again by agents-raw materials suppliers, for instance.

The main raw materials for the ceramic goods production are different types of clay, especially kaolin clay. Therefore, ceramic producers from all sub-industries need clay and it stands for current assets, so, suppliers often are in contact with them and can get the access to the actual information. Next table provides main local producers and exporters to the Russian market of kaolin clay:

Table 7: Main actors of the Russian kaolin clay market

Name	Country
OJSC «Novokoalinoviy GOK»	Russia
LLC «Plast - Rifey»	Russia
OJSC «Ksanta»	Russia
CJSC «Keramos»	Russia
OJSC «Kirovogradskoe rudoupravlenie»	Ukraine
CJSC «Mineral»	Ukraine
OJSC «Prosianskiy GOK»	Ukraine

Source: Elaborated by author on the base of the Kaolin market in CIS review³¹

³¹ GIAB, (2007) Kaolin market in CIS overview. [pdf] Moscow: Infomain. Available at: http://www.giab-online.ru/files/Data/2007/10/50_Sitnova24.pdf [Accessed: 30 Nov. 2016].

Summing up, it should be noted that strategy that CERAMIFOR uses for their approach to the world market is rather popular. As different researchers have shown most of the Portuguese companies prefer export (direct or indirect) going outside the country. As well as some other studies, have represented that foreign managers usually exploit export way entering certainly the Russian market. Therefore, the Russian market embodies a lot of enterprises, export approach should be divided by two parts: the largest players, which have significant share of total production, worth to build direct relationships.

5. The internship's activities

It was mentioned above that that work is based on the CERAMIFOR case study. Accordingly, all the observations and analyses were conducted during the internship process what has continued from 10th of October, 2016 to 19th of May, 2017. Brief description of the activities done has listed below:

- Meetings with representatives of each department for acquaintance and perception of CERAMIFOR working process
- Visit production facilities for understanding of production processes
- Examination of company's portfolio; Translation and adaptation of catalogues and website to Russian language
- Investigation of the Russian Federation and collecting data from economic, political, social and cultural environment
- Analysis of collected information and evaluation of current and possible trends
- Russian ceramic market observation
- Update of database of existing customers and creation of a new database of potential Russian customers
- Mail and telephone communication with potential customers
- Representation of the company at an exhibition in Moscow, personal contacts and support of communication between company's management and potential customers
- Visit customer's factory ("Kubanfarfor"), familiarization with current situation and actual issues of tableware production.

6. Conclusion

Following the globalization processes and pursuing goals to benefit more and to perform better, equally pushing by different types of motives, reactive and proactive, companies in current economy tend to expand their markets. It is the reason what fires up and supports high interest of the theorists and practitioners in international business and management to that topic. Obviously, a company faces large scope of risks going abroad, provided by differences in economic, political, legal, cultural aspects of environment etc. To be ready for future uncertainties and to decrease the potential risks company's management should to make clear and accurate future location analysis, then, matching collected information with own motives and goals, choose the most appropriate entry mode: export, licensing, franchising, joint venture or direct investments. The subject of the research is CERAMIFOR - a small Portuguese company producing heat treatment equipment for ceramic industries. The company is strongly import oriented with market embodies more than 40 countries. Management of CERAMIFOR prefers to realize previous international activity via direct export and representative agents, however Russian experience has been unlikely successful, while that market presents a pragmatic interest.

The conducted analysis showed that Russian economy differs in high potential because of intensive usage and trade of country's natural resources, but now it is affected by aftermath of Ukrainian and oil-price crises, regarding forecasts about its revival since 2017. Domination of the party "United Russia" and President's favor to it made a strong politician power in the country based on the strong propaganda of nationalism. In the same time, governmental behavior toward economic units often is characterized "aggressive", power abuse led to the increasing trends in corruption and bribery payments, while legal power works weakly and property right defense extent is going down. However, marked simplification of business establishment and comparatively low taxes' level were noticed as positive sides of the Russian market. The presence of "blat" – Russian sort of corruption, where people exchange favors instead of money – is described.

Cultural analysis is conducted on the base of Hall's and Hofstede's dimensions. The most significant points in negotiation with Russian person are:

- Presence of high volume of the context. Society members have better perception of environment;
- Human relations, social networks and emotions play significant role;
- Better and more trustful communication is built between individuals with similar social position;
- Top-to-down decision system – to resolve any question should to contact only with top management;
- The trust has to be deserved but if it will, strong and long-termed relations will be built.

Ceramic industry analysis has identified recession in production and high level of depreciation in fixed assets in common and in equipment separately, what leads to the potential demand to renovation. Considering the equipment import, industrial exhibitions' participants and local producers of kilns, we have concluded foreign companies (Italian, German etc.) as main competitors at the Russian market.

