

# SEARCHING FOR OPPORTUNITIES OUTSIDE HOME ECONOMY: RUSSIAN CARGO TRANSPORTATION MARKET, ITS PERSPECTIVES AND OPPORTUNITIES FOR GROWTH.

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**Abstract.** The research was written with the purpose to investigate situation on the Russian cargo transportation market and to identify external and internal factors influencing on feasibility of establishing Latvian cargo transportation subsidiary in Russian market.

The main aim of research is to explore whether and to what extent it is feasible to establish subsidiary company on Russian cargo transportation market. The dissertation is based on the basis of scientific sources, educational literature, statistical data and observation of Russian transport branch development peculiarities, using strategic and financial management tools, analyses.

The research performed is of analytical and predictive types; the information collection method was in the form of deskwork and documentation survey.

The outcome of research provides the answer to the main research question, which is based on the results of thorough analyses performed.

**Keywords:** cargo transportation market, Russian market, Latvian subsidiaries, macro economic analyses, micro economic analyses, suitability and feasibility of strategy.

## **Introduction**

Cargo transportation business in Latvia has always played significant role in the economical, political and social life of Latvian people and considered to be a kind of perspective activity both for the state and private business. Few years ago, it was one of the most profitable and attractive branches not only for Latvian entrepreneurs, but also for foreign investments.

However, the situation has changed after Latvian accession in European Union. Globalization, fast changing business political and economical environment, adoption of EU regulations, policies and tough competition from East-European transporters' side are main factors that have lead to the decrease in profitability not only in separate company, but in the whole cargo transportation branch. Latvian business owners are confronted with issues such as how to survive and to keep company profitable. That in turn raises the question what strategies and possibilities to undertake for further development. Whereas there are few or limited development opportunities on Latvian market, because of negative tendency caused mainly by EU enlargement, Russian market, being one of the most stable and fast developing markets in the world opens broad possibilities for transportation business development. Thereby, one of the main strategic aspects and possibilities for future development is entering Russian cargo transportation market by establishing subsidiary company.

The main area of this research is strategic management, where one of the steps involves "scanning and evaluating the external environment and the organizational environment" (Coulter, 2005).

The topic is attractive and actual for the authors because Latvian auto carriers are faced with new difficulties, problems, many companies go bankruptcy and there are no prerequisites for transportation branch development in the nearest future, at the same time, Russian cargo transportation market seems very attractive for the investments. As Drucker (1985) argues, “before getting excited about a new business idea, it is crucial to understand whether the idea fills a need and meets the criteria for an opportunity”. Thou, from the investor’s point of view, it is necessary to analyse and evaluate the feasibility of establishing subsidiary company in Russian market.

This research is of analytical and predictive types. The analytical method has been used because the researcher goes beyond merely describing the characteristics of situation to analyzing and explaining why or how it is happening. The predictive type has been used because research not only analyses the particular situation, but also gives a forecast of particular phenomena occurring in given circumstances.

The investigation is of co-relational type, because the researcher is keen on identification of many important factors influencing on the main problem. Hence, the study is conducted in the natural environment of the organization with minimum interference by the researcher and the study settings are noncontrived.

In this dissertation two types of analysis units are used: industry and organization units, because research questions analyses both Russian cargo transportation industry attractiveness and financial ratios forecast of future subsidiary.

The time horizon is longitudinal study, because the researcher has undertaken a study at several points in time in order to answer each research question.

### **Literature review**

The purpose of literature review is identify what is feasibility; why it is importation in this research; what are the main aspects, external and internal factors the feasibility depends on and methods of its measurement.

### **Observation of situation on Russian cargo transportation market**

Constant deficit of Russian permissions, and especially universal permissions CEMT and bilateral transit transportations to the third countries, sharp increase of transportation expenses, tough competition from European giants and all other facts mentioned above, compels Latvian cargo transportation companies, especially those who actively working on East direction, to search for a new ways of survival and developments. Some of them have already started to adopt effective and favorable to a branch model: to establish the company in a territory of Russian Federation and to register fleet in the same place.

