

Anonymity, Hierarchy and Stability

Some Retrospective Observations on Soviet Industrial Networks in the Planned Economy

Martin Johanson

Department of Business Studies,

Uppsala University,

Box 513,

SE-751 20 Uppsala,

Sweden.

Telephone number: +46-(0)18-471 16 13

E-mail address: Martin.Johanson@fek.uu.se.

ABSTRACT:

In the paper a model for relationships in the Soviet industrial network is outlined. The model, which contains three factors, hierarchy, stability and anonymity, is tested and supported by a case study. In the light of this finding, the paper questions the idea that applying a network strategy on the relationships inherited from the planned is the most appropriate marketing strategy during the transition economy in Russia. The driving forces in the Soviet networks were not compatible with the mechanisms in western network firms and consequently Russian firms have to seriously re-consider both their exchange partners and the reasons for building relationships with them.

Introduction

Over the last ten years it has sometimes been argued that marketing could contribute to the transformation of the transition economies in Central and Eastern Europe and the former Soviet Union¹⁴⁴ (Czinkota and Springer, 1998). Generally, there exist two theories that explain the relative failure of the planned economy (Gregory and Stuart, 1998). The first theory's focus is on what Hayek (1945) calls the knowledge problem while the second theory views the soft-budget constraints (Kornai, 1980), i.e., the lack of relationship between actual performance and reward, as the cause for failure. I will in this paper argue that both the knowledge problem and the soft-budget constraints meant that marketing was a neglected activity in the Soviet Union, which is also the reason strong inertia for former state-owned firms to develop marketing in Russia.

The network perspective has for various reasons been proposed as appropriate for firms in transition economies (Peng and Heath, 1992). Firms during the transition from a planned to a market economy are already utilising their old networks of relationships inherited from the planned economy (Salmi 1996) or, if not so, should use a network strategy (Peng and Heath 1996). This idea builds on the assumption that the old relationships are vigorous and perfect transferable from a planned to a market economy. However, I will in this paper propose a model containing three dimensions, which were typical for industrial networks in the Soviet economy anonymity, hierarchy and stability. I will test the model on a case study and discuss

¹⁴⁴ The Soviet Union cease to exist 31 December 1991 and shortly thereafter an extensive package of economic reforms was launched. The period after 1991 is called the transition. This paper deals with the period before 1992.

the implications of the model, in case when Russian firms uncritically apply a network-strategy during the transition period.

Marketing and Transition

Over the last ten years a number of authors have discussed the concept of marketing in the transition economies. The lion part of them has been interested in consumer markets (Shama 1992) and has either applied a marketing-mix perspective (Golden, Doney, Johnson, and Smith 1994; Lascu, Manrai and Manrai, 1993) or studied whether the consumers in Poland and Russia (Good and Huddleston, 1995) or Hungary (Feick, Coulter and Price, 1995) prefer domestically produced products before imported. Another research stream has studied Czech managers (Pribova and Savitt, 1995) and Polish organisations' (Shipley and Fonfara, 1993) knowledge and willingness to market and using the traditional marketing tools and firms' marketing strategies in Bulgaria (Marinov, Cox, Avlonitis and Kouremenos, 1993) and Hungary (Hooley, Beracs and Kolos, 1993). In the light of this review two white spots are evident. First, industrial and business-to-business marketing is a field that has not been studied. Second, there are extremely few empirical studies that concretely discuss how firms operated in the market in the planned economy. The studies that exist are either in economics (Nove, 1984) or management (e.g. Berliner, 1957) and from that few have tended to make our conclusion about how firms marketing was organised and performed in the planned economy.