Following the most popular theoretical approaches (IPLC, Transaction costs, Uppsala model etc.) export is chosen as the most corresponding market entry strategy. The collected data from the market and investigation of activity other European companies' (including Portuguese) experience came to the same conclusion.

To sum up, based on the results of the work export was declared as the most coherent entry mode. Direct export would be preferable for the largest producers what obtain significant shares of the total market (Group "Magnezit", Kirovskaya keramika, Imperial Porcelain etc.) while export via agents would be more effective for the smaller ones. Raw-materials suppliers and local associations are considered as possible agents.

Current work is based on the case study of one company, respectively, it is restricted in global conclusions. Future researches could examine full ceramic or machinery sector in Portugal and other countries to research the entry strategy specificity related to Russia. Moreover, researchers can widen the scope of implemented theoretical approaches to look at the issue from another side. Additionally, researchers' attention can be focused on possible distinguishes between producers of consumption and capital goods.

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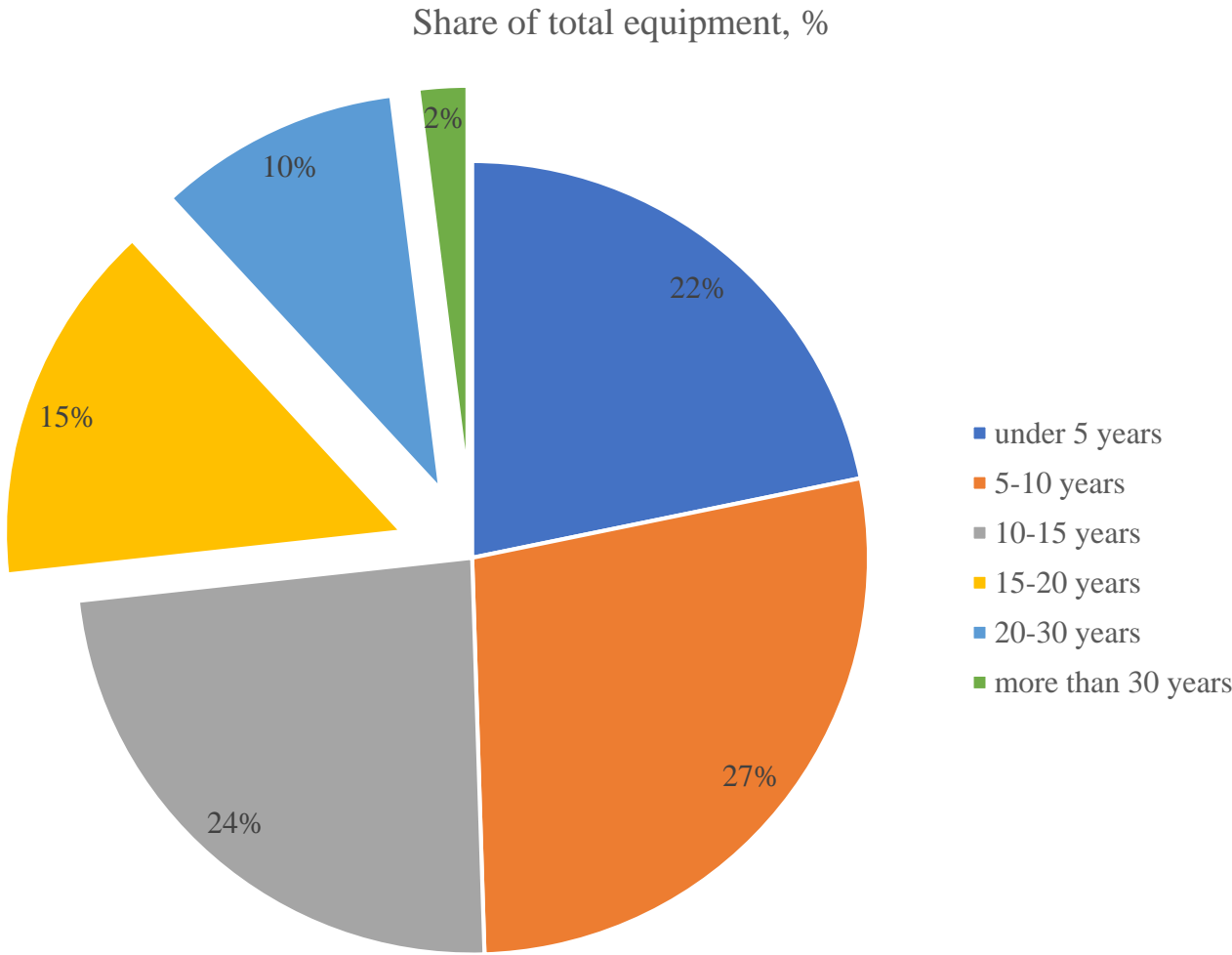
Appendices

