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**BUSINESS OPPORTUNITIES AND LOGISTICS DEVELOPMENT
IN RELATIONS BETWEEN THE NORTHWEST RUSSIA AND
THE VAASA REGION ALONG THE E12 STRAIT WITH FOCUS
ON KVARKEN PORTS**

Master's Thesis in
Industrial Management

Master of Science in Economics and
Business Administration

VAASA 2016

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Topic of the Thesis:

Business opportunities and logistics development in relations between the Northwest Russia and the Vaasa region along the E12 strait with focus on Kvarken ports

Supervisor:

Professor Petri Helo

Degree:

Master of Science in Economics and Business Administration

Degree Programme:

Master's Degree Programme in Industrial Management

Major Subject:

Industrial Management

Year of Entering the University:

2012

Year of Completing the Thesis:

2016

Pages: 88

ABSTRACT:

The aim of this research is to identify business opportunities in trade between the Northwest Russia and the Vaasa Region with the emphasis on the activities of the Kvarken Ports. It is a unique transport concept as it is managed by two countries Finland and Sweden. Kvarken ports is a part of the E12 strait, it provides ferry connection between Finland and Sweden and therefore plays major role in the whole Vaasa region logistics.

The research is concentrated on the analysis of emerging trends in economy which help to identify business opportunities for trade development between the target regions. The study provides unique results showing that several industries are developing despite the crisis. For instance, agricultural, chemical, food production and machinery are experiencing growth. Therefore, it is recommended to focus on cooperation with companies from these sectors. Moreover, main trends in demand of the Nordic countries are studied and matched with the supply possibility of Russian companies.

Customers' attitude toward the trade with the Vaasa region and its logistics services is identified based on the interview conducted with case companies from the Northwest Russia. Within-case and cross-case analyses are performed to interpret the interview results. Russian companies show interest towards the Vaasa region market, but several changes in logistics services provided by Kvarken Ports are required. Therefore, an action plan how to proceed with findings and develop cooperation between the Vaasa region and the Northwest Russia is developed.

KEYWORDS: Business opportunities, logistics development, the Vaasa region, the Northwest Russia, NLC

1. INTRODUCTION

1.1. Background

As a result of rapidly changing business environment, modern organizations are forced to search for alternative sources of efficiency. The ultimate goal of this search is not only to survive new market forces, but also take an advantage and gain from them (KPMG, 2016). Tendency of business globalization would not be possible without proper transportation solutions, enhanced logistics clearly play a key role in a firm's success. In fact, not only the quantity but also the quality of transportation services is able to significantly improve operating models and better prepare for market uncertainties. (Ojala, 1995).

Because of the high level of internationalization global logistics is a rapidly developing sector. This rapid growth is mainly defined by the booming economies of developing countries such as China. At the same time, European countries with well-functioning operating models experience economic decline. This decline is happening because of neglected possibilities for potential improvement that are not taken into consideration. Nordic countries, for instance, pay more attention to new opportunities for doing business more efficiently. One of such opportunities according to VASEK is development of logistics. For example, Nordic Logistics Corridor (NLC) covers issues of passengers and cargo transportation between Norway, Sweden and Finland from one side and Russia, Asia and The United States on the other side. The goal of this project was to create an efficient alternative route for regions in Nordic countries, and the emphasis was on the strong cooperation between these countries in order to create conditions for successful transportation system between them. NLC (Figure 1) is already existing route, but the target is to make it more recognized and widely used. (Nordic Logistics Corridor webpage).



Figure 1. Nordic Logistics Corridor map (Nordic Logistics Corridor, 2016)

As the study is concentrated on the Vaasa Region in Finland, it is necessary to note the importance of Kvarken ports. Vaasa Region from Finnish side and Umea from Swedish side cooperate and build new port instead of one that went bankrupt in 2011. This is an absolutely new transport concept, because it is owned by two different countries. Kvarken ports is a part of NLC concept, it merges two parts of the route through the ferry connection, and it and aims to increase the volumes of cargo and passengers transportation.

This research is about finding new business opportunities in trade between the Northwest Russia and the Vaasa Region. There are several reasons why Russia is considered as an important source of development for Finland. Some years ago Russian Federation has become a main trading partner of Finland, and according to Central Bank of Russia and Finnish Custom it was a major country for Finnish export in 2011. Despite the current decrease in export and import due to geopolitical issues (Figure 1), business cooperation

is very strong between these two countries. Finland provides Russia with a very important transport corridor to other European countries (Lorentz, 2008). In this context, transportation services play significant role in development of these trading relationships.

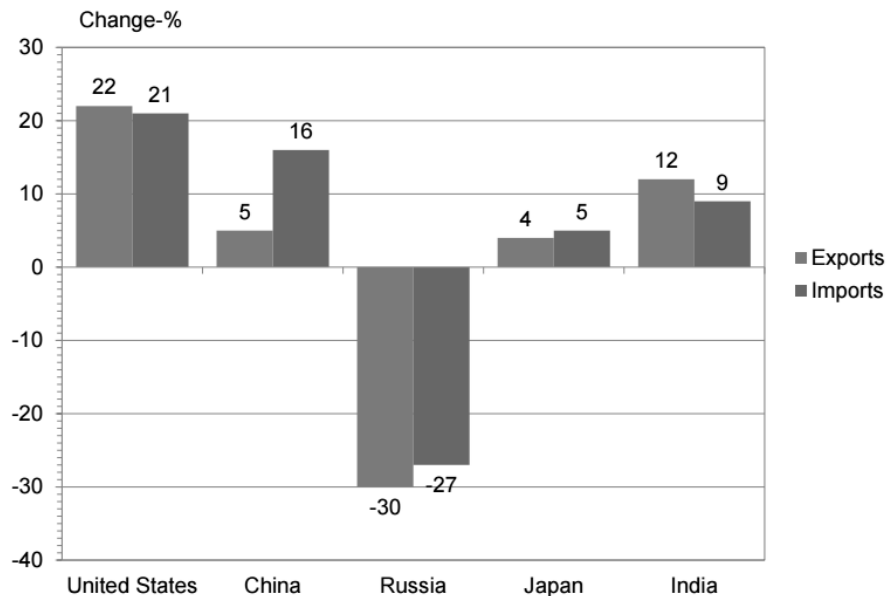


Figure 2. The development of the trade of EU countries with certain trading partners 2015, change from previous year % (Eurostat, 2016)

One way to enforce the development of potential cooperation between Finland and Russia is through the involvement of regional competitive advantages. One example of such kind of regions is the Vaasa region with its capital city – Vaasa. Vaasa and its surroundings is considered as an energy region of Finland. Companies of energy sector operate internationally and in order to fulfill their trading goals, several logistics decisions are required. For that reason, the Vaasa region currently seeks for further development of logistics channels. Therefore, this research mainly focuses on the development of the logistics channels of the Vaasa region, mainly through building business relationships with neighbor countries, and opportunities that it can give to the trade development between Northwest Russia and the Vaasa Region.

Given that Vaasa is expected to become a major transit point for Russian cargo transportation to EU countries and the United States, this study aims to examine potential customers and main players on the market. Furthermore, it tries to identify the ways to attract them to Vaasa region and inform them about the new developing routes of transportation through the Vaasa region to Sweden, Norway and further to the United States. This study is closely related to the ongoing development of logistics solutions by VASEK and its partners - Kvarken Ports and Kvarken Council. They emphasize the transport possibilities of Kvarken ports and close cooperation of Vaasa and Umeå regions.

1.2. Aim of the study

The aim of this research is to identify business opportunities in trade between the Northwest Russia and the Vaasa Region. The idea is to investigate development of the Vaasa Region and to understand what the strengths are in gaining competitive advantage and attractiveness for the customers. Most of the companies in the Vaasa Region operates globally, therefore there is a need to be sure that the region is easily reachable. (Vaasa Region, 2016.)

The Vaasa Region has all the facilities to become an attractive place for foreign companies, as it has one of the biggest airports in Finland, the port and the convenient railway system. Significant attention is also paid to development of logistics area in Vaasa, which is aimed to provide logistics companies with the optimal location placed in the area where airport, railway and highway meet. (Vaasa Region Logistics Parks, 2016.)

The Vaasa Region has a capacity to become a very successful and attractive for foreign businesses region of Finland. Hence, there is need to identify business opportunities and new customers from Russia in order to attract investments in the region and formulate future steps in the region development initiative.

As the emphasis is on the Kvarken Ports and close cooperation between Sweden and Finland, therefore it is reasonable to search for new opportunities in regard of possibilities of Kvarken traffic and E12 Atlantica transport.

1.3. Research question

The main research problem is how to expand business relations between Finland and Russia on the basis of logistics development in the Vaasa region. Next, based on this it is important to define what benefits it can provide for the business development between these countries, particularly in trade between the Northwest Russia and the Vaasa region. These problems converge on how to expand existent transportation routes and make them more efficient.

According to these problems **the main research question is:**

RQ: *What are business opportunities for trade between the Northwest Russia and the Vaasa region along the E12 strait with focus on Kvarken Ports?*

Sub-question: *How to proceed with found opportunities for development of cooperation between the Northwest Russia and the Vaasa region?*

In order to answer this question several objectives are defined:

- To identify most growing industries in Russia
- Compare demand of the Nordic countries and supply possibilities of Russia
- To identify main potential customers/actors in the market of the Northwest Russia
- To identify prospective customers' attitude towards trade with the Vaasa region and their requirements to logistics services in the region
- To investigate solutions for development logistics business network between the Northwest Russia and the Vaasa Region
- To investigate how to attract prospective customers to the Vaasa region

The goal is to make an analysis of trade opportunities and logistics development between the Northwest Russia and the Vaasa region. The emphasis of the thesis is on the analysis of the Vaasa region development and possibilities to transfer goods and services from the Northwest Russia through the Nordic Logistics Corridor and E12 Atlantica transport.

1.4. Structure of the thesis

This research is based on the idea of theory-before-research approach by Berg (2001). The research starts with the idea identification or problem clarification in order to narrow down the topic of the study. Next, literature review is following, where the theoretical information on the research topic is investigated, after that design of the research is formulated and research methods are identified. Data collection is the next step, which is followed by the analysis of the data. And the final stage of the study is formulation of the empirical findings, which answer the research question. (Berg, 2001.)

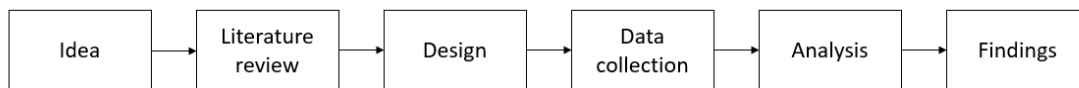


Figure 3. Theory-before-research approach (adapted from Berg, 2001).

In order to answer the research question the thesis consists of five chapters. The first chapter is an introduction where background of the research is presented and importance of study is discussed. This sector describes aim of the master's thesis and includes research questions together with objectives of the study.

The second chapter provides with literature review of relevant theories, based on the research question. Opportunities identification, prior market knowledge and business networks based opportunities are themes which formulate the theoretical framework of the study.

Chapter three describes the methodology used to carry the research. It combines different methodological approaches, such as: case study, environmental scanning and interviews. Environmental analysis is performed to identify trends and weak signals in economies of Finland, Sweden, Norway and Russia in order to define industries which can be prospective for development of trade between the Nordic countries and Russia. Next, based on the findings from environmental scanning, several interviews with potential market actors from the Northwest Russia are conducted and the customers' requirements are identified. Last step is interpretation of the interview results and identification of business opportunities for trade between the Northwest Russia and the Vaasa region. This chapter also includes description of three main companies who are involved in the research and the E12 Atlantica transport project is discussed.

Chapter four presents findings from the empirical part. It starts with the general description of the Northwest Russia region, its export activities. Then environmental analysis results define business opportunities for the trade between the Vaasa region and the Northwest Russia. Interview results are presented in the form of within-case analysis and cross-case analysis. Within-case analysis describes each case company and the respondents' comments separately, when cross-case analysis is performed in order to show similarities and differences in the cases. This sector also provide the list of the activities that should be performed in order to develop cooperation between the Vaasa region and the Northwest Russia. Additionally recommendations for further contacting are given in this chapter.

Chapter five summarizes the answer to the research questions of the study. Additionally, theoretical and practical contribution is discussed together with limitations and suggestions for further research.

2. LITERATURE REVIEW

It is possible to point out four relevant themes that are related to the stated research questions. Strategic Management is underlying concept in the theoretical background of the research. It is built itself on different theories, and that is why it is the main element which links themes of business opportunities identification, prior market knowledge business networks. The logic behind the theoretical part is following - to explain what are the roots of the theory of business opportunities and what are the key factors leading to successful business opportunities identification. Figure 4 shows main elements in the theory conceptualization.

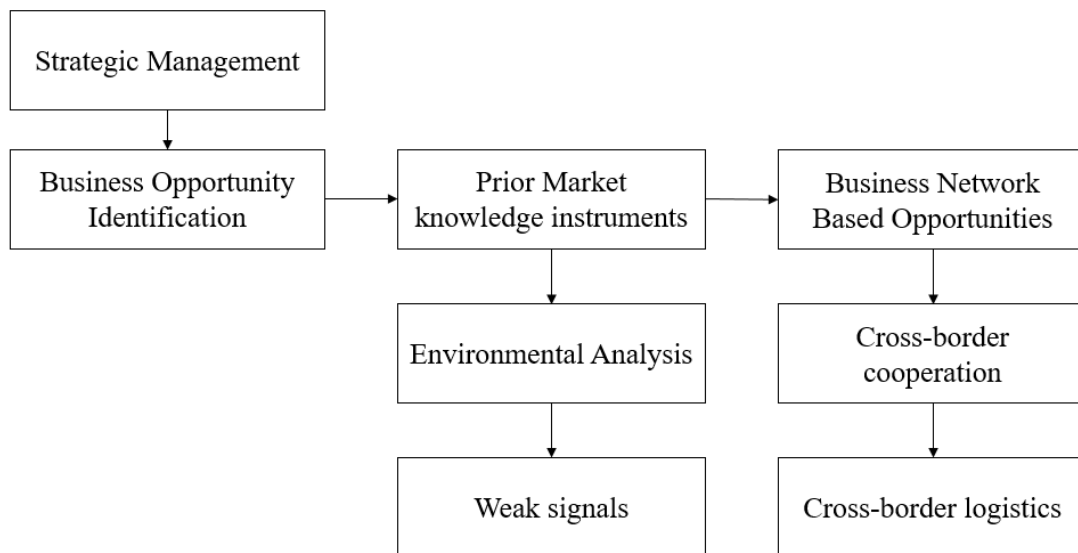


Figure 4. Theory conceptualization

2.1. The Concept of Strategic Management

There is a tendency for the markets' dynamic development, which makes the business landscape change continuously. In this situation companies have to be able to adapt to new environment. Additionally, internationalization process forces companies to have

their own goals in order to be ready to compete on the global market. The role of strategic management is to make a hierarchy of these goals and consequently let the company be efficient by following the strategy (Dess et al., 1993: 5-6). In other words strategic management answers the question where the company wants to go and it formulates vision of company's future. According to Thompson (1998) "*strategy is a "game plan" management has for positioning the company in its chosen market arena, competing successfully, pleasing customers, and achieving good business performance*".

