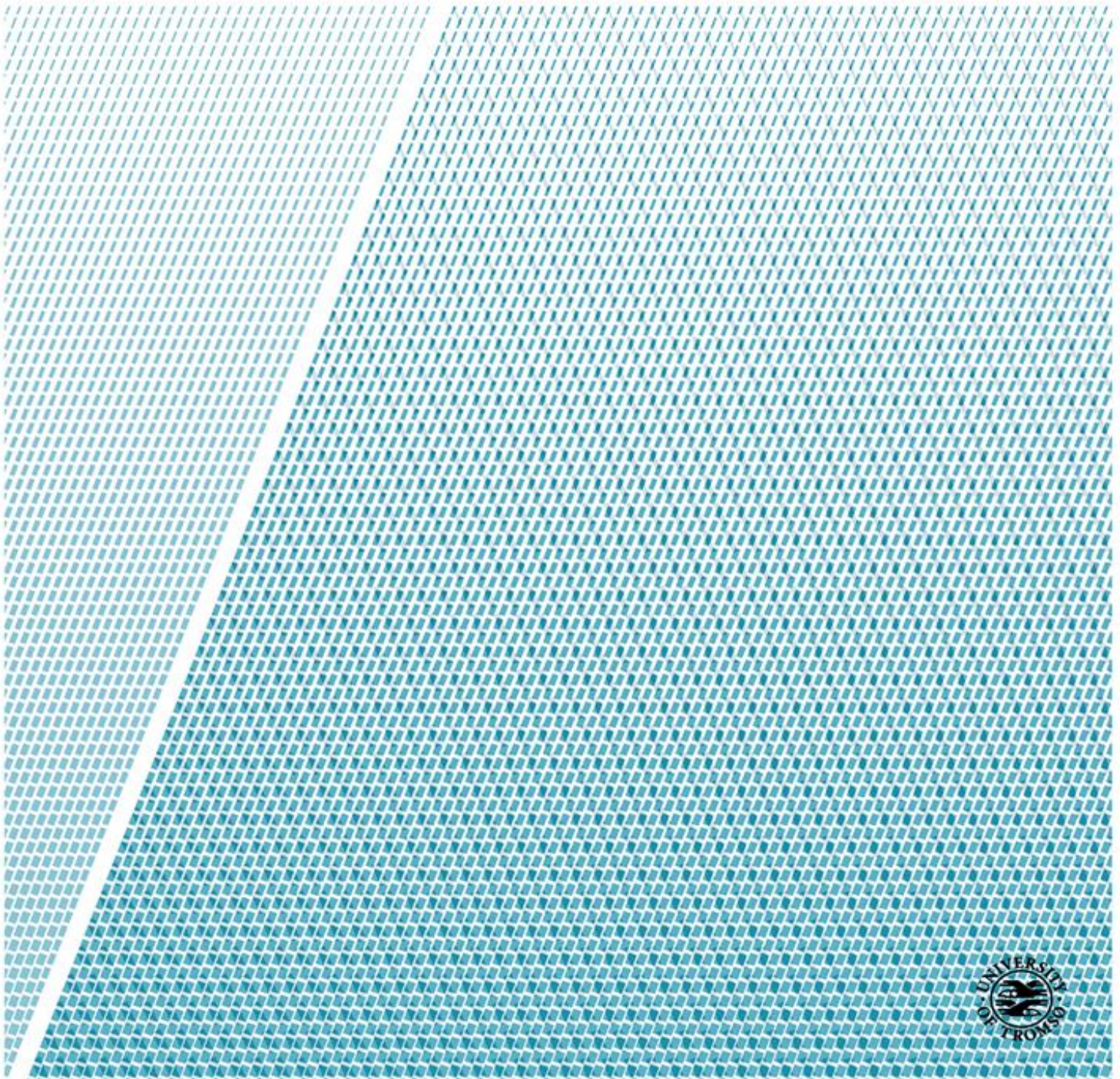


Export performance of fishing companies in Northwest Russia

Factors, Tendencies and Implications

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Abstract

This study examines the influence of market orientation, strategic orientation and external working conditions on export performance of fishing companies in Northwest Russia, specifically in the Murmansk region. Personal interviews conducted with managers of five fishing companies provided data for analyses. The results of the study suggest that the conservative fishing companies in the Murmansk region changed their strategies from plan adherence to rational economic behavior. They base their decisions on what kind of products and where to sell on their knowledge about customers and competitors, taking into account changing working conditions on the domestic and international markets.

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1. Introduction

1.1 Background

Companies from developed and developing countries are imposed to look for outward opportunities for business in the age of economic globalization (Yeoh & Jeong 1995; Mulekom et al. 2006). Export performance is one of a company's profiles, which focus on selling products and services abroad, and can be defined as a strategic response of the company to the interrelation of internal and external factors (Yeoh & Jeong 1995).

Morris *et al.* (1988) underline that it is important for exporting companies to take into consideration internal and external factors in the decision-making process. Under internal factors authors consider management, strategic orientation, planning abilities, technological capacity, size of company (Yeoh & Jeong 1995) and, characteristics of products (Morris et al. 1988, Calantone et al. 2006). External factors are determined as a complex of environmental factors referred to working conditions of the company on the domestic and international markets (Yeoh & Jeong 1995). These are competitive intensity and specific characteristics of industry within which company operates (Calantone et al. 2006), legislation, bureaucratic barriers, consumer preferences, demand, export channel structure (Yeoh & Jeong 1995).

There are different research performed in the field of export performance. These focus on degree of impact of different internal and external factors on successful export performance and strategic choice of company whether to export or not. Due to wide variety of factors which have direct and indirect impact on export, there are different approaches to the conceptualization of export performance which are proposed in literature: Contingency-based approach (Yeoh & Jeong 1995), resource-based view (Calantone et al. 2006, He et al. 2012), resource dependency (Hessels & Terjesen 2008), market orientation (Narver & Slater 1990, Jaworski & Kohli 1993, Subramanian & Gopalakrishna 2001, Rose & Shoham 2002, and He et al. 2012), and finally institution-based view (Peng et al. 2008, Hessels & Terjesen 2008, and Li & Ding 2013).

I took into consideration two approaches: contingency-based approach which includes three elements: strategic orientation, export channel structure, external environment; and market orientation, because they could provide useful knowledge to understand and explain export performance of fishing companies in Northwest Russia.

1.2 Research setting

The research in the thesis is based on export performance of fishing companies in Northwest Russia, specifically in the Murmansk region. This setting was chosen, because fishing industry of the Murmansk region, like some other industries, defines specificity of the region, provides about 1/5 of harvested marine biological resources of the Russian Federation, about 60 % - in the North-West Federal District of the Russian Federation, and fishing companies perform export of fish and fish products (Vasilyev 2013b).

Fishing industry is a complex and specific sector of coastal regional economies. First, fishing activities depend on dynamic of natural marine biological resources. Second, fishing industry provides employment. Third, fishing companies pay taxes in local and regional budgets (Vasilyev 2013b). These characteristics should be taken into consideration when decisions are taken to achieve successful and effective development of fishing industry (Kuranov 2012a).

The Russian Government as an owner of marine biological resources can solve different problems by utilising these resources. These depend on priorities, geopolitical, food security, employment, fill rate of budget, settlement of coastline. Solving different tasks government interact with business that perform their activities within fishing sector. Harmonization of economic interests in exploitation of marine biological resources is very important to achieve sustainable economic development of industry. Priorities of all stakeholders should be clearly defined and balanced (Vasilyev 2013b).

In the beginning of 1990s started the transition processes from plan fulfilment to profit as a key measure of success in the economy of the Russian Federation. As a result of this changes fishing companies became export-oriented to be economic efficient instead of producing and delivering fish products to the domestic market (Nilssen & Hønneland 2001).

Export is economic activity which overall provide benefits for any country, giving possibility to achieve positive balance of external trade and sustainability of economy. In 2001 Vasilyev & Kuranov underlined, that increased export of fish products with low degree of processing from Russia had negative impact on development of processing industry in coastal regions, and on possibility to increase the consumption of fish products by population of Russia (Vasilyev & Kuranov 2001).

In spite of the fact that the transition to market economy was more than 20 years ago, there are still the major part of exported fish products with low degree of processing, decreasing by this sales efficiency.

For that reason, export performance of fishing companies is one of urgent issues for the Russian Government today. Evidence of this is the State Program of the Russian Federation “Fisheries Complex Development” approved by the Decree of the Russian Federation of 07.03.2013 № 315-P (Flake 2013).

The main target of the program is to create conditions for increasing extraction efficiency of aquatic biological resources, which could be achieved by changing fishery complex from export of raw materials to the innovative type of development on the basis of preservation, reproduction and rational use of living aquatic resources providing international competitiveness of domestic products produced by fishing sector (“The Fisheries Complex Development Strategy of the Russian Federation for the period up to 2020” approved by the Order of Rosrybolovstva of 30.03.2009 №246).

1.3 Research question

Export performance is represented in an extensive body of literature. In this thesis, discussion is related to influence of internal and external factors on decision-making process of fishing companies from Northwest Russia, toward exporting of fish and fish products abroad.

The target of this research is to show that export performance of fishing companies is an economic activity influenced by conditions of market economy and decision, where to sell and which products to produce, depends on rational economic behaviour of fishing companies. And, government should take this into consideration when new regulations of fisheries are developed and implemented.

Based on literature review about export performance the theoretical framework was made with focus on the export performance decision process and factors influencing on that. This study investigates the influence of market orientation on the export performance of fishing companies in Northwest Russia and how internal and external factors of company impact on that. The focus of this research is on the converging point between:

1. Market orientation and export performance.
2. Strategic orientation and export performance.
3. External working conditions of company and export performance.

Based on that, the research question that this study addresses is the following:

Does market orientation influence the export performance of fishing companies in Northwest Russia, taking into account the varying conditions of the different companies?

1.4 Structure of the thesis

The rest of this thesis has the following structure.

Section 2 presents literature review to explore different dimensions of export performance presented in the literature and to investigate to what extent the export performance literature have discussed the impact of market orientation, strategic orientation and external working conditions of the company on decision making process to export or not.

Section 3 presents the description of the current situation in the fishing industry in the Murmansk region. Statistical data of export, number of companies, catches and information about fishing fleet is provided to identify main tendencies in the development of the industry.

Section 4 provides theoretical framework of the thesis and stated hypothesis, the research design chosen to deal with the problem. This section also presents sample description, data collection and measurements used in the research.

Section 5 gives an overview of obtained results. *Section 6* presents discussion of results, limitations of current research and ideas for potential future research.

2. Conceptualization of export performance: A literature review

The purpose of this chapter is to explore different dimensions of export performance presented in the literature and to investigate to what extent the export performance literature have discussed the impact of market orientation, strategic orientation and external working conditions of the company on decision making process to export or not.

A review of the literature shows that importance of external working conditions was underlined in different researches focused on emerging economies. This can be explained by the fact that the major part of studies in marketing and management were performed based on data collected from western developed economies and USA where external working conditions do not differ a lot and thus there is no focus on it in analysis. Similar observation was performed by Leonidou *et al.* (2002), by that time he found that 31 of 38 studies were conducted in North America and Europe.

Based on that, the second target of literature review is to show the subjects and the settings presented in the literature on export performance of companies.

2.1 Export performance

Export performance is a responsiveness of the company in a strategic perspective to the influence of internal and external factors (Yeoh & Jeong 1995).

Export performance, as well as other business profiles, should be evaluated in order to understand the effectiveness, success and viability of this behavior for the company. However, there is no agreement of opinion about omnitude of different variables which suggested as determinants of export success (Robertson & Chetty 2000). This is because results of export performance and export success are not objective terms. Explanation of these results is possible only if to compare it with historical data to see the tendency, expectations of managers/business owners and targets which were stated by them (Louter et al. 1991).

There are several examples of indicators of export performance which are presented in literature such as export intensity, export growth, export profitability, market diversification, perception of export performance five years ago, perception of current export performance and perception of export performance in several years (Robertson & Chetty 2000); return on capital, new product success and sales growth, ability to retain customers, success in controlling expenses used by Subramanian &

Gopalakrishna (2001); export sales and change in it, export profits and change in it evaluated by Rose & Shoham (2002). Let us consider for details these examples.

Robertson & Chetty (2000) analyzed export performance of companies working within apparel industry in New Zealand. Robertson & Chetty (2000) gave three reasons for choosing subjective information over objective data to evaluate export performance. First, is that small and medium-sized companies are unable and unwilling to reveal and share financial data. The second, it is difficult to check precision of presented financial results as there is no publicly available objective financial data. The third, even if financial data is available it needs interpretation of companies, this makes analyses more complicated (Covin 1991).

Robertson & Chetty (2000, p.221) highlighted the importance of self-evaluation from the respondent regarding overall export performance over a period of time, and cited Fenwick and Amine (1979, p.748):

“...it can be argued that the only measurable measure of the success of a company’s policy is its ability to meet the particular goals set for it. Thus any measure of export performance should include some assessment of the company’s success on its own terms, albeit measured subjectively”.

Subramanian & Gopalakrishna (2001) performed market orientation-performance study in case of emerging economy of India. As it was mentioned above, they used five dimensions to analyse business performance in research. Three variables: growth in sales, return on capital, success of new products and services were chosen based on earlier studies. Two other variables: ability to retain customers and success in controlling expenses, measure of efficiency, were chosen as it applied to specific Indian context and market orientation. India is emerging economy thus in new competitive environment it is important to keep the customer and control costs to create additional value for buyers (Subramanian & Gopalakrishna 2001).

Due to the fact that Subramanian & Gopalakrishna (2001) used mixture of manufacturing companies, service firms, publicly owned and privately owned as the sample, the subjective approach was chosen to measure performance. This decision was based on previous studies which made a conclusion that it is possible to use subjective measures instead of objective measures when the latter were not appropriate or available (Subramanian & Gopalakrishna 2001).

Rose & Shoham (2002) examined the relation between market orientation and export performance. They evaluated four dimensions of export performance: sales, changes in sales, profits, and changes in profits. The researchers' choice of dimensions of export performance was based on previous study performed by Madsen (1987) and Shoham (1998). Rose & Shoham (2002) found these four dimensions presented above appropriate for analyses of export performance because market-oriented companies are supposed to react on market opportunities and as a result show higher sales over time and positive changes in export profitability. Change in export sales and change in export profits were chosen because companies often compare and contrast these dimensions and select strategically increase in sales and market share in the short-term perspective versus increase in profits in the short-term perspective (Shoham 1998).

These four dimensions of export performance were assessed using a range of specific items. Objective items were used to evaluate performance of the company (last year's export sales in dollars, export sales as a percentage of total sales, market share for the most important export market-product combination, percent net profits of export sales). Subjective items were used to assess how managers are satisfied by performance of their companies (the level of managers' satisfaction with objective items) (Rose & Shoham 2002).

Regarding to satisfaction-based measures Shoham (1998, p. 62) cited Bonoma&Clark (1988, p.64):

“It is not useful to evaluate marketing effectiveness and, hence, marketing performance apart from management's satisfaction with the results of marketing activities.”

Comparing how the three studies evaluate export performance displays some similarities. First, change in sales and profitability is chosen as dimensions of export performance. Second, the importance of satisfaction-based measurement of export-performance is underlined.

In case of my research, two dimensions of export performance is applied to evaluate export performance of fishing companies: sales and profits (Rose & Shoham 2002). These dimensions of export performance will be more important than others because based on them we can make conclusions not only about success of export performance but also about strategic orientation of companies.

In this study I have considered several examples on how export performance can be evaluated. The key issue has been to identify the driving forces which stimulate companies to export their products and services abroad.

There are different scientific approaches in the field of export performance examining the impact of various factors on successful exporting. These are: contingency-based approach (Yeoh & Jeong 1995); resource dependency (Hessels & Terjesen 2008), market orientation (Narver and Slater 1990, Jaworski & Kohli 1993, Subramanian & Gopalakrishna 2001, Rose & Shoham 2002, and He et al. 2012), institution-based view (Peng et al. 2008, Hessels & Terjesen 2008, and Li & Ding 2013). Below follows a more detailed description of some of these approaches.

2.2 Contingency-based approach

Contingency-based approach emphasizes the effect of specific working conditions within which a company operates on decisions taken in this company (Zeithaml et al. 1988). This approach was applied by Robertson & Chetty (2000) to find out is there relationship between export performance of companies in the apparel industry in New Zealand and the strategic orientation of the companies, taking into account export channel structure and external environment of the companies.

According to Yeoh & Jeong (1995) contingency framework includes three elements: strategic orientation, export channel structure and external environment. They argue that these three elements mentioned above should be analyzed as a system influence on export performance of the companies.

The strategic orientation is the most important factor which have impact on performance of a company regarding to Yeoh & Jeong (1995). Three dimensions define, according to Yeoh & Jeong (1995), the strategic orientation: innovativeness, risk-taking and pro-activeness.