Appendix 1: Potential foreign competitors at the Russian firing kilns' market

Company	Main area	Local representative	Clients
<i>Italy</i>			
Capaccioli Group	Structural and refractories	-	Zavod 5 th Elementh, Baltkeramika
BEDESCHI	Structural and refractories	-	Miknevskaya keramika, GKZ, Alekseevskaya keramika, Revdinskiy kirpichniy zavod, TUS
CISMAC	Structural and refractories	-	
MARCHELUZZO IMPIANTI SRL	Structural	Esteso Trade - Russia	Vorotinskiy Kirpichniy Zavod, Arlanskiy Kirpichniy Zavod, Revdinskiy Kirpichniy Zavod, Groznenskiy Zavod Technicheskoy Keramiki
SACMI	All sectors	CONR group	
SETEC group	All sectors	UMIX	
<i>Belguim</i>			
CERATEC SA	Structural and refractories	-	
<i>France</i>			
CLEIA SAS (heir) / CERIC TECHNOLOGIES S.A.S	Structural and refractories	SALVENA consulting	
<i>Greece</i>			

SABO S.A.	Structural	-	Geleznigirskiy Kirpichniy Zavod, Kinel-Cherkasskiy Kirpichniy Zavod, Sterlitamakskiy Kirpichniy Zavod, Kuganakskiy Kirpichniy Zavod, Kiprevskiy Kirpichniy Zavody
<i>Spain</i>			
EQUIPCERAMIC.S.A.	Structural	-	Sibirskiy Elementh, Makeram
PHYSIC GM,S.L.	Structural	-	Kapital Invest
TALLERES FELIPE VERDES, S.A.	Structural	Russian subsidiary	
<i>Germany</i>			
Ipsen	All sectors	JSC «Intek- Analytika»	
Helmut ROHDE GmbH	Tableware	CERAMICS GZHEL	
Nabertherm	Tableware	Ltd «Millab», JSC «Intek- Analytika»	
Tenova group	All sectors	SMK group	
KITTEC GmbH	Tableware	-	
<i>Slovenia</i>			
Bosio d.o.o.	All sectors	Ltd «Prompech»	
<i>Czech Republic</i>			
KERATECH s.r.o.	Refractories and structural	Ltd «Kerateh M»	

Appendix 2: Age structure of equipment and machines in Russian manufacturing sector, 2015



Appendix 3: List of the main ceramic producers in Russia

Company	Product	Address 1 (str., av. Etc.)	Address 2 (zip, region, city)	Telephone, Fax	E-mail	Web	Contact	Position
CJSC «Kirovskaya keramika»	Sanitaryware/ Technical	Ul. Maksima Gorkogo, 46	249441, Kaluga region, Kirov	+7 48 456 5-22-02	keramika@kzsf.ru	www.kzsf.ru	Alexandr Evgen'evich	Technical director
CJSC «UgraKeram» (Roca group)	Sanitaryware	Ul. Promyshlennaya, 3	249201, Kaluga region, pos. Vorotynsk	+7 484 250 47 00	info.santeri@santeri.i.su	www.santeri.su		
OOO «Keramika» (Roca group)	Sanitaryware	Ul. Promyshlennaya, 54	429950, Novocheboksarsk, Chuvash republic	+7 8352 77-53-03		www.santek.ru	Malceva Olga Alexandrovna	Chief engineer
Samarskiy Stroyfarfor	Sanitaryware/ Tiles		443528, Samara region, pos. Stroykeramika	+7 846 999 20 03	orkp@farphor.ru	www.farphor.ru	Irina	
Noginskiy stroyfarfor	Sanitaryware	ul. Klimova, 52	142412, Moscow region, Noginsk	+7 496 517 33 04	sergei.burygin@yandex.ru	www.dellakeramika.ru	Burigin Sergey Alexandrovich	Head of the firing and sorting department
CJSC «Lobnenskiy zavod stroitel'nogo farfora»	Sanitaryware	ul. Silikatnaya, 2	141730, Moscow region, Loibnia	+7 498 672 80 99	farfor@farfor-san.ru	www.farfor-san.ru		
Association of building materials and household appliances	Sanitaryware/ Bricks/ Decoration	Alekseya Ugarova p-t, 200, bld. 2	309515, Belgorod region, Stary Oskol	+7 4725 37 21 43	mail@osmbt.ru	www.osmbt.ru		
Uralkeramika	Sanitaryware / Tiles	ul. Okrujnaya, 1	620103, Ekaterinburg	+7 343 295 62 10	vaosokin@mail.ru	www.uralkeramika.ru		
JSC «Volgogradskiy keramicheskiy zavod»	Sanitaryware / Tiles	ul. Machtozavodskaya, 1	400063, Volgograd	+7 844 247 61 96	import_vkz@mail.ru	www.vkz.ru	Elena Khokhlova	Foreign relation manager
LTD «Zavod keramicheskikh izdeliy «Universal»	Sanitaryware	Kuznetskoe shosse, 20	654084, Kemerovo region, Novokuznetsk	+7 384 334 30 35	oao@zavoduniversal.ru	www.zavoduniversal.ru	Kiselev Eduard Alexandrovich	Managing director
LTD «Roca Sanitaryware» vorotynsk	Sanitaryware	ul. Promyshlennaya, 7	187000, Leningradliy region, Tosno	+7 812 347 94 49	reception@ru.roca.com	www.ru.roca.com		
Vitra (Turkey producer)	Sanitaryware/ Structural ceramics	p. Bolshevik, 1	Moscow region, Serpuhov	+7 495 542 81 72	irina.ogorova@vitra-russia.ru	www.vitra-russia.ru	Irina Ogorova	Specialist of contracts department
Cersanit	Sanitaryware			+7 800 555 29 91	info@rovese.ru	www.cersanit.ru		