Strategic management consists of three main parts - strategic analysis, strategy formulation and strategy implementation (Dess et al., 1993). Opportunity identification is closely related to the strategic management concept, as it is a part of strategic analysis. Thompson (1998) states that strategic management deals with the following issues:

- Understanding the environment and the way it changes;
- Recognition of potential threats and opportunities;
- Decision making regarding the products and services offered by the company;
- Management of resources for production of chosen products.

In this thesis identification of opportunities is the key topic, therefore the literature review part includes theoretical concepts regarding first two issues of strategic management.

As it was mentioned before, strategic management aims to fit the whole business in the changing environment in order to grow the effectiveness of the company for the long run. Therefore, understanding an environment where the company is doing its business is significant, as it formulates the basis for the development of an efficient strategy. The figure 5 demonstrates that the environmental scanning is a basis for the strategy development process.

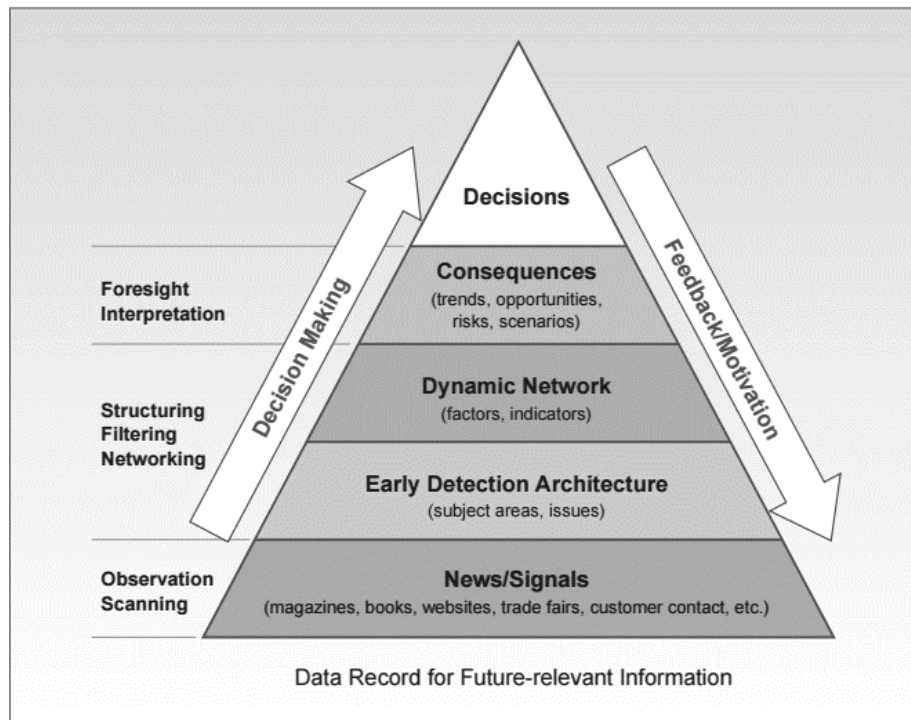


Figure 5. The basis of strategy development (Pillkahn, 2008)

An external environmental scanning can determine main opportunities and threats for the company. Scanning includes following trends and factors that affect the firm. Based on trends managers can make forecasts about the future scenarios and even identify customers' requirements. (Dess et al., 1993: 36). Monitoring is a one of the methods used to forecast environmental changes, it searches for the signals pointing at the very important changes that should be taken into consideration (Schendel & Hofer.:1979: 137).

2.2. Opportunity identification understanding

Opportunity identification deals with the development of new strategic options, therefore it has an impact on the whole strategic management process. Moreover, firm's growth is strongly correlated with the ability to successfully manage the opportunity identification process. However, for better understanding of this process there is need to be familiar with the term 'opportunity'.

2.2.1. What is opportunity?

Recently, the term ‘opportunity’ has been studied in the context of entrepreneurial opportunity. According to Ardichvili et al. (2003) successful entrepreneurship is described by its ability to identify the opportunity. Puhakka (1999) states that entrepreneurship is usually considered as a driving force of economic development, because the main idea of entrepreneurship is seeking of the opportunities.

The theory regarding opportunity identification is recently new, authors started to study this question in the late 80s (Puhakka, 1999). Opportunity is one of the main concepts in business literature, since the existing fact that the central role in doing business is given to the opportunities seeking (Ghauri et al., 2005: 1). Any company’s strategy is linked with the development of new possibilities for market growth, the reasons for the opportunities search can be different though.

Business literature often uses word ‘opportunity’ in meaning of starting point for the strong and profitable business. Opportunity also can have specific meaning, it is differentiated by the area of the interest, for instance there are meanings of business opportunity in general, market opportunity and exchange opportunity. Hence, closer consideration shows that all these concepts are correlated with each other, all of them somehow refers to the one concept of the business opportunities in the market. (Ghauri et al., 2005: 2.)

A deeper understanding of the opportunity can be obtained through the way of finding opportunity. Two main concepts of finding opportunity exist in the literature, finding can be an outcome from the actual search or exploration of it. Search of the opportunity means combining capabilities and resources. Exploration means finding of absolutely unexpected opportunity. (Ghauri et al., 2005:3.)

Ardichvili et al. (2003) insist that opportunity is developed, but not found. It certainly has an element of creativity involved, however in general it is a continuous process of market’s needs analysis and awareness of market changes. Opportunity identification

process has following steps – recognition of opportunity, its evaluation and its development. Evaluation of the opportunity should be repeated over and over again, as it helps to identify another opportunity during the process. (Ardichvili et al., 2003.)

Following figure shows activities which are involved in the business opportunities development.

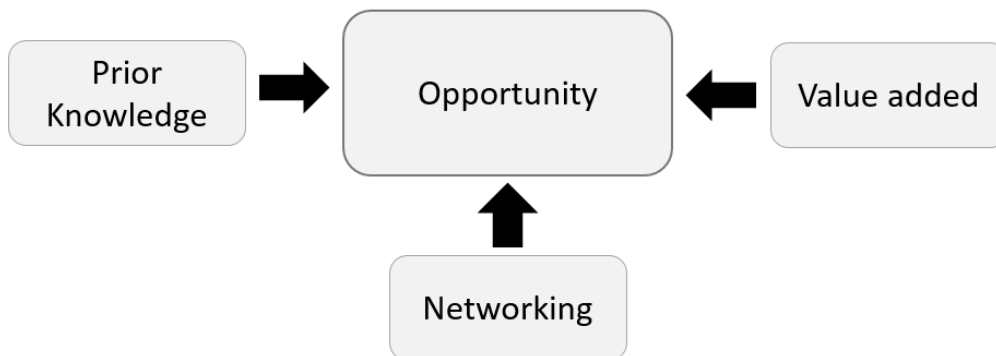


Figure 6. Activities involved in the opportunities identification

Prior knowledge gained through the environment analysis, value creation and the values system by Porter and business networks are what helps to identify opportunities and therefore are discussed in the following chapters.

2.2.2. The role of the value system in the opportunity identification process

In a business context an opportunity is the source of profit growth for the company. Therefore, identification of opportunity is similar to identification of new source of profit, which can be achieved by offering additional value to the customers (Christensen, 1989). Shane et al. (2000b) and Eckhart et al. (2003) describe opportunity as a process of creation of new services and goods or making improvements to existing in the market. It means that opportunity can be revealed through the added value and thus it makes possible to talk about the value system by Porter.

The concept of value chain plays a main role in the business strategies of different companies all over the world (Weele, 2005:9). Michael Porter was the first who brought the concept of value chain in 1985. He has proposed to use it for monitoring how competitive advantage is expanded and see where the value is added.

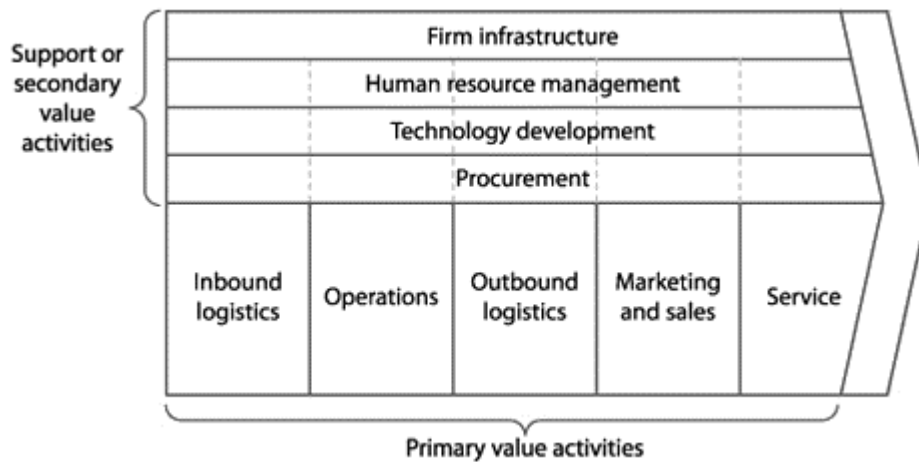


Figure 7. Porter's value chain (adapted from Branch, 2010:14)

According to Porter (1985) competitive advantage can be observed from the point of view of different activities that firm processes – “designing, producing, marketing, delivering and supporting product”. All these activities create a possibility to differentiate. The value chain on the figure 6 shows activities and margin which can be earned by performing these activities. Porter (1985) divided these activities into two types – primary and support activities. Primary activities are physical activities, the ones that associated with the transformation and delivery of finished product to the customer. Support activities make possible to process primary activities. (Weele, 2005:9) The idea of this model is that all the activities should be processes in the way that margin generated in the company is more than the costs value.

Porter's value chain is a foundation for the supply chain development. It helps to analyze weaknesses of the company and shows how the processes should be modified in order to achieve a competitive advantage through lowering cost level or differentiation. (Weele, 2005.) In other words the company can get cost advantage and value advantage. Cost

advantage means that the firm is the low-cost manufacturer in the sector, which in this case increase sales volumes. Value advantage is a differentiation in the product or additional value to the product. Successful organizations have either cost advantage or value advantage or in the best scenario they combine both. (Christopher, 2005: 7.)

2.2.3. Opportunity identification process

Recently, a wide variety of authors study the topic of opportunity identification process. Following ways are commonly discussed by them:

- Active search

The idea is based on the assumptions that opportunity can be found through the active search. In this case possibility to find an opportunity depends on the professional skills of individuals. Scientists who support this theory state that opportunity already exist in the environment and can be easily found through the constant environmental scanning methods for instance. (De Tienne et al., 2004.)

- Passive search and fortuitous search

Passive search and fortuitous search have a plenty things in common. The main idea is that opportunity can be discovered. The difference with the previous method is that in this case the opportunity cannot be easily visible and therefore, active search is not performed. In other words, only unexpected findings can lead to discovering of opportunity. Ardichvili et al. (2003) note that for searching opportunity through this technique requires enormous creativity from the manager. (De Tienne et al., 2004.)

- Creation of opportunities

It is the most extreme way, which was introduced by Schumpeter first. The idea is that the opportunity is in the individual's mind. It means that the environment does not influence the process, but moreover, the individual can change the environment in order to push customer to use offered product or service. (De Tienne et al., 2004.)

This thesis is mainly concentrated on the idea of active search for opportunities. Therefore, more attention is given to the environment, where the company operates. There is no specific technique explaining how to identify opportunities, the only thing that most of researchers agree on is need to obtain prior market knowledge through the environmental scanning method discussed in the next sector.

2.3. Prior Market Knowledge

Ability to discover opportunities depends on the information the company has already obtained. According to Shane (2000), the information each company owns can be different, and it is explained by two factors: 1) dependence on the experience of people, 2) dependence on the luck or in other words some companies can accidentally get the knowledge about some trends which no one knows yet. The knowledge the company discovered at this period of time is unique and therefore, it gives advantage in making the right decision. Prior knowledge formulates specific prior corridor which gives possibility to identify opportunity for the owner of this knowledge. (Shane, 2000.)

Despite the fact that some companies can obtain information about the changes in the industry faster than others, but it yet does not mean that they can interpret it in right way. In this case experience of the managers should be taken into account.

2.3.1. Environmental analysis

Environment where the company is doing business is continuously changing and in order to follow these changes and be ready to react to them there is need to be able to recognize them. Trends and developments are the main characteristics of the industries, which influence on the direction of the changes (Thompson, 1998: 85). The drivers of change in the environment of the industry may vary. There is a concept of driving forces, which explains the fact that more attention should be given to the factors which cause these changes. Thompson (1998) gives some examples of main driving forces:

- Innovations in the product and marketing
- Technical know-how
- Main market players entry or exit the industry
- Globalization factor
- Government regulation changes

Without paying enough attention to the driving forces the company would not be able to adapt strategy to the changing conditions. Moreover, these changes should be predicted in order to be prepared to response to them. (Thompson, 1998:89.)

One of the techniques which is used to forecast changes in the industry is environmental scanning. It is a part of the activities associated with the analysis of the external environment (Morrison, 1992). External or macro environment includes social, political, economic and technological elements, which can be different for the each type of the industry. The analysis of the external environment helps to understand current situation and to see future trends which influence the prospective strategy of the company. International company has to adapt to external environment as it cannot control for example governmental decisions and demographical situation. (Mellahi et al., 2005: 33-34).

Environmental scanning is based on the constant studying of the social, political, economic and other events in order to notice developing trends, which can become a one of the driving forces for the change in the business environment. Usually this analysis has a time frame, for instance it can include predictions for possible changes during for 3-5 years. Nevertheless, there is always a space for the historical trends. Companies do not usually pay enough attention to what happened in the past and they are more oriented to the future which is a mistake, because it is a basis for the environmental forecasts (Ansoff, 1984:282). The results of the constant scanning for the trends are powerful, because timely detection of the developing trend can implicate for the next 5 to 20 years of the company's future. (Thompson, 1998:89-90.)

Environmental scanning is a qualitative technique, therefore it gives very subjective conclusions which can be affected by bias, and nevertheless the results should not be underestimated. Environmental analysis can be performed as passive scanning and active scanning. Passive scanning is described by the human nature to react to new information, when active scanning is what should be performed for seeking for emerging trends. Active scanning requires professional skills and at least some previous knowledge of the studied subject. (Kavo-oja, 2012.)

According to Kaivo-oja (2012), environmental scanning usually includes following steps:

- All the information sources observation
- Selection particular information resources for further scanning
- Defining the criteria for scanning scale
- Scanning
- Evaluation of environmental analysis results and proposition of measures to be taken

The main objects of environmental scanning are trends and invisible signals, earlier detection of which can help to see opportunities for company's future development.