Innovativeness of company is characterized by ability and willingness to introduce and offer new lines of products, development of new markets, usage of new processes and technologies (Yeoh & Jeong 1995).

Risk-taking is a promptitude of the company to invest resources in projects within uncertain environment (Yeoh & Jeong 1995).

Pro-activeness is a willingness and possibility of the company to be active and aggressive in a competitive environment by implementing export research, export planning activities, active search for new opportunities in additional markets (Yeoh & Jeong 1995).

Based on these three factors the company's strategic line can be defined as conservative or entrepreneurial (Yeoh & Jeong 1995). Conservative companies characterized as non-risk-taking, non-innovative and reactive. By comparison, entrepreneurial companies are risk-takers, innovative and proactive (Yeoh & Jeong 1995). These characteristics of the company helps to explain export performance regarding to interrelation between strategic, organizational and environmental factors (Yeoh & Jeong 1995).

Positive relations between technological innovativeness and export performance was found by Beamish *et al.* (1993), while Cavusgil & Nevin (1981) found positive relationship between risk-taking strategy of managers and export performance. Denis & Depelteau (1985) underlined that export success is influenced by proactive performance.

Calantone *et al.* (2006) performed a study regarding the effect of internal and external companies' factors on export performance and international product adaptation strategy. They concluded that there was positive relation between export performance and product adaptation strategy and openness to innovation.

Export performance in case of specific strategic orientation hinge on some other aspects such as the external environment and the export channel structure of the company (Yeoh & Jeong 1995), which will be discussed later on in this chapter.

In particular in the case of fishing industry in Russia, the strategic orientation will be a significant factor which may have a strong impact on export performance.

2.3 Market orientation

2.3.1 Market orientation and export performance

The literature shows that market orientation is another factor that has a significant impact on export performance.

Market orientation is a theory of company performance. This theory was presented in different marketing management research such as Narver & Slater (1990), Kohli & Jaworski (1990), Deshpande & Farley (1998) and Rose & Shoham (2002).

Kohli & Jaworski (1990, p.6) defined market orientation as:

“...the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it”.

As can be seen from the above, Kohli & Jaworski (1990) pointed out three dimensions of market orientation: intelligence generation, intelligence dissemination and responsiveness.

On the same time, Narver & Slater (1990) specified that market orientation is a system following elements: consumer orientation, competitor orientation and inter-functional co-ordination, long-term focus and survival and growth/profit emphasis.

These two approaches are very similar. They are based on the same principle that market orientation of company is defined by knowledge about the market (customers, competitors, external environment) (He et al. 2012).

Hessels & Terjesen (2008) state that market orientation is a specific resource of companies, which first includes knowledge about market environments, domestic and export markets. He *et al.* (2012) support this point of view and state that traditional transaction cost models of export channel cost, which is focusing cost minimisation, is not enough to gain success in export performance, there should be taken into consideration such factor as value creation in export markets which is provided by resource-based perspective. This value creation can be driven by market orientation capabilities or learning capabilities of the company, to learn and utilise this knowledge about the market.

He *et al.* (2012) highlight that, in case of the resource-based view, such capabilities as market orientation, should be under the control of companies who has these capabilities, because this knowledge has a strategic value in obtaining successful exporting. There are situations when companies share this knowledge with intermediaries in export channel, for example, and these intermediaries operate more with this knowledge than companies do.

The resource-based view was put forward by Barney (1991) to understand what drives companies strategy in international business, as mentioned by Peng *et al.* (2008). Resource-based approach implicates that firm specific characteristics which make it different from others is a factor determining company's strategy and performance (Peng et al. 2008).

The development of market orientation start over when managers fall into analyses of market values, focus on production goals and more external orientation on getting results in sales Akimova (2000). Thus, the main force of company's success on the market and competitive advantage is admitting of consumer preferences and satisfaction.

He *et al.* (2012) highlight that market orientation can be the instrument which helps to resolve internal and external pressures; learning the external instutional environment on the target market can decrease external pressure and preserv stability within company by operating with additional sencitive and valuable knowledge.

The importance to study the effect of maket orientation on performance of companies was underlined by different researchers (Leonidou et al. 2002). One of the examples is study performed by Subramanian & Gopalakrishna (2001) based on manufacturing and service companies in emerging economy of India.

2.3.1.1 Concept of market orientation in emerging economy of India

Subramanian & Gopalakrishna (2001) chose five elements to measure market orientation proposed by Narver & Slater (1990): consumer orientation, competitor orientation, inter-functional co-ordination, long-term focus and survival and growth/profit emphasis.

Customer orientation means showing commitment to customers, creating services that offer value to customers, understanding customer needs, having customer satisfaction a major objective (Subramanian & Gopalakrishna 2001).

Competitor orientation implicates that people responsible for different services discuss competitor information and respond quickly to competitors' actions. Top-managers discuss possible strategies of competitors and define opportunities for competitive advantages (Subramanian & Gopalakrishna 2001).

Inter-functional coordination is that different service units work together to meet customers' needs, share information and resources to offer value to the customer and follow business strategies (Subramanian & Gopalakrishna 2001).

Long-term focus means that company adapt long-term focusing profit, positive profit-margin, development and implementation of new values for customers (Subramanian & Gopalakrishna 2001).

Survival and growth /profit emphasis implies that payback of new services and products are required to be rapid, all services are supposed to be profitable, revenues should be adequate to cover the costs (Subramanian & Gopalakrishna 2001).

Subramanian & Gopalakrishna (2001) highlighted that specific conditions of emerging economy can have significant impact on market orientation and performance relation. Thus, based on previous studies they identified three moderators of these relations: the competitive hostility, the market turbulence and supplier power.

The competitive hostility or competitive intensity (Jaworski & Kohli 1993; Rose & Shoham 2002) is a characteristic of company's environment which show the level of competition within specific segments of the market, how active competitors are, possible pressures from any of them. Subramanian & Gopalakrishna (2001) state that market-oriented companies have an ability to make research regarding competitors, and act in response to any changes in competitive environment.

Orientation on competition defines a selection of targets. Akimova (2000) states that companies with higher level of development of market orientation have higher level of competitiveness, in comparing with companies that have lower levels of market orientation. Akimova (2000, p. 1130) cited definition of competitiveness given by Pace & Stephan (1996):

"...the ability of the organization to stay in business and to protect the organization's investments, to earn a return on those investments, and to ensure jobs for the future"

Market turbulence is one of the elements of external environment of the company and can be defined as changes in preferences and numbers of consumers in a specific segment of market (Jaworski & Kohli 1993).

The supplier power relates to possible impact of suppliers on performance of company in case of prices, quality and delivery terms (Subramanian & Gopalakrishna 2001).

Results of analyses performed by Subramanian & Gopalakrishna (2001) show that market orientation is a significant predictor of business performance of companies. They have highlighted that, in case of specific conditions of emerging economy in India, if company is market-oriented, competitive hostility, market turbulence and suppliers power do not have any significant impact on relations between market orientation and performance (Subramanian & Gopalakrishna 2001).

The fact that the competitive environment did not have any significant impact can be explained by conditions in developing economy. Subramanian & Gopalakrishna (2001) argue that in mature economy the competitive environment could have rather more significant influence on market orientation – export performance relations.

In addition to example of Subramanian & Gopalakrishna (2001) we can consider another research performed in Israel.

2.3.1.2 Concept of market orientation in developed economy of Israel

In a study of Rose & Shoham (2002) on market orientation, the aim was to evaluate the impact of market orientation on export performance and the influence of the competitive, technological, and market environment on it. Exporting companies within nine industries: "do it yourself", camping, food, wood and furniture, electro-medical, educational games, agriculture machinery and supplies, safety, dental products from Israel were chosen as a setting.

Rose & Shoham (2002) adopted the conceptual market orientation approach of Kohli & Jaworski (1990), Jaworski & Kohli (1993): intelligence generation related to identifying opportunities and monitoring the environment; intelligence dissemination which refer to companies' ability to distribute and plan for; and responsiveness is an ability to react on changes in environment and capitalize on market information. The framework of Kohli & Jaworski (1990), Jaworski & Kohli (1993) was chosen due to wide use of it in previous research (Rose & Shoham 2002).

Rose & Shoham (2002) highlighted that due to complexity of the international environment within which exporting companies operate, it is important to evaluate moderating effect of environmental factors on relations between export performance and market orientation.

The following environmental factors were taken into consideration: market turbulence, competitive intensity, technological turbulence. Market turbulence means changes in preferences and price-sensitivity of consumers regarding specific range of products on a market. Competitive intensity characterizes the level of competition within industry (Jaworski & Kohli 1993). Technological turbulence can be characterized by the level of intensity with which technology in industry is changing and how it influence on possibilities of companies to introduce new products and services (Jaworski & Kohli 1993).

Rose & Shoham (2002) hypothesized that these factors have significant effect on market orientation – export performance relations. However, it was found that competitive intensity and market turbulence do not have strong impact on analyzed relations. On the same time, it was examined that companies in highly turbulent technological environment can benefit from market orientation more than those operating in less turbulent technological environment.

Based on these two studies in India and Israel we can find that there are similarities and differences in these researches. First, it was found in both studies that there is a relation between export performance and market orientation. Second, researchers examined influence of external environment on market orientation - export performance relations and have found that neither market turbulence no competitive intensity has no significant impact on that. The main difference was the concept that researchers used to analyze market orientation, but both methods are widely used in previous studies.

In case of fishing industry in Russia, to analyze market orientation I will use concept proposed by Narver & Slater (1990) and performed by Subramanian & Gopalakrishna (2001). Due to the fact that previous studies examined that there is no significant impact of market turbulence and competitive intensity on market orientation-export performance relationship, I will not include these moderator variables in my research. Nevertheless, technological turbulence will be taken into consideration, as it can have strong impact in relationship mentioned above. Moreover, it can have impact on ability of company to be innovative as an element of strategic orientation.

The review of the literature about market orientation shows us that there are several approaches how to evaluate market orientation. However, we should remember that market orientation is a theoretical management concept and there should be the overlap between theory, manager's understanding and implementation of theory in practice. Moreover, specific conditions of industry and economy within which company operates have significant impact on market orientation – export performance relation.

One of the research, regarding to this question, was performed by Ottesen & Grønhaug (2002). It was found that managers from fishing industry participated in this research defined market orientation as one of the factors, which influence on profitability. However, market orientation in managers understanding deviated from theory explained in academic literature as they specify the supply situation as one of the important dimensions of market orientation. To the contrary, market orientation concept does not focus on that (Ottesen & Grønhaug 2002). Subramanian & Gopalakrishna (2001) in their research assessed supply power just as possible moderator factor, which can have negative impact on market orientation – performance relations.

One of the possible reasons of this difference – is that managers created their own interpretation of market orientation adopted it in their practice to improve target behavior. Ottesen & Grønhaug (2002) summarized that companies adopt ideas and theories in order to make it relative to how they conduct their business.

In spite of the fact that chosen moderator variables did not have any significant impact, it was highlighted by researchers that it is important to take into consideration external environment when analyze market orientation - export performance relations. In this case, let us consider export channel structure and external working conditions of company specifically institutions and legislation environment.

2.3.2 Market orientation and export channel

Export channel structure is defined by Covin & Slevin (1991) as the coordination of workflow, communication and relations with authorities within the exporter-distributor relationship. Export channel is the third element included in contingency framework described earlier.

Export channel structure can have following characteristics, such as the main elements of export channel, alternative channel modes and administrative settings and relationships. Especially it is

meaningful for exporting companies as those are segregated from agents and distributors in case of geography and culture (Yeoh & Jeong 1995).

One way to examine export channel structures is to employ the perspective of: “functionalist” and “behaviorist” (Yeoh & Jeong 1995). Analyses of different modifications and alternatives and their impact on export performance is a “functionalist approach”. “Behaviorist” perspective is concentrated on collaboration between exporting company and distributors (Yeoh & Jeong 1995). This approach evaluate the level of co-operation, formalization, control and flexibility (Yeoh & Jeong 1995). Here we are talking not about the method and form of distribution but about management and regulation of an extra echelon of supply (Yeoh & Jeong 1995).

To assess the structural specificity of export channel structure, a mechanistic-organic continuum can be used. This concept is used to study manufacturer-distributor relationships (Yeoh & Jeong 1995). A mechanistic structure represents the supplier-dominated approach when there is not so much cooperation between suppliers and distributors. In case of organic structure, relations between suppliers and distributors are more flexible and there is more cooperation than in a mechanistic structure (Yeoh & Jeong 1995).

It is difficult to say which structure is better to choose in order to gain successful export performance. Everything depends on industry and strategic orientation of the company (Yeoh & Jeong 1995). Yeoh & Jeong (1995) argue that in case of conservative oriented companies mechanistic structure of export channel is looking less risky, more stable and formal. On the same time organic type, which is more flexible and demanding, is supposed to be matched to entrepreneurial strategic oriented companies (Yeoh & Jeong 1995).

Robertson & Chetty (2000) in analyses of the export performance of companies working within apparel industry in New Zealand found out that entrepreneurial companies could have successful exporting within different environmental conditions and export channel structures. But there is no real performance benefits for entrepreneurial companies when there is a "fit" between strategic orientation, export channel structure and external environment.

Another way how export channel can be characterized is by separating it into two types: directly to customers abroad and indirectly using services of intermediary (Hessels & Terjesen 2008). Export intermediaries can render different services from connection with perspective consumers and logistic

to information support which can be very important to small or medium sized companies due to lack of opportunities to get reliable data and process it from other sources of information (Hessels & Terjesen 2008). Exporting companies reduce risks and uncertainties using help of intermediaries when entering foreign markets. Possible negative consequences of such cooperation could be loss of control and additional costs (Hessels & Terjesen 2008).

Hessels & Terjesen (2008) stated based on resource dependency theory that factors which are link to knowledge and analysis of external environment on a domestic market can have impact on decision-making process to export or not and which mode of export to choose direct or indirect. The interrelation between market orientation and export channel in this case was discussed by He *et al.* (2012).

He *et al.* (2012) argue that market orientation capabilities of company define the choice of export channels. There are companies with strong and weak market orientation capabilities (He et al. 2012).

Those with strong market orientation capabilities have wish and opportunity to get information about the target market, process it and analyze. They prefer hierarchical internalized export channels to enter export market, as they assure efficient structure where resource-based learning capabilities of exporting company can be applied (He et al. 2012). External partners are always a risk to get incorrect information, sharing benefits and loss contingency of market orientation capabilities (He et al. 2012).

Companies with weak market orientation capabilities usually cooperate with partners presented on a target market, which give information and advice regarding to exporting. Export channel which is used here is defined as hybrid (He et al. 2012).

He *et al.* (2012), based their research on data from companies operating in emerging economy of China, made a conclusion that there is strong relation between market orientation capabilities and choice of export channels.

I will consider export channel as a part of market orientation strategy of the company in my research. It can be explained by the fact that export channel is a strategic choice which company makes entering new market and there is interrelation between market orientation as knowledge about the market and choice of export channel.

2.4. External working conditions

External environment of company or external working conditions, as we will call it in this paper, can have significant impact on decisions regarding strategic orientation (Yeoh & Jeong 1995). Usually external environment is characterised as uncontrollable or uncertain with negative connotation, however it is not always a negative factor (Yeoh & Jeong 1995). Uncertainty of the environment could be perceived by companies as an business opportunities (Yeoh & Jeong 1995). Changes in the external environment is a fair chance to enter the market with new product or to move aside competitors and capture their share of market by applying active, aggressive and risk-taking strategy.

The concept of external environment was analysed in literature regarding to level of hostility, heterogeneity and dynamism, turbulence and volatility (Yeoh & Jeong 1995). If to concentrate on the level of hostility, external environment is evaluated as hostile or benign (Yeoh & Jeong 1995; Robertson & Chetty 2000). Hostile environment can be defined as nonsteady industry adjustments, violent competitive environment, suppressing business climate and insufficiency of potential opportunities of business development. Otherwise, benign is a non-hostile environment with hospitable investment environment in case of legislation, regulations of industry and marketing opportunities (Yeoh & Jeong 1995).

Several theories and studies deal with the explanation of export performance: contingency-based approach, market orientation, resource-based view. These approaches focus on different aspects but have some things in common. All these theories underline the importance of knowledge about external environment as factor, which can have significant impact on export-performance (Robertson & Chetty 2000; Rose & Shoham 2002; Hessels & Terjesen 2008).

Jaworski & Kohli (1993), Subramanian & Gopalakrishna (2001), Rose & Shoham (2002) examined the impact of market turbulence, competitive hostility, technological turbulence and supplier power on market orientation-export performance relationships.

There is one more approach which can be applied to explain export performance of small and medium sized companies, Institutional theory, as environment impact on medium enterprises is stronger (Hessels & Terjesen 2008).