JSC «Gjelskiy zavod «Elektroizolyator»	Technical ceramic	OPS Elektroizoliator	140155, Moscow region, Ramenskiy district	+7 495 995 23 45		www.ecarbid.ru		
CJSC «Elektrokeramika»	Technical ceramic	ul. Novaya, 26	140145, Moscow region, d. Troshkovo	+7 903 272 56 07	info-velker@yandex.ru	www.eltehcera.m.ru	Dzerjinskiy Riurik Vladimirovich	CEO
LTS «Zavod Technicheskoy keramiki»	Technical ceramic	ul. Avgustovskaya, 1	143360, Moscow region, Aprelevka	+7 495 984 24 85	info@techceram.ru	www.techceram.ru	Kruglov Anatoliy Nikolaevich	Director of logistic department
JSC «Rechickiy farforoviy zavod»	Technical ceramic	ul. Centralnaya, 2b	140145, Moscow region, s. Rechicy	+7 965 422 26 63	snab@rfz.ru	www.rfz.ru	Shigaeva Nalaia Valer'evna	Suppliment department
JSC «Kornilovskiy farforoviy zavod «IZOLYATOR»	Technical ceramic	Polustrovskiy pr-t, 59	St. Petersburg	+7 812 527 31 11	info@kfz-i.ru	www.kfz-i.ru		
LTD ZTF «Farkos - 1»	Technical ceramic	ul. Rustaveli	St. Petersburg	+7 812 527 31 11		www.farkos-l.narod.ru		
LTD «Virial»	Technical ceramic	Engel'sa pr-t, 27	194156, St. Petersburg	+7 812 293 44 41	info@virial.ru	www.virial.ru	Radcig Nikita Mihailovich	Technical director
JSC «OHPP «Technologiya»	Technical ceramic	Kievskoie shosse, 15	249031, Kaluga region, Obinsk	+7 484 396 46 77	info@technologiya.ru	www.technologiya.ru	Kiselev Alexandr Nikolaevich Mamedov Rustam Allahverdi-ogly	Deputy logistic directors
CJSC «Ekon»	Technical ceramic	ul. Lesnaya, 9	249037, Kaluga region, Obinsk	+7 484 396 62 66	econ@ekonobninsk.ru	www.ekonobninsk.ru		
JSC «Polikor»	Technical ceramic	ul. Vichugskaya, 102	155800, Ivanovo region, Kineshma	+7 493 319 12 13	sekret@polikor.su	www.polikor.net	Egenian Valeriy Markovich	Chief engineer
HK JSC «NEVZ-Soyuz»	Technical ceramic	Krasniy pr-t, 220	630049, Novosibirsk	+7 983 138 65 87 +7 983 138 65 92	isaenko@nevz.ru	www.ru.nevz.ru	Isaenko Sergey Sergeevich Natalya	Head of the property management department
JSC «Eliz»	Technical ceramic	ul. Repina, 98	614112, Permskiy krai, Perm'	+7 342 274 09 73	eliz@eliz.ru	www.vzef.ru	Kochkin Artem	
LTD «Litnik»	Technical ceramic	ul. Chehova, 12	425200, Mariy El republic, p. Medvedevo	+7 927 684 04 00	omegakeramic@mail.ru	www.litnik12.ru	Viktor Nikolaevich	Director
LTD «Farfor Elektro-Technicheskij» (FETA)	Technical ceramic		pgt. Medvedevo	+7 836 258 43 45	feta-info@yandex.ru	www.feta12.ru		
JSC «Zavod poluprovodnikovyyh priborov»	Technical ceramic	ul. Suvorova, 26	424003, Mariy El republic, Ioshkar-Ola	+7 836 272 06 46	info@zpp12.ru	www.zpp12.ru	Egoshin Valeriy Alekseevich	Deputy technological director