2.3.2. Weak signals

The concept of weak signals is relatively new, and attention to this topic has increased last decades. Its growing popularity is explained by the possibility to use weak signals for strategy development and opportunities identification.

Given that the field of future studies is based on the information that is unclear and seems unreliable at some point of view, nevertheless scientists highlights the importance of observing of emerging trends (Saul, 2006). Nowadays, a plenty of authors suggest to pay more attention to this topic and note that it is significantly important to constantly be aware of weak signals in order to be able to react immediately to the expected changes in

the environment. Weak signals identification through the environmental scanning is a crucial activity for the success of the organization (Fonseca, 2011).

Despite the fact that in some cases utilization of the information based on the weak signals is risky, but the potential benefits it brings can be unexpectedly high (Hiltunen, 2010). Earlier weak signals were rarely taken into consideration in the company because searching for them is not a typical type of manager's day to day activity (Fonseca et al., 2011; Ansoff, 1984).

Ansoff (1984) describes weak signals as '*imprecise early indications about impending impactful events*'. The peculiarity of weak signals is that they are developing during time and can become a strong signals, therefore it is very important to respond to these invisible changes now, when they are yet weak (Ansoff, 1984:22).

Another contributor to the weak signals theory Coffman (1997) characterizes this phenomenon as a trend which influences the way of doing business in general and also the environment of business. Weak signals are usually difficult to identify, they can both bring opportunities and risks and there is always time before it will become mature and visible for everybody. Nevertheless, it gives a company an opportunity to grow and develop. (Coffman, 1997.)

As it was mentioned before active scanning is a type of activity where the manager is involved in the process. Therefore, Ansoff argues that there is need for weak signal management in the company. Strategy driven managers with creative mind should be engaged with the process. Identification of weak signals requires professional skills and often depends on the connections of managers. Both external and internal experts should be involved in the process in order to expand the area of scanning. (Ansoff, 1984: 355.) The higher the level of knowledge of individuals involved in the process of weak signals searching the more accurate are predictions regarding its time and effect.

Overall, necessity of constant weak signals search is explained by possibility to response to it earlier without waiting too long until they are developed. In terms of opportunity

identification, early detection of weak signals opens new opportunities to the particular company and get the advantage over competitors.

2.4. Business network based opportunities

Pahlberg et al. (2005b) claim that opportunity development expects changes in the structure of the business relationships. In this case it is insufficient to target only customer – supplier relationships when consider opportunities development.

Opportunity should be studied as a process, where opportunities are developed. This process can be performed within cooperation of two or more parties. Network connections can help to increase chances for opportunities identification and development. (Ghauri et al., 2005:3.)

In this chapter opportunities are examined through the lens of the network concept. The reason for it is obvious, companies are linked in networks in order to develop opportunities effectively and get in use all the linked resources (Ghauri et al., 2005:1).

The network is described as a source of information, which leads to the opportunity detection. Usually information is separated unevenly between the main players in the network, which means that they cannot use all of it. In this case, the network is a tool for searching opportunity, because it matches all the available information which belongs to different actors together, and consequently gives the possibility to see the opportunity. (Pahlberg et al., 2005b.)

Business networks plays a significant role in the process of opportunity identification. It was mentioned before that knowledge and resources are the main factors which influence the possibility to identify opportunity. The network includes various actors which own different value of knowledge and resources and therefore their cooperation in the network can bring unexpected solutions which reveal new opportunity. In this case opportunities

are the results of cooperation, thus business networks enlarge the possibility of opportunity identification. (Pahlberg et al., 2005a.)

Moreover, speaking about business networks attention should be given to the customers. Nowadays, consumers are also part of the network, they are actively involved in the process of the opportunity identification by the defining what is needed at the moment. (Chandra et al., 2010.) Therefore, opportunity can be found also by identifying customer's requirements and timely response to those.

2.4.1. Cross-border cooperation

This research is concentrated on the opportunities identification based on the logistics services development in the region and cross-border cooperation concerning this issue. In this conditions opportunity identification process have an international context.

Depending on the circumstances, cross-border cooperation might provide with value added. Regarding the social-economic area, the value added includes cooperation of main players from both sides, possibility to develop infrastructure and transport together, to overcome problems and discover new opportunities based on the joint sources. (Portoles, 2015.)

Cross-border cooperation plays a significant role in opportunities development. As it was discussed in a previous section opportunities can be successfully developed through the business network, the thesis shows a good example of it – cross-border cooperation between Finland and Sweden. Finnish-Swedish cooperation is successful in terms of logistics development. Countries are involved in the projects which are willing to improve existing transportation infrastructure. This cooperation helps to create opportunities for development of both sides. Moreover, cross-border cooperation is beneficial for the development of the region involved in the cooperation.

In general cross-border cooperation reveals new ideas and solutions how to improve existing logistics services and develop new services, which will attract more customers.

Literature search shows that a plenty of authors discuss the topic of cross-border cooperation, and this attention is explained by the advantages it can provide for involved countries. The question of cross-border cooperation is often argued by the governmental institutions and different measures are taken to improve the situation.

2.4.2. Cross-border logistics

Relations between the Vaasa region and the Northwest Russia are central in this study, therefore, theoretical sources regarding collaboration between Finland and Russia were studied. Several authors concentrates on the research of this relationships in terms of logistics cooperation. It is quite often discussed that cross-border logistics services development can lead to the identification of new opportunities.

Lorentz (2008) argue that cross-border cooperation today is an important tool to increase trade between countries. Nevertheless, current situation shows that infrastructure is not ready for the growing level of cooperation between countries, for instance in terms of difficulties for border crossing, bureaucracy and other similar issues. Finland is a very important trade partner for Russia, but it is also a transit route to the Northern and Central Europe, therefore it makes obvious the reason for development of cross-border logistics.

Hilmola et al. (2006) discuss the topic of supply chain collaboration between the Nordic countries and Russia. He states that high volumes of goods are transported to the west through Finland and Baltic countries, thus there is need for the development of supply chain cooperation.

Internalization is the major push factor for cross-border logistics development. Nowadays companies operates in the global market where there are a lot of participants, thus they should be extremely competitive in order to find new ways of value generation and delivering it to the customers (Christopher: 1998: 4). Integration means a lot in this conditions, in other words a company have to cooperate with other participants on the basis of supply chains creation in order to discover opportunities. The main objective of

a supply chain is to increase the value created, which can be achieved effectively by the international cooperation.

Lorentz (2008) argues that development of export activities influences the decision for cross-border collaboration in order to overcome some issues related to transportation and institutional regulations.

Cross-border supply chain cooperation may increase chances to discover opportunities for both sides involved.

2.5. Summary and conclusions

Literature review is supposed to formulate the basis for the empirical part of the research. The main theory discussed in this chapter concerns the question of the opportunity itself and opportunity identification process. Being a part of a strategy development opportunity identification process can be performed in a different ways. This study is concentrated on the active opportunities search.

There are various activities that increase possibility of opportunities identification. For instance, one of them is creation of prior knowledge. Information is the main factor which rises ability to discover opportunities, therefore environmental scanning should be performed in order to obtain knowledge about the emerging weak signals. The next activity involved in the process of opportunity identification is value creation. It is explained by the fact that opportunity can be found in improvements to existing products and services together with development of new. The last activity which helps to discover opportunities is networking. Opportunity is considered as process, where different actors are involved. Therefore, in order to increase the level of knowledge about the environment and combine resources companies should cooperate.

In the thesis opportunity identification is based on the cross-border logistics services development. Opportunity can be discovered by cooperation in supply chains. In this case main factor for establishing collaboration is internalization and its result in export levels

growth. Cross-border cooperation is strong tool for opportunity discovering mainly because it opens new areas for development.

3. METHODOLOGY

Success of the research depends on the right chosen methodology. Research methodology defines goals of the study and activities that should be performed in order to answer the research questions. In other words research methodology describes how the research question is planned to be answered, what methods are used and what logic is behind it. (Kothari, 2004). The research methodology describes the framework of explanations which are based on the data search and analysis (Vargas-Hernandez et al., 2011).

There is a big variety of the methods to perform a research, but they should be relevant for a particular research. Field of the study in some cases defines the methodology. Some authors draw the strict line between the qualitative and quantitative methods in the research (Saunders, 2009). Mentzer et al. (1995) state that quantitative methods are used more often for research in logistics management, but Mangan et al. (2004) and Ellram (1996) have other opinion – both qualitative and quantitative methods fits well in this field. Moreover, according to Mangan (2004), combining qualitative and quantitative methods can be beneficial for the research.

Vargas-Hernandez et al. (2011) give following definition: “Quantitative research is the systematic scientific investigation used to measure and gather quantitative data of everything that is measurable”. In other words quantitative research explain the studied phenomena using mathematical methods to analyze the collected numerical data.

Qualitative research has absolutely different nature. The qualitative research methodologies help to collect data needed to understand and explain the new unexplored phenomena and topics regarding the future. (Vargas-Hernandez et al., 2011). In other words qualitative research investigates characteristics, definitions and descriptions of the object studied (Berg, 2001).

The definitions given above justify the reasons why this study is based on the qualitative methodology. The aim of the thesis is to find opportunities in trade between Saint-Petersburg region and the Vaasa Region, and the objectives are to investigate the situation

on the market, to define potential market players and formulate customer's requirements. All these activities expand the knowledge about the studied subject. Also qualitative methods like environmental scanning, interviews and workshops are appropriate methods to answer the research question of the thesis.

3.1. Research design

Research design is a very important step in conducting research, as it forms the outline for the research. Research design specifies the type of information needed to answer the research question and its sources, it also defines an approach for data collection and its analysis. Research design helps to manage the process of the research from the moment when the problem of the study is stated. The purpose of the research design is to make a process of the research efficient, to avoid unnecessary costs and maximize the reliability of the collected and analyzed data. (Kothari, 2004).

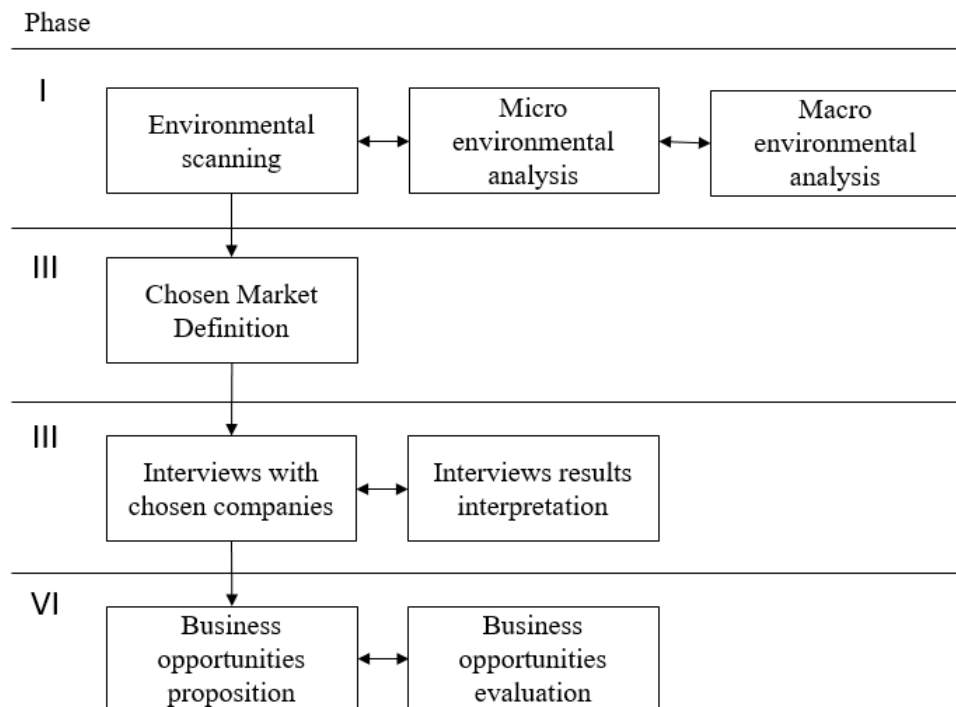


Figure 8. Research design of the master's thesis

The first step in defining business opportunities is environment scanning for the future trends and weak signals. First step of the research is an analysis of internal and external environment of the Vaasa region. Macro environmental analysis includes analysis of the external factors influencing the Vaasa Region Business Development, such as political situation, economic situation, social and demographic changes. External environmental analysis helps to identify current trends in the economic, political and social situation at the Russian market and also detect factors which has an influence to decision making processes for Russian companies and government. Finland closely cooperates with Sweden and Norway, therefore environmental analysis is also made for this countries, but with regard to trade with Russia as well.

Environmental scanning phase gives a broad understanding of economic trends and helps to identify market of the interest. In other words, based on the environment scanning the definition of target market has been made. It narrows down the industries and companies operating there, which are considered potential in trade with the Vaasa Region. Here the research is limited by the case company, as VASEK is seeking for business opportunities in Russian market with the focus on the Saint-Petersburg Region. This part of Russian market is defined for the research as it is a potential market for Finnish exports from Russia and the closest market which may be interested in trade relationships with the Vaasa Region. These companies are chosen for the interviews.

The next step of the research are interviews with representatives from chosen companies. Interviews with key players are supposed to help to understand what are their main requirements for doing business in the Vaasa region and how do they see the potential development in the field.

Workshops with an experts is the last step in the research. The list of the opportunities is presented to the experts from VASEK, Kvarken Ports and Kvarken Council for evaluation based on the relevance of the ideas for the Vaasa region.

3.2. The case study approach

The case study method is used for this research. Yin (2009) gives following definition to ‘case study’ term: *“is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”*.

The research is made for the Vaasa Region. The Vaasa Region is represented by companies – VASEK and Kvarken Ports. The emphasis is given to Kvarken Ports because it plays a significant role in the research as a logistics services provider.

This study investigates trade opportunities between the Northwest Russia and the Vaasa region with transportation possibilities of Kvarken Ports. Here Figure 9 shows the structure of this case study, where E12 Atlantica transport is the co-operation project between Sweden, Norway and Finland funded by the EU Bothnia-Atlantica. It forms the basis for the research and defines the need for seeking new business opportunities with regard to this project. E12 Atlantica transport is supported by Kvarken Council and VASEK from Finnish side.