Scott (1995) highlight that institutional theory is focused on how companies adopt in their practice rules and regulations which are provided to gain legitimacy and acceptability in their environment (Hessels & Terjesen 2008).

Institutions are regulative, normative and cognitive structures and activities which govern societal transactions in political, legislative and social spheres (Peng et al. 2008).

Formal and informal institutions are like the “rules of the game” which affect the performance of companies both on the domestic and international market, specifically in transition economies (Peng et al. 2008)

Institutional theory was used by Nilssen & Hønneland (2001) to explain problems of restructuring the Russian Fishing Industry. Nilssen & Hønneland (2001, p.315):

“...Institutions provide the incentive structure of an economy as that structure evolves, it shapes the direction of economic change towards growth, stagnation, or decline.”

Peng *et al.* (2008) argue that institutions are not only background conditions is an external environment of the company, which has, direct impact on the performance of companies. Strategic choices and performance of companies are outcome of relations between institutions and companies (Peng et al. 2008).

Transitions which are still going in emerging economies, such as China, rise a question “how to play the game, when rules of the game are changing and not completely known” (Peng et al. 2008, p.924).

Peng *et al.* (2008) highlight that in transition economies the strategy to enter international markets is driven not only by specific characteristics of the company but also by institutional environment where company operates. An institutional-based view on international business is considered to be one of the legs which support the “strategy tripod” together with industry and resource-based views (Peng et al. 2008).

Specific institutional environment in domestic and export markets has significant impact on relationship between market orientation capabilities and export strategy of company (He et al. 2012). He *et al.* (2012) provide the institutional distance concept, which includes regulative distance,

normative distance and cultural distance. This concept is a moderator of relationship between companies ability to apply market orientation capabilities and choosing proper export channel

Country institutional distance has stronger impact on export performance than internal pressures within the company such as companies values and behaviours, product characteristics, summarised by He *et al.* (2012), based on studies of Kostova & Roth (2002) and Rosenweig & Singh (1991).

Institution theory was performed by Li & Ding (2013) in their research to find out factors which have influence on internationalization of companies in transition economies of China. Li & Ding (2013) argue that internationalization is not only efficiency-driven performance to maximize economic benefits but also an outcome of institutional isomorphic pressures which companies try to avoid by internationalization of their activities to gain legitimacy.

There are three isomorphic forces: coercive pressure, proceed from political activities and scarcity for legitimacy; mimetic pressure, outcome of reactions on uncertainties; normative pressure, regarding to professionalization (Li & Ding 2013).

In case of the Russian Federation and fishing industry in particular, external working conditions of fishing companies can be characterized as uncertain. This is explained by the fact that economy of the Russian Federation, legislation and institutions is still in transition after the dissolution of the Soviet Union.

In the present instance, external working conditions can have significant influence on decision-making process of fishing companies to export or not. Thus, I will use it in my research. Specifically, impact of legislation environment (in taxation, exporting and fishing industry) on export performance will be examined.

Synthesizing obtained results after literature review, two dimensions of export performance will be applied in the study to evaluate export performance of fishing companies: sales and profits. Two approaches were selected for explanation of export performance of fishing companies in Northwest Russia: market orientation and contingency-based approach including three elements: strategic orientation, export channel structure and external environment.

3. The fishing industry in the Murmansk region

3.1 Fishing companies, employment and fleet

The fishing industry of the Murmansk region is of great importance for the region, economically, as an employer and, supplier of marine biological resources in domestic and international markets (Vasilyev 2013b).

In 2012 92 companies were involved in fisheries in the Murmansk region. The corresponding number in 2005 was 125. The data in Table 1 illustrates the tendency of declining number of fishing companies over time. Kuranov (2012b) underlines that this trend is connected with integration processes in fishing industry. He mentioned that nowadays resource availability for fishing companies is not high enough to renew fishing fleet, thus the number of participants in the fishing industry decreasing and the shares of quotas increasing for those who are continue to fish.

Table 1 – Number of companies, including small enterprises with the staff number less than 15, in fish capture, processing, and canning in the Murmansk region during the period 2005 - 2012

Type of activity	2005	2006	2007	2008	2009	2010	2011	2012
Fisheries	125	113	121	133	114	117	107	92
without small enterprises	30	32	34	25	22	23	23	24
Processing and canning of fish and other marine biological resources	63	45	53	46	44	37	33	38
without small enterprises	7	6	4	5	5	5	4	5

Source: (Anon 2010; Anon 2013)

The number of companies involved in processing and canning of fish and other marine biological resources in the Murmansk region has decreased since 2005 from 63 to 38 in 2012 (Table 1).

As we can see from data presented in Table 1, the decline in number of companies of both type of activities, fish capture and processing, has happened due to a decreasing number of small enterprises. Small enterprises are enterprises with the staff number less than 15. In the current economic conditions, small enterprises usually do not have enough financial resources and technological capabilities to perform efficient economic activities. Large companies with financial capacities expand their activities by swallow up small enterprises (Kuranov 2012b); the main target is to get quotas and

vessels of these small fishing companies. This illustrates integration processes that are going on in the fishing industry (Vasilyev 2013c).

The average number of employees in the Murmansk region fisheries decreased by 41 % during 7 years from 2005 to 2012 (Table 2). During the same period it was positive development in average wages of employees working in the Murmansk region fisheries where the monthly average wages increased by 74 % from 2005 to 2012. In addition to this, salaries in fisheries are higher than average wages in the Murmansk region; for example, in 2012 this difference was about 69 % (Table 2).

Table 2 – Average number of employees worked in fisheries and average nominal monthly wages of employees worked in fisheries in the Murmansk region during the period of 2005 – 2012

Parameters	2005	2006	2007	2008	2009	2010	2011	2012
Number of employees in fisheries	10563	10112	8994	7728	7200	6488	6135	6198
Fisheries share of total employment (in %)	3.1	3.1	2.8	2.4	2.3	2.2	2.0	---
Average nominal monthly wages in fisheries, rubles	14909	19218	25115	34234	40595	48911	54706	57741
Monthly wages in fisheries in percentage of monthly wages in the Murmansk region	119	126	135	144	152	166	169	---

Source: (Anon 2010; Anon 2013)

Total number of fishing vessels from the Murmansk region involved in fishery was 219 in 2011 (Table 3). Fleet composition is seems to be fairly stable. The majority of vessels in 2011 (57 %) were vessels with length 50-70 meters, number of which decreased since 2006. Data from Table 3 illustrates decrease in number of large vessels (72-108 meters) during the period of 2006-2011. On the same time, the share of small vessels in the composition of fishing fleet increased, from 23 % in 2006 to 31 % in 2011.

Table 3 – The composition of the fishing fleet in the Murmansk region during the period of 2006-2011

Type of vessel	Number of vessels						Composition of fishing fleet in 2006 and 2011, %	
	2006	2007	2008	2009	2010	2011	2006	2011
Largest vessels (108 meters or more)	12	11	11	11	12	12	4	5
Large vessels (72-108 meters)	26	20	17	15	14	14	10	7
Medium sized vessels (50-70 meters)	169	164	156	145	133	125	63	57
Small vessels (less than 50 meters)	63	75	81	76	66	68	23	31
Total amount of fishing vessels	270	270	265	247	225	219	100	100

Source: (Sokolov 2012)

Data from Table 4 illustrates obsolescence of fishing fleet in the Murmansk region. The average age of the fishing fleet was 25 years in 2011 (Sokolov 2012). The number of fishing vessels aged 20-29 years were 54 % of total fishing fleet in the Murmansk region in 2011. In comparing to that, the number of “new” fishing vessels was about 2 % in 2011. Overall, fishing fleet of the Murmansk region decreased by 18 % during the period of 2006 – 2011.

This decline is explained by disposal of old fishing vessels and replacement of that by new modern and efficient fishing vessels. Fleet renewal is going on, but with low rate (Kuranov 2012b).

The problem obsolescence of fishing fleet is widely discussed by the Russian Government nowadays. Fleet renewal is one of priorities underlined in “The Fisheries Complex Development Strategy of the Russian Federation for the period up to 2020”, to achieve the main target of rational use of marine biological resources.

Table 4 – The age composition of the fishing fleet in the Murmansk region

Age of vessel	Number of vessels						The relative age composition of fishing fleet in 2011, %
	2006	2007	2008	2009	2010	2011	2011
1-9 years	12	7	8	7	6	4	2
10-19 years	89	85	79	63	47	38	17
20-29 years	123	125	123	123	119	118	54
30 years and older	46	53	55	54	53	59	27
Total amount of fishing vessels	270	270	265	247	225	219	100

Source: (Sokolov 2012)

Investments in fisheries and processing are presented in Table 5. Data illustrates that investments in fisheries was 1586.8 million rubles in 2011, an increase compared with previous years. Investments in processing and canning industries have decreased and were about 1 million rubles in 2011.

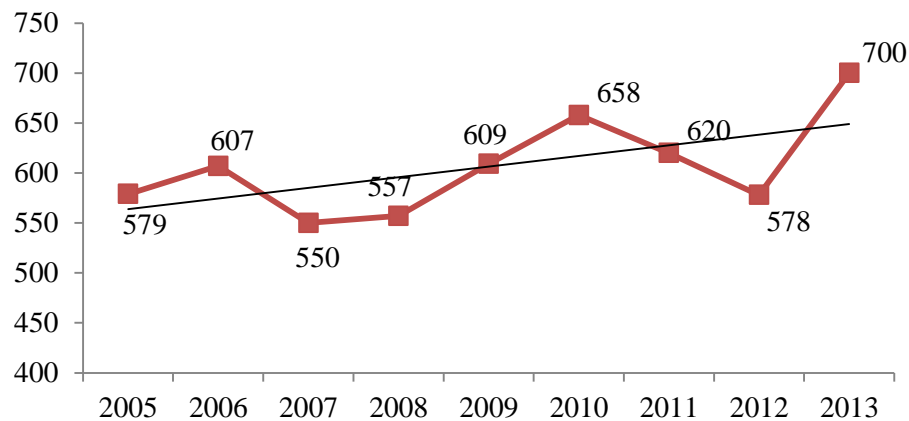
Table 5 –Investments in fisheries, processing and canning in the Murmansk region during the period of 2006-2011, million rubles

Type of activities	2006	2007	2008	2009	2010	2011
1. Fisheries	773.4	644.3	367.6	208.1	482.6	1586.8
2. Processing and canning of fish and other marine biological resources	5.1	11.4	45.7	16.0	10.5	1.0

Source: (Anon 2012)

3.2 Landings of fish and fishing zones

Landings of fish and other marine biological resources by fishing companies in the Murmansk region was around 700 thousand tons in 2013. Figure 1 shows positive trend in landings from 2005 to 2013.



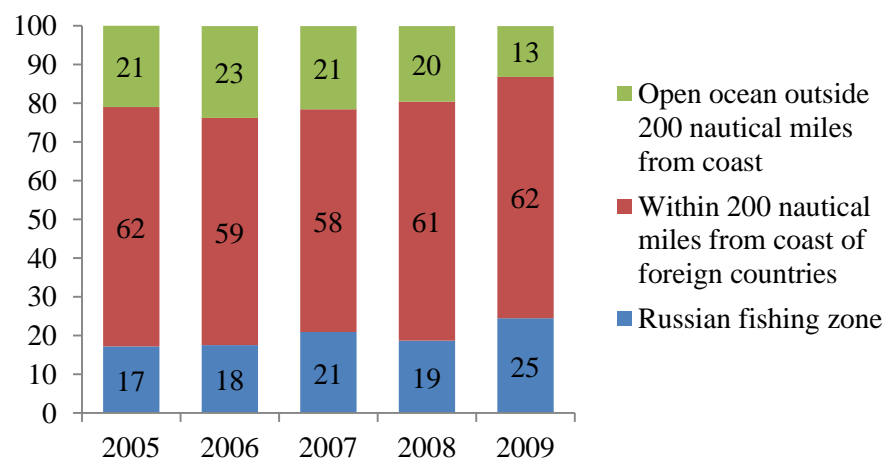
Source: (Anon 2012; Sokolov 2012; Anon 2013)

Figure 1. Landings of fish and other marine biological resources, the Murmansk region, during the period of 2005-2013, thousand tons.

The main species that are harvested by fishing companies of the Murmansk region, are benthic species like cod, haddock, saithe, halibut, wolffish, flatfish, red fish; and pelagic species as herring, blue whitening, mackerel and, capelin. The landings of species from gadidae family (cod, haddock)

constituted in 2010 about 50 % of the total landings. The second largest landings was herring (about 14 %), and thereafter mackerel (about 7 %) (Anon 2010).

Most of the harvesting activity in the Northern basin of the Russian Federation (Barents Sea and White Sea) take place in zones of foreign countries and in international waters (Vasilyev & Kuranov 2001). As illustrated in Figure 2, in 2009 about 62 % of fish catches, and other seafood took place within 200 nautical miles off the coast of foreign countries, 13 % - in the Open Ocean outside 200 nautical miles from coast of foreign countries, and the remaining 25 % in the Russian fishing zone.



Source: (Anon 2010)

Figure 2. Structure of fish catch of fishing companies from the Murmansk region, including the harvesting of other marine biological resources, by fishing zones, as a percentage of total.

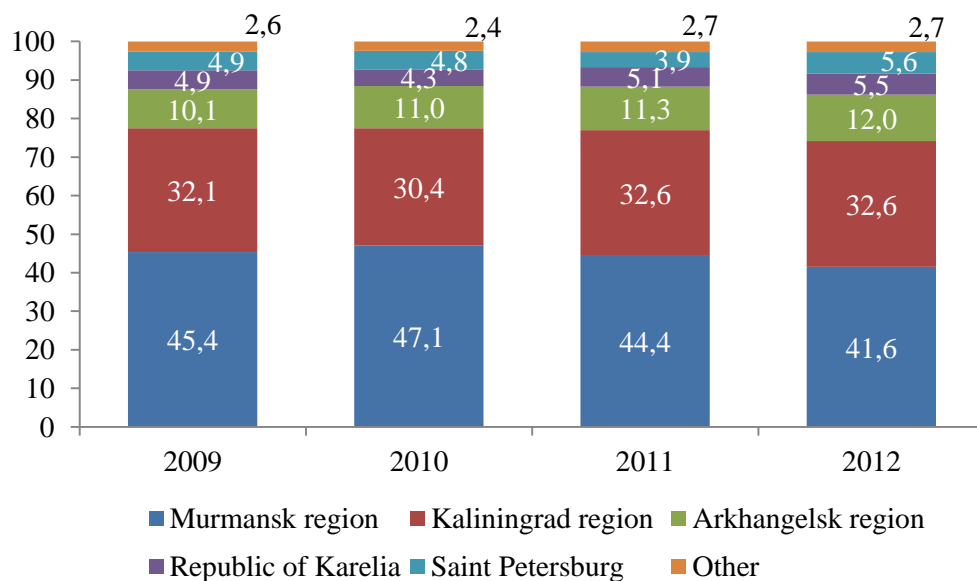
3.3 Production of fish and processed, canned fish products

The Murmansk region was on the first place in case of production of fish and processed and canned fish products in the North-West Federal District of the Russian Federation during the period 2009-2012 (Figure 3).

The Murmansk region is one of the regions included in the North-West Federal District of the Russian Federation. There are also Republic of Karelia, Komi Republic, Arkhangelsk region, Vologda region, Kaliningrad region, Leningrad region, Novgorod region, Pskov region, Saint Petersburg, Nenets

Autonomous Okrug. The North-West Federal District is one of nine Federal Districts of the Russian Federation (Anon 2013).

In 2012, the share of the Murmansk region was around 42 % of total production of fish and processed and canned fish products in certain regions of the North-West Federal District of the Russian Federation. As seen in Figure 3, there is stability in the structure of production of fish and processed and canned fish products in certain regions of the North-West Federal District, even though there is a drop in the share of Murmansk region from 2011 to 2012.



Source: (Anon 2013)

Figure 3. Structure of production of fish and processed and canned fish products in certain regions of the North-West Federal District of the Russian Federation during the period of 2009-2012, percentage of total.

Annual capacity utilization used for processing of fish, including products produced on board of fishing vessels in the Murmansk region, is low (Table 6). For example, production capacities for producing frozen fish were used on 55 % of total capacities of the industry, and we can see decrease in utilization of production capacities for this type of products. The same is with frozen herring. In comparing with these, utilization of production capacities for production of frozen fillet of fish increased, and in 2012 was around 59 %. These trends could be explained by the fact that frozen fillet

of fish can be sold on higher prices. Moreover, these can be explained by the implementation of the “The Fisheries Complex Development Strategy of the Russian Federation for the period up to 2020”, target is rational use of marine biological resources, and the transition from sell of raw materials to fish products with profound degree of processing is one of priorities.