JSC «Andreapolskiy farforoviy zavod»	Technical ceramic	ul. Izmailova, 1	172800, Tver' region, Andreapol'	+7 482 673 14 54 +7 482 673 28 63	afzawod@mail.ru	www.farforzavod.ru		
JSC «Donskoy zavod radiodetaley»	Technical ceramic	ul. Privokzalnaya, 10	301760, Tula region, Donskoy	+7 487 465 45 30	admin@alund.ru	www.alund.ru	Rykov Vitaliy Ivanovich	Chief engineer
JSC «Chepeckiy mehanicheskiy zavod»	Technical ceramic	ul. Belova, 7	427622, Republic Udmurtiya, Glazov	+7 341 419 61 95	akard13@mail.ru	www.chmz.net	Kardopolov Alexandr Viktorovich	Head of the project of rare-earth ceramic
JSC «Yujnouralskiy zavod radiokeramiki»	Technical ceramic	ul. Universitetskaya, 3	457040, Chelyabinskiy region, Yujnouralsk	+7 351 349 18 33	info@oaouzrk.ru	www.oaouzrk.ru		
JSC «Yujnouralskiy armaturno-izolyatorniy zavod»	Technical ceramic	ul. Zavodskaya, 1	457040, Chelyabinskiy region, Yujnouralsk	+7 351 349 85 64	sineok-p@mail.ru	www.aiz.ru	Pavel Yurievich	Head of porcelain department
LTD «Bashkirskiy farfor»	Tableware	ul. Severnaya, 60A	452620, Bashkortostan republic, Oktiabrskiy	+7 347 674 44 25	bashfor@bk.ru	www.bashfarfor.ru		
JSC «Gjelskiy farforoviy zavod»	Tableware	build. 232	140155, Moscow region, Ramenskiy district, s. Novoharitonovo	+7 495 221 77 53	okustareva@irito.ru	www.farfor-gzhel.ru	Olga Alexandrovna	Offers manager
«Dulevskiy farfor»	Tableware	ul. Lenina, 15	142670, Moscow region, Likino-Dulevo			www.dfz.ru		
«Imperial Porcelain»	Tableware	pr-t Obuhovskoi oborony, 151	192171, St. Petersburg			www.ipm.ru		
CJSC «Kislovodskiy zavod - FENIX»	Tableware	ul. Stanichnaya, 2	357736, Stavropolskiy region, Kislovodsk	+7 879 375 15 25		www.fenix-kislovodsk.ru		
LTD «Kubanfarfor»	Tableware	ul. Novorossiyskaya, 234	350059, Krasnodar			www.kubanfarfor.ru		
«Manufactory Gardner v Verbilkah»	Tableware	ul. Zabyrina, 1	141930, Moscow region, p. Verbilki	+7 919 411 97 52 +7 985 911 65 36	usolkin.vyacheslav@gardnerporcelain.com cherkasova.margarita@rusimport.ru	www.gardnerporcelain.com	Viacheslav Yurievich Margarita	General director Import manager
LTD «Sin' Rossyi»	Tableware		140145, Moscow region, s. Gjel'	+7 926 779 34 73	director@sinnros.ru	www.sinnros.ru	Vitaliy Viktorovich	Director
LTD «Farfor Syserti»	Tableware	ul. Repina, 6A	620086, Ekaterinburg	+7 343 746 21 35		www.farfor-sysert.ru		