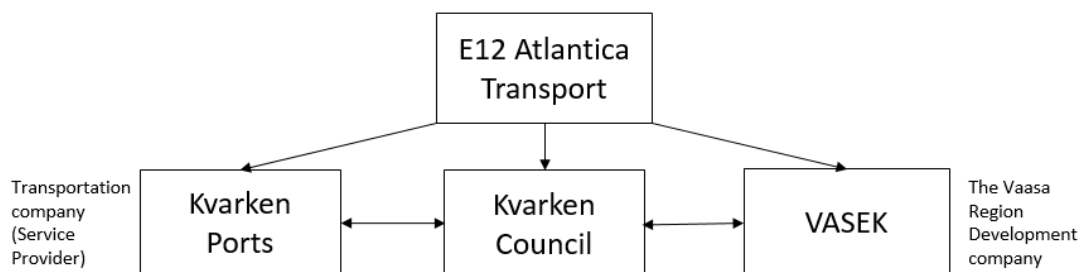


Figure 9. The case study structure

3.2.1. The Vaasa Region

Ostrobothnia region is located in the Western Finland, it recently has around 110.000 inhabitants. (EnergyVaasa, 2016). The Vaasa region is one of the most important export regions of Finland, it is claimed to be the Nordic leader in Energy technology. It has more than 140 companies, some of them are leaders in the global market. Headquarters of the energy industry giants like Wartsila, ABB, The Switch and Vacon are located in the

region. The Vaasa region companies produces one third of all Finnish energy technology exports. 80% of production in the region is exported.



Figure 10. Ostrobothnia on the map of Finland

Vaasa Region highly depends on the exports, therefore logistics development is crucial in this conditions. The big amount of the companies in the region operates internationally, and there are preconditions for doing business successfully in the regions. The city of Vaasa has well-functioning logistics system, which includes the one of the busiest airports in Finland, railways and road, which connects airport with the port. It supports international companies providing sea transportation services to the Northern and Central Europe. (Vaasa Region, 2016.)

The Vaasa region pays a significant attention to the development of port of Vaasa. Several projects are utilized by cooperation with Sweden, particularly its Vasterbotten region and Umea city and Norway. The Vaasa region has got a close cooperation with Sweden by building a joint venture company between Port of Vaasa and Port of Umea.

3.2.2. E12 Atlantica Transport Project

The project E12 Atlantica Transport is a starting point for the master's thesis. It forms the background for the study and emanates its research question.

The aim of the project is to strengthen existing cross-border cooperation between three countries – Finland, Sweden and Norway. E12 Atlantica Transport Project is intended to formulate strategies and instructions for cross-border transport route creation and its constant development. This projects deals with issues which were emerged while implementing previous cooperation projects, such as creation of efficient cross-border transportation system and further cooperation networks. The main idea is to organize conjointly infrastructure of these three countries in order to improve cross-border logistics and pursue the trend of sustainable development. (Bothnia-Atlantica, 2016)

3.2.3. The Vaasa Region Development Company (VASEK)

This master's thesis is made as a study for VASEK. This company represent the Vaasa Region, therefore this section provides with the general information about the company.

The Vaasa Region Development Company was founded in 2003 and is owned by seven cities and municipalities on the West Coast of Finland (VASEK, 2016). The company aims to support and increase growth and attractiveness of the region. This is achieved through constant development of conditions for doing business in the region. For these purposes VASEK cooperates with various actors in the Vaasa region, such as government, municipalities and companies.

The Vaasa region is one of the most innovative regions in Finland and has great potential and all the preconditions for companies to succeed. This fact has impact on the amount of newly established small and medium-sized companies in the region. VASEK helps these companies to grow. The Vaasa Region Development Company helps to define company's current situation and support with issues regarding its future development. At

the same time VASEK provides with information how to set up new business. It assists new actors with issues connected with the company establishment.

The Vaasa Region Development Company and its network support local and foreign companies with internationalization services. For instance it provides information related to export and import, along with issues regarding foreign establishments and foreign direct investments in the region. (VASEK, 2016)

3.2.4. The Kvarken Council

The Kvarken Council is a Nordic cross-border cooperation association for Finland and Sweden which is founded in 1972. The Finnish side includes 35 municipalities from Ostrobothnia, Southern Ostrobothnia and Central Ostrobothnia. Swedish side is represented by 15 municipalities in Västerbotten and Örnköldsvik regions. (Kvarken Council, 2016.) *'Since 1979 The Kvarken Council is a part of the Nordic cross-border cooperation and is one of the Nordic Council of Minister's official border regional organizations'* – is stated at the official web page of Kvarken Council (2016).

The aims of the organization are following:

- To develop strong regional cooperation in the Kvarken region within public and private sector
- To erase border barriers between countries
- To develop regional infrastructure and promote regional development in the sphere of business, education, tourism and culture
- To develop ferry traffic in the Kvarken strait
- To preserve the UNESCO World Heritage Area Coast

The Kvarken Council's ongoing projects (Kvarken Council, 2016):

- "Midway Alignment of the Bothnian Corridor" (The aim is to provide with transport system – both cargo and passengers between Finland and Sweden)

- “E12 Atlantica transport” (The aim to formulate strategies and instructions for cross-border transport route creation and its constant development. Three countries are involved – Norway, Sweden and Finland). Will be discussed more detailed further.
- “Midway Alignment Bothnia Atlantica” (The aim is to establish ferry connection in the Kvarken region, to develop its ports and logistics)
- “Spotlight High-Low Coast” (Cross-border cooperation to attract more tourists to the Kvarken region)

3.2.5. Kvarken Ports

Kvarken Ports is a unique joint venture of Umea in Sweden and Vaasa in Finland, established in 2015. There are only two cases in the world where two ports from different countries are combined together. Kvarken Ports is one of them and therefore it is a good example of cross-border cooperation between two countries. (Coastline, 2016.)

The aim of the cooperation between ports of Umea and Vaasa is to strengthen its market position in the Baltic Sea region trade. The purpose of the company is to provide transportation services for companies operating in the region. Kvarken Ports offers authentic transport and logistics solutions for the customers. Cooperation between countries results in the strong business development and therefore increases the volumes of cargo and passengers in the Kvarken region. (Kvarken Ports, 2016). Kvarken Ports works on the logistics improvement in the region. Projects held by the company are concentrated both on the domestic traffic (Vaasa-Umea) and strengthening transportation services from the Kvarken region. (Coastline, 2016.)

Nevertheless, the starting point for the establishment of the company is need to expand and improve logistics corridor between Russia and Norway. Kvarken ports has a strategic purpose, because it connects E12 Highway which goes from Russia to Norwegian west coast. The Port of Vaasa has a beneficial location, for instance fuel, timber, agricultural and chemical products are imported and exported through this port. Port of Vaasa

provides whole year transportation between Sweden and Finland. (Midway Alignment of the Bothnian Corridor, 2016.)

Nowadays, Wasaline provides ferry connection between Umea and Vaasa. Last year 168 557 passengers travelled between these two cities, and cargo volumes get the amount of 276 641 tons. (Midway Alignment of the Bothnian Corridor, 2016). Kvarken port logistics is constantly improving, several changes have been implemented from both sides. Ports of Vaasa has organized new space for open-air storage and warehouses. New crane has been installed in order to increase load capacity. Port of Umea is implementing solutions for traffic of containers and timber export.

Kvarken Ports is considering future changes in the ship fuels, therefore it has plan for implementation of LNG infrastructure in order to serve as an LNG terminal (Coastline, 2016).

3.3. Data collection

There are several methods which can be used for data collection. The choice of particular method depends on the type of the research – qualitative or quantitative. The type of data collected influence the method of the research, secondary data is used for the environmental scanning and is obtained online from different online sources, primary data is gathered from the interviews. This section describes data collection methods used in this research for the opportunities identification.

3.3.1. Environmental scanning

Environmental scanning helps to investigate market and understand trends and market requirements. Secondary data has been used for the performing environmental analysis. Trends were identified based on statistics data, governmental programs and plans. Newspapers articles helps to find target industries which has the most growth rate.

The aim of the environmental analysis is to search for requirements in the Nordic countries and match these requirements with supply possibilities of Russian companies. The structure of environmental scanning process is described on the figure 11.

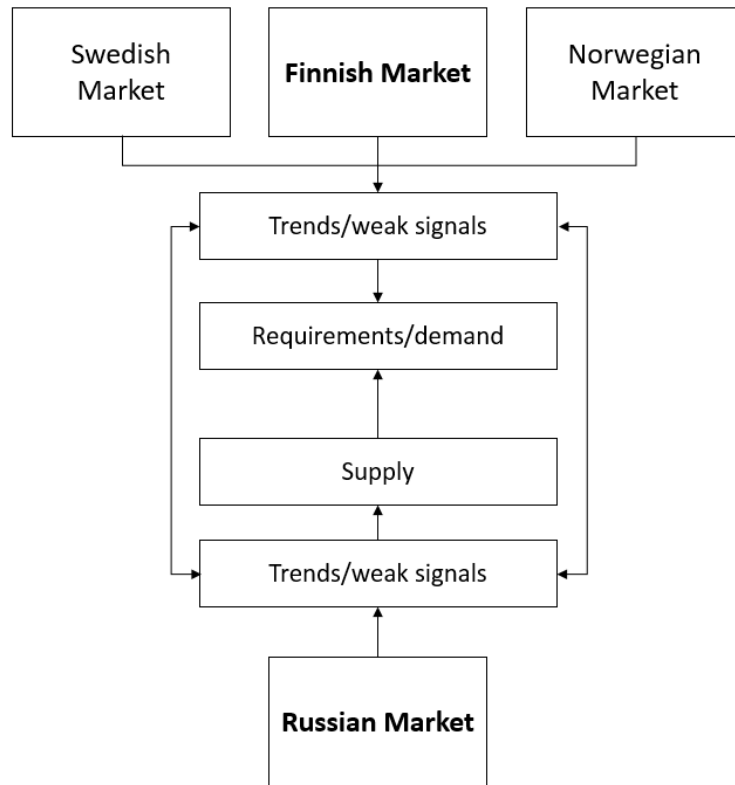


Figure 11. Environmental analysis structure

3.3.2. Interview

Interview is the one of the most important sources for data collection in case study. There are different types of interviews. Saunders (2009) categorizes them into three following groups: structured, semi-structured and in-depth interviews. In structured interview questionnaire is standardized for all the respondents and it rare has open-ended questions. Structured interview method can be used to collect quantitate data. Semi-structured and in-depth interviews are not standardized and usually they are indicators of qualitative research.

Focused or semi-structured interview method is used in this research. In semi-structured interviews the list of questions exists, but it varies depending on the specific organization. Additional questions can be added during the interview if required. During focused interview the respondents are interviewed for the short period of time and the set of questions is determined by the research question of the study. (Yin, 2009: 106-107). A qualitative interview is a relevant method to gain data, if there is need to explain reasons regarding the respondents' decisions in certain conditions. Semi-structured interviews give a possibility to examine answers, and get an extra explanation if needed. Such kind of interviews make possible to collect rich data set. (Saunders, 2009: 318).

The set of questions for the interview was formulated in order to give better understanding of respondents' opinion and attitude towards the trade between Northwest Russia and Vaasa region. Interviews are supposed to provide a sufficient coverage of research questions and give deeper understanding of the Vaasa Region potential customers. Companies for the interview are chosen based on the results of the environment scanning.

Secondary data about companies was gathered through the companies' webpages in order to get engaged in discussion with respondents. Preliminary research about company's export activities was performed to be able communicate with the respondents and offer logistics solutions on the territory of the Vaasa region for existing export routes. Companies were contacted in advance via e-mail, fax and phone. The purpose of the research was presented justifying reasons to participate in the interview. The idea was to inform respondents about the Vaasa region and its logistics services before conducting interviews in order to give them time to get involved in the topic. Letter with general information about the Vaasa region and Nordic logistics corridor project was prepared and sent together with the list of questions to respondents before scheduling interviews.

All the interviews were held in Russian language, as chosen companies are representatives of the different industries in Northwest Russia. Interviews were conducted through Skype and phone. The interviews took part in May - June 2016 and each interview lasted around one hour. Interview consists of questions helping to understand the level of interest of the companies in Vaasa region market and Nordic countries market

and logistics services provided by these countries. Interview questions can be found in the Appendix 1.

3.3.3. Workshop

Another source of information collection is workshop with representatives of VASEK, Kvarken Ports and Kvarken Council. The aim is to present the results of the research to experts and to get their comments about the study. Discussion of the results was held in August 2016, where the thesis findings were presented to experts and discussed in order to choose most relevant for further development. Also the researcher has got feedback and some modifications to the final version of the thesis were made.

3.4. Quality of the research

Quality of the research is an important aspect, and assessment of the research quality is essential if results are planned to be used in real life. Any research design can be judged in accordance to specific logical test (Yin, 2009: 40). Yin (2009) and Silverman (2010) distinguish four methods to test the research quality: construct validity, internal validity, external validity and reliability. In general validity refers to truth – how accurately the phenomena is represented. And reliability demonstrates that the results of the study can be repeated by the other researcher using the same methods. (Yin, 2009:40).

Qualitative research should be more precisely evaluated for the data quality. For instance, Saunders (2009) notes that observation error may appear and the data interpretation depends a lot on the researcher's assumptions, because of her/his deep involvement into the process. Lack of standardization of the interview process may cause misunderstanding. Several types of bias should be considered when the interview is the main source of data collecting: interviewer bias, response bias. There are methods which help to overcome these quality issues. (Saunders, 2009). Interviewer bias is connected with the way he/she communicates with the respondent and interprets responses. Hence, in order to avoid bias all the interviews were audio-recorded and notes are made later based on these records.

Response bias may come out of the respondent's attitude towards the research, also the lack of prior knowledge about the topic influences the outcome. Additionally, the language of the interview session is the reason of misunderstanding between interviewer and interviewee in case if it is not their mother tongue. Concerning these facts, preparation for the interview was made carefully, all the aspects that influence the quality were taken into consideration. First of all, it was decided to organize interview in Russian language, as all the respondents are from the Northwest Russia. Furthermore, credibility can be increased by providing the respondent with relevant information before interview (Saunders, 2009). All the support materials were prepared in Russian language and communicated with participants in advance, so they had enough time to get familiar with the topic. Interviewer is a specialist in the discussed field, thus all the additional issues could be explained during the interview.

Nevertheless, there are several obstacles that can influence the quality of the research. Due to the limited amount of the companies in the research, it is difficult to discuss all chosen industries as it was planned. First interview was made as a test run, but answers of first respondent helped to modify preliminary interview questions according to the results that can be obtained during the discussion. However, these issues were well managed, as the respondents were willing to communicate more if it is needed.

4. EMPIRICAL FINDINGS

4.1. Environmental scanning

The purpose of environment analysis is to find current trends in different industries which may be an area of interest for the particular case of the Vaasa region and possibilities of trade relationships with the Northwest Russia. The starting point is formulation of conditions for the search. As it was mentioned before the trade opportunities should be related to the possibilities of Kvarken Ports. It is an important player in the Vaasa Region market, because of its transportation services to Sweden. This precondition limits trend analysis to three main countries from EU side – Finland, Sweden and Norway. Accordingly to the research question the Northwest Russia is another side of the study. Based on this limits it is suggested to compare demand trends in Finland, Sweden and Norway with export possibilities of companies in the Northwest Russia.