However, negative trend can be seen in utilization of production capacities for canned fish of different species and flours, meals and pellets of fish, crustaceans, mollusks and other aquatic invertebrates, unfit for human consumption. This can be explained by the fact that such kind of products are not profitable for fishing companies, as well as processing plants, thus there is negative trend in capacities utilization.

Table 6 – Annual capacity utilization used for processing of fish, including products produced on board of fishing vessels in the Murmansk region during the period of 2010-2012, in percentage of total

Type of product	2010	2011	2012
1. Frozen fish (besides herring)	67	60	55
2. Frozen herring	83	60	52
3. Frozen fillet of fish	35	59	59
4. Smoked fish (besides herring), dried, stockfish, balyk	5	1	0.3
5. Canned fish of different species	29	23	20
6. Fish preserves	0.2	0.1	---
7. Flours, meals and pellets of fish, crustaceans, mollusks and other aquatic invertebrates, unfit for human consumption	30	25	18

Source: (Anon 2013)

3.4 Export of fish and fish products

In the structure of export of fish and fish products from Murmansk region, 75 % of fish and fish products are sold abroad directly from the sea by fishing companies bypassing the customs territory of the Russian Federation. Another 20 % of total export of fish and fish products is exported by fishing companies that deliver harvested resources into the port of Murmansk for declaration and afterwards transport it abroad. The rest (5 %) are fish products exported by processing plants (Vasilyev 2013a).

Frozen fish have the major share in the structure of exported fish products produced by fisheries sector of the Murmansk region, in 2012 it was around 62 % (Table 7). However, during the period of 2005-2012 we can see the decrease from 72.2 % to 61.7 %. Data from Table 7 illustrates increasing in the

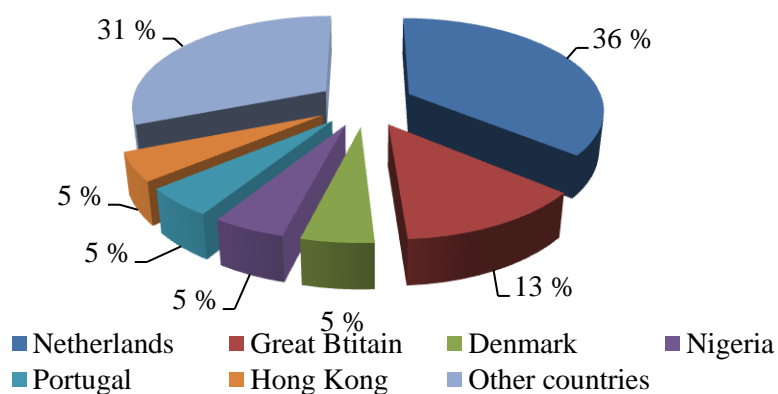
share of fillet of fish and other fish meat exported abroad, it was around 25 % in 2012. The smallest share in export was dried, salted and smoked fish, just 5 %, but we can see positive dynamic.

Table 7 – The structure of exported products produced by fishing industry, the Murmansk region, during the period from 2005 – 2012, production in percent of total produced quantity

Type of product	2005	2006	2007	2008	2009	2010	2011	2012
1. Fresh and chilled fish	1.2	0.6	0.5	0.2	0.2	0.1	0.3	0.0
2. Frozen fish	72.2	71.6	70.7	75.6	67.4	68.5	62.4	61.7
3. Fillet of fish and other fish meat	13.5	12.0	10.7	12.6	10.5	18.2	24.0	25.0
4. Dried, salted and smoked fish	3.3	2.8	2.2	2.8	2.6	2.7	3.0	5.0
5. Crustaceans	8.9	12.9	15.7	8.6	19.1	10.3	10.1	8.3
6. Other fish products	0.9	0.1	0.2	0.2	0.2	0.2	0.2	0.0

Source: (Anon 2010; Anon 2013)

The main export markets of fish, fish products and crustaceans harvested by fishing companies of the Murmansk region in 2012 presented in Figure 4, the detailed list of countries is presented in Appendix 1. As it is illustrated, 36 % of fish, fish products and crustaceans were sold to Netherlands, on the second place consumers from Great Britain. Markets of Nigeria, Portugal, Denmark and Hong Kong took about 5 % each of the exported fish products.



Source: (Anon 2013)

Figure 4. Countries exported fish, fish products and crustaceans harvested by fishing companies of the Murmansk region in 2012, percentage of total.

As we can see from Table 8 below, the most caught live fish is used for processing. The majority of fresh and chilled fish is sold on domestic market, around half of frozen fish is sold on domestic market as well. In 2011 around 68 % of fillet of fish and other fish meat was exported abroad, the rest was sold on domestic market. The major part of dried, salted and smoked fish produced by fishing sector in the Murmansk region is exported. Regarding to crustaceans, around a half of harvested species is processed, about 27 % is exported and the rest is sold on domestic market, around 7 %, based on data for the period of 2009-2011.

Table 8 – Utilisation of fish and crustaceans, harvested by fishing companies from the Murmansk region, for processing and sales on domestic and export markets during the period of 2009-2011, percent

Type of products	Used for processing			Sold on domestic market			Sold on export markets		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
1. Live fish	97.6	98.0	97.9	2.4	2.0	2.1	0.0	0.0	0.0
2. Fresh and chilled fish	16.3	0.0	0.4	69.7	98.0	96.8	13.0	2.0	2.8
3. Frozen fish	0.0	0.0	0.0	56.1	52.6	52.7	40.5	44.5	43.3
4. Fillet of fish and other fish meat	0.0	0.0	0.0	38.4	25.4	25.1	54.3	72.0	68.4
5. Dried, salted and smoked fish	0.0	0.0	0.0	0.0	0.9	0.3	80.0	96.6	99.7
6. Crustaceans	51.5	54.2	52.8	7.2	6.7	7.6	28.9	26.4	27.7

Source: (Anon 2012)

Due to Vasilyev (2013a), low degree of processing is the reason of low prices, low value added, as consequences low profits and low level of tax liabilities. The value of 1 kg of exported products from cod was higher in Norway than in the Murmansk region, in 2.57 times in 2009 and in 2,1 times higher in 2010. Vasilyev (2013a) explains this difference by different factors. First, is product assortment, in 2010 the big share of exported fish products was headed and gutted fish, on the same time in Norway the share of this type of products was 22,7 % , and the rest was fish products with profound degree of processing like fillet (chilled and frozen), clipfish, salted fish. And the second reason, there is no research of foreign markets in Russia and governance of foreign trade administration.

3.5 Supplemental information about fishing industry in Russia

Fisheries management in Russia is complicated by the fact that the Russian Federation includes a large territory and a long coast line, characterised by a variety of conditions in case of resources and environment, availability of technologies and capacities. There is centralised system of fisheries management in Russia. Agencies for Fisheries on the regional and local levels try to formulate measures related to specific conditions of their regions, but due to hierarchical system of governance and high level of bureaucracy these initiatives does not work properly. Thus, there could be different impact from region to region of implemented measures and regulations on performance of those who works within fishing sector.

Regarding the Federal Law №166-FZ “On Fisheries and Conservation of Aquatic Biological Resources” of 20.12.2004 (article 10 section 1), marine biological resources within territorial waters of the Russian Federation, while these are not harvested belong to the Government of the Russian Federation. As it was underlined in introductory section, the Russian Government solves different problems utilising these resources. Usually, there is disbalance of interests between two main stakeholders, within fishing industry, government and fishing companies harvested marine biological resources.

Another aspect which influenced on overall development and the current situation in fishing industry in Russia, in the Murmansk region specifically, is the brake point in history and economy of the country, dissolution of the Soviet Union. After the collapse of the Soviet Union fishing sector was destroyed by privatisation processes and disintegration of system which was built. It was a well organised complex which included the whole chain from harvesting of resources to delivery, processing, transportation, distribution and marketing (Vasilyev & Kuranov 2001).

In the beginning of 1990s started the transition processes from plan fulfilment to profit as a key measure of success in the economy of the Russian Federation. As a result of this changes fishing companies became export-oriented to be economic efficient instead of producing and delivering fish products to the domestic market. Increase in oil prices, costs of production had a significant influence on companies strategy. In addition to this exporting became more attractive as fishing companies were offered better infrastructure and terms of payment abroad (Nilssen & Hønneland 2001).

Export of fish and fish products was centralised in the Soviet Union. The volume of export was on

level of 10 % in 80's and around 13 % in 1990. Since that time a lot of changes was performed in legislation of export-import operations, and the level of exported fish products increased by 44,1 % in 1998 (Vasilyev & Kuranov 2001).

Export is economic activity which overall provide benefits for any country, giving possibility to achieve positive balance of external trade and sustainability of economy. In 2001 Vasilyev & Kuranov underlined, that in case of export of fish products from Russia, there were more negative points. Companies were driven by opportunities to sell fish with low level of processing, like frozen headed and gutted cod and haddock, abroad with higher prices and by that eliminating possibilities of development competitive environment within industry on domestic market, development of processing industry, and increasing of consumption of fish products by population of Russia (Vasilyev & Kuranov 2001).

Fishing companies oriented on average European prices on fish, tried to sell fish products on domestic market with the same prices, but they did not take into consideration purchasing power of population in these crisis years in Russia (Vasilyev & Kuranov 2001).

The transition to market economy was more than 20 years ago, however there are still the major part of exported fish products with low degree of processing, decreasing by this value added. For that reason, export performance of fishing companies is one of urgent issues for the Russian Government today. Evidence of this is the State Program of the Russian Federation "Fisheries Complex Development" and "Fisheries Complex Development Strategy of the Russian Federation for the period up to 2020".

In addition to these documents there is Instructions of the President of the Russian Federation for Fisheries Complex Development ПП-1943 of 16.08.2013, which presents the main priorities of development for Fisheries Complex. There are following priorities: production of fish products with profound degree of processing, development of processing capacities, increase rates of renewal of the fishing fleet, replacing imports by domestically produced substitutes.

These Instructions mentioned above suggest abolishment of tax concessions for companies exported marine biological resources with low degree of processing. However, the term profound degree of processing of marine biological resources does not have any definition in the current legislation, so it is difficult to decide is this fish product with profound degree of processing or not.

One of the measures which is supposed to stimulate fishing companies to deliver fish in Russian ports, by that decreasing export of low processed fish products, was realised by introduction of amendments to the main document which regulates fishing industry: The Federal Law №166-FZ “On Fisheries and Conservation of Aquatic Biological Resources” of 20.12.2004. Since 2009 fishing companies must deliver marine biological resources harvested in territorial waters and 200 nautical mile zone of the Russian Federation on the coast of the Russian Federation.

Vasilyev (2012) underlines that the supposed target of delivering fish on the Russian coast was not achieved in total degree. Because this regulation of compulsive delivery is significant for the Russian Far east, where the major part of marine bio resources is exploited in territorial waters and in 200 nautical miles zone of the Russian Federation, and where level of illegal, unreported and unregulated fishing is high.

By comparison, the specificity of fishery in the Northern basin (Barents and White sea) as we could see in Figure 2, is that the most harvesting activity is performed in zones of foreign countries and in international waters (Vasilyev & Kuranov 2001). Fishing vessels do have significant economic expenses related to time spent on the way to port from fishing areas and return, as well as time spent on procedures in port, in addition to these fishing vessels lose fishing time and probable profits of that.

There was a research about economic efficiency of system: fishing vessels-processing plants, which was performed in Vladivostok. The results of this research illustrated that the value added of processed fish on processing plant increases and there is increase in sales value. It was concluded that this is a rational use of resources. Based on that, was drawn a deduction that development of onshore profound degree of processing of marine biological resources give more advantages for government. On the same time, fishing companies lose in that, the profitability of such system for them is very low (Vasilyev 2012).

4. Research hypotheses, research design and data collection

4.1 Research hypotheses

Based on the literature review above (section 2) on export performance and the overview of the fishing industry in the Murmansk region (section 3), the theoretical framework was set up focusing the export performance decision process and factors influencing this. The theoretical framework is illustrated in Figure 5 below.

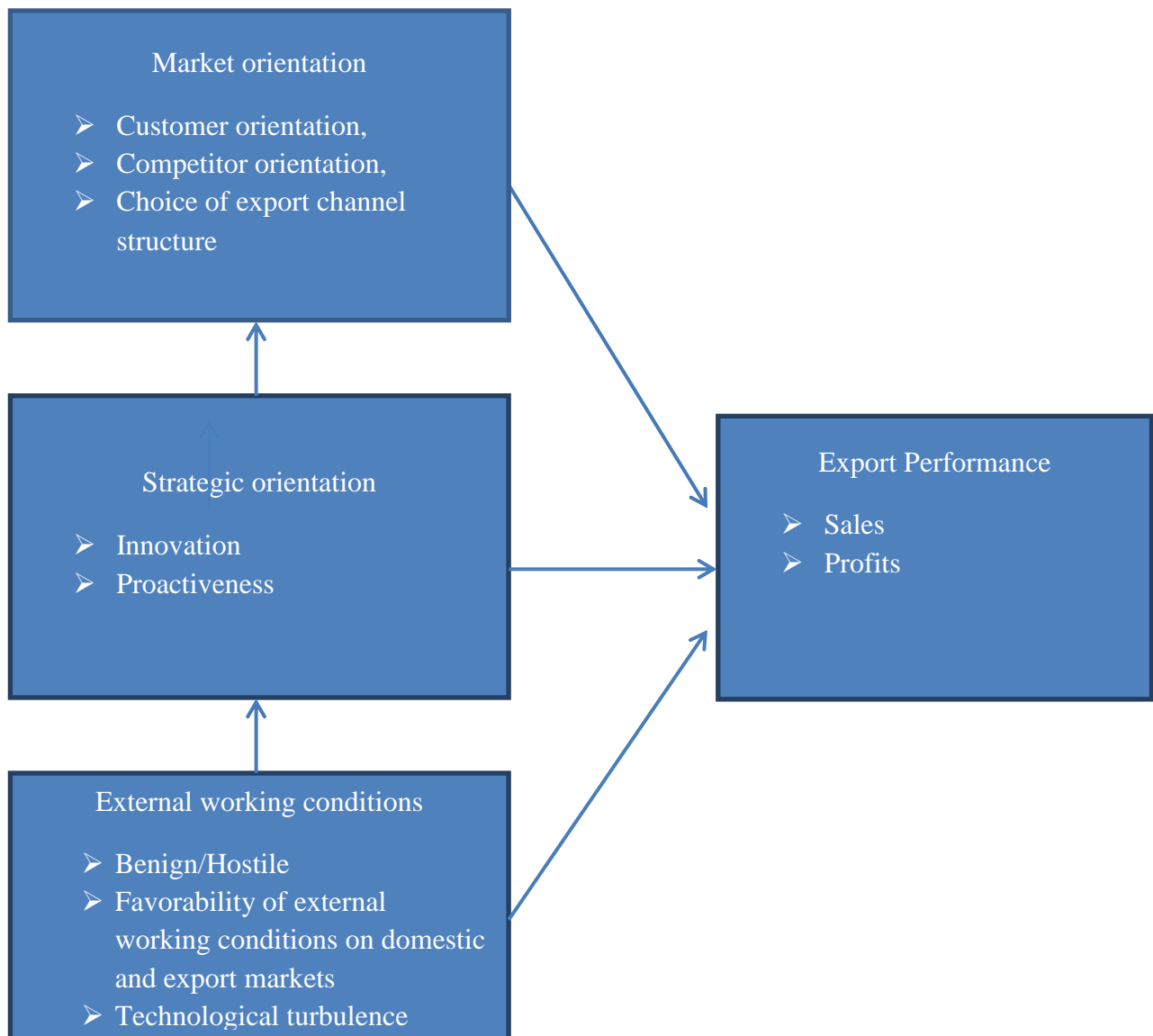


Figure 5. Theoretical framework. Analysis of export performance of fishing companies in Northwest Russia

This study investigates the influence of market orientation on the export performance of fishing companies in Northwest Russia and how internal and external factors of company impact on that. The focus of this research is on the converging point between:

1. Market orientation and its dimensions (consumer orientation, competitor orientation, long-term focus, growth/profit emphasis and choice of export channel structure) and export performance.
2. Strategic orientation and its dimensions (innovation, risk-taking, pro-activeness) and export performance.
3. External working conditions of company and its dimensions (legal environment, technological intensity, competitive intensity) and export performance.

Taken into consideration points mentioned above the following research hypothesis were stated:

- Strategic orientation of fishing companies influence on their export performance.
- Market orientation has impact on decision of fishing companies to export or to sell fish and fish products on domestic market.
- External working conditions exert influence on fishing companies in their strategic and market orientation.

4.2 Research design

The main aim of this study is to investigate the effect market orientation, strategic orientation and external working conditions have on the export performance of fishing companies.