JSC «Iujnouralskiy farforoviy zavod»	Tableware	ul. Beregovaya, 1	457040, Cheliabinsk region, Yujnouralsk	+7 351 343 54 31	ufz-ugur@chel.surnet.ru	www.ufz.h1.ru		
LTD «Bogdanovichskiy Farforoviy Zavod»	Tableware	ul. Stepana Razina, 62	623530, Sverdlovskiy region, Bogdanovich	+7 343 764 54 55		www.bfz.ru		
LTD «Group «Magnezit»	Refractories	ul. Bolshaya polianka, 43, build. 3	119180, Moscow		office@magnezit.ru	www.magnezit.ru	Verzakov Vasiliy Aleksandrovich	Deputy director
Bogdanovichskoe JSC «Ogneupory»	Refractories	ul. Gagarina, 2	623530, Sverdlovskiy region, Bogdanovich	+7 343 764 74 15	paxam74@mail.ru	www.ogneupory.ru	Martianov Pavel Alexandrovich	Chief engineer
JSC «Pervouralskiy dinasobiy zavod»	Refractories	ul. Il'icha, 1	623103, Sverdlovskiy region, Pervouralsk		lim@dinur.ru	www.dinur.ru	Lim Yuriy Vladislavovich	Head of technical department
JSC «Borovichskiy kombinat ogneuporov» (BKO)	Refractories	ul. Mejdunarodnaya, 1	174411, Novgorodskiy region, Borovichi		sgershkovich@aobko.ru	www.aobko.ru	Gershkovich Sergey Igorevich Skurihin Vladimir Vasilievich	Head of technical department Leading engineer
JSC «Suholojskiy ogneuporniy zavod» (Morgan thermal ceramics)	Refractories	ul. Miliceyskaya, 2	624800, Sverdlovskiy region, Suhoy log		omtc@slsoz.ru	www.soz.slsoz.ru	Zaharov Sergey Viktorovich	Head of Logistic department
JSC «Scherbinskiy zavod elektropavlennih ogneuporov»	Refractories	ul. Yujnaya, 2	142171, Moscow region, Scherbinka	+7 495 867 01 49		www.epo-bacor.ru	Ludmila ivanovna	
LTD «Ogneupor» (MMK group)	Refractories	ul. Kirova, 93	455019, Chelyabinsk region, Magnitogorsk			www.oup.ru		
CJSC «Novomoskovskiy zavod keramicheskikh materialov»	Bricks/ Tiles	ul. Novaya, 1B	301650, Tul'skiy region, Novomoskovsk	+7 4876 23 05 00	nkzm@nkzm.ru	www.nkzm.ru		
LTD «Shahtinskaya keramika»	Tiles	ul. Doronina, 2B	346516, Rostovskiy region, Shahty	+7 8636 26 83 88	alexandra.lipchanskaya@unitile.ru	www.unitile.ru	Alexandra	Specialist of supply department
CJSC «Keramogranitniy zavod» (ITALON group)	Tiles	Starositnenskoe shosse, 32	142800, Moskovskiy region, Stupino	+7 495 225 13 22		www.italonceramica.ru		
CJSC «Revdinskiy kirpichniy zavod»	Bricks	ul. Kirzavod, 4	623285, Sverdlovskiy region, Revda	+7 3439 723 5 01	gling@revkz.ru	www.revkz.ru	Leschev Anatoliy Vladimirovich	Chief engineer

CJSC «Verhnevoljskiy kirpichny zavod»	Bricks			+7 482 326 90 20 (5391)		www.vvkz.ru	Omelchenko Andrey Nikolaevich	Engineer
CJSC «SamarSKIY kombinat keramicheskikh materialov»	Bricks	Zavodskoe shosse, 25/2	443022, Samara	+7 846 261 81 79	org@skkm.ru	www.skkm.ru	Chikineva Tatiana Vasilevna	Director
CJSC «Gorkovskiy kirpichny zavod»	Bricks	ul. Vishnevaya, 6	140542, Moskovskiy region, p. FruktoVaya			www.xn--80adbbipgaaicgbc1chbmmliq0mzd.xn--plai		
CJSC «Kirpichny zavod BRAER»	Bricks	ul. Kirpichnaya, 1-a	301132, Tul'skiy region, p. Obidimo	+7 487 225 24 52	lfbkf2004@yandex.ru	www.braer.ru	Vladislav Vladimirovich	Chief engineer
Group «Karieroupravlenie»	Bricks	ul. Irkutskiy trakt, 27	634049, Tomsk	+7 382 275 31 15		www.gkkarier.ru	Shatohin Alexandr Vasilievich	Deputy chief engineer
Group TEREX	Bricks	Promyshlenniy mikror-n, 19	249855, Kaluzhskiy region, p. Tovarkovo	+7 484 344 12 93	kzsm41293@mail.ru	www.terex-group.ru	Viacheslav Alekseevich	Chief engineer
Zavod stroitel'noy keramiki «Ketra»	Bricks		429620, Republic Chuvashiya, s. Krasnoarmeyskoe	+7 835 222 83 33	rk.ivan@mail.ru	www.ketrabrik.ru	Ivan Vladimirovich	Technical director
CJSC «KERAMA-PLAST»	Bricks	ul. Komsomolskaya, 20	309186, Belgorodskiy region, Gubkin			prasol1@mail.ru		
CJSC «Norskiy keramicheskiy zavod»	Bricks	per. Krasnopereval'skiy, 1	150019, Yaroslavl	+7 485 257 95 67		www.norsk-yar.ru	Isaev Sergey Nikolaevich	Technical director
CJSC «PETROKERAMICA»	Bricks	Otradnenskoe shosse, 5	187026, Leningradskiy region, Nikolskoe			petroceramica@nefrit.ru		
LTD «Safonovskiy kirpichny zavod №1»	Bricks	ul. Radischeva, 9	215500, Smolenskiy region, Safonovo			www.xn--80aafbkgaaicbc1bhbbmmtkf8dveze.xn--plai		
CJSC «Fokinskiy kombinat stroitel'nykh materialov»	Bricks	ul. Zavodskaya, 1A	242622, Bryansk region, d. Berezino				ivaco-dmitry@rambler.ru	
Group FON «Kluchishinskaya keramika» (KLUKER)	Bricks	ul. Chistopolskaya, 83	421001, Kazan	+7 843 527 75 25		www.fonltd.ru	Orlov Sergey Mihailovich	Technical director
LTD «Fifth Element»	Bricks		236000, Kaliningrad	+7 401 230 69 34	zavod@Selemet.biz	www.5element.biz	Ludmila Ivanovna	Head of technological department