The point of departure in common for these studies is that the planned economies were shortage economies, in general, there was a constant demand surplus at the price level fixed by the authorities. In this situation, any kind of marketing tool was more or less redundant. I do completely agree with Czinkota and Springer's view (1998) that marketing actually can contribute to a higher quality of life in the transition economies, but that this is process that takes time, that is, the transition does not per se means market-orientation and customer satisfaction. Marinov, Cox, Avlonitis and Kouremenos (1993) found in their study of Bulgarian firms that their main emphasis was on plan and management of production. Building relationships with other firms was not viewed as important. Consequently, it is not surprisingly that the lion part of the firms in transition economies perceived that the biggest constraint is the relationships to other firms (Buck, Filatotchev and Wright, 1998; Filatotchev, Hoskisson, Buck, and Wright, 1996; McCarthy and Puffer 1995). Gurkov (1996), for instance, says that collapsing business relationships and partners that had let the firms down were typical characteristics for the transition. These articles show that marketing, both from an activity and organisational point of view, has to undergo a long-term learning process. A somehow different approach that takes the incomplete knowledge and the need for reward into consideration, but also focuses on the relationships between industrial firms is the network perspective.

Network perspective

The network perspective has over the last fifteen years gradually become one of main theories for understanding industrial networks. Anderson, Håkansson and Johanson (1994), Håkansson and Johanson (1993), Håkansson and Snehota (1990) argue from different angles that markets tend to be structured as network. In industrial marketing management networks have in Western research its own distinct meaning. The basic premise for networks is here derived from the findings of the Industrial Marketing and Purchasing Group (Ford, 1990; Håkansson, 1982; Håkansson and Snehota, 1995; Turnbull and Valla, 1986). The existence of

business networks within this tradition is based on the notion of combining heterogeneous resources in order to inter link activities and actors (Håkansson and Snehota 1995). Networks have gone beyond the dyadic buyer-seller conceptualisation of marketing into looking at industrial and international marketing from different relational interconnected actors' perspective. In order to above all being able to discuss the networks in the Soviet economy and in the transition economy it is necessary to identify some general dimensions. A network consists of relationships which, in turn, are characterised by (1) a long-term exchange of resources between two firms, which (2) is frequent and where the resources exchanged tend to be important (3) both in terms of volumes and function for the firms. I view these three preconditions as essential for the networks, so, if they are present between two firms, then a relationship can be claim to exist.

The relationships are in western market economies instrumental in business (Snehota, 1990) and in development of new technology (e.g. Håkansson, 1987). The major reason is that the knowledge is assumed to be imperfectly spread among the firms in the economy and that the firms never are self-sufficient and have to exchange resources with other firms (Snehota, 1990). From that follows that price does not contain all information needed by the buyer and seller. The bounded knowledge and the need to exchange resources with other firms result in an uncertainty, which can managed by learning more about the counterpart and in the long run learning with the counterpart in a close interaction. In networks firms do business with those, to whom they trust and by committing resources and adapting activities like storing, payment, transportation, production processes firms over time develop an dependence to each other that in a wider respect embed them in a network.

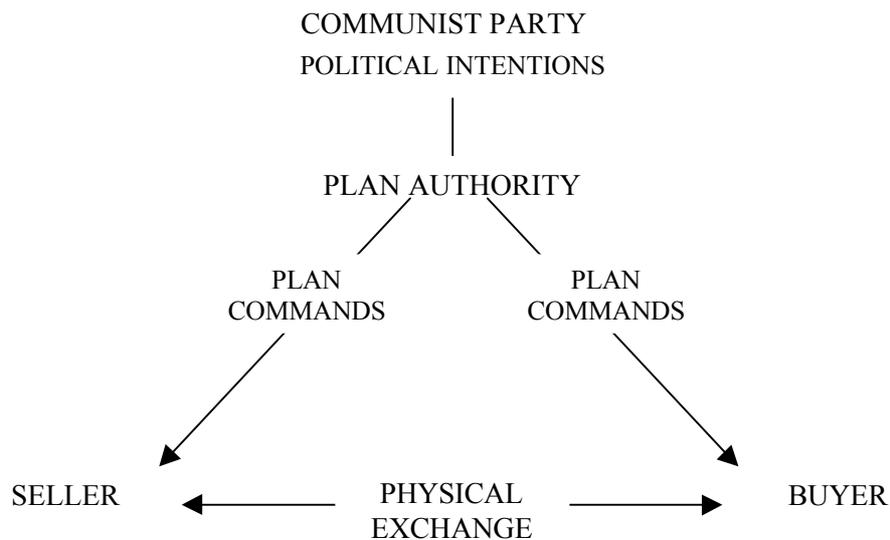
A model of relationships in the planned economy