The main objective is to identify, describe and explain relations between possible factors of internal and external environment of fishing companies, mentioned above, and decisions of companies about export performance.

A descriptive approach is applied in this study.

This study employs both qualitative and quantitative methods. The quantitative part includes review of statistical databases regarding the current situation and tendencies in fishing industry of the Murmansk region. The qualitative part includes interviews with managers of fishing companies from the Murmansk region, literature review of scientific journals, newspapers, government reports and export and tax legislation of the Russian Federation.

The main benefit of combining the two methods is a more detailed and complete picture of the studied object, and the combined approach provides more opportunities when analyzing the findings.

In previous researches on export performance, quantitative and qualitative approaches were performed. Researchers used interviews as data capture methods, and qualitative study to validate findings (Robertson & Chetty 2000; Subramanian & Gopalakrishna 2001; Rose & Shoham 2002).

4.3 Sample description

The research in the thesis is based on export performance of fishing companies in Northwest Russia, specifically the Murmansk region. This setting was chosen, because fishing industry of the Murmansk region, like some other industries, defines specificity of the region.

The total number of organizations participating in the research is five. These are privately held limited companies. The main criteria for companies, which are supposed to participate in survey, are that the company has a fishing quota, at least one fishing vessel used in fisheries, perform export operations and should be located in Murmansk region.

In collection of data were involved specialists from the Kola research center of the Russian Academy of Sciences. Due to established relations with representatives of fishing industry, it was easier for them to organize interviews with managers of fishing companies for purposes of this research. Finally, five managers of fishing companies agreed to participate.

The respondents are recruited among the top managers of companies as it is illustrated in Table 9. Due to the fact that the number of participants of this research is small and respondents can be identified easily, to safe their confidentiality and to avoid compromising, each respondent was assigned a number.

Table 9 – Information about respondents and General Managers/Owners of analyzed fishing companies

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
Position of the respondent	General Manager	The first deputy director general in finance	Executive Manager	Director	Director
Age of General Manager/Owner	62	59	58	60	66
Education of General Manager/Owner	Candidate of economic sciences; engineer-navigator	Higher education, machine-engineer	Higher education shipbuilder engineer	Scientist	Specialized secondary education, maritime navigation
Working experience of General Manager	Worked in Murmansk and Murmanribprom, from fourth deck officer to the general manager position	Sevriba, from Senior Engineer to Chief Technology Officer	Murmansk Trawl Fleet	PINRO	Murmansk, Sevriba

Data presented in Table 9 shows that the average age of general managers is around 60 year, most of them have higher education and their education and working experience are related to fishing industry. One general manager was a former scientist.

The main reason for choosing these specialists as respondents is that they are more confident when it comes to responding to stated questions.

All companies in the sample have fishing as a substantive activity (Table 10). The companies involved in the research are different in size. The size is measured along one dimension, number of fishing vessels in the company (Table 10).

Table 10 – Substantive activities of the companies in the sample and the number of fishing vessels in the fishing companies

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
1. Substantive activities of the company	fishing	fishing and processing	fishing	fishing and scientific activity	fishing
2. Number of fishing vessels owned by the company	two modern trawler freezers	four vessels: three trawler freezers, one is seiner-trawler	three trawler freezers	two longline vessels	one trawler freezer

4.4 Data collection

Primary data collection was performed in March 2014 in Murmansk. The method of primary data collection is survey research as the collection of data for quantitative description of an analyzed topic.

In the beginning while preparing the interviews I prepared comprehensive and detailed questionnaire with scales based on previous researches on export performance by Shoham (1998), Robertson & Chetty (2000), Rose & Shoham (2002); market orientation evaluation by Narver & Slater (1990), Subramanian & Gopalakrishna (2001); strategic orientation analysis by Robertson & Chetty (2000); export channel structure analysis by Hessels & Terjesen (2008); external working conditions Robertson & Chetty (2000), Hessels & Terjesen (2008).

After a discussion based on this questionnaire, which was supposed to be used in interviews, with representative of the Kola research center of the Russian Academy of Sciences, I made some changes in the structure of the questionnaire. It is explained by the fact that comprehensive and detailed questionnaire is a method that is not widely used in collecting of data in Russia, and for top -managers, this kind of questionnaire will be considered “waste of time” and not as interesting as an informal discussion on the topic.

Therefore, I have used personal in-depth interviews based on a structured questionnaire with open-ended and close-ended questions. The questionnaire was filled out by me afterword based on the answers of the respondents. I preferred this way of performing to be sure all questions to be covered and answered by the respondents.

The single informant method was used (He et al. 2012). It means that only one representative of each company participated in research. This choice is explained by the fact that not all employees could have the same knowledge regarding to topic. The second, if to perform several interviews in the same company using the same questionnaire, managers could define it as mistrust to their opinions.

The single informant method is seemed as more appropriate in this research. Due to single questionnaire used for collected data my study is susceptible to common method bias (Hessels & Terjesen 2008; He et al. 2012).

The duration of each interview was about one hour and one hour and a half; it depended on respondents' interest in the topic and their wish to make comments on given answers.

Tape recorder was not used. However, I took notes during these interviews.

Secondary data, that already processed and presented in some form, was collected in academic journals and in trade journals, as well as in statistical databases.

4.5 Measurements

The last version of questionnaire was prepared after discussion of it with researcher from the Kola research center of the Russian Academy of Science.

There are seven groups of questions included in the survey: questions related to the characteristics of the company, export performance, strategic orientation, market orientation, external working conditions, comments, and information about respondent and general manager/owner of the company (Appendix 3).

4.5.1 General information about the company

This group of questions includes questions regarding the main characteristics of the company including information about fleet, main species which company exploit, products, market choice, and export activities. These questions are presented further.

- *What are the substantial activities of the company?*

This question is important as the answer gives idea which activity is substantive for the company, either fishing or processing of fish, may be both, or something else.

- *How many fishing vessels does the company have?*
- *Are your vessels in bond?*

Questions relating to fleet give us impression of technological capacities and opportunities of company, as well as background data to define a strategy. The last mentioned point is regarding to customs status of fleet. In case of Russia, this is topical problem for fishing companies, because they have to pay about 23 % of the vessel value and equipment if these were built or modernized abroad. Not all companies can afford it, this is one of the reasons, which define choice of fishing company to stay in ports of Norway, for example, and sell fish abroad. This is one of the characteristics of external working conditions, legislation environment.

- *What are the harvest quotas of the company?*

Harvested species is an important issue as they influence on strategy as well. The demand and prices on different species on domestic and export markets are different, and profitability and processing is different as well. It is internal factor of the fishing company, which could have influence on export performance.

- *What does the company produce?*
- *Why did you choose this market segment?*

It is important to know how companies define their choice on what to produce and what they actually produce. Their choice of product is part of a strategic orientation and market orientation as internal factors that could influence export performance.

- *Has the company sold fish and fish products on the domestic market?*
- *Has the company exported fish products?*
- *Which factors do influence the choice of the company to export fish products or to sell it on domestic market?*
- *What is the current orientation in case of markets?*

The intension of the questions listed above on domestic and export markets is to provide a background information for further research on strategic market choices.

4.5.2 Export performance

Export performance is a response on the strategic perspective of the company to the influence internal and external factors (Yeoh & Jeong 1995). Export of products is an essential part of a globalized economy (Rose & Shoham 2002).

In this study export performance is a dependent variable. I used subjective indicators to measure export performance. Because it was no possibility of obtaining reliable objective commercial data, Russian managers are usually not willing to share commercial information with external users. Subjective indicators to measure export performance was taken from research performed by Rose & Shoham (2002), He et al. (2012).

Sales and profits were chosen as appropriate for analyses of export performance because market-oriented companies are supposed to react on market opportunities and as a result show higher sales over time and increased export profitability and positive changes in export profitability (Rose & Shoham 2002).

Final questionnaire does not include the rank all items which suggested by researchers. Instead of that, I formulated the question:

- *When you assess the performance of your company as an exporter, which criteria are important for you as performance indicators? (Profitability, export sales, percent net profit of export sales, exports sales as a percentage of total sales, etc.)*

This is an open-ended question; data within brackets are presented as comments, in case of misunderstanding. Even though there is not the same evaluation of export performance as suggested, one can get an impression on what companies are oriented towards and if the planning perspective is short or long.

- *What kind of fish products does the company export?*
- *What share of products is exported?*
- *What are the main markets abroad?*

Other questions related to export performance give us data about export markets and exported products. It could be influenced by market orientation, as each market is different in preferences of products, types, species and quality.

4.5.3 Strategic orientation

Strategic orientation is one of the elements in the contingency framework presented by Yeoh & Jeong (1995) to explain export performance. There are three dimensions, which represent strategic orientation or entrepreneurial behavior: innovativeness, risk-taking and pro-activeness (Yeoh & Jeong 1995).

To evaluate strategic orientation I used method performed by Robertson & Chetty (2000) in their research, two dimensions innovativeness and pro-activeness. I did not consider risk-taking separately as this characteristic could be done based on overall performance of companies and answers, which

will be given for other questions throughout survey. It very difficult to evaluate subjectively the level of risk of the project, for one company it can be risky project for another not.

When we are talking about fishing and processing there are the following possible directions of innovations: products (new products, qualitative changes in products); technologies (processes); organisational and marketing, performed by companies in practice for improvement of financial results and quality of products, decreasing the negative environmental impact (Kuranov 2012a).

The following questions were formulated to assess this dimension:

- *In general, the company favors emphasis on products which...
have been tested, and proven marketable in the industry or products that have been recently developed (new products for company, new technologies)?*
- *Has company any plans to start production of new products in the near future?*
- *Has there been modernization of equipment in the last years?*
- *Can you specify what has been done?*

There are questions on related topics, products innovativeness, modernization of vessels and equipment. Pro-activeness is a willingness and possibility of the company to be active and aggressive in a competitive environment (Yeoh & Jeong 1995).

- *In dealing with competitors, the company...
typically, responds to actions which competitors initiate (entering new markets, development new products, changes in prices) or typically initiates actions to which competitors then respond?
is very seldom the first business to introduce new products, operating technologies, etc. or is very often the first business to introduce new products, operating technologies?*
- *What is the main competitive advantage of the company?*
- *How can you characterize overall strategic orientation of the company?*

Robertson & Chetty (2000) evaluated these items using Seven-point Likert scales, which could not be done in this study. As mentioned earlier top -managers of the companies are not willing to participate in such studies, because of both time constraints and their lack of interest in the topic.

The company's strategic line can be defined as conservative or entrepreneurial (Yeoh & Jeong 1995). Entrepreneurial companies are characterized as risk-takers, innovative and proactive (Yeoh & Jeong 1995). Conservative companies are non-risk-takers, non-innovative and reactive. These characteristics of the company helps to explain export performance regarding to interrelation between strategic, organizational (export channel) and environmental factors (Yeoh & Jeong 1995).

4.5.4 Market orientation

Market orientation is a multi-dimensional concept of organizational behavior defined by company's knowledge about the market (customers, competitors, external environment) (Akimova 2000). This specific capability let company react effectively on changes on the market (He et al. 2012).

To measure the level of market orientation I used method which was performed in the research of Subramanian & Gopalakrishna (2001). I have chosen two dimensions which were developed by Narver & Slater (1990): customer orientation and competitor orientation. Long-term focus and growth/profit emphasis were included in other sectors of survey.

The following questions relate to the customer orientation of the company, understanding customer needs and measures assumed by companies to attract consumers:

- *What is important for your customers, what do they need?*
- *Do consumers recognize your products in the shops?*
- *Do you perform any marketing research?*

Based on answers to these questions, we can understand if preferences of consumers and demand influence on export performance.

There is question related to competitor orientation:

- *Do managers of the company pay attention to competitor advantages and strategies?*

4.5.4.1 Export channel

Export channel structures are defined by Covin & Slevin (1991) as the coordination of workflow, communication and relations with authorities within the exporter-distributor relationship (Robertson & Chetty 2000). Export channel is the third element included in contingency framework.

Export mode or export channel is considered as direct and indirect. Direct export channel is assumed to be through companies-owned office abroad. Indirect export can be considered to be through agents, wholesalers, distributors, dealers, resellers (Hessels & Terjesen 2008). In addition to this, respondents are asked to explain their motivations for using services provided by intermediary; this method of export channel analyses was used in research performed by Hessels & Terjesen (2008).

The following questions are included in the survey regarding export channel:

- *How do you define export channel of the company? (Direct/Indirect)*
- *Which type of intermediaries does the company usually use?*
- *What are motives to use intermediaries by the company?*
- *Does the company have long-term business partner relationships with intermediaries?*
- *What is important for you in relations with your intermediaries in export channel?*

The choice of intermediaries and motivations for that could influence on the choice of company where to sell products on the domestic market or abroad. In addition to this, there are elements of strategy, such as sharing risks and cost related to distribution of products, as a possible challenging issue for fishing companies.

4.5.5 External working conditions

To measure external working conditions several methods were used, performed by Jaworski & Kohli (1993), Robertson & Chetty (2000), Rose & Shoham (2002) and Hessels & Terjesen (2008).

First, estimation of environmental hostility for domestic and international markets performed by Robertson & Chetty (2000). Second, evaluation of favorability of the external working conditions on the domestic and international markets, used by Hessels & Terjesen (2008):

How would you characterize external working conditions on the domestic/international markets within which the company operates, in case of the following criteria?

- *Risks to perform business operations*
- *Collaboration with intermediaries in case of payments for cargo*
- *Market conditions (favorable/unfavorable)*
- *Quality of government regulation with respect to business (favorable/unfavorable)*

- *Access to investors and banks (favorable/unfavorable)*
- *Presence of relevant customers (favorable/unfavorable)*
- *Presence of relevant suppliers (favorable/unfavorable)*
- *Other (specify)*

Third, assessment of technological turbulence. Technological turbulence is one of moderating variables, suggested by Jaworski and Kohli (1993), Rose & Shoham (2002) to evaluate the influence of external environment on relationship between market orientation and export performance:

- *How would you characterize technological turbulence in the industry?*
- *Is technology in fishing industry is changing rapidly?*
- *Do technological changes provide big opportunities in fishing industry?*

In addition to this, there are general questions about external working conditions of company:

- *What moderates your activity?*
- *What is important for you to have successful business performance?*

The main sections of this survey are concluded by question regarding profitability:

- *How can you characterize profitability of the company?*

Profitability is sensible question for any company, that is why this question is asked in the end of interview, especial, when managers are more relaxed and open for conversation and for sharing with information.

5. Review of obtained results

"We are not fools, we got lost in the direction that we are given"

Manager of the fishing company

Interviews with managers of five fishing companies were carried out in Murmansk in March 2014. This section of the paper presents obtained results.

5.1 Background information about companies

Table 11 – Background information about substantive activities, vessels, harvested species and main products of five fishing companies taken part in the survey

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
1. Substantive activities of the company	fishing	fishing and processing	fishing	fishing and scientific activity	fishing
2. Number of fishing vessels owned by the company	two modern trawler freezers	four vessels: three trawler freezers, one is purse seiner	three trawler freezers	two longline vessels	one trawler freezer
3. Customs status of vessels owned by the company	in bond	in bond	released from bond	released from bond	released from bond
4. Quotas owned by the company for harvesting marine biological resources	* bottom species: cod, saithe (30 % of national quota), haddock; * pelagic species: herring and mackerel	* bottom species: cod, haddock, saithe halibut, wolffish, flatfish, perch; * pelagic species: herring, blue whiting, capelin	pelagic species: blue whiting, capelin	bottom species: cod, haddock, wolffish, halibut, flatfish	pelagic species: herring mackerel
5. Products turned out by the company	* headed and gutted frozen cod, saithe, haddock; * frozen herring and mackerel	* fillet (85 % of cod, haddock, saithe and herring is processed in fillet); * headed and gutted frozen cod, haddock, saithe, halibut, wolffish, flatfish, perch, herring, blue whiting;	* frozen blue whiting and capelin; * headed and gutted frozen blue whiting and capelin	headed and gutted frozen cod, haddock, wolffish, halibut, flatfish	frozen herring and mackerel

Information presented in Table 11 illustrates that fishing is a substantive activity for five companies, which took part in the research. Company 2 mentioned processing as additional activity; processing is carried out on board of vessels in the sea and by processing plant, which belong to company. Company 4 performs scientific activity further to fishing.

These five companies were asked whether they sell fish and fish products on export or on domestic market. All companies confirmed to sell fish to domestic markets. Current activities of the four companies include export to different extents. Company 5 had been exporting fish for several years ago.