Secondary data was used to identify trends and weak signals, for instance government internet sources, statistical data bases and news portals. Environment scanning is a basement for business opportunities identification and formulation the companies list for further deeper research of customer's perspectives of trade relationships with the Vaasa Region.

4.1.1. The Northwest Russia definition and its export situation

The research mainly focuses on the territory of the Northwest Russia. Table 1 shows regions which are included in the study and their specialization.

Table 1. Industry specialization of regions in Northwest Russia (Dudarev et al, 2002)

Region	Specialization
Saint-Petersburg	Metal-processing and machine-building, food & beverages
Leningrad Region	Petrochemicals, power production, forest industry
Republic of Karelia	Forest industry, ferrous metals
Archangelsk Region	Forest industry, machine-building

The Northwest Russia is a target region for trade between Russia and Finland, because it shares same boarder and closely cooperates with the Nordic countries. Historically, Finland has been serving a significantly important transport corridor for Russian companies to the EU countries (Lorentz, 2008). Export rates in this region of Russia are the highest. The following table 2 shows Structure of chosen regions export.

Table 2. Structure of Northwest Russia export in 2014 (million \$) (Federal State Statistics Service)

	Food	Petroleum and products	Chemicals chemical products	Wood and paper manufactures	Metals and metal products	Machinery, transport equipment
Russia	18981,0	346119,4	29208,9	11652,1	40429,4	26411,2
Northwest Russia	3074,0	31155,8	4230,4	3937,6	5365,6	4885,2
Saint-Petersburg	1131,4	14163,3	711,3	772,8	1977,9	2162,9
Republic of Karelia	51,7	0,1	10,6	387,4	9,7	22,0
Archangelsk Region	100,5	1055,0	6,9	844,2	46,1	167,0
Leningrad Region	217,4	13056,9	1250,1	642,2	271,1	180,2

According to the Ministry of Economic Development of Russian Federation the share of non-oil export was almost a half of the whole export amount in first nine month of 2015, respectively non-oil export is \$141,3 billion, and oil exports — \$168,7 billion. Russia has approved long-term strategy, aiming to develop non-commodity exports. This strategy has a purpose to diversify export products, which will help to develop Russian economy in the nearest future. As stated in the Trade Development Plan for the period by 2030 introduced by the Russian government there will be offered different measures encouraging Russian companies to export, such as reduced taxes, financial support and risks insurance.

For the fact, there is growing amount of SMEs in Russia, moreover these companies are not only producing but also exporting such non-oil commodities as electronic, household and food products. The number of SMEs-exporters was 13,500 in 2015, and overall amount of exports by these companies is \$5 billion. (Russia beyond the Headlines, 2016) The table 3 lists top Russian export products and its share in overall export value.

Table 3. Top Russian exports in 2015 (Workman, 2016)

Group of the products	Value/ US billion dollars	Export share
Oil	168.7	50,6
Iron and steel	14.9	4,5
Fertilizers	8.6	2,6
Machines, engines, pumps	8.1	2,4
Gems, precious metals	7.4	2,2
Aluminum	6.9	2,1
Wood	6.2	1,8
Cereals	5.5	1,7
Copper	4.2	1,2
Inorganic chemicals	3.7	1,1

Analysis of the secondary data sources, such as magazines and governmental and statistics databases helps to formulate main Russian export trends in 2015:

- EU is the biggest trade partner of Russia (43% of trade turnover)
- Exports to Finland approximately \$7,1 billion dollars
- Exports to Sweden \$3,5 billion dollars (I-III quarters of 2015)
- Exports to Norway \$0,74 billion dollars
- The share of non-oil export was almost half of the whole export amount in 2015. The growth is expected to be 6-8% by the end of 2016
- According to the government plan export will grow in 2,2 – 2,4 times, non-oil export will be 1,5 times higher and the number of companies-exporters will grow in 3 times by 2030

Moreover, despite current economic situation in the Russian Federation some industries are experiencing growth:

- *Agricultural industry*

In 2016 Russia is on the first place in export of wheat in the world (24-25 million tons). Moreover, Russia is planning to grow production of wheat by 29% by 2030. Russia has a great potential for development of agricultural industry, which is explained by the huge area of the land for cultivation - 23 million hectares (Invest in Russia, 2016). Currently, the machines used by the companies in the agricultural industry are quite old, but the

government is investing in such companies in order to renew equipment and increase the volumes of production of the agricultural products. The sanctions influence this industry as well, there is a need for import substitution, and therefore the Russian government is actively pushing agricultural companies to increase levels of production.

- *Chemical industry*

Chemical industry is one of the growing industries even in the situation of crisis, the growth is 6.3% in 2015. The development of the chemical industry is mostly represented by the fertilizers production increase. For instance, 13.5 % of the world's fertilizers' export is from Russia. Russian fertilizers are highly competitive on the global market and there are several reason for it. The first one is that all the components for fertilizer's production are produced on the territory of Russia, which is decreasing the price of production. Secondary, agricultural industry is growing in the developing countries, therefore there is a demand for the fertilizers, which are cheaper to buy from Russia. (Delovaya Gazeta Vzglyad, 2016)

- *Food commodities production*

The growth of this production was 2% growth in 2015, which is closely related to the growth in the agricultural industry. The main factor influencing development of food production is need for substitution products due to embargo. Interesting fact is that Russia is not importing fish from Norway anymore, but it is growing export of its own fish. Moreover, nowadays it is on the third place of the fish exporters. (Delovaya Gazeta Vzglyad, 2016.) The growth in food production let the Russian Federation to grow at the same time its export amounts. Nowadays, the main trading partners from EU are Germany and the Netherlands, and the main importers of Russian food products outside EU are China and African countries. (Russia beyond the Headlines, 2016.)

- *Machinery*

It is a promising industry and its potential is also explained by needs of import substitution due to the sanctions. The growth is concerned following types of machinery: nuclear plants equipment, military machine building, planes and agricultural machinery. Despite that statistics does not show an actual growth in the industry, but it should not decrease the level of attention to it. The government initiative is to support the development of the machinery production, therefore all the measures will be taken in order to improve the situation.

4.1.2. Renewable energy (wood pellets market)

Environmental search for the global trends has shown that global energy production is prevailed by oil, coal and gas. As stated by the International Energy Agency (IEA), the percentage of renewable energy nowadays is only 13 per cents of all used energy volumes. This makes the governments to be concern about this question. EU is actively enforcing to use renewable energy for productions and for domestic purposes. In order to increase consumption of renewed energy government drives different initiatives for renewable technologies growth. Wood pellets is a type of biomass fuels, which is a source of renewable energy. The market of wood pellets in Europe is expected to grow steadily, which is explained by offering different subsidies and government legislation (Global Wood Markets info, 2016). Therefore, Europe is the biggest consumer and importer of wood pellets today. Here on the Figure 12 Global wood pellets demand is shown.

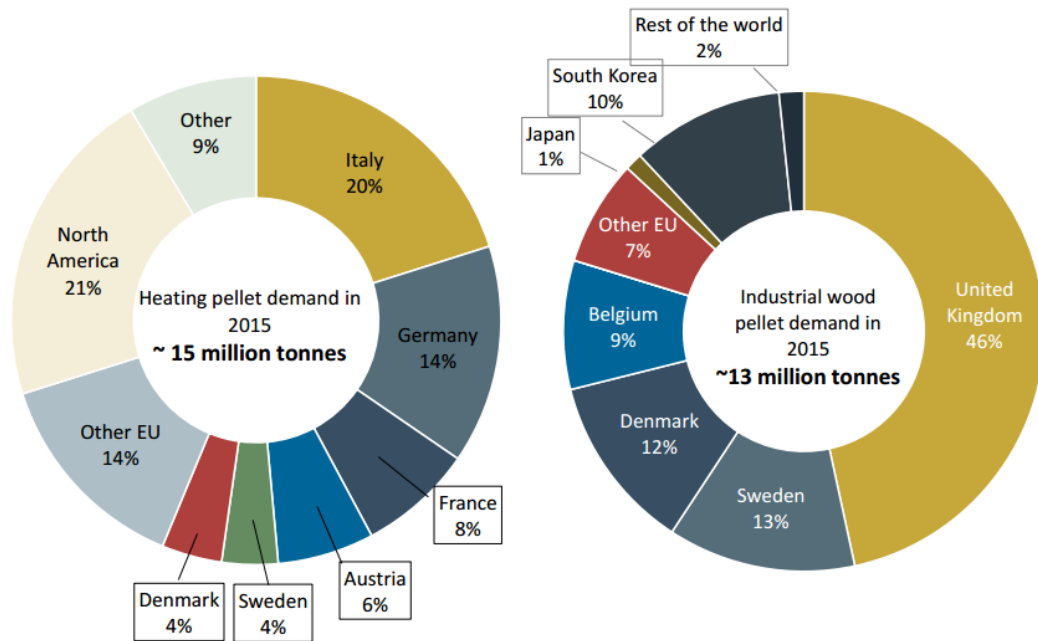


Figure 12. Global wood pellets demand (Hawkins Wright, 2015)

Sweden is on the second place for industrial wood pellets demand. According to Swedish Parliament the level of renewable energy should be not less than 50 per cents of total amount of energy consumption by 2020. Based on this resolution, Sweden has to get in use different sources of sustainable energy. A consumption of wood fuel in Sweden is growing steadily. The main reason for the growth of biofuels in Sweden is government support and as declared by the UNECE Timber Committee “the use of strong general incentives like the Swedish carbon tax (introduced in 1991) the green electricity certificates (introduced in 2003), and tax exemption for biofuels for transport, as well as direct investment supports”.

Russia can satisfy the growing demand of wood pellets in EU, because the market of wood pellets there is growing rapidly. There are old producers who increase their volumes in order to be able to cover demands of EU countries and also new players in the market appear.

Figure 13 shows the structure of the suppliers of wood pellets to European countries. Russia is on the third place.

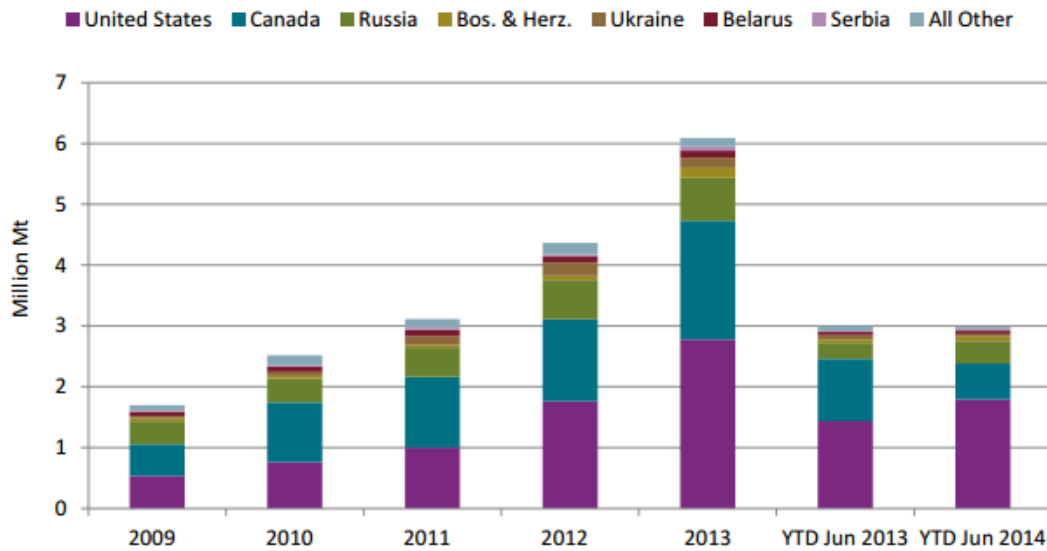


Figure 13. EU wood pellet imports by supplying countries (Goetzl, 2015)

The table below shows the top 5 importing countries for wood pellets from Russia. Wood pellets production is a new trend, as Russia does not use this type of biofuel, thus it means companies produce wood pellets mostly for export reasons. Russia has all the opportunities to become the global leader in this market in future. Nowadays, it is on the third place for wood pellets export, USA and Canada are top sellers as these countries produce biofuel longer time than Russia.

Table 4. Wood pellets importers from Russia (in tons) (Fordaq, 2015)

Importing country	2013	2014	Change in %
Total EU	648,362	825,210	27%
Denmark	315,472	388,394	23 %
Sweden	212,794	220,703	4 %
Italy	18,372	55,434	202 %
Finland	34,049	45,073	32%
Germany	14,066	39,147	178 %
Other EU countries	53,610	76,459	43%

According to this table the amount of export is growing. The most important thing is that Sweden's export of wood pellets increased by 4 %, which means that this industry is very prospective from the perspective of the Vaasa Region as a transit point.

Based on the presented data it is reasonable to choose wood pellets market for further research and take several companies operating in this industry located in the Northwest Russia for interviewing.

4.1.3. Machinery

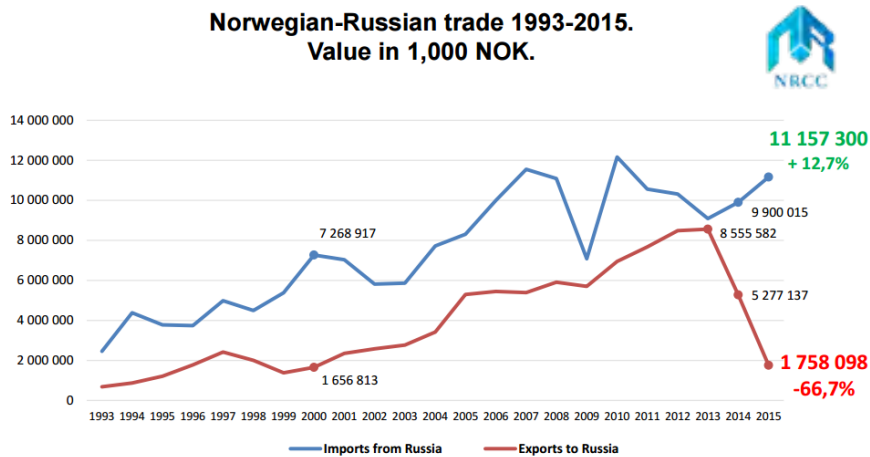
First of all it should be mentioned that Norway is the one who interested to import machinery, it can be defined from its top imports from the world:

- Machinery US 10.9 billion (14.3% of total import)
- Vehicles US 8.1 billion (10.7%)
- Electronic equipment US 6.7 billion (8.8%)
- Ships, boats 4.1 billion (5.4%)

Nowadays, Norway imports machines from Germany, but the destination of imports can be changed to Russia, taking into account that Russian companies are developing innovative solutions for equipment for oil extraction in terms of polar conditions.