For the last 2-3 years on the Russian cargo transportation market exhilaration of economic activity was indicated. It is promoted by a number of the created bills, amendments, regulations and resolutions being a part of new Russian transport policy, which is targeted at Russian carriers’ protection.

According to Irina Polyakova, “Russian Transport” magazine observer (2006), in year 2006 - 2007 the Russian economy has entered the new phase of the development linked with underestimated ruble exchange rate exhaustion effect, caused by the crisis in year 1998. The further strengthening of ruble in this period is predicted, but with more lower rates 3 - 4, 5 % per year, against 6, 9 % in year 2004. If such dynamics continues, the real effective exchange rate course will overcome pre-crisis level of year 1997 by the end of year 2008.

Gross national product per capita (GDP) at purchasing power parity (PPP) in Russia has steady positive dynamics since year 1999. Russian GDP on PPP is considered to be average among countries of Eastern Europe from USA level (Federal State Statistics Service, 2007). Growth of Russian production competitiveness is promoted by the new tendency – outrunning

growth of labor productivity in comparison with ruble exchange rate strengthening. Productivity growth gives on average 6 % per year that almost in 1, 5 times advances ruble exchange rate strengthening ratio. Owing to fast development of telecommunications sector and new projects of a transport infrastructure realization, the transport and communication market share has raised from 23 % to 27 % of all investments into economy (RosBusiness Consulting Group data, 2007).

According to Gennady Blagodatny, “Russian Transport” magazine observer (2007), truck cargo transportations have made 264 million tons (103, 4 %), and the cargo turnover has made 21 billion t/km (109, 7 %). The volume of cargo transportations, executed by foreign traffic on the Russian market has grown and made 36 million tons in year 2006. The growth tendency has proceeded in the first half of the year 2007, including market shares of the Russian carriers in total amount of the international truck cargo transportations (40, 7 %).

According to Anatoly Nasonov (2006), the first deputy of transport minister in Russia, year 2005 was considered as the year of new Russian Federation transport strategy. At the end of year 2005 the set of important documents concerning new transport strategy, focused on the period till year 2020, was examined by the State Council, by the Russian Federation Government and finally was accepted on December 16th, year 2005 in Moscow.

The strategy is focused on change of a cargo transportation branch role in formation of gross domestic product (GDP). The main questions are: realization of transit potential, export of goods, increase of Russian carriers’ competitiveness on the world market.

The major aims of the strategy are: realization of the complex infrastructural projects directed on increase of Russian transport corridors appeal by delivery expediting, development of logistical and information technologies, complex modernization of Russian Federation border check points. Increase of competitiveness of the Russian carriers on the cargo transportation market. Realization of strategy’s main aims and objectives will allow Russia to strengthen positions on the world cargo transportation market.

Joining WTO and full membership of Russia in multilateral trade system and guaranteed by WTO legislations transparency, should lead to increase of country participation in international trade, increase of its investment appeal, and also growth of possibilities for its transit potential realization, and consequently, will positively affect to a whole logistics system.

To conclude, the situation on the Russian cargo transportation market is getting more stable, financially attractive. Recovery of Russian economy, strategically important decision to enter WTO, support and protection of Russian carriers by government, development and implementation of “Russian Transport Policy” program – all these facts bring along the growth and prosperity of the branch. That is why, now it is beneficial situation and positive circumstances for establishing cargo Transportation Company in the Russian market.

### **Feasibility**

Feasibility analysis is the process of determines if a business idea is viable (Barringer & Ireland, 2004).