All companies possess fishing vessels. Fishing vessels of most of them are representative of fishing fleet in Murmansk region with the average age around 25 years. Four companies own freezing trawler, company 2 has purse seiner freezer in addition to trawlers. Company 4 uses two freezing long-liners in fishing. When it comes to taxation, the customs status of the fishing vessels, belonging to three companies out of five, is released from bond. Companies 1 and 2 have not paid customs duties. They explain their decision as the following: *“our vessels base in ports of Northern Norway, location is very convenient for us as close to fishing areas and it is more cost efficient than to deliver catches in nearest port in Russia, Murmansk”*.

Two of five companies specialize only in fishing of pelagic species; company 3 has quotas on blue whiting and capelin, company 5 harvest herring and mackerel. The rest companies have quotas on harvesting of bottom species such as cod, haddock, saithe, halibut, wolffish, flatfish, red fish; company 1 and 2 have also quotas on pelagic species, as herring and mackerel, blue whiting and capelin.

Headed and gutted frozen bottom fish mentioned above are products that fishing companies 1, 2 and 3 deliver on shore, frozen pelagic species are the main products of companies 3 and 5. Company 2 performs more complex processing of fish; the company produce fillet of cod, haddock, saithe and herring on the board of the vessel in the sea, this is 85 % of catches of these species. In addition to this company 2 uses wastes of processing: cod liver is canned, heads of cod and blue whiting are frozen, roe of cod and haddock, tongues of cod are frozen and sold as well. Company 2 delivers chilled and fresh capelin, herring and blue whiting.

I asked managers of fishing companies why they have chosen this segment of market. Company 1 explained that it is more profitable for them to sell headed and gutted frozen fish; they specified that

from 3 ton of fresh cod could be produced 2 ton of headed and gutted cod or 1 ton of fillet. Moreover, company 1 states that there is always demand on headed and gutted frozen fish, while demand on fillet is fluctuating and it makes it more risky to produce it. In addition to this company 1 argues: *“Fishing and processing of fish are two different types of activities with different targets, instruments how to get it and factors which influence on that. Everybody should perform their own activity successfully and being responsible for the results. We are fishing company and our target is to catch as much resources as possible within quota during a short period of time and to sell it.”*

Company 2 expressed another point of view regarding the choice of products. They produce diverse range of products, but the main is fillet of white bottom fish, and for them it is profitable. The quality of fillet is high as produced in the sea, they emphasize it as competitive advantage, which makes possible to sell fillet at good price; and they do not have problems with distribution of this product on the market.

The choice of company 3 is different and managers underlined that *“demand on pelagic species such as blue whiting, capelin is high on domestic market, and the traditional view of this product on shops, which consumers used to, is frozen or chilled. Thus, it is economic efficient for us to deliver this kind of products, moreover there is not so big variety of processing which could be made over these pelagic species”*. Manager mentioned that processing will increase additional value of fish products and consumers will have to pay for that. Consequence of increasing prices is probability to lose some consumers as blue whiting, capelin are budget products.

Company 4, which is fishing by longline, states : *“We find it profitable and economic efficient just to make frozen headed and gutted fish and not to process it further due to the tough competition on low price fillet market. Quality of our products is high and there is demand on it on the market”*.

Manager of company 5 answered that there is demand of their products and they have constant consumers, processing plants, which need high quality raw material for the following processing. *“Thus it is profitable for us to deliver and sell frozen herring and mackerel”*. Manager told us that he had an experience of producing fillet of cod, herring in previous times, company exported products to USA, and they had one bulk purchaser who was interested in their products and paid good money for that. Company produced fillet specifically for this consumer. There were economic interests of that.

5.2 Export performance of fishing companies

Table 12 – Export markets and exported products by five fishing companies

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
1. Exported products	frozen headed and gutted cod, saithe and haddock (50 % export - 50 % domestic); Herring (30 % export - 70 % domestic); mackerel (60 % export - 40 % domestic)	26 % of products are exported, 40-53 % of these is fillet (72-92 % of produced fillet), the rest is chilled or frozen headed and gutted bottom white fish and frozen pelagic	about 5-10 % of blue whiting	headed and gutted frozen cod, haddock, wolffish, halibut, and flatfish. tough to tell about volumes, but less than 10 %	nowadays nothing, previous time - 100 % of fillet of cod
2. Main export markets	can not specify export markets, prices from traders and demand define where to sell	Spain, Great Britain, Iceland, Norway, Denmark, Japan. Great Britain is very important market for export, as well as Poland and France	Nigeria	Sweden, offers from Great Britain and Canada	several years ago USA

I asked fishing companies what define their choice whether to sell fish abroad or on domestic market. Managers of these five fishing companies underlined that demand and supply on the market, offered prices by bulk purchaser and traders are factors, which have significant influence on their choice (Table 12). Company 2 specified the decision making process: *“first, we compare prices on foreign and domestic markets on products; then if prices on foreign markets are higher we carry the proposal of traders and export products, whether prices are higher on domestic market we sell products in Russia”*.

The majority of interviewed managers of fishing companies told that export profitability is essential criteria when assessing the performance of company as an exporter.

5.3 Strategic orientation

Table 13 – Characteristics of innovativeness: emphasis on products, plans to produce something new, modernization of equipment by five fishing companies

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
1. In general, company favors emphasis on products which...	have been tried and proven in the industry	have been tried and proven in the industry	have been tried and proven in the industry	have been tried and proven in the industry and the company is interested in development of new, for the company, types of fish products	have been tried and proven in the industry
2. Plans to introduces new products in the near future	no	no	no	yes	no
3. Modernization of equipment in the last years	yes	yes	yes	yes	yes
4. Modernization that has been done	* two cost effective trawlers were built in the beginning of 2000's; * one trawler freezer is built now	modernization of technical and processing equipment on vessels	* new modern cost effective trawler freezer is built now * modernization of technical and processing equipment on vessels to increase cost-efficiency	* new longline vessel is built now * modernization of technical and processing equipment on vessels to increase cost-efficiency * looking for new equipment to produce mince of cod heads	modernization of technical and processing equipment on vessels to increase cost-efficiency

Data from Table 13 illustrates that the majority of interviewed companies turn out and market products which have been tried and proven in the industry. Only one company mentioned that they consider the option to produce mince of cod heads.

Regarding modernization performed, the majority of respondents gave positive answers. Managers of all five fishing companies noticed that there was modernization of technical and processing equipment on vessels to increase cost-efficiency of their fleet. Three of five fishing companies build new vessels now to replace some old vessels. Companies 1 and 3 have their vessels built on foreign shipyards with foreign equipment. Company 4 has its vessel built on Russian shipyard with foreign equipment.

I asked managers of fishing companies how can they characterise technological intensity in the industry within which they operate. The common answer was that technology in fishing industry is changing rapidly and these changes provide big opportunities for the industry. The manager of company 5 added that there is a tendency to change vessels and equipment towards higher cost-efficiency. The manager of company 1 supported this idea; he stated: *“Modern vessels are not only productive but also cost-efficient in comparing with vessels built 10-15 years ago and, no words, 20-30 years ago”*.

Table 14 – Characteristics of pro-activeness: responds to actions of competitors, competitive advantages of five fishing companies

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
1. In dealing with competitors, the company...	responds to actions which competitors initiate, such as new products	responds to actions which competitors initiate, such as new products	responds to actions which competitors initiate, such as new products	responds to actions which competitors initiate, such as new products	responds to actions which competitors initiate, such as new products
	is not seldom business to introduce new operating technologies	is seldom business to introduce new operating technologies	is seldom business to introduce new operating technologies	is not seldom business to introduce new operating technologies	is not seldom business to introduce new operating technologies
2. The main competitive advantage of the company	quality of products	quality of products	quality of products	quality of products	quality of products

From Table 14, we can see that majority of analysed fishing companies in dealing with competitors respond to actions which competitors initiate, such as new products, changes in prices; and are not the first who introduce new operating technologies. However, company 1 was one of the first who began to replace old non-effective fleet by new modern cost-effective fishing vessels. Company 4 states that long-line fishing is effective, environmentally friendly and less harmful on exploited fish stocks as well as other benthic species, compared to trawling. This company tries to promote this idea, and to get scientific support to their views.

The main competitive advantage underlined by fishing companies taken part in the survey is the quality of their products.

Managers of analyzed fishing companies were asked to answer the question: “*How can you characterize overall strategic orientation of the company?*” Business expansion and development, modernization of fleet and equipment were most frequently mentioned answers. Companies 1 and 3 in addition to these directions mentioned building of new cost-effective vessels. Company 4 added development of new segments of market such as sales of fish heads and mince of fish heads, and effective use of resources performing long-line fishing.

5.4 Market orientation

Table 15 – Market orientation of fishing companies, their understanding of customer needs and recognizing of their products by consumers and attention to competitor advantages

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
Customer orientation					
1. Understanding customer needs	* quality is important; * for mistress in Russia gutted fish with head is the most valuable	* quality of is important; * species used for fillet and size of fillet depends a lot on markets	* quality is important; * there is culture of consumption and cuisine	* quality is important; *marketable appearance of products is very important	quality is important
2. Recognizing of products by final consumers	---	consumers know our products, we have a trademark, sales cases with trademark in some grocery trading networks	consumers in Murmansk know our company and can recognize our products	---	---
3. Performing of marketing research	this is performed by our commission buyer	performed by trader mostly; our allied company, analyze situation on the market and dynamic of prices on core products	analyzes of situation on the market and dynamic of prices on core products	analyzes of situation on the market and dynamic of prices on core products	analyzes of situation on the market and dynamic of prices on core products
Competitor orientation					
4. Attention to competitor advantages and strategies	we do not pay a lot of attention to that, the company do not feel competition	competition is between our traders because of the quality of fish products	mostly attention is paid on volumes of fish which will be presented on the market and possible impact of changes in prices on that	attention to competitor advantages	attention to competitor advantages

Data in Table 15 illustrates that the interviewed managers of the fishing companies understand that the quality of their products is a significant factor. Company 1 mentioned that for housewives in Russia gutted fish with head is the most valuable and appropriate product for cooking as it can be used for different purposes and this product is cheaper than for example fillet or another fish product with value added. Company 2 underlined that there is range of species used for fillet and different size of fillet, everything depends a lot on markets and final consumers because preferences are different from country to country. Company 3 supported thoughts of manager from company 1, *“you need to know culture of consumption and cuisine for better understanding of products which will be in demand”*. Company 4 underlined marketable appearance of products as a significant factor for consumers.

Company 5 gave me an example, when they sold fillet of cod to USA, quality of products was very important as there was a very strong quality control check. To get better results and quality of products, all equipment for producing fillet and all employees responsible for processing were changed to Icelandic one. Nowadays, company 5 supplies frozen herring and mackerel to processing plants in Russia, but there is a high quality control as well.

To the question, *“How recognizable are your products by final consumers?”* company 2 answered that they have a trademark and there are sales cases with their trademark in some grocery trading networks. *“This attracts consumers, our trademark is well known in Murmansk and some other places in Northwest Russia”*. Company 3 mentioned that the name of their company is well known in Murmansk and consumers can recognize their products by the name of supplier. Other companies did not comment on this question.

Majority of analyzed fishing companies monitor situation on the market, dynamic of prices on core products. Companies 1 and 2, which have active export performance, mentioned that their intermediaries perform marketing research because they are interested in distribution of products with best price and in searching of potential clients.

About the competitor orientation, there are the following results. Company 4 and 5 answered that there is competition in the industry and they pay attention to competitive advantages and strategies. Company 3 mentioned that they monitor possible volumes of fish, which will be supplied on the market, and impact of that on prices. Company 2 answered that the main competition is between traders who want to buy their fish, quality of products is high and there are always several traders

interested in it. Company 1 made a point that they do not feel competition and thus do not pay a lot of attention to other companies working within fisheries.

5.4.1 Export channel

Table 16 – Characteristics of export channel used by fishing companies in distribution of their fish and fish products abroad

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
1. Export channel structure used by company (direct/indirect)	indirect	indirect	indirect	indirect	indirect
2. Intermediaries usually used by company	foreign commission buyer	trader from Denmark	traders from Great Britain, India, Egypt	bulk purchasers	was bulk purchaser from USA
3. Long-term business partner relationships with intermediaries	we do not have permanent intermediaries in export channel	*we have long-term relationship with our trader; * presence of permanent business partner is very important for us	there is up and running supply chain to Nigeria, we did not try to organize direct supply to this country	---	established communication with bulk purchaser from USA since time working in Sevriba
4. Important factors influencing on successful relations with intermediaries	ability to pay for orders within a short time	* reliance and trust; * payment for orders within a short time	* reliance and trust; * payment for orders within a short time	* reliance and trust; * payment for orders within a short time	* reliance and trust; * payment for orders within a short time

I asked fishing companies some questions regarding their export channel structure. Majority of companies characterized their export channel as indirect. Data in Table 16 illustrates that companies use intermediaries such as commission buyers, traders and bulk purchasers. Companies 2, 3 and 5 established long-term relationships with intermediaries. Company 3 specified that they are not able to enter the Nigerian market on their own to sell fish and fish products directly to this country because there are up and running supply chain to Nigeria through traders from Great Britain, India and Egypt. Company 1 commented that they do not have permanent intermediaries in export channel. Company 4 did not specify anything.

Important factors influencing on successful relations with intermediaries underlined by the majority of respondents were reliance and trust, payment for orders within a short time.

Managers of analyzed companies were asked to point out motives of usage intermediaries in exporting of products. Common answers were the following: to find customers abroad; to reduce risk and uncertainty which associate with operations abroad; to save costs for drafting agreements with consumers abroad; to save costs for carrying out market research.

5.5 External working conditions

Table 17 – Characteristics of external working conditions on domestic market within which fishing companies operate

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
1. Risks to perform business operations	high risks	high risks	high risks	high risks	high risks
2. Quality of government regulation with respect to business	inconstancy and uncertainties in regulation	inconstancy and inconsistent regulation	inconstancy and inconsistent legislation	inconstancy and inconsistent legislation	inconstancy and inconsistent legislation
3. Market conditions	inconsistent, inconstant spontaneous	* inconsistent, inconstant spontaneous * business environment aggressive	inconsistent and spontaneous market makes marketing a big challenge, thus “the main problem for us is not to catch fish but to sell it”	inconsistent, inconstant spontaneous	inconsistent, inconstant spontaneous
4. Access to investors and banks	unfavorable	---	unfavorable	---	---
5. Collaboration with intermediaries in case of payments for cargo	long and sometimes unpredictable period of payment for cargo	in most cases payment for cargo is impossible to get in short period, it can be extended to 6 months	period of payment for cargo is very long.	---	---
6. Presence of relevant customers	favorable	favorable	favorable	favorable	favorable
7. Presence of relevant suppliers	unfavorable	unfavorable	unfavorable	unfavorable	unfavorable

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
8. Other	dominating environment where initiatives of companies count for very little against political, technological and other forces	---	want to be protected by the Government in order to have less competition on domestic market with low priced and low quality fish products imported from other countries	---	---

The overall external working conditions on domestic market are characterized by fishing companies as inconsistent and inconstant, which moderate their business performance. There are high risks of performing business operations on domestic market and this is, as explained by fishing companies, consequences of inconstancy and uncertainties in regulation and inconstant spontaneous market conditions (Table 17). Manager of company 3 summarized all these cases: *"We are not fools, we got lost in the direction that we are given"*.

Company 1 commented on favorability of access to investors and banks. Company 1 explained it as the following: *"We take credits in foreign banks as the crediting period is bigger about 8 years versus 5-7 years in Russia. Interest rate in Russia is higher than in foreign banks, but the difference is not so big. The Russian Government supports fishing companies and subsidies 2\3 of credit interest rate and this make credits competitive. However, this program is prolonged every year, for a short period of time, which makes it difficult for fishing companies to have long-term investment projects"*. Manager from company 3 supported the same idea.

As it was mentioned earlier, the payment period for products is lower when fishing companies sell fish abroad. *"Deferred payments for cargo on domestic market leads to decrease in cash flow of the company and has a negative impact on current financial situation of the company, decrease opportunities within business activities"* – judgment of manager from company 3.

Managers of fishing companies mentioned unfavorable presence of relevant suppliers on domestic market. They evaluated it in terms of specific equipment for fishing vessels and processing activities. Those new vessels, which build now by analyzed fishing companies, will be equipped up to international standards.

In spite of the fact that there are challenges in external working conditions of fishing companies, managers underlined presence of relevant customers on domestic market which motivate them to sell fish on domestic market.