LTD «Terbunskiy gonchar»	Bricks	ul. Dorojnayz, 5-B	399540, Lipeckiy region, s. Terbuny	+7 474 742 95 54		www.gonchar48.ru		
LTD «Kombinat keramicheskikh izdeliy» (KKI)	Bricks	pr-t Lenina, 33	243140, Briansk, Klincy			office@gorak-russia.com		
JSC «Kerma»	Bricks		603005, Nijniy Novgorod	+7 831 262 70 79		www.kerma-nn.ru		
JSC «Gjelskiy kirpichniy zavod»	Bricks		140145, s. Gjel'	+7 496 465 88 10		www.oao-gkz.ru		
JSC «Golicinskiy Keramicheskii zavod»	Bricks/ Tiles		143050, Moscow region, pos. Bolshie Viazemy	+7 495 598 21 98	info@gzk.ru	www.gkz.ru		
JSC «Mstiorskiy zavod stenovih keramicheskikh materialov»	Bricks	ul. Kirzavodskaya, 10	601410, Vladimir region, st. Mstera	+7 492 336 35 11	omts@mzksm.ru	www.mzksm.ru	Natalya	Supply department
JSC «Novo-Jerusalimskiy kirpichniy zavod»	Bricks	build. 17	143550, Moscow region, pos. Pervomayskiy	+7 495 992 37 78		www.nikz.ru	Aleksey Anatolevich	Technical director
LTD «Altayskaya keramika»	Bricks	P. Korchagina, 1	658083, Altay region, Novoaltaysk			alt.keram@yandex.ru		
LTD «BaltKeramika»	Bricks	ul. Zavodskaya, 11	236020, Kaliningradskiy region, pos. Pribrejniy	+7 906 212 47 68	gi@baltkeramika.ru kirshch@gmail.com	http://baltkeramika.ru/	Evgeniy Olegovich	Chief engineer
LTD «Bereznikovskiy kirpichniy zavod»	Bricks	ul. Silvinitnaya, 1a	618426, Permskiy region, Berezniki	+7 342 429 74 46	ooobkz@mail.ru	www.bkz-brick.ru	Chumakov Andrey Yurevich Muhlynin Viktor Mihaylovich	Director Chief engineer
LTD «Buyskiy keramzavod»	Bricks		157041, Kostromskiy region, m. Kulikovo	+7 499 55 00 007		www.1bkz.ru		
LTD «Grozniyskiy zavod stroitelnoi keramiki»	Bricks	ul. Andreevskaya dolina, 10	364025, Republic Chechnia, Grozniy	+7 881 229 53 91		www.grozkeram.ru		
LTD «Stroitelnie innovacii» (Kashirskiy kirpichniy zavod)	Bricks		142921, Moscow region, p. Ojerel'e	+7 496 694 27 98		www.kk-zavod.ru		
LTD «Kemma»	Bricks	ul. Mramornaya, 26, build. 4	454038, Cheliabinsk region, Cheliabinsk	+7 351 216 10 53	techdirector@kemma.ru	www.kemma.ru	Singatullin Renat Rashidovich	Technical director