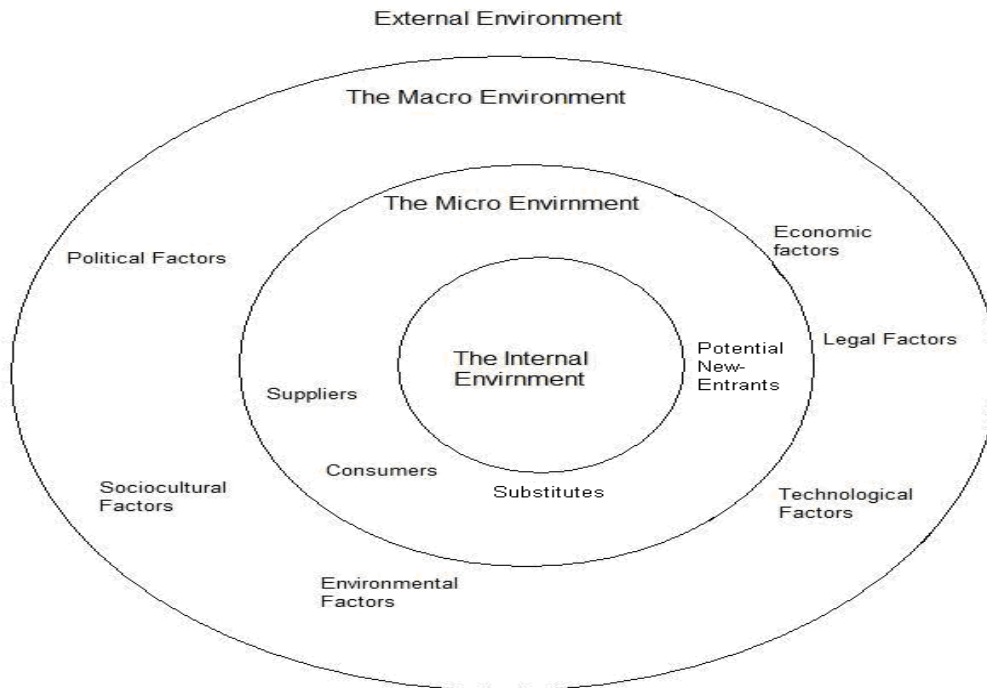
According to Hofstrand and Holz-Clause (2007), a feasibility analysis is an important tool that helps to assess the viability of starting a new value-added business, or re-organizing or expanding an existing business. It provides important information needed to make the critical decision of whether to go forward with a business venture. A feasible business venture is one where the business will generate adequate cash flow and profits, withstand the risks it will encounter, remain viable in the long-term and meet the goals of the founders.

As the main aim of research is directly related to identification of external and internal factors influencing on feasibility of company establishment, there is a need to define what external and internal business environment is and how it should be analysed.

## External Environment

Duncan (1972) defined business external environment as all the factors outside of the direct control of the business that are taken into consideration by the organization in its decision making.

Dess and Beard (1984) emphasized, that these factors depend on the complexity and dynamism of the environment. Macro-factors such as the economy, government policy and social change can have a significant effect on a company's success but the relationship is fairly one way. However, whilst these macro factors can fundamentally change the environment of an organization one individual business can rarely do much on its own to shape them.



**Fig. 1:** External and Internal Environment

According to Johnson and Scholes (2002), as it is shown in the Figure 1, external environment can be divided into two parts: macro environment that affects all the companies and microenvironment that affects companies only in particular industry. External environment can be audited in detail using such approaches as PESTEL Analysis, Michael Porter's Five Forces Analysis and SWOT Analysis.

The macro environment consists of many factors such as new laws, tax changes, trade barriers, demographic changes, government policy and etc. These factors can be categorized and analyzed using PESTEL model analysis.

According to Armstrong (2006), PESTEL analysis stands for "Political, Economic, Socio-cultural, Technological, Environmental and Legal analysis" and describes a framework of macro environmental factors used in environmental scanning. It is a part of the external analysis when doing market research and gives a certain overview of the different macro environmental factors that the company has to take into consideration.

Thompson (2002) states that for any organization certain environmental influences will constitute powerful forces, which affect decision making significantly. The PESTEL factors combined with external micro environmental factors can be classified as opportunities and threats in a SWOT analysis.