99% of power generation in Norway is produced by the hydro plants. Therefore, Norwegian government supports development of different solutions helping to generate energy from renewable sources. Which means that there is a niche for supply of machines for production of energy for instance from the hydro plants. Russia can cover this demand, as there are well-known companies who produce this types of machines.

In conclusion Norwegian-Russian trade seams complicated, due to embargo export levels to Russia decreased dramatically, but despite this fact the level of imports is increasing, which is demonstrated on the figure 14.



Norwegian exports to Russia:
 2014 to 2015 **-66,7%**
 2013 to 2015 **-79,45%**

Figure 14. Norwegian-Russian trade 1993-2015 in NOK (Norwegian-Russian Chamber of Commerce, 2016).

Therefore, it proves the fact that there can development of trade between Russia and Norway despite the current difficulties.

4.1.4. Chemical industry

Trade relationships between Russia and Sweden are described by the graph below. Both exports and imports levels decreased dramatically in 2014.

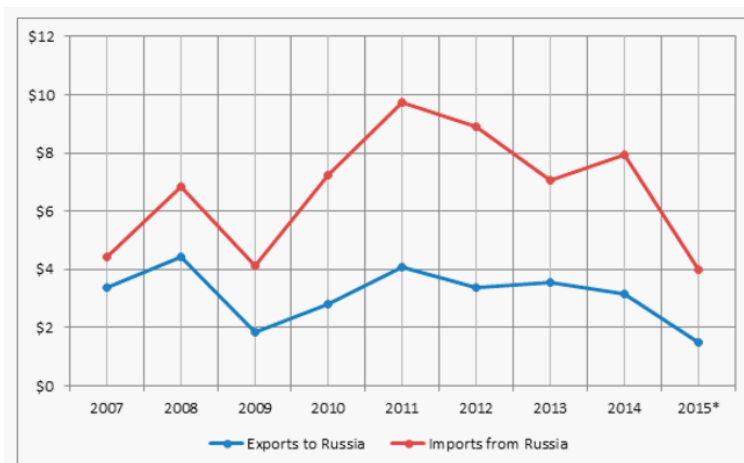


Figure 15. Trade turnover between Sweden and Russia, billion USD (2007 - Jan-Oct 2015) (Russian exports: National Information Portal, 2016)

Reasons describing this decline remain same as in the trade between Finland and Russia:

- Oil price
- Russian government' decision to reduce imports to the country

Despite this fell in trade between Sweden and Russia, there are some positive changes. The following table shows that the volumes of export dropped almost in each category of products, but there are some exceptions. For instance, inorganic chemicals and fertilizers exports increased by 23%, rubber and articles thereof export level has grown by 39%. Also there is a significant growth in export of electrical equipment 33%.

Table 2. Key products exported from Russia to Sweden in 2015. Source: ITC Trade Map.

Product HS Code	Product Type	Volume in 2014, USD thousand	Volume in 2015, USD thousand	Change in 2015, %	Share in total product imports, %
27	Mineral fuels, oils, distillation products, etc	\$6,813,044	\$3,612,259	-47%	31
28	Inorganic chemicals, precious metal compound, isotopes	\$391,929	\$483,204	23%	22.4
29	Organic chemicals	\$189,327	\$92,413	-51%	5.7
44	Wood and articles of wood, wood charcoal	\$131,787	\$72,882	-45%	6.1
31	Fertilizers	\$51,453	\$63,205	23%	12.2
72	Iron and steel	\$73,339	\$60,492	-18%	1.7
76	Aluminium and articles thereof	\$72,462	\$47,824	-34%	4.4
40	Rubber and articles thereof	\$19,816	\$27,573	39%	1
22	Beverages, spirits and vinegar	\$29,833	\$23,979	-20%	1.8
23	Residues, wastes of food industry, animal fodder	\$33,515	\$12,792	-62%	6.2
84	Machinery, nuclear reactors, boilers, etc	\$67,515	\$8,880	-87%	0.3
85	Electrical, electronic equipment	\$3,787	\$5,040	33%	0
68	Stone, plaster, cement, asbestos, mica, etc articles	\$6,287	\$4,486	-29%	1.1
70	Glass and glassware	\$422	\$4,367	935%	0.1

Figure 16. Products exported from Russia to Sweden in 2015 (Russian exports: National Information Portal, 2016)

Although overall indexes in trade between Sweden and Russia are dropping, but there are opportunities for growth. According to these numbers Sweden is going to import such types of goods from Russia, and therefore it makes it possible to consider chemical industry as potential for this research.

From Finnish perspective chemical industry is also attractive to export from Russia. In 2015 10.9% of Finnish import from Russia are chemicals and chemical products. The growth of fertilizers' exports from Russia to Finland in the first quarter of 2015 was 141%.

Speaking about Norway, imports of chemicals increased by 20% in 2015. For instance, Norwegian company Felleskjøpet imported 10 000 tons of fertilizers in 2015-2016 from Uralchem – the biggest Russian fertilizers producer (Norwegian-Russian Chamber of Commerce, 2016). It is explained by the fact that there is a monopolist for fertilizers production in the Norwegian market called YARA group. In these conditions the price of the products is the main factor why Norwegian companies are looking for suppliers of fertilizers from Russia and as it was mentioned before, Russian fertilizers are competitive on the global market.

4.2. Within-case analysis

Within case analysis is provided in this section. General information about each company describing the industry and business activity is provided here. The aim of this chapter is to present results of the interview regarding trade possibilities with Vaasa region and Nordic countries. Each case consist of discussions about logistics services organization and attitude towards developing trade relations with Vaasa region. The table 5 gives a brief information about the cases in the research.

Table 5. Key characteristics of case companies

Name of the company	ProPellets	Power Machines OJSC	Russian Wood Alliance Ltd.	Baltic Wood Group Ltd.
Industry	Forest and wood products	Machine building	Forest and wood products	Forest and wood products
Size	medium	big	medium	medium
Location	Saint-Petersburg	Saint-Petersburg	Republic of Karelia, Petrozavodsk	Saint-Petersburg
Name of the respondent	Respondent 1	Respondent 2	Respondent 3	Respondent 4

Title	CEO	Head of Marketing	Sales Director	General Manager
Date	May 30 th 2016	June 3d 2016	June 6th 2016	June 4 th 2016
Place	Skype	Phone	Phone	Phone

4.2.1. CASE 1 – ProPellets

The company is located in Saint-Petersburg. It produces different types of biofuel products, which includes wood pellets, wood briquettes, firewood, firelighters and sawn timber products. The company has its own production in Saint-Petersburg and Petrozavodsk. Moreover ProPellets is at the same time a trading company. It buys biofuel products from Russian producers from different locations and exports it to European countries, such as Denmark, Germany, Norway, UK and other. Besides, the company offers any type of logistics solutions related with transportation of wood products to the final customer. Main destination for the export is Denmark and Norway. The company is actively seeking for new customers and new ways of transportation. The interview was held with the CEO of the company via Skype.

According to the interview the CEO believes that the market of Nordic countries is promising for them, namely the markets of Norway and Sweden are the most interesting. The company is actively developing logistics route to Trondheim. Nowadays, it supplies to Oslo only, but the route is expensive and quite long, it goes through the Bothnian Arc. Therefore, logistics difficulties influence the decision making, so despite there is demand in Sweden and Norway it's inconvenient to sell products there due to high transportation costs.

Finland is not out of scope, because this market is already well-known for the company, they only need to expand area and find new customers there. Respondent 1 states that Vaasa region by itself is a potential market for them. They made their own preliminary research and found out that are customers who need their products, for instance private customers and big companies for heating, farmers can also use biofuels for their own purposes.

The CEO says that they never knew about the Nordic Logistics Corridor before, but the information about the project presented by the interviewer is very important for them, as it opens new options for their transportation routes. In this case Vaasa can be used as a transit point, and therefore, Port of Vaasa is in the area of interest. Respondent 1 notices that Denmark's market is also attractive for them, hence, if there are regular ferries to Sweden and Denmark from Vaasa it can influence their decision to operate on the territory of Vaasa Region as well.

Regarding overall logistics organization on the territory of Vaasa, there are some requirements that were mentioned during the interview. The company needs to have enough amount of the products (several thousand tons of wood pellets) located in Vaasa Region in order to arrange an uninterrupted supply, therefore it requires for warehouses and also trans-shipment services. Containers are usually used to transport this kind of products, but tracks and refrigerators are also in use in some cases. The priorities for supply chain modes are given to the road connections and ferry.

Respondent 1 explains that nowadays the transportation price from Saint-Petersburg to Trondheim is €1800-2000. If the new way through Vaasa can be at least €1600, it will definitely motivate them to use this way.

The following barriers for trade with Nordic countries were mentioned during the interview:

- Lack of information about the customers, specifically on the territory of Finland
- The price of logistics services in Nordic countries
- Need of more detailed information about the logistics organization in the Kvarken Region and further

4.2.2. CASE 2 – Power Machines

Power Machines OJSC was established in 2000 with the head quarter in Saint-Petersburg. It is well-known international power engineering company, which is listed in the top ten companies in the industry worldwide by the volumes of installed equipment. The

company makes the engineering design, manufacturing and supply of equipment for thermal, nuclear and hydro power plants. Installation supervision on the place is also service provided by the company. Moreover, Power Machines deals with the projects involving site development. Power Machines is an expert in the management of the complicated turnkey projects in the sphere of electrical power. The company operates internationally, it has projects in Russia and the CIS, Europe, Asia, Latin America, Africa and other countries. It is created by consolidation of the powerful enterprises from different locations.

The company demonstrated interest in the research topic, and therefore agreed to answer interview questions. Interview was held with the head of marketing department (Respondent 2) via phone.

Respondent 2 confirms the fact that market of Scandinavia is attractive for the company. Official web page of the company shows the geography of the sales, where Nordic countries are represented by Finland and Sweden. According to Respondent 2 there is ongoing project in Finland, which is averagely estimated in 100-200 million euros. Despite the huge interest of the company in the Nordic countries and possibility to offer services and products to the customer, there is limitation for the expansion of business due to dependence on the availability of the projects. The company does not have a mass production, and it is specialized on the designing and manufacturing of equipment by the request. This distinctive characteristic determines the decision of export direction.

Discussing the Vaasa region Respondent 2 noticed that this market is targeted for the company as well and they would consider this option for the future development. Discussing Vaasa as a part of NLC Respondent 2 agrees that it has a great potential, but the success depends on the services Vaasa region can provide. Admitting that NLC seems brand new for Power Machines, they would give a try and if this transportation route is shorter and cheaper there are chances for constant use of it in future. Hence, Respondent 2 emphasizes that the price factor of the logistic services arranged on the territory of Finland and further to Sweden and Norway is the most important for decision making.

The company is significantly dependent on the logistics services providers, because it organizes transportation to the end customer with a help of a sub-contractor.

Power Machines is mostly exporting heavy oversized engines and turbines. Respondent 2 points out that in order to arrange transportation successfully on the territory of Finland all the logistics services should be organized with regard to the ability to carry heavy loads. Convenient railway in the city of Vaasa is an important service, as it likely to be used to transport goods to the port. Kvarken Ports should be able to provide cranes with high capacity of load and transporters for oversized loads. The company usually uses road and sea connections as a main supply chain modes, but there are exceptions when railway and air transport can be used, but it often depends on the location of the site and customers' requirements.

Respondent 2 mentions following barriers that the company faces targeting Nordic countries market:

- High level of competitiveness from Chinese companies
- Low rate of economic growth

Power Machines is actively participating in different exhibitions in Russia (Atom Expo 2016) and outside the country (Power Gen Europe) in order to find new customers, and they are open to any cooperation with Finnish side.

4.2.3. CASE 3 –Russian Wood Alliance

The company was established in 2004 as a trading company, earlier it supplied paper and saw mills in Arkhangelsk region and in the Republic of Karelia with pulp wood and saw logs. Nowadays, Russian Wood Alliance Ltd. has more diversified business activities. The company provides raw materials to wood plants. It has its own harvesters and manufacturing company of wood pellets, which are mostly exported. Moreover, Russian Wood Alliance offers logistics solutions to its customers as it has park of its own trucks.

The interview questions were answered in written form after that additional questions were discussed via phone with sales director of the company (Respondent 3). Respondent

3 argues that Russian Wood Alliance has established relationships with Finland, it supplies wood products to Finland during 7 years, and now it mostly provides Finland with wood pellets. The demand in Nordic countries has a seasonal nature and varies from country to country, for example wood pellets are ordered in Finland during winter time, when in Denmark and Sweden there is a need for it in summer time.

It's been discussed that the market of Scandinavian countries is the most important for the company, orientation to the North is explained by the location of the company – Finish-Russian border region. Russian Wood Alliance's estimation of this market's potential is 22 000 tons pellets per year. Therefore, the company is actively seeking for new customers in Scandinavia. Russian Wood Alliance sells to the end customer and also it works with distributors, hence, it increases possibility to expand the territory of export and aware more customers about the products offered by the company. Here Respondent 3 notices that due to this distribution system they do not require any help in searching customers in Finland as their product is well-known and well-promoted.

An interesting fact was discovered, while talking about Vaasa as new market for Russian Wood Alliance. The company has already supplied wood pellets to Vaasa, although in small amounts, but the market is not new for them. Respondent 3 highlights that the markets of central, eastern and south-eastern Finland are more preferable, but this decision is based on the higher logistics development level in these areas, and is not correlated with demand for the products in Vaasa region.

Considering Vaasa as a transit point does not seem a relevant decision now. Respondent 3 believes that this transportation route is complicated. She speaks about two main reasons why they are not planning to use this route at least now. First, to start shipping from Vaasa to Europe there is need to transport products to Vaasa first and store them there. All these logistics activities will cause extra costs. Second, the company uses services of nearby ports – Vyborg in winter time and Petrozavodsk in summer time. It helps to cut transportation costs and this route is more developed.

Discussing supply chain modes, Respondent 3 explains that for instance it is more convenient for them to deliver to Finland by road, when Norway, Sweden and Denmark requires bulk shipment via sea. The common ways of transportation of the products are following: pellets in big bags by road, bulk shipment and saw logs by railway.

In general conversation with Respondent 3 shows the interest in cooperation with Vaasa Region in case of trade on the territory. Therefore, Russian Wood Alliance is open for further communication with VASEK and development of trade relations. Respondent 3 has mentioned before their products are well-known on the territory of Finland, but they would be happy to get information about the new customers on the territory of Vaasa region what expand VASEK's opportunities in organizing trade between Northwest Russia and Vaasa region.

4.2.4. CASE 4 –Baltic Wood Group Ltd.

Baltic Wood Group Ltd. is a middle size enterprise established in 2004 and located in Saint-Petersburg. The company is a Russian exporter of biofuels, such as wood briquettes, wood pellets, fire woods and fuel chips and other types of wood products. It mostly supplies saw logs and wood fuels to the market of Scandinavian countries. Baltic Wood Group has established relationships with Finnish companies, for instance its partners are UPM-Kymmene, Metsaliitto in terms of birch, aspen and coniferous pulpwood and veneer logs supplies. The company has also customers in Sweden (Fortum and Vattenfal) and Norway. Nowadays, Baltic Wood Group opens a new destination for export - Denmark and Germany. The interview was held with General Manager (Respondent 4) via phone.