Table 18 – Characteristics of external working conditions on international market within which companies operate

Characteristics	Company 1	Company 2	Company 3	Company 4	Company 5
1. Risks to perform business operations	lower than on domestic market	lower than on domestic market	lower than on domestic market	lower than on domestic market	lower than on domestic market
2. Quality of government regulation with respect to business	* regulations abroad are more clear and it is easier to follow them * protection of interests	constant regulation	constant regulation	---	---
3. Market conditions	more consistent and constant than domestic market	more consistent and constant than domestic market	more consistent and constant than domestic market	more consistent and constant than domestic market	more consistent and constant than domestic market
4. Access to investors and banks	favorable	---	favorable	---	---
5. Collaboration with intermediaries in case of payments for cargo	period of getting pay for shipped goods is short	ability to pay for cargo in short time	ability to pay for cargo in short time	---	---
6. Presence of relevant customers	favorable	favorable	favorable	favorable	favorable
7. Presence of relevant suppliers	favorable	favorable	favorable	favorable	favorable

Data from Table 18 illustrates that managers of fishing companies characterize external working conditions abroad as more favorable for business performance with risks lower than on domestic market, related with fluctuations of prices on fish and fish products.

I asked companies to point out what are other factors, which moderate their activity as exporter. Company 1 and 2 mentioned that there are some challenges, which they face when deliver fish in Norwegian ports for temporary stock of products in rented cold storage units. *“We have to pay to*

Norges Råfisklag 1.2 % of cargo value, and this happens in spite of the fact that we do not transport or export our products through Norway”.

Managers from company 3 and 4 mentioned that veterinary service of the Russian Federation is a moderator, because control of this service is too tough and there are big costs coming from that. *“We pay for this service, there are costs concerning vessel demurrage and payments to ports while all procedures of checking are performed”.* Manager from company 3 added customs and border services, which moderate their activity because there is some misunderstanding in procedures and responsibilities of these services, changes in regulation of some procedures.

Constancy in legislation and market conditions are important factors considered by fishing companies for successful business performance.

In addition, the last question concerning business performance of fishing companies was *“How can you characterize profitability of the company?”* Managers from company 1 and 2 told me that fishing is profitable business with profitability of sales about 20 %. This is supported by data about payback period of investment projects. For company 1, which is building new vessel, it will be about 1-2 years; for company 3, which also invested money in new vessel, pay-back period of this project will be about 3 years. Other companies did not comment on their profitability rates.

Finally, I asked each fishing company taking part in the survey to express their point of view regarding the State Program of the Russian Federation “Fisheries Complex Development”. Managers underlined that the Government of the Russian Federation is interested in the development of marine bio resources on 100 %; provision employment; supply of high quality fish products and products from other marine bio resources; increase in effectiveness of fishing vessels; development if fishing sector overall.

One of the priorities of the government is to increase volumes of products with the profound degree of processing including fish products, which are exported by fishing companies. Company 1 argued *“There is a question how to interpret the term processing, what is low and profound degree of processing. Which document regulates what are products with profound degree of processing and high value added? Yes, you can make fillet. However, is it high or low degree of processing? Consumers pay high value added of products”.* The question, which he raised as well, was the purchasing power

of consumers in Russia. *“Is the the purchasing power of population is high enough to buy traditional products with higher degree of processing with higher prices?”*

In addition to this, manager from company 1 stated that fisheries and processing of fish are two different types of activities; they have different targets. *“The target of the fishing operation is to catch as much fish as possible during a short period of time, they are interested in getting income during short period to finance current activity; the target of a processing plant is to buy raw material on the lowest price and their activity is influenced by demand and supply on the market”*. Moreover, he mentioned that processing is not as effective as fisheries, fishing vessels are on the first place and processing is on the second place.

The same question was discussed with companies 2 and 3. Manager from company 2 expressed his feelings: *“market is the main instrument which influence on decision making process of companies what to produce and where to sell it, because company is one who has financial risks as a consequences of these decisions”*. Company 3 supported this point of view and mentioned that there should be analyses, which fish can be processed deeper and which are not.

On the same time, company 5 contradicted *“headed and gutted frozen fish, especially cod, is a waste of resources; low degree of processing can be explained by the fact that there are big quotas, companies earn money on volumes of sold fish; old equipment on vessels, owners do not want to invest in new vessels and equipment”*.

Manager from company 1 commented on possibilities of replacement old fishing vessels with new one: *“It is a good plan to modernize the fishing fleet, but there are no available resources for that. I mean that banks in Russia do not offer credits for the long period, fishing sector has high risks and for banks, we are not the best clients. In addition to this, possible changes in quota allocation system from 2018 makes this situation even more unpredictable as there is no 100 % sure that all credits can be returned back to banks in the end of credit period. The governmental program with subsidies of the credit interests for fishing companies is prolonging every year, but this makes it uncertain for companies will they have this support next year or not. Moreover, shipyards in Russia historically were not focused on building of fishing vessels”*.

6. Discussion and Implications

The theoretical framework presented in this thesis (Figure 5) includes three multidimensional factors, which could have influence of export performance of the fishing companies in Northwest Russia, the Murmansk region in particular. These factors are *strategic orientation, market orientation and external working conditions*. I will follow this framework and the flow chart of Figure 5.

6.1 External working conditions of fishing companies

*“How to play the game, when rules of the game
are changing and not completely known?”*

Peng et al. (2008, p.924)

Vasilyev (2013b) emphasizes that fisheries is a specific sector of economy. The fishing industry is a complex and important sector within the coastal regional economies.

An overview of the results of this study illustrates that the quality of government regulation with respect to business in fishing industry in domestic market is inconstant and uncertain in some cases. This is discussed further.

The Russian Federation government underlines the importance of the fishing industry, emphasizing processing, development of processing capacities and, increased rates of fleet renewal. As previously mentioned, the approved “Fisheries Complex Development Strategy of the Russian Federation for the period up to 2020” (Order of Rosrybolovstva of 30.03.2009 №246), set the conditions for increasing extraction efficiency of aquatic biological resources can be achieved by changing fishery complex from export of raw materials to the innovative type of development on the basis of preservation, reproduction and rational use of living aquatic resources providing international competitiveness of domestic products produced by fishing sector. Stimulating measures of these activities are subsidies to fishing companies and fiscal expansion.

However, some changes in the regulation of the fishing industry do not support but moderate activities of enterprises. For example, obligatory delivery of marine biological resources caught in the territorial waters and 200 nautical miles zone of the Russian Federation since 2009, had a target to support processing industry in the coastal regions and to decrease the level of illegal, unreported and unregulated fishing, and decrease volumes of exported low processed fish products. But the target was

not achieved in all coastal regions of the Russian Federation, due to specificity of each region and fishing activities there.

As it was underlined earlier, 25 % of fishing activity is performed by fishing companies of the Murmansk region in the territorial waters and 200 nautical miles zone of the Russian Federation due to specific conditions and fishing zones in the Northern basin of Russia. Thus, this measure of obligatory delivery of marine biological resources discussed above, could have negative impact on the economic efficiency of the fishing companies operating within the Northern basin of Russia, since there are additional costs related to transport and harbour costs as well as the time spent for different procedures. These measures are significant to coastal fishery of the Murmansk region but not to the industrial fishery.

Suggested abolishment of tax concessions for companies exported marine biological resources with low degree of processing, is also a measure which could moderate rather than stimulate fishing companies. One point here is that this term profound degree of processing of marine biological resources does not have any definition in the current legislation, so it is difficult to decide is this fish product with profound degree of processing or not. Another point here, is that profound degree of processing could be made if it is economically efficient and profitable to fishing companies as well as processing plants. As it was underlined by respondents of the survey market defines what to sell and where to sell.

Another example of changes in regulation of fishing industry is a quota allocation system. Nowadays, quota allocated for 10 years based on historical principle, taking into consideration volumes of catches in previous years. Before that, there was auction system, which has more negative than positive aspects for fishing companies. In the future, in 2018 quota allocation system will be reconsidered again. And usual question from fisherman now, what to wait from that.

In addition to this, the main Law regulating the fishing industry in the Russian Federation, The Federal Law №166-FZ “On Fisheries and Conservation of Aquatic Biological Resources”, was implemented in 2004, and the regulations of the fishing industry is still in the process of development. These make the working conditions unclear and unsteady for the fishing companies operating in the domestic market.

These unfavorable situation has historical causes. After the collapse of the Soviet Union the former fishing sector was demolished by privatisation processes. From being a well organised complex

including the whole chain from harvesting of resources to delivery, processing, transportation, distribution and marketing (Vasilyev & Kuranov 2001), the sector now became fragmental and unorganised. The situation today is consequence of these processes in the past.

One of the managers characterised the domestic market as inconsistent and spontaneous, what makes marketing a big challenge, thus *“the main problem for us (fishing companies) is not to catch fish but to sell it”*.

Another manager of a fishing company from the Murmansk region characterized external working conditions on domestic market as *“dominating environment, where initiatives of companies count for very little against political, technological and other forces”*.

In addition to challenges related to legislation environment, an overview of results illustrates that there are several economic external aspects which influence on strategies of fishing companies and their market orientation.

From an economic point of view, high risks of performing business in the Russian Federation could be explained at least by economic crises in Russia in 1993, 1998 and 2008. These had negative impact on the working conditions of all enterprises. It had influence on strategies of fishing companies, and working abroad was one of the opportunities to survive and safe business.

The main issues related to economic factors of external working conditions are availability of financial resources like investments and bank credits and collaboration with intermediaries in case of payments for cargo. Several managers underlined that the situation with availability of financial resources is less favorable on domestic market than on international market due to the level of credit interests and crediting period. These forces fishing companies to take credits in banks from abroad, it also make easier some processes in cooperation with foreign partners.

About payments for cargo, is a sensitive question to any commercial enterprises, as defines cash flow of company and possible opportunities as consequences of that. So, based on answers of managers from fishing companies, for them it is one of important factors in determining possible contacts with consumers.

Technological turbulence is a dimension that was included in analyses of external working conditions of fishing companies from the Murmansk region. The managers mentioned that technological intensity

within fishing industry is high and it has direct impact on efficiency of fishing companies. First, they mentioned that modern fishing vessels are more cost-efficient than those build ten and twenty years ago. As we have seen from the statistical overview, the average age of fishing vessels from the Murmansk region is about 25 years (Table 4). As a strategy, fishing companies consider renewal of their fishing fleet, but as they underlined, unfavorable situation with availability of financial resources and suppliers of equipment, makes it more complicated. In addition to this, short credit period and changing situation with quota allocation moderate fishing companies to start long-term projects.

The overall external working conditions on domestic market are characterized by fishing companies from the Murmansk region as inconsistent and inconstant, which moderate their business performance. There are high risks of performing business operations on domestic market and this is, as explained by fishing companies, consequences of inconstancy and uncertainties in regulation and inconstant spontaneous market conditions. Based on theoretical approach recommended by Yeoh & Jeong (1995) and used by Robertson & Chetty (2000), research, external working conditions on the domestic market of fishing companies from the Murmansk region could be evaluated as hostile and based on results of the survey unfavorable.

External working conditions on international markets are benign, more favorable and less risky in comparing with domestic market, as fishing companies from the Murmansk region evaluated it.

In spite of strategies and objectives stated by the companies, without structural knowledge and a predictable framework, it is difficult to perform well in business activities.

I hypothesized that external working conditions exert influence on fishing companies in their strategic and market orientations. Based on discussion performed above, external working conditions of fishing companies of Northwest Russia, specifically the Murmansk region, have significant impact on decision-making process of fishing companies in case of exporting, choice of markets and overall strategy of commercial enterprises.

6.2 Market orientation of fishing companies

Market orientation was defined by Hessels & Terjesen (2008) and He et al. (2012) as a specific and valuable resource of exporting company, which consist in knowledge about customers, competitors and external environment of a domestic and export markets. Rose & Shoham (2002) studied an empirical link between export performance and market orientation. There are three dimensions of market orientation that have been taken into consideration: consumer orientation, competitor orientation, choice of export channel structure.

Profitability is an important criteria for fishing companies when they evaluate their export performance nowadays. Decisions of managers where to sell and what to sell are defined by economic efficiency and level of profitability for each specific operation. In comparing to that, in the Soviet Union period of the planned economy, fishing companies were oriented on achieving plan fulfillment. The change towards the more market-based type of economy today, from plan adherence to rational economic behavior, is an important change.

The survey results illustrate that the majority of managers from the analyzed fishing companies are oriented toward market prices, which according to them, is the most important when identifying domestic or international markets to target.

Intermediaries, bulk purchasers and traders of the analyzed fishing companies all carry out market studies. Vasilyev (2013a) underlined that there is no research of foreign markets in Russia and governance of foreign trade of marine biological resources, in comparing with Norway.

Managers of fishing companies expressed their understanding of customers' needs and preferences. Moreover, fishing companies underlined that the most important factor for customers is quality of the products, which they try to make their competitive advantage. However, it should be distinguished between domestic and export markets as the processors are known by the consumer in the local market, while export markets are reached through intermediaries that block out market downstream information to the suppliers (Russian fishing companies). Based on that, it can be concluded that there is no consumer orientation, but a rather strong customer orientation of fishing companies of the Murmansk region.

One company mentioned however that they pay attention to marketing of products to make it recognizable and more attractive for consumers on the market. It could be explained by the fact that this company targets retail sales in addition to wholesale distribution. Wholesale distribution is the common way of selling fish among fishing companies.

Managers expressed their opinions about profound degree of processing, the significance of which is underlined by the Government. One of the things, which they mentioned against this initiative, is that purchasing power of population on the domestic market is not so high as on export markets. Thus, if fishing companies start to produce fish products with profound degree of processing, there are high risks that the demand on these products on the domestic market will be low. In addition to this, there are many competitors on international markets, with such fish products as fillet, salted and smoked fish with lower prices; it will be difficult to compete with them. Fishing companies analyze economic risks and economic efficiency of introducing new types of products.

In spite of some fishing companies expressing that there were no competition within the industry, my impression was that they to a greater degree are competitor oriented. Fishing companies select products that are easier to sell on different market. Such products nowadays are frozen headed and gutted fish. As we have seen from statistical data, it is about 62 % of exported fish products (Table 7). The share of these products in the structure of export is decreasing from year to year and interchange by fillet. However, it has the major share in comparing to other fish products.

This tendency is explained also by the rate of fleet and equipment modernization, which makes it more efficient to produce fillet on board of vessels. Based on discussion related to external working conditions, these processes are however not developing very fast.

The third dimension of market orientation considered in this study is the selection of export channel structure.

Most of the fishing companies taking part in the survey use services provided by intermediaries in exporting, indirect export channel structure. The main motives for using intermediaries in exporting are: to find customers abroad; to reduce risk and uncertainty which associate with operations abroad; to save costs for drafting agreements with consumers abroad; to save costs for carrying out market research.

Selection of intermediaries is based on trust to them and ability to pay for cargo in short period of time. Most analyzed fishing companies have constant relations with their intermediaries. Constancy and reliability are two factors defining the success of these relations, based on answers from the survey.

Fishing companies select markets where to sell based on the structure of the export channel, but they are also heavily dependent of their intermediaries. These intermediaries determine where the fishing company will deliver and sell their fish and fish products. This is another reason why fishing companies do not try to change the processing technologies and type of fish products, as there are constant relations with intermediaries, which are interested in specific fish and fish products.

Choice of export markets over domestic markets is visible in the product portfolio of the fishing companies and how different species are directed towards export and domestic markets (Table 12). For example company 3, they export only about 5-10 % of harvested blue whiting, it is explained by the fact that this fish is in demand on the domestic market, in comparing to international markets where this species is not widely used in food consumption.

Another example is company 2, which has different types of fish products and diversification of markets. This company exports 26 % of produced fish products, from that fillet is 40-53 %, the exported fillet is about 72-92 % of produced fillet by this company. The main countries exported this fillet are Spain, Great Britain, Iceland, Denmark, Japan, where fillet of cod is very valuable product and is in high demand. Small share of cod fillet is sold on domestic market, however these volumes are enough to cover demand, the purchasing power of population influence the demand on high priced cod fillet.

I hypothesized that market orientation has an impact on the decisions fishing companies make on export and where to sell fish and fish products on domestic markets. Based on discussion related to this issue, I can conclude that market orientation has an impact on the export performance of fishing companies from the Northwest Russia, specifically from the Murmansk region.

6.3 Strategic orientation of fishing companies

Finally, the strategic orientation is discussed. This factor is influenced by the external working conditions of the company and influences the market orientation of the company on the same time. There are two dimensions of strategic orientation considered: innovativeness and pro-activeness.

The managers of the fishing companies were asked some questions about new products of their companies and the modernization of equipment. The results indicate that the analyzed fishing companies consider producing and marketing fish products, which have been tried and marketable proven in the industry. Fishing companies, modernize their equipment on fishing vessels to increase cost-efficiency of them. Only one company expressed their interest in new equipment for producing new types of fish product. Based on the survey, it could be suggested that overall, the analyzed fishing companies from the Murmansk region cannot be characterized as innovative.

There were questions related to responsiveness of fishing companies to actions of competitors and competitive advantages. Results (Table 14) illustrates that, in general, fishing companies respond to actions which competitors initiate, for example new products or level of prices on fish or marketing actions, which could be related to high risk investment projects. Nevertheless, there are fishing companies that take initiative in other questions like replacement of overage fishing vessels and promotion of long-line fishing as being more cost-efficient, particular in a situation of increasing fuel prices, demand for quality and environmental concern. Based on these data, it could be suggested that, in general, the analyzed fishing companies are reactive.