The microenvironment is the set of factors that directly influences on organization, and its actions and responses. It is crucial to analyze competitive forces in an industry's environment

in order to identify the opportunities and threats confronting an organization. The most popular and effective model for this kind of analysis is Michael Porter's five forces model.

Five forces model was developed in year 1980 in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors". Porter (1980) defined the forces which drive competition, contending that the competitive environment is created by the interaction of five different forces acting on a business: rivalry among existing companies, the threat of new entrants into the market, the bargaining power of supplier, the bargaining power of the buyers, and the threat of substitute products or services.

Main idea of Porter's five forces theory is that every business still operates within a framework of buyers, suppliers, competitors, substitutes and new entrants. There always will be necessity to produce goods or services, to find buyers and to offer attractive terms and conditions. There always will be those who produce and sell similar product or substitutes. That is why Porter's theory is still 'up-to-date' and considered to be one of external environment main analysis.

### **Internal Environment**

According to Lusthaus et al (2002), the internal environment refers to factors inside the organization that make up what might be called the organization's 'personality', and influence the organization's cohesiveness and the energy it displays in pursuing its goals. Factors that make up the internal environment include the organization's culture, performance-related incentive and rewards, the institutional 'climate' in general, the history and traditions of the organization, leadership and management style, the existence of a generally recognized and accepted mission statement, organizational structure and shared norms and values that promote teamwork in the pursuit of the organization's goals.

To develop powerful strategy on the market successfully, company should pay attention not only to external environment analysis, but on internal environment as well. The most popular analysis for evaluation, overall strategic position of the company is SWOT analysis. According to Mintzberg (1990), the SWOT originates from the so called "Design-School", which seeks to establish a fit between an organizations strengths and weaknesses with the opportunities and threats in its external environment. Key distinction of SWOT analysis from other is that it focuses on both: external and internal issues. SWOT analysis classifies the internal aspects of the company as strength or weaknesses and external factors as opportunities or threats. By analyzing the external environment (threats and opportunities), and internal environment (weaknesses and strengths) factors and development of the simple matrix, it is possible to formulate right strategy of organization.

### **Financial feasibility constraints**

According to Kovaljov (2002), the criteria used in the investment analysis can be divided in two groups. First group based on discounted factors criteria (taking into consideration time factor) and the second group is based on accounting estimated criteria. The first group includes: NPV (Net Present Value), PI (Profitability Index), IRR (Internal Rate of Return), MIRR (Modified Internal Rate of Return). The second group includes criteria: PP (Payback Period) and ARR (Accounting Rate of Return). From a position of the theory, the criteria constructed in view of the factor of time, better founded, it gives a priority at a substantiation of investment character decisions.

According to Arnold (2005), there are two approaches to evaluating investments within the company. Net Present Value and Internal Rate of Return are in common usage in most large organizations, but they are regarded not complete without techniques of Payback Period and Return on Investment.