Respondent 4 describes the situation as following - the market of Nordic countries is the main priority for their export. She also confirms that this market has a huge potential. Discussing the trade capacity with Scandinavian countries Respondent 4 confirms ability of the company to supply quite big amount of products monthly. In details it can be described as follows: 1 time per month of saw log bulk, 2 times per month wood pellets, 1 time per month wood briquettes. Theses volumes are averagely estimated as 3,5-4 cubic

meters per month. Respondent 4 is confident that the production capacity of the company can partly satisfy demand in Nordic countries. Baltic Wood Group affirm its wiliness to export to Finland, and indeed there are no preferences given to particular regions, which is definitely a good aspect from VASEK's point of view.

Respondent 4 clarifies that their main customers are heating plants, manufacturers of chipboards and wood fiber components, pulp manufacturers and distributors. Therefore, she does not see any preconditions to avoid Vaasa region market. In other words, Vaasa region can be is considered as a potential market, therefore any cooperation with VASEK in this case is vital.

Speaking about Vaasa logistics services and its strategic location in the Kvarken region made the company pay attention to NLC, which is a totally new information. Baltic Wood Group got new knowledge to analyze, therefore it starts to consider this new option for transportation. The concept of Vaasa as a transit point was accepted with great attention. Respondent 4 thinks that Port of Vaasa can be advantageous for them. Their point of view is a bit different from the one offered by VASEK, as Russia Wood Alliance see Vaasa as transit point to Finnish locations. For instance, the company ships products to Vaasa by sea freight, and then distribute them around Finland. This option seems attractive to the company, even though there is no plan to ship to Sweden and Norway from Vaasa. Hence, following this idea there is need in roofed warehouses to store goods available to ship immediately. There are no special requirements for the warehouses needed.

Supply chain modes usually used by Russian Wood Alliance varies depending on the location, the goods can be transported by airplanes, sea connections and roads. Roads remain most preferable mode in Russia, as it is the easiest way to organize transportation according to Respondent 4. Talking about shipment to Europe it's preferably to use sea connections. It is explained by the specifics of shipping outside Russia. Russian Wood Alliance organizes shipping based on CIF terms. In this case there is need to ship only to the port and supervise load of goods to the vessels. Customers are the ones who are responsible to organize transportation outside Russian Federation.

In general Russia Wood Alliance does not see any obstacles in trade with Vaasa region, it is open to cooperate with VASEK. Respondent 4 sees the development of partnership with VASEK in assistance of new customers seeking. She tells that they are ready to pay agent's commissions based on the signed contract. This system is functioning in Sweden and Norway. Hence, the company would be interested in visit to Vaasa region for the trade development.

4.3. Cross-case analysis

The previous chapter focuses on the each case description and this chapter provides with cross-case analysis. The aim of this sector is to show similarities and differences found by comparing cases together. Due to the limitations of the research, only one company from machinery industry is presented in the empirical part, therefore it is included in the cross-case analysis together with wood industry.

First of all, it should be mentioned that during the phase of contacting companies and explaining about the research only small and medium sized companies showed significant interest in the topic and agreed to cooperate. According to Organization for Economic Co-operation and Development, SMEs are more flexible to changes in the environment and therefore, they are ready to try new solutions. While discussing NLC none of the respondents heard about this prospective, but only SME found this possibility attractive and were willing to know more about it. The excitement they demonstrate is a success for VASEK, as it closely related to the development of the trade between Northwest Russia and Vaasa region. The one of the purpose of the interview was to inform companies about the new transportation route. A big amount of companies were contacted and the information about the existence of NLC was delivered despite their reject to participate in the research.

Speaking about similarities, all the respondents demonstrate interest in the market of Nordic countries. All of them states that Finland is already developed destination for export, therefore there are established transportation routes that the companies are using.

For reaching Sweden and Norway different respondents talk about different solutions for it. For instance, there are following options:

- By road via Bothnian arc (ProPellets), according to Respondent 1 logistics is expensive when transporting goods to Norway this way and this route is quite long)
- By sea connections from Vyborg, Petrozavodsk (Russian Wood Alliance), this transportation routes are more convenient because of close location of these ports to the manufacturing

Some respondents (Power Machines and Baltic Wood group) argues that the transportation depends on the customers' requirements, hence the option of transportation through Vaasa is in the scope. Other interviewees support this idea, but they have some requirements for logistics organization that should be met.

Several recommendations were offered by the respondents, while discussing logistics solutions in Vaasa region. Depending on the type of the industry the requirements may vary. The respondent who represents machine building company emphasizes on a highly need of equipment for heavy loads both in the port and in the city railway. This request is quite typical for all the machine building companies, though much attention should be paid to this question. The Port of Vaasa is already actively working out this problem, the new heavy crane is installed in the port. Requirements for logistics organization for representatives of forest and wood industry are similar, as they use same supply chain modes and organize transportation of goods in the same manner. Therefore, all of the respondents agreed that there is need of roofed warehouses. The goods will be shipped to Vaasa and then distributed to other locations, thus the stock should be always available for uninterrupted supply.

All the respondents pointed out that the most important factor for making the decision to enter Vaasa region is the price of logistics here. As the information about the prices was not provided in the information letter, it was the most frequently asked question. All of them assume that if the price of transportation through Vaasa region is lower than other

options, then there are no obstacles which prevent to develop trade on the territory of Vaasa and use it as a transit point.

As it was mentioned before the research was rather difficult to organize, as almost none of the respondents are familiar with the market of Vaasa region. Even though the information material was presented in order to explain the idea of the research and provide with some general knowledge about logistics services in Vaasa region and NLC respondents found it challenging to answer interview questions. All of them have mentioned that they could comment more if they see it on the place. Therefore, it was decided to add some additional questions into the interview later in order to ask if the companies are ready to visit Vaasa and discuss trade possibilities with VASEK. This topic was accepted with a high interest, and some respondents noted that they would like to come to the region for this kind of meeting.

All the respondents demonstrate positive attitude towards developing trade relation with Vaasa region, but all of them states that they would need an assistance in searching for new customers in the Nordic countries, or at least in Vaasa region. They mentioned that it is helpful if VASEK can provide with this kind of information, hence, this issue can be discussed later.

Business case – Wood Pellets

As it was mentioned before the companies from the Northwest Russia are interested in the market of the Vaasa region. Nevertheless, there is should be real business case in order to convince them to enter the market.

Most part of the interviewed companies represents forest industry, therefore the thesis provides with the calculations about the wood pellets logistics. Based on the results of the interview, specifically on the information about the prices of logistics provided by the Respondent 1, it is possible to calculate average logistics price form Saint-Petersburg to Oslo. The table 6 shows the price of logistics for existent route and the estimated price for logistics through the NLC.

Table 6. NLC estimated logistics price

General Information	Existent route	NLC estimated costs
<ul style="list-style-type: none"> • 22 000 tons yearly • Saint-Petersburg is a starting point • Oslo is final destination • Is shipped in trucks • The maximum that the biggest truck can fit 40 tons of goods • 550 trucks per year 	<ul style="list-style-type: none"> • Saint-Petersburg – Oulu – Storuman – Oslo • Saint-Petersburg – Oslo logistics price is 1800-2000€ • Average distance 2800 km • Price per km 0,71 euro 	<ul style="list-style-type: none"> • Vaasa - Umea (Wasaline) 187€ per truck • Distance - 263 km • Saint-Petersburg – Vaasa 690 km • Umea – Oslo 867 km • Overall distance 1557 km + 263 km • 1820 km x 0,71 euro = 1300 euro
Logistics price	1800-2000€	1300€

This business case shows that the price for logistics via NLC is significantly lower than the price of logistics of existent route. According to the comments of the Respondent 1 about the logistics price, if the price is lower than 1600, the company would use transportation route through Vaasa. Therefore, there is a business case for customers from the Northwest Russia, even though estimations are rough and have to be calculated further together with the logistics services providers.

4.4. Data interpretation

This chapter summarizes evidences found during the research and links the results of environmental scanning and within and cross-case analysis with the research questions of the thesis. This paper is aiming to find business opportunities between the Northwest Russia and the Vaasa region based on the comments of prospective customers. In order to answer research questions several objectives were defined earlier. All the objectives

were reached during the research and therefore its analysis became a basis for building the answer for the research questions, which is discussed further.

4.4.1. Guidelines for further cooperation development

Several methods were used to answer the research question, though interview results formulate the most valuable part of the study. Environmental analysis derives in knowledge creation about the industries which should be taken into consideration for further strategy development for Kvarken Ports and VASEK. Interviews in turn help to identify customers' needs in certain logistics services in the territory of the Vaasa region and at the same time to understand their attitude towards trade between the Northwest Russia and the Vaasa region.

Interview questions are developed in the way to better understand what prospective customers think and what they offer to improve in the existing situation. Some important ideas regarding the development of trade between the Northwest Russia and the Vaasa region were detected during the discussion with respondents.

Based on the opportunities identified and comments of interviewees, following guidelines for further cooperation with the Northwest Russian companies are prepared:

1. Creation of client database

All the respondents agreed on the lack of information about customers on the territory of Finland and the Vaasa region particularly. It is described like one of the main barriers which prevents internalization of SMEs. Therefore, it is recommended to VASEK to develop client database in Russian language, which can be shared with potential players on the Vaasa region market.

This type of service is increasing in popularity nowadays, because even small companies are export oriented and they need a good database of customers in the target country. After analyzing this type of service, following options for creation of such database are described:

- List of the companies in the region (the information can be modified by the request of the customer). This list should include general information and contacts, and it is easy to prepare and maintain.
- List of the companies which are ready to communicate. It includes information about contact person, which is responsible to discuss the topic. The list can be prepared based on VASEK business connections.
- List of the potential partners. It differs from the two previous lists and thus is the most valuable. In this case preliminary discussion with the companies chosen by the customer is done by VASEK, and if they see possibility for cooperation then contacts are shared with the customer.

These lists are examples and can be modified, some additional options can be added. All the potential customers show their interest in this kind of services and are willing to pay for the positive results.

2. *Participation in exhibitions in Northwest Russia and Moscow*

Interview includes question regarding wiliness to participate in exhibitions in Russia and Europe in the nearest future. This topic was discussed on purpose and all the respondents noted that they are highly interested in participation on exhibitions. This means that in order to find a potential customer VASEK should be actively involved in the process. The idea is to share information about the Vaasa region and its trade possibilities in the exhibitions where companies are seeking for this kind of information.

Following exhibitions and seminars can be considered as an option:

- *Trans Russia/Trans Logistica* - International Exhibition for Transport and Logistics Services and Technologies (18 - 20 April 2017, Moscow)
- *Metal Expo* International Industrial Exhibition, Moscow yearly
- *Power Gen Russia* in Moscow
- *Atom Expo* in Moscow yearly

- *Gild of expeditors* is two sides face to face meetings with decision makers in Russian companies, conferences are held 5-6 times a year in Moscow

3. *Organization of business meetings on the territory of the Vaasa region for the customers from the Northwest Russia willing to cooperate*

Personal meetings are necessary as they can promote the regions' logistics services. While establishing personal contacts with interviewees, it became obvious that the Vaasa region market is new for them. Therefore prospective customers cannot accurately evaluate existing logistics services and to see the advantages they can get of them.

Personal meetings with VASEK, Kvarken ports and industry representatives can help to build trust relationships and make connections beneficial for both sides. According to the discussions with respondents the companies they represent are not confident that these relationships can be valuable and trustworthy. Thus development of this service can increase the level of trust factor and convince potential players to enter the market.

As an example of such meeting can be *Energy Day* in Vaasa:

- To organize Russian day at the event
- Prepare materials in Russian language
- There are a plenty countries with Russian speaking market, therefore this even can be beneficial for VASEK in terms of attracting prospective customers from other countries

4. *To broaden variety of destinations from Kvarken Ports*

Discussing the services of Kvarken Ports several comments were made by the interviewees. It should be noted that general information about the Kvarken Ports services was given to respondents for consideration in advance, therefore all their judgments and recommendations are based on it.

First of all, changes regarding the destination of connections are the most important and vital. It seems, that the regular sea freight connection to Umea is not enough when talking about Vaasa region as a transit point. Additional connections to central Europe should be developed in order to transform the Vaasa region into an efficient hub for further distribution. Respondents note that logistics to Vaasa from the Northwest Russia is expensive, and therefore there should be options for freight shipping to different locations, otherwise it is inefficient to transport to this region. When making the decision about preferable transportation routes credits are usually given to reduced time and price and possibilities to ship both to central Europe and Nordic countries.

5. To develop logistics services offered by Kvarken Ports

Next recommendation regarding changes in Kvarken Ports are concerned the storage facilities, unloading and moving of loads on the port premises. The new joint port is actively improving the services provided, but it would be more efficient if they will be based on the customers' requirements. For instance, it is mentioned by Power Machines that there is need in equipment for heavy loads, when representatives of wood products industry are asking for the roofed warehouses and services for unloading. In other words it's highly recommended to define requirements of companies from other industries, because they can vary from each other.

In order to identify customers' requirements it is recommended:

- To perform service design research (lean startup)
- To invite prospective customers to workshops in Moscow/Saint-Petersburg

The workshops can be organized as following:

- Together with the Guild of Expeditors
- Together with Finnish consulate in Saint-Petersburg
- VASEK together with Suomi-Talo

- VASEK in cooperation with The Trade Representation of the Russian Federation in Finland
- Together with the University in Petrozavodsk

6. To develop more targeted logistics services in the territory of Vaasa

The option of considering Vaasa as a distribution center requires availability of warehouses. These means that this service can be offered not only by Kvarken Ports, but by separate organization. The location is important issue, as warehouse should be placed near logistics connections – railway, road and port. Therefore, it is an option for the improvement of the logistics center in Vaasa. The goods will be stored there and then distributed to the end locations for instance via railway to port and then further to North and Central Europe. Also as it was mentioned that Baltic Wood Group is planning to deliver to other locations in Finland, thus they would need stock in Vaasa.

In this case following measures are required:

- To organize workshops with Finnish companies in the Vaasa region
- Kvarken Ports cooperation forum aiming to discuss ideas regarding logistics services development

7. Offer solutions for organization transportation from Vaasa to the end destination.

According to respondents discussions companies do not usually provide logistics services outside Russia, this decision is explained as following – it is easier to organize transportation by logistics services providers on the territory of target country. This solution seems right, otherwise the company faces difficulties related to the search of the reliable transportation company on the territory of each country, especially if the final destination is in Norway for instance. In this case development of single logistics services management on the territory of Norway, Sweden and Finland with starting point in Vaasa would be beneficial for all the participants. It can attract customers by reducing the risks related with problems regarding cultural differences, laws and lack of contacts

(L.H. Harps, 2003). Additional advantage offered by this unite logistics management system would be simplification of border-crossing between Finland, Sweden and Norway.