LTD «Kirpichniy zavod «Likolor»	Bricks	ul. Petuhova, 6/1	630088, Novosibirskiy region, Novosibirsk	+7 383 363 11 86		www.likolors.ru		
LTD «Kombinat Stroma»	Bricks	ul. Zarechnaya, 1a	243363, Brianskiy region, p. Desna	+7 483 412 21 28 (107)	tender@stroma32.ru	www.stroma32.ru		Supply department
LTD «Ob'edinennie kirpichnie zavodi»	Bricks	ul. Stoletovyh, 9	600000, Vladimir region, Vladimir	+7 492 242 06 74		www.okz33.ru		
LTD «Tovarkovskaya keramika»	Bricks	prom. Mikror-n Promzona, build. 5	249844, Kaluga region, p. Tovarkovo	+7 484 344 06 79		www.tovker.ru	Lubov Viktorovna	Supply department
CJSC «Ryazanskiy kirpichniy zavod»	Bricks	ul. Kirpichnogo zavoda, 18	390000, Riazan region, Riazan	+7 491 276 05 34		www.ryazanbrick.ru		
LTD Zavod keramicheskogo kirpicha «Rimker»	Bricks	rab. Pos. 2-ya Guselka	410074, Saratov region, Saratov	+7 845 275 43 57	sales@rimkeramika.ru	www.rimker.ru		
«Markinskiy kirpich»	Bricks	ul. Ivana Obrazcova, 1	346471, Rostov region, hut. Markin	+7 863 626 83 88 (4937)		www.markinskiy.ru		
LTD «Mihneevskaya keramika»	Bricks	ul. Donbasskaya, 91	142840, Moscow region, pos. Mihnevo	+7 495 545 58 38		www.oomik.ru	Olga	
Zavod "Pobeda" (LSR group)	Bricks	ul. Sevastianova, 22, lit. A	196650, St. Petersburg, Kolpino	+7 812 334 87 14		www.lsrwallmaterials-m.ru		
Nikolskiy kirpichniy zavod (LSR group)	Bricks	Nikolskoe shosse, 55	187330, Leningrad region, Otradnoe	+7 812 334 87 72		www.lsrwallmaterials-m.ru		
Riaboskiy kirpichniy zavod (LSR group)	Bricks	ul. Dorojnaya, 1	187040, Leningrad region, pos. Riabovo	+7 812 619 56 40 (43)		www.lsrwallmaterials-m.ru		
Pavlovo-Posadskiy Kirpichniy Zavod (LSR group)	Bricks	per. Pushkinskiy, 6/2	142507, Moscow region, Pavlovskiy Posad	+7 495 139 21 11 (5753)		www.lsrwallmaterials-m.ru		
Kirpichniy zavod v der. Kiprevo (Wienerberger group)	Bricks		601025, Vladimir region, der. Kiprevo	+7 492 377 31 06		www.wienerberger.ru		
Kirpichniy zavod st. Kurkachi (Wienerberger group)	Bricks	d.1	422730, Tatarstan Republic, pos. Jelesnodorijnogo raz'ezda Kurkachu	+7 843 657 26 27		www.wienerberger.ru		

JSC «Slavianskiy kirpich»	Bricks	ul. Mira, 208	353382, Krasnodarskiy kray, h. Galicya	+7 861 464 23 84		www.slavkirp.ru		
CJSC «Jeleznogorskiy kirpichniy zavod»	Bricks					priem_gkz@mgor.ru		
JSC «Tul'skiy kirpichniy zavod»	Bricks	per. Gorodskoy, 21	300012, Tula region, Tula	+7 487 224 08 34		www.tulaoaotkz.ru		
Association of building materials and household appliances	Bricks/ Sanitaryware/ Decoration					www.osmbt.ru		
JSC «STROYPOLIMERKERAM IKA»	Bricks	ul. Zavodskaya, 1	249201, Kaluga region, pos. Vorotynsk	+7 484 258 12 01		www.v-kirpich.ru		
Kirpichniy zavod AMSTRON	Bricks	ul. Stroitel'naya, 2E	453480, Bashkortostan Republic, s. Tolbazy	+7 347 280 40 80		www.amstron.ru		
«KERAMIR» group	Tiles			+7 812 324 60 59	office@keramir.com	www.keramir.com		
Nefrit-Keramika	Tiles	Otradnenskoe shosse, 3	187026, Leningradskiy region, Nikolskoe	+7 812 346 55 83		www.nefrit.ru		
JSC «Sokol»	Tiles	ul. Keramicheskaya, 24	143532, Moscow region, Dedovsk	+7 495 994 57 87		www.sokol-keram.ru		
Euro-Keramika	Tiles	ul. Zavodskaya, 1	181500, Pskovskiy region, Pechory	+7 811 482 72 21		www.euro-ceramica.net		
Lasselsberger Ceramics group	Tiles	ul. Elektrozavodskaya, 8	450520, Bashkortostan Republic, s. Zubovo	+7 347 293 63 10		www.lb-ceramics.ru		
LTD «Estima Keramika» (KERATON group)	Tiles	Nauchniy proezd, 14A, build. 3	117246, Moscow region, Moscow	+7 495 775 60 40		www.Estima.ru		
CJSC «Kerama Centr» (Kerama Marazzi group)	Tiles	ul. Letnikovskaya, 2, build. 1D	115114, Moscow region, Moscow	+7 495 720 53 86		www.kerama-marazzi.com		