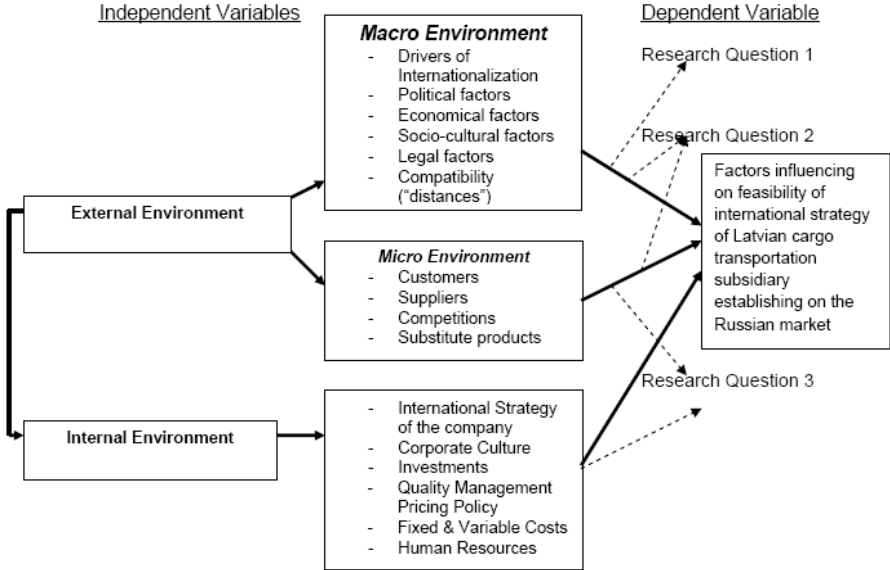
Literature review has revealed the overall positive economic situation on the Russian cargo transportation market, which should be investigated more thoroughly in next dissertation chapters. It has identified and explained the meaning of three main factors that influence on feasibility of establishing subsidiary company in Russian cargo transportation market. These are external environment factors, internal environment factors and company establishment financial feasibility constraints.

**Theoretical Framework**

The purpose of this chapter is to determine and investigate independent, dependent variables, to show the relationships between them with a necessity of deeper problem understanding. Theoretical framework is developed on the basis of information about the current situation on Russian cargo transportation market, as well as on the basis of theory, opinions and literature materials.

According to Sekaran (2003), a theoretical framework is a conceptual model of how one theorizes or makes logical sense of the relationships among several factors that have been identified as important to the problem.

The dependent variable in this research is formulated as following: *Factors influencing on feasibility of establishing Latvian cargo transportation subsidiary in Russian market.* All the independent variables could be structured into two big groups: internal environment factors and external environment factors.



**Fig. 2:** Relationships and associations between variables

Any organization functions within the limits of external and internal environments. They predetermine feasibility of project and functioning success of the company; impose the certain restrictions on operational actions. Every action of the company is possible only if the environment allows its realisation. External and Internal environments are independent variables of this research and are interconnected. Moreover, all the components of external (macro and micro) environment as well as internal environment have direct or indirect influence one on another.

For example stable economic situation redounds to the growth of GDP level, and there appears a new opportunity for the company to invest in new capacities, product developments, to create new workplaces. Changes in political situation or the legislation can be the

significant factor influencing on how the company will perform further, whether it will be still profitable to work in this niche or it is time to look for a new possibilities.

Investigating external (macro, micro) and internal environment are the crucial first steps related to developing of new business ideas, assessing feasibility, implementing innovations and launching new ventures. It will develop business-planning capabilities, skills and understanding, including market and competitor research and the use of important financial concepts such as cash flow and investment attractiveness analyses. Without scanning internal and external business environment, there is no opportunity to explore whether the project will be feasible or not.

### **Research Question 1**

*What key drivers for change of macro environment are likely to have a high impact on the success of failure of Latvian subsidiary company Transportation Company establishing in Russia?*

### **International Drivers**

Location of activity is a crucial source of potential advantage and one of the distinguishing features of international strategy relative to other diversification strategies. Moreover, the success of new economic powerhouses such as the so-called BRICs –Brazil, Russia, India and China (Friedman, 2006) is generating new opportunities and challenges for business internationally. Given internationalization's complexity, international strategy should be underpinned by a careful diagnosis of the strengths and direction of trend in particular markets. George Yip's (2003) drivers of globalization' framework provides a basis for such diagnosis. The key insight from Yip's drivers' framework is that the internationalization potential of industry is variable. There are many different factors that can support or inhibit it, and next an important step in determine an internationalization strategy is a realistic assessment of the true scope for internalization in the particular industry, in our case - Russian transportation market.