Following measures can help to develop such kind of service:

- Cooperation with Umea for this purpose
- Logistics to Denmark
- Cooperation forum organized by VASEK or Kvarken Ports

8. To advertise/increase public awareness of NLC and E12 Atlantica strait

This point is significantly important and requires close attention. It was mentioned before, that the difficulties in the research process were related to the unawareness of the contacted companies about the ongoing projects. It affects potential players' decision making process, as they do not know about this transportation option and therefore cannot evaluate advantages related to it. In order to improve this situation more information and marketing materials about the NLC and E12 strait are needed. Moreover, in order to avoid language communication barriers these materials should be in Russian language as the target country is Russia.

Following measure are required to be taken:

- Promote NLC, information materials are required in Russian language.
- Develop communication and marketing channels in the Northwest Russia, for instance:
 - a. Workshops with prospective customers
 - b. Creaction of LinkedIn group about the Vaasa region and its logistics services in Russian language)
 - c. Magazines, newspapers about logistics (*LOGISTICS* Specialized Scientific & Practical Journal in the Northwest Russia, *Transport of*

the Russian Federation - a magazine of science, economy and practice)

9. Clear logistics price calculations to rise customers' motivation

The distance of transportation can cause problems related to time and costs. In decision-making about the preferable transportation route the price of logistics means a lot. Therefore, the company needs clear information about the transportation costs for all the available routes. In order to increase competitiveness of NLC customers should know that this route is faster and cheaper.

It is recommended to act in accordance with the following steps:

- When contacting companies next time to prove advantages of this transportation route by the calculated logistics prices
- To use business cases in Russian language marketing materials
- Regular bench-marking of the calculated logistics price to competitors

10. Development of the dry port concept in Vaasa

It is relatively new idea, and it might be not attractive to the Vaasa region now, but it should be considered as an option in the future. Pretending that Kvarken Ports has reached its maturity phase, therefore, there are limits caused by physical space for further expansion and also by existing variety of services provided.

The solution is development of dry port concept (inland terminal). It can help to deal with the land issues, because it takes long time to organize this process in Finland. Moreover, dry port can result in prolonging the maturity stage of Kvarken Ports and at the same time to avoid the decline stage. It also may expand port services and reduce logistics prices.

4.4.2. Obstacles for considering the Vaasa region as a potential market

The interview stage of the research helped to identify limitations for companies to consider the Vaasa region as a promising market. Among these companies were some Russian corporations, which are successful on the Russian market, but despite their willingness to enter Scandinavian market there are some problems they face. This kind of companies are considered as potential trade partners in the future, and it is suggested to communicate with them further in order to inform them about Vaasa region logistics possibilities. For this purposes the list of the contacted companies was prepared, including comments about their reject to participate in the interview and also contact person information, which is relevant to VASEK. Being confidential the list cannot be shared in the master thesis, but it is discussed with the representatives of VASEK, Kvarken Council and Kvarken Ports during the workshop session.

Here are discussed barriers which prevent customers to consider Vaasa region as potential market:

- Dependence on the projects

Limited number of Russian companies are doing business with Finland. It is explained by the project type of business, in other words if there is a project from Scandinavian country, they are ready to implement it and Vaasa region could be a transit point in this case.

Solution: VASEK should assist Russian companies from the beginning – how to enter the market of the Vaasa region

- Lack of information

Willingness to change the transportation route should be supported by the full volumes of the information. The first communication with companies showed their unawareness regarding Vaasa region logistics possibilities, especially E12 strait. Yet, the respondents showed their interest, but the lack of information is the factor that made them doubt about the advantages of this route.

Solution: information and personal assistance in Russian language

- Trust factor

Russia is a network economy and personal contacts are necessary.

Solution: Russian speaking person is needed to establish personal contacts, furthermore get together events in Russia and Finland should be organized.

4.4.3. Recommendations for further contacting and cooperation

The research is based mainly on the interview results with case companies and, therefore, some recommendations should be given in order to successfully continue contacting companies from the Northwest Russia. The aim of the research is to understand attitude of players from the Northwest Russia and develop trade possibilities between this region and the Vaasa region.

There were some obstacles during the contacting phase, which significantly affected the final results of the research. Hence, following recommendations based on the experience of the researcher regarding this issue are given for VASEK.

Regarding the type of organization:

- As it was mentioned before SMEs are the one who are looking for new possibilities, thus it is preferably to contact those companies in order to receive positive feedback and get the potential trade partner
- In SMEs it is easy to get the right person to interview – CEO or general manager

Regarding how to reach the customer:

- E-mails seems inefficient as they do not reach the right person in the company
- Establish personal contact via phone calls instead of electronic communication
- Contacting should be a long-term work

Regarding cultural issues:

- High level of bureaucracy
- Necessity to consult with law department in order to answer interview questions
- Russia is a network country, thus personal contacts are important
- Russian speaking person in order to organize communication in native language

5. CONCLUDING DISCUSSIONS

This chapter summarizes and provides conclusions of the study. Theoretical and practical contributions are also discussed in this sector. Furthermore, limitations of the research and suggestions for deeper understanding of the topic are described.

5.1. Summary of the research

The starting point of the research is determined by the request of the Vaasa Regional Development Company to identify trade opportunities between the Vaasa region and the Northwest Russia. The research plan is designed according to this inquiry and aims to find potential customers, their requests regarding logistics services in the region and their comments about the possibility to enter the Nordic countries market.

Related literature about opportunities identification is studied alongside with literature about tools for environmental analysis and business networks-based opportunities. All these topics are examined in order to develop the process of trade opportunities identification for the Vaasa region.

Empirical part of this study includes collection and analysis of primary and secondary data. First of all, secondary data on current trends in the industries was collected through the method of environmental scanning and weak signals search. This sector provides the answer to the main research question:

What are business opportunities for trade between the Northwest Russia and the Vaasa region along the E12 strait with focus on Kvarken Ports?

It was identified that there is demand for wood pellets – a biofuels type. It is mainly concerns Sweden's demand, because statistics shows that during last two years the consumption of wood pellets for homes and plants heating is growing. Wood pellets production in Russia is growing, moreover this kind of biofuels is not used in the country

and it is manufactured for export. Russia is on the second place of wood pellets suppliers in the world after USA and Canada. There is great potential for biofuels trade development between Russia and Nordic countries. Second, products of chemical industry are also highly demanded in the Nordic countries. The statistical data proves this fact, for instance, despite the overall fall in the level of trade between Russia and Sweden, the level of export of fertilizers and inorganic chemicals grew by 23% in 2015. Same happened in trade between Russia and Finland. Norway is also interested in import of chemicals due to the high prices for fertilizers produced inside the country. Russia is the main partner who supplies it to Norwegian companies. Also attention should be given to machine building industry, as it is included in the list one of the growing in Russia. The first place in this list is given to the agricultural industry, Russia is growing the production of wheat and has an advantage to succeed explained by the huge amount of lands for cultivation. Country is on the first place of wheat exporters in the world. Chemical industry and fertilizers' production is on the second place in the list of industries experiencing grows. Russian fertilizers are competitive on the market because of their quality and price, for example 13,5% of world's fertilizers export is from Russia.

Environmental analysis results confirm that there are possibilities to develop trade between the Vaasa region and the Northwest Russia. Current economic situation is quite difficult, nevertheless companies from both sides are searching for partners abroad. Russia is actively supports exports growth, when the Nordic countries can benefit from the trade with Russian companies.

Based on these findings the list of target companies was created and after that they were contacted via e-mails and phone. Four companies out of the list agreed to answer interview questions, nevertheless valuable comments regarding the attitude towards the trade with Finland and the Vaasa region were received from the rest of companies. Within-case analysis was performed in order to analyze each case separately and cross-case analysis was used to find similarities and differences in the cases. The interview results present comments of respondents regarding the possibilities of trade development with the Vaasa region and also their requirements for logistics services in the region. In general, they are interested in the cooperation with Vaasa and furthermore, the NLC

seems interesting topic. Respondents note that there is need for more information about it in order to make a decision to enter the market. The information about the potential customers is also required by the respondents, at this point VASEK and Kvarken Ports are able to provide this kind of information and additionally support with other issues. Due to the fact that Russia is a network economy, it is recommended to establish personal contacts with Russian companies.

The guidelines regarding the further cooperation are provided in this research and answer the sub-question of the research:

How to proceed with found opportunities for development of cooperation between the Northwest Russia and the Vaasa region?

More attention should be given to establishing personal contacts with potential customers. For this purpose there is need to participate at the exhibitions and conferences in Russia and to organize workshops with customers on the territory of Finland. Due to the fact that NLC is new for Russian companies it is recommended to advertise through the different marketing channels. Aspect of logistics services development is also an important issue. The research demonstrates that several changes are required for the development of trade between the Northwest Russia and the Vaasa region. These changes mostly concern services of Kvarken Ports, which should be developed according to the prospective customer's needs. It is very important to keep in mind cultural differences, therefore all the communication materials should be prepared in Russian language.

5.2. Theoretical and practical contribution

From the theoretical perspective this study contributes to the existing theories by developing a process of opportunities identification for the whole geographical region. Prior literature on strategies for the opportunity development is primarily focused on individual businesses and describes the process from the company perspective rather than

the whole geographical region. This study, in turn, extends this literature by providing a strategy of opportunity identification at a broader scale.

As for the practical contribution, given that this research was requested by VASEK, findings reported in this study can be used for the future development of VASEK operations and moreover, can serve as a basis for improving reaching methods of companies from the Northwest Russia. The research provides relevant information about trends in economics of the Northwest Russia region and expands the knowledge of VASEK about the opinion of actors from this region regarding cooperation with the Vaasa region. Furthermore, the research gathers valuable information about the contact information of several companies from the Northwest Russia, which can be used for further contacts. Besides essential empirical findings, technique for identification of trade opportunities developed during the research should be considered as the second implication for managers, as it can be basically used for any country.

5.3. Limitations and suggestions for further research

First of all, it should be noted that the topic of the research is rather broad, although it is somewhat narrowed down by concentrating only on the export activities of companies from the Northwest Russia to the Nordic countries. The fact of geographical limitation actually defines the selection of included industries. For instance, chemical manufacturers are mostly located in the central part of Russia and in the Ural region. It is acknowledged that narrow variety of industries may potentially limit the scope of this study and therefore this problem is left for further research.

Another limitation of the research is characterized by the small number of the interviewed companies. Despite the number of research participants, the results are still generalizable and can be recommended to VASEK as the starting point for accessing potential customers and development of trade between the Northwest Russian and the Vaasa region. These limitations do not influence the applicability of gathered data, as valuable information is collected.

In addition the process of cold calling should be reviewed as it appeared to be ineffective way of communication. Although it was chosen as the main technique for contacting target companies, the practice showed that due to bureaucratic processes in the Russian companies this approach does not qualify for this kind of research. Hence, this issue requires to be revised and recommendations regarding main aspects of calling are discussed in the previous chapter.

The main recommendation is to continue communication with interviewed companies plus start communication with the companies from the list offered to VASEK. Most of them are interested in the topic of the project, but they are lacking of information regarding it. The most important characteristics of doing business in Russia that should be taken into consideration is that there is very high speed of decision making. It means that there is very short opportunity window, in order to cooperate with Russian companies VASEK should start communication as earlier as possible.

The researcher believes that promo materials about the existence of NLC and E12 Atlantic transport can increase the level of their interest. The emphasis should be given to the information about costs of logistics. The same method can be used later in contacting companies from other regions of Russia. The major goal is to inform Russian companies about the advantages of the route through Vaasa, because this knowledge defines all further directions of trade development between the Northwest Russia and the Vaasa region. The scope of this project is huge and requires attention to multiple spheres in improving relationships between the two countries.

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APPENDIX

Information letter

Dear Mr. / Mrs. ...

The City of Vaasa, which is a strong industrial and logistical center of West Finland and Scandinavia, is offering new trade opportunities between North West Russia and growing North European markets. In order to improve the logistics services, the City of Vaasa is making a short questionnaire study directed at the selected successful Russian companies.

The Vaasa Region is one of the highest export-oriented regions of Finland. For example, only in energy sector, the Region gives home to over 140 companies (e.g. ABB, Wärtsilä, Vacon) with joint turnover of 4.4 Billion Euros and over 10,000 employees.

The logistics sector in the Region is developed according to the global needs and has the following strengths:

1. Seaport, which transports both cargo and passengers to Umea in Sweden (80 km by sea). From Umea it is 5-6 hour's drive to Norwegian ports with connections to North and South America
2. Vaasa Logistics Center with versatile services
3. Same railway gauge with Russia
4. E12 Highway from Helsinki to Vaasa, only 5 hour's drive
5. Vaasa Airport, one of the largest in Finland, with regular flights to Helsinki and Stockholm
6. Nordic Logistics Corridor initiative, in which Vaasa City develops better connectivity between Finland, Sweden, Norway and Russia and offers new coming companies with wide variety of services.



Nordic Logistics Corridor (nordiclogisticscorridor.com)

I would be thankful for a possibility to have a short (max. 1 hour), confidential interview with you at the time most convenient for you, either by phone or Skype.

Sincerely yours,

Oxana Petrova

Semi-structured interview questions

Name of the company:

Name of the respondent:

Date:

1. How prospective for your business do you see the market of Nordic countries?
How do you see its potential in tons/euros?
2. Are you interested to expand your business to the territory of Finland? Who are your main customers there?
3. Do you consider the Vaasa region market attractive for your exports?

4. Are you interested to expand your business to the territory of Sweden?
5. Are you interested to expand your business to the territory of Norway?
6. Do you consider the Vaasa region as a potential transit point for your exports?
7. Are you interested to use port of Vaasa for transportation of goods to the territory of Sweden and Norway?
8. What types of supply chain modes do you use for your export?
 - a. railway
 - b. road
 - c. sea connections
 - d. air transportation
9. What logistics strategies are you planning to use for the expansion of your business to the territory of Nordic countries?
10. How do you organize your logistics (dependence on the type of goods)?
11. If you decide to enter market of Nordic countries what logistics services do you require for optimizing export activities?
12. If you decide to enter the Vaasa region market what are the logistics requirements for your business to be successful?
13. What facilities/services do you need to enter the market successfully?
14. What barriers/obstacles do you see in trade with the Vaasa region? Do you need any assistance from the Vaasa region?
15. What barriers/obstacles do you see in using the Vaasa region as a transit point?
16. Would you invest in new customers search services on the territory of Finland provided by VASEK?
17. Would you like to visit the Vaasa region and get to know logistics services provided in the region?
18. Are you planning to participate in different exhibitions in Russia and Europe in the nearest future?