Robertson & Chetty (2000) analyzed pro-activeness and innovativeness of companies to define their strategic orientation either entrepreneurial or conservative. Entrepreneurial companies are characterized as risk-takers, initiative or proactive and innovative, frequently those who are first producing and marketing new products. Conservative companies in comparing to entrepreneurial, usually have a top-management style, they are risk adverse, passive or reactive, and non-innovative (Robertson & Chetty 2000)

Strategic orientation is influenced by external working conditions, as we have discussed earlier unfavorable and hostile environment on the domestic market force fishing companies from the Murmansk region to operate abroad.

Working experience in the transition period had general impact on decision-making processes. Most of presented in research general managers are in their 70s, they had good working experience in large fishing companies in the period of the Soviet Union and planned economy. They experienced transition period from planned to market economy and these influenced on them as managers of commercial private owned companies, have the same conservative management style throughout years. These psychological aspects could be a factor, which influence of definition of strategy by general managers and could be an issue for additional research.

The analyzed fishing companies prefer projects with low risks, constant and reliable partners and intermediaries, tried and marketed products as well as markets. Export performance is tried and time-honored economic activity which fishing companies used to, they find it economic efficient selling in 50 % frozen headed and gutted fish abroad, which is also less risky than produce fish products with higher degree of processing. Based on theoretical approach, we may conclude that, to a greater extent, fishing companies from the Murmansk region can be considered as conservative.

Market orientation as I mentioned is a part of strategy of the company, and these influence on each other. If strategy is to increase profitability of operations, fishing companies try to sell specific products on the bests offered price and try to find new markets, consumers. On the same time, if company is market oriented, especially consumer oriented, it will try to base its strategy on these issue, sell fish products with higher quality and type of fish products that will be in demand, even sell less in volumes but on higher prices. Marketing works here as well, fishing company should present its products and make consumer understand that consumer really need in it and cannot live without this type of product comfortable. This is also a strategy.

I hypothesized that strategic orientation of fishing companies influences on their export performance. Based on discussion related to strategic orientation of fishing companies, I can conclude that strategic orientation of fishing companies from Northwest Russia, specifically the Murmansk region, has impact on their export performance.

As we can see from presented material, there is interesting situation. Fishing companies are integrated into globalized economy and try to perform efficient economic activity and be market oriented. On the same time, most of them are conservative and do not feel comfortable with innovations in their activities. In addition to this, the Government of the Russian Federation supports fishing industry and

underlines importance of these be efficient, stimulates fishing companies to renew fleet and change the degree of processing. All of these should encourage to the development of fishing industry. From the other hand, these legislation initiatives from the Government are targeted to secure processing industry in coastal regions and interests of the Government, and in some cases, is a moderating factor for fishing companies.

These illustrates ones more time that fishing industry is a complex dynamic system included several subsystems which also have significant impact on development of fishing industry in general and fishing companies in particular.

The research question stated in this thesis is: Does market orientation influence the export performance of fishing companies in the Northwest Russia, by taking into account specific conditions of internal and external environment of companies?

I have discussed and concluded that external working conditions have significant impact on market orientation and strategic orientation of fishing companies of the Murmansk region. In addition to this I have proved that strategic orientation, as an internal factor, influence on export performance of fishing companies. I have discussed and stated that market orientation has impact on decisions of the fishing companies where to sell fish and fish products. Based on this, the conclusion is that the market orientation of fishing companies in the Northwest Russia influence their export performance as they take into account their specific external working conditions and strategic orientation.

The results of the study suggest that the conservative fishing companies in the Murmansk region changed their strategies from plan adherence to rational economic behavior. They base their decisions on what kind of products and where to sell on their knowledge about customers and competitors, taking into account changing working conditions on the domestic and international markets.

6.4 Limitations and future research

There are several theoretical and methodological limitations of this study.

Only export performance of the fishing companies in the Murmansk region of Russia is analyzed. Therefore, my findings cannot be generalized to cover other regions of the Russian Federation or other countries, due to the specific situation in the focused region.

This study only deals with the fishing industry, with its specific features, regulations and environment. Thus the obtained results cannot be generalized to other industries in the same environments (Hessels & Terjesen 2008).

The single informant method may seem appropriate for this kind of studies, but the multi-informant approach can be used in the future research to verify the accuracy of the results (He et al. 2012). Due to single questionnaire used for collected data this study is sensitive to common method bias (Hessels & Terjesen 2008).

Cross-sectional data was used for analyzing export performance instead of longitudinal data. This method was chosen due to time limitations. Cross-sectional data do not give any information on the dynamics of the system, e.g. changes in preferences and performance due to changes in different factors. Longitudinal data provides an opportunity to explore the influence on export performance from different factors, such as decision making, changes in institutional environment, export channel structure and internal factors of companies during the specific period of time (He et al. 2012).

The sample was constrained to fishing companies selected by representatives of the Kola research center of the Russian Academy of Sciences, also taking part in the study. The Kola research center of the Russian Academy of Sciences has had a long-term collaboration with these fishing companies. Without this relation, it would have been very difficult to make any interviews, as a student. The managers of commercial companies usually do not accept to collaborate with students.

In future studies, both qualitative and quantitative research can be carried out. In such a case, the sample size should be increased to increase accuracy. Preferable there should be a random selection of the total population of fishing companies.

As mentioned in the discussion above, also psychological factors could have impact on decision-making processes of the general managers from the fishing companies. In future studies, decision-making process of managers with working experience from the Soviet Union working today, can be compared to decision-making process of managers who have working experience and education received after the dissolution of the Soviet Union.

As underlined in the introductory part, transition processes are still going on, and changes in the minds of people do not happen simultaneously. This makes the presented topics even more relevant today.

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Appendix 1. Structure of export, by countries, of fish and crustaceans, the Murmansk region, during the period of 2006 – 2012, percent

Country	2006	2007	2008	2009	2010	2011	2012
Austria	-	-	1,7	2,2	1,9	2,1	1,9
Belgium	0,1	0,4	1	0,7	0,5	0,8	0,9
Great Britain	17,1	9,4	12,7	14,5	3,9	5,1	13,4
Virgin Islands	6,2	9,8	11,4	12,9	6,5	4,3	1,6
Ghana	-	0,5	1,5	1,6	3,1	3,4	3
Germany	4,1	5	4,5	3,2	3,6	3,8	4
Hong Kong	4,5	6,1	5,6	2,3	2,2	3	4,9
Denmark	1,2	5,1	3,9	2,2	2,7	2,1	4,9
Iceland	1,5	1,3	1,3	1,1	2	0,1	0,7
Spain	2,6	1,8	2,5	3	2,8	0,5	2,8
Cyprus	10	0,3	0,2	2	2,1	1,3	2,3
China	-	10,6	5,2	0,8	1,9	0,4	2,3
Nigeria	9,4	1,1	3,9	1,9	11	4,2	5
Netherlands	15,4	10,6	17,3	23,1	39,7	51,1	36,2
Norway	0,8	16,5	11,5	4,3	6,2	2,5	2,3
Panama	4,8	-	0,5	-	-	-	-
Portugal	7,2	2,4	3,3	3,8	3,5	3,5	4,5
USA	5	12,2	5,6	9,6	3	1,5	0,5
Faroe Islands	0,9	0,6	0,4	-	-	0,1	-
Switzerland	-	-	0,9	0,2	-	-	0,2
Sweden	3,6	2,3	0,9	2,4	1	1,8	1,9
Estonia	0,1	-	-	-	-	1,9	0,9
Japan	0	-	-	0,3	-	-	0,1
Other	5,5	4	4,2	7,9	2,4	6,5	5,7

Source: (Anon 2013)

Appendix 2. A review of literature on theories/frameworks about the export performance and factors influencing on that

Author (s)	Theory/framework	Subjects/research problem	Country and Industry	Analyzed factors	Conclusions
Yeoh & Jeong (1995)	Contingency-based approach	What are the relationships between entrepreneurship, export channel structure, environment and export performance of the company.	-	Strategic orientation (entrepreneurial/conservative): 1. Innovativeness; 2. Risk-taking; 3. Proactiveness	1. Exporting organizations can be divided it two groups regarding to their level of entrepreneurial orientation.
					2. Entrepreneurial exporting firms are supposed to have higher export performance levels than conservative exporting firms.
				1. External environment (hostile/benign)	3. Export performance increase when entrepreneurial orientation correspond to the external environment
				2. Export channel structure (organic/mechanistic)	4. Export performance is growing when there is correspondence between entrepreneurial orientation and export channel structure
Akimova (2000)	Market orientation and competitiveness	The relations between market orientation and company competitiveness in turbulent economic environment of a transition economy	Ukraine	1. Adaptability to changes in the business environment; 2. Competitive advantages; 3. Performance relative to competitors	Competitiveness of companies in the turbulent environment of a transitional economy is related to market orientation
Robertson & Chetty (2000)	Contingency-based approach	Are there relations between export performance and the degree of match between strategic orientation of company and its external environment?	New Zealand, Apparel industry	1. External environment (hostile/benign); 2. Export channel structure (organic/mechanistic)	Entrepreneurial companies could have successful exporting within different environmental conditions and export channel structures. But there is no real performance benefits for entrepreneurial companies when there is a "fit" between strategic orientation, export channel structure and external environment

Author (s)	Theory/framework	Subjects/research problem	Country and Industry	Analyzed factors	Conclusions
Subramanian & Gopalakrishna (2001)	Market orientation and business performance	The relationship between market orientation and export performance in developing country	India, Manufacturing and service firms	<ol style="list-style-type: none"> 1. Five dimensions of export performance: return on capital, new product success and sales growth, ability to retain customers, success in controlling expenses 2. Five dimensions of market orientation: customer orientation, competitor orientation, interfunctional coordination, long-term focus, survival and growth/profit emphasis (Narver&Slater 1990) 3. Moderator variables: competitive hostility, market turbulence, supplier power 	<ol style="list-style-type: none"> 1. Market orientation is a significant predictor of performance. 2. Competitive environment does not have any impact on market orientation - performance relationship 3. In case on India economy, if company is market-oriented, neither competitive hostility, market turbulence nor supplier's power do have impact on performance of companies
Rose & Shoham (2002)	Export performance and market orientation	Influence of market orientation on export performance and impact of competitive, technological and market environment of this relation	Israel, "do it yourself", camping, food, wood and furniture, electro medical, educational games, agriculture machinery and supplies, safety, dental products; medium-sized firms	<ol style="list-style-type: none"> 1. Four dimensions of export performance: export sales and change in it, export profits and change in it; 2. Three components of market orientation: intelligence generation, intelligence dissemination and responsiveness; 3. Moderator variables: market turbulence, competitive intensity, technological turbulence 	<ol style="list-style-type: none"> 1. Market orientation was positively related to change in export sales, export profits and change in export profits. 2. Technologically turbulent environment made impact of market orientation on export profits and change in export profits stronger.

Author (s)	Theory/ framework	Subjects/research problem	Country and Industry	Analyzed factors	Conclusions
Calantone et al. (2006)	Resource-based view and industrial organization-based theory	"The influence of internal and external firm factors on international product adaptation strategy and export performance"	USA, Korea, Japan	1. Export dependence; 2. Openness to Innovation; 3. Industry Adaptation; 4. Market similarity	Product adaptation strategy is positively related to export performance
Peng et al. (2008)	Institution-based view	What are driving forces of companies strategy and performance in international business	India, China	-	Institution-based view supplement industry-based and resource-based theories in explanation of strategic performance of companies, especially in emerging economies
Hessels & Terjesen (2008)	resource dependency and institutional theory	Is the decision of medium-sized enterprises to export and how to export influenced by manager's vision of domestic market and institutional environment?	Netherlands	1. Perceived favorability of the home market; 2. Perceived internationalization of the organization field	Institutional approach (perceived by managers internationalization of the organization field) set forward the decision to export; resource dependency theory (perceived favorability of domestic market it case of access to knowledge , technologies, capital and level of production costs) explain the choice of company which export mode to choose
He et al. (2012)	Resource-based view, market orientation, transaction cost model of export channel choices, institutional distance concept	Export performance is influenced not only by transaction cost factors of export channel but also by resource-based market orientation capabilities and the institutional distance among home and export country	China	1. Export channel choice analysis: export channel, market orientation, institutional environment (regulative distance, normative distance, cultural distance); 2. Export performance analysis: overall export performance, export sales growth, export profitability, achievement of the firm's initial strategic objectives	Companies are more successful in export operations when there is a match between export channel and the level of market orientation capabilities, contingent on distances in institutional environment between home and export markets

Author (s)	Theory/framework	Subjects/research problem	Country and Industry	Analyzed factors	Conclusions
Li & Ding (2013)	Institutional theory	The influence of institutional isomorphic pressure on the export performance of companies in transition economies	China	<ol style="list-style-type: none"> 1. Coercive pressure (Government emphasis on internationalization); 2. Mimetic pressure (Internalization of competitors); 3. Normative pressure (Internalization of business partners). 	Coercive, mimetic and normative institutional pressure have significant effect on exporting. Internationalization strategy is explained not only by economic efficiency but also to gain legitimacy

Appendix 3. Questionnaire used to perform interviews

Section A. Background information about company

1. What are the substantial activities of the company?
2. How many fishing vessels does the company have?
3. Are your vessels in bond?
4. What are the harvest quotas of the company?
5. What does the company produce?
6. Why did you choose this market segment?
7. Has the company sold fish and fish products on the domestic market?
8. Has the company exported fish products?
9. Which factors do influence the choice of the company to export fish products or to sell it on domestic market?
10. What is the current orientation in case of markets?

Section B. Export performance

11. What kind of fish products does the company export?
12. What share of products is exported?
13. What are the main markets abroad?
14. When you assess the performance of your company as an exporter, which criteria are important for you as performance indicators? (Profitability, export sales, percent net profit of export sales, exports sales as a % of total sales, etc.)

Section C. Strategic orientation

Innovativeness

15. In general, the company favors emphasis on products which...
have been tested, and proven marketable in the industry or products that have been recently developed (new products for company, new technologies)?
16. Has company any plans to start production of new products in the near future?
17. Has there been modernization of equipment in the last years?
18. Can you specify what has been done?
19. How would you characterize technological turbulence in the industry?
- 18.1 Is technology in fishing industry is changing rapidly?
- 18.2 Do technological changes provide big opportunities in fishing industry?

Proactiveness

20. In dealing with competitors, the company...
20.1 typically responds to actions which competitors initiate (entering new markets, development new products, changes in prices) or typically initiates actions to which competitors then respond?
- 20.2 is very seldom the first business to introduce new products, operating technologies, etc. or is very often the first business to introduce new products, operating technologies?
21. The main competitive advantage of the company?
22. How can you characterize overall strategic orientation of the company?

Section D. Market orientation

Customer orientation

23. What is important for your customers what do they need? (Understanding customer needs)

24. Do consumers recognize your products in the shops?

25. Do you perform any marketing research?

Competitor orientation

26. Do managers of the company pay attention to competitor advantages and strategies?

Section D1. Export channel

27. How do you define export channel of the company? (Direct/Indirect)

28. Which type of intermediaries does the company usually use?

29. What are motives to use intermediaries by the company?

30. Has the company long-term business partner relationships with intermediaries?

31. What is important for you in relations with your intermediaries in export channel?

Section E. External working conditions

32. How would you characterize external working conditions on the domestic market within which the company operates, in case of the following criteria?

- Risks to perform business operations
- Quality of government regulation with respect to business (favorable/unfavorable)
- Market conditions
- Access to investors and banks (favorable/unfavorable)
- Collaboration with intermediaries in case of payments for cargo
- Presence of relevant customers (favorable/unfavorable)
- Presence of relevant suppliers (favorable/unfavorable)
- Other (specify)

33. How would you characterize external working conditions on international market within which the company operates, in case of the following criteria?

- Risks to perform business operations

- Quality of government regulation with respect to business (favorable/unfavorable)
- Market conditions
- Access to investors and banks (favorable/unfavorable)
- Collaboration with intermediaries in case of payments for cargo
- Presence of relevant customers (favorable/unfavorable)
- Presence of relevant suppliers (favorable/unfavorable)
- Other (specify)

34. What moderates your activity?

35. What is important for you to have successful business performance?

36. How can you characterize profitability of the company?

Section F. Comments

37. Do you have any comments regarding the State Program of the Russian Federation “Fisheries Complex Development”?

Section G. Information about respondent and General Manager

38. Position of respondent

39. Age of General Manager/Owner

40. Education of General Manager/Owner

41. Working experience of General Manager/Owner

Thank you for completing this questionnaire and taking part in this exporters study.