### **PESTEL Analysis**

- Taxation

Russian taxes are listed and regulated by the Russian Tax Code. The profits tax is levied on an enterprise's gross profits. Effective January 2002, the profit tax rate was reduced from 35% to 24%, a list of deductible expenses was drawn up, and the provisions on depreciation were changed. VAT is designed as a tax to be borne ultimately by consumers, but is collected on a basis similar to the EU model. VAT is calculated on the sales value and is applied at a general uniform rate of 18%. Imports are also subject to VAT and are calculated based on the customs value of the item plus customs duties and customs fees. Import duties are assessed at specified rates, ranging from 5 to 30%. They are also assessed according to classification and are applied to the customs value of the imported goods (including shipping charges and insurance). (Kommersant Magazine, 2003).

- Market Access

Most of the goods can be freely imported into Russia. The importers have to fill in a "customs freight declaration statement" of which 54 paragraphs are written in Russian. Certificates of origin and conformity certificates have to be presented to the customs. Russia applies the Harmonised Customs System. The customs duty is calculated Ad valorem on the CIF value of the goods. The duties and taxes are imposed by the State Customs Committee. There is one single external tariff called "general tariff", from 5% to 30% with a current 14% average. Customs duties are an essential element of the Russian commercial policy, that's

which the rates often change. Furthermore, Russia is not yet a member of the WTO (negotiation in process) and that explains these frequent variations (<http://www.vch.ru>).

- Corruption

Corruption remains a serious problem in Russia, with the country ranking 126th on Transparency International's (TI's) 2005 Index (with a score of 2.4). TI's report noted that Russia's drop from 2004 (from 90th place and a score of 2.8) was so severe that it likely reflects a statistically significant drop in the perceptions of corruption here (<http://www.transparency.org>). Corruption in commercial and bureaucratic transactions and problems with the implementation of customs regulations also inhibit investment. Customs officials are extremely inconsistent in how they apply the law.

- External Threat

No conventional external threat exists. However, the stepwise expansion of NATO into Eastern Europe and the three Baltic states of the former Soviet Union has caused irritation in Russia, some of which has been alleviated by participation in the NATO–Russia Council and by a NATO promise not to deploy nuclear weapons in the new member countries.

- Transportation Policy

The Government takes necessary measures for providing state support and policy regarding assistance to business in a question of logistics sphere development. “Complex development of large transport corridors is carried out according to the key directions emphasized by the President of Russia, and the aims put by the Government of Russia with a purpose of competitiveness increase and realization of transit potential of the country, increase of complex safety of transport system and improvement of an investment climate of transport sphere”, pointed out the Minister of Transport (Burilin, 2007). Within the framework of the Federal Related Program “Modernization of Transportation System in Russia 2002-2010” it was spent 160 billion Euros by the federal budget to improve the situation on the transportation market since the year 2002. The logical continuation of this program will be the Federal Related Program “Modernization of Transportation System in Russia 2010-2015”, announces The Ministry of Transport.

The Government puts different economic barriers (such as limitation of permissions) to European transportation companies with a purpose to increase an economic appeal of the transportation sector for investors and thus to increase economy of the country. Nevertheless, significant achievements were reached in mutual relations between Russia and the European Union in the coordinated development of an infrastructure and logistics within the limits of Transport dialogue which became the main step of realization of project “Transport of a motoring map on the general economic space of Russia – EU”.

- General Economic Trends

Russia's economic reforms have made considerable progress since Mr. Putin became a President in year 2000; although large and corrupt bureaucracy still remains an obstacle to the reform implementation. Russian GDP growth and the surplus/deficit in the state budget are closely linked to world oil prices. The GDP growth rate was 7.2% in 2004, slackened to 6.4% in 2005, and reached 6.5% in 2006. IMF forecasts GDP growth to remain stagnant at 6.5% in year 2007. The current-account surplus will narrow gradually, but is still projected reach nearly US\$ 75bn (5.7% of GDP) in year 2008. Global prices continue to have a major effect on export performance of Russia because commodities (particularly oil, natural gas, metals, and timber) comprise 80% of Russian exports (Ernst & Young, 2007).

- External Debt

At the end of year 2004, the external debt totaled US\$197.4 billion, but in 2005 and 2006 Russia used its oil-fed Stabilization Fund to repay substantial amounts to the International Monetary Fund and the Paris Club of international lenders (FINAM, 2007).

- Country Risks

This information (www.ondd.be) is based upon a systematic analysis of the political and financial situation of the country, and is collected from the most reliable information sources: the International Monetary Funds, the World Bank, the Institute of International Finance, the Economist Intelligence Unit, the Wiener Institut für Internationale Wirtschaftsvergleiche etc. These analyses reflect macro analysis from a credit insurer's point of view:

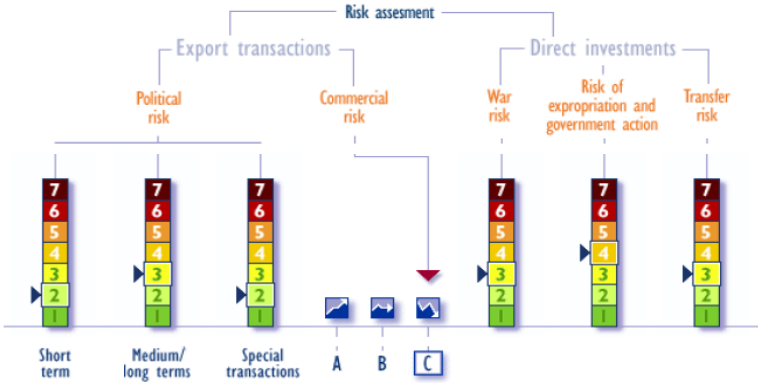


Fig. 3: Risk assessment

ONDD insures investments in Russia against 1) war risk, 2) the risk of expropriation and government action and 3) the transfer risk regarding payment of dividends or repatriation of capital. The maximum reimbursement period for medium- and long-term transactions with Russia has been set at 10 years. Concessional financing is excluded.

Transportation Trends

“Russia is measured to increase investments into development of a transport infrastructure”, informed the deputy minister of economic development and trade of the Russian Federation Cyril Androsov during the conference " Investment prospects of the Russian economy: development of a transport infrastructure ". By estimation of officials, the need for investments into a transport infrastructure of the country up to the end of 2020 makes 1 trillion Euros, but to allocate such means from the state budget is impossible. The problem solution is the help of private investors which, however, is obvious in deficiency. The volume of investments into an infrastructure of transport hardly holds out up to 2 % of gross national product while in the majority of other countries of the world this parameter makes minimum 4 %. Transfer of the Russian transport infrastructure system into a new qualitative level will demand significant investments of the federal budget – 4.8 % of Gross National Product. (www.finam.ru; 26.11.07)

- Well trained workforce

Russia’s labor force generally is considered well-educated and skilled, although its strengths increasingly are mismatched to the needs of the national economy. In year 2005 Russia’s active labor force was estimated at 74.2 million individuals.

- Level of education

Russia traditionally has had a highly educated population. According to the 2002 census, 99.5 percent of the population above age 10 was literate.

- Trade regulations and standards

Russia’s standards regime remains extremely complex due to its lack of clarity and overall redundancy. There is a selection of tariffs for every good entering Russia. Importers are required to complete a Russian customs freight declaration for every item imported. A declaration must be supported by the following documents: contracts, commercial documents such as commercial invoices and packing lists, transport documents, import licenses if applicable, certificates of conformity and/or safety, certificates of origin if applicable, and

documents confirming legitimacy of importers. In addition, currency control regulations require issuance of a "passport" for both exports and imports to ensure that hard currency earnings are repatriated to Russia. The regulations also ensure that transfers of hard currency payments for imports are for goods actually received and properly valued.

**Answer to Research Question 1**

The following key drivers for change of macro and micro environment have been identified which are likely to have a high impact on the success or failure of Latvian transportation subsidiary company establishing in Russia:

- Drivers for internationalization of Russian markets (similar customer needs and tastes; scale economies, WTO continues to push for greater openness, interdependence)
- Recovery of Russian economy
- Strategically important decision to enter WTO
- Support and protection of Russian carriers by government
- Development and implementation of “Russian Transport Policy” program

All these facts bring along the growth and prosperity of the branch.

**Research Question 2**

How competitive forces of transportation industry influence on feasibility of Latvian subsidiary company subsidiary establishing in Russia and what influence can be exerted?

The most appropriate economic model to analyze the competitive structure of cargo transportation market in Russia is Porter's Five Forces analysis. This model will help to analyze the attractiveness of the cargo transportation industry by considering five different forces within a market: the likelihood of new entry, the power of buyers, the power of suppliers, the degree of rivalry, and the substitute threat.

**Table 1:** Level of threat in Porter’s 5 forces analysis

<b>Factors</b>	<b>Level of threat</b>
<i>The likelihood of new entry</i>	Middle
<i>The power of buyers</i>	High
<i>The power of suppliers</i>	Middle
<i>The degree of rivalry</i>	High
<i>The substitute threat</i>	Low

**Answer to Research Question 2**

Analysis of the microenvironment led to the conclusion that the main drivers of competition are cost, quality, technologies and employees. The low costs strategy is not a competitive advantage. At present, Russian cargo transportation companies compete on differentiation: they are able to provide the full range of logistics services, including transportation itself, warehouse logistics, and management of client’s stocks, intermediation in customs, consultations, etc. The average level of threats according to analyzed factors using Porter’s model is middle. Thus, microenvironment has negative as well as positive effects on the transportation company establishing in Russia. Nevertheless, it is obvious that establishing company is likely to generate returns in the foreseeable perspective. However, the five forces

can change over time as market conditions alter, that is why the transportation market should be constantly analyzed.

### **Research Question 3**

*Whether and to what extent it is feasible to establish Latvian subsidiary company on Russian cargo transportation market?*

The main aim is to measure profitability using different economic methods described in the literature review chapter: Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period (PP), Return on investments (ROI) and Profitability Index (PI). On the basis of these results the final decision (whether to establish the company or not) could be made.

### **Answer to Research Question 3**

- ROI (or ROCE) 88, 7% for 5 years
- The payback period is 3,2 years
- NPV of the project equals 247052 Euro
- Profitability Index is 1,31
- IRR is 20,0%
- MIRR is 17,0%
- Required rate of return (WACC) is 10,5%

All ratios show that the strategic project should be accepted and the main conclusion is that the project is profitable.

### **Conclusions**

Under scenarios of possible economic slowdown new way of sustainable business development should be identified. Due to difficult situation on the Latvian cargo transportation market, many companies are forced to search for a new ways of survival and new ways for making profit. And one of the opportunities is to open cargo Transportation Companies in Russia.

The research has identified the feasibility of Latvian cargo transportation subsidiary establishing on the Russian market.

### **Future Work**

The analyses of this dissertation show that there are opportunities and growth possibilities for establishing cargo Transportation Company on the Russian market.

However, establishing a new company on the foreign market is very difficult, risky and critical process, which presupposes thoroughgoing research and investigation. Thus, it is not enough just to analyze market and several variables from internal and external environment, what is done in this research project.

Future work could be started with completion of mentioned above analyses: profitability analysis from customer's point of view, Johnson and Scholes strategy evaluation method, blue ocean strategy analysis.

A future research could be amended by transportation industry consolidation curve analysis, Competitive Profile Matrix analyses and Strategic Map analysis. One of the future research questions could be built on the findings of this research, for example creation of TOWS matrix strategic choice.

Finally, as this project is directed for 5 years, in future it would be valuable to test the proposed profitability evaluation methods developed in this research on real figures of the company, comparing financial results. It would provide company with an opportunity to evaluate themselves, asses the strategy chosen.

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