A well-defined hierarchy was the main foundation for the whole Soviet Union. This was also the case in the Soviet network. Collins Cobuild English Language Dictionary (1987) defines hierarchy as "a system or organisation in which people or things have different ranks or positions depending on how important they are". Consequently, in a hierarchy each specific firm has its position, which is determined by someone else, which, in turn, has authority and power to do that. I will argue that the plan and the planning process had an impact on and fortified the hierarchy. I will start with the most well-known dimension of the planned economy, namely the plan (figure 1). The firms' regularly received quantitative plans specifying products, transportation, customers, suppliers etc. In general, the plans should fulfil the same functions as the market in market economies, that is allocate resources in the economy, but the plan did also function as to a tool for how and where to achieve growth and progress.

The plan was a codified rule that required three aspects to be able to function. The *first* aspect, which was also the point of departure and the reason for why a plan is assumed to function in reality, was that someone somewhere had perfect knowledge about all dimensions, both structural and temporal, in the economy. This was necessary so that the correct decisions, according to the political intentions, could be made. But this was not enough, the perfect knowledge and the political intention must either be united in one body or having an extremely strong link between them. The *second* aspect concerned the information encoded in the plan. The plan should contain all information necessary for the supplier and the customer and furthermore it was crucial that this information could only be interpreted in one way by the firms. Misunderstanding had of course severe consequences, which means that the plan authorities' commands had to be correctly communicated to the firms, because

otherwise the plan could not be realised, but furthermore, it would knock down other firms' possibilities to realise their plans. The *third* aspect is that having perfect knowledge was not sufficient, authority and power to realise these correct decisions were needed, since it was not those who had the political intentions and the who worked out the plans that actually should realise the contents of the plan. Obviously, some kind of punishment had to be tied to the plan, that is, if the firm did not obey or understand the plan, which meant that it did not fulfil it, the firm had to be punished.

Figure 1. Plan-governance of a relationship



As already discussed, the planned economy was characterised by plan commands given by the plan authorities. Their orders established new relationships and terminated existing ones, which meant a mutual lack of possibility for the firms to choose customers and suppliers and thereby excluded all kinds of entrepreneurial activities. Finding exchange partners and linking firms to each other were an exclusive right for the plan authorities. The firms' resource dependence was managed by central control and monitoring where, they were punished if it did not meet the plan goals. The interesting in this respect is that they were not punished by the counterpart, but by the plan authority, which made the dependence one-sided. The dependence on the plan authorities did also concern to which extent and how the firms were rewarded. Ericson (1991) says that the incentives that are geared to meeting the plans and desires of evaluating superiors, were not tied to actual economic performance, which made the firms completely dependent on the authorities and not the other way around.

The quality of the products was regulated through the use of GOST, which was a governmental standard. Even though the products were regulated, the firm had to make regular samples of the deliveries and consignments were sometimes rejected for being of insufficient quality. There were no incentives to produce products of a higher quality level than GOST, because the price was regulated and an increase in quality would not affect the bonuses or the well being for the firm. On the other hand, the buyer could reject products not meeting GOST. Rejections were deducted from the firm's production and could lead to failure by the buyer to fulfil its plan. Despite GOST, the firms usually prioritated the production of quantity at the expense of quality. Furthermore, Ericson (1991) claims that the

Soviet economy was characterised by centrally fixed and inflexible prices, which existed mainly for accounting, control and measurement purposes, which meant that they did contain less information for both the seller and the buyer than in market economies.

The plan was a result of the planning process, which was a set of activities, which verified and strengthened the hierarchy. The plan was definite. It was order, right or wrong, that the receiver had to fulfil. The planning process, on the other hand, was a process over time where various actors played different roles. During the process the actors' knowledge and the information they had to their disposal was a point of departure for how the ends were specified and which means were identified and allocated in order to realise the ends. A number of authorities had the task to co-ordinate the activities in the economy. The most well known authority was GOSPLAN, which worked out a general plan and the methods and means to implement it, but it was the ministries that had the actual executive power and made the plans for each firm concrete. GOSSNAB was responsible for the physical distribution of products to the industry and controlled the fulfilment of the plan. The planning was an iterative bargaining and negotiation process in which both central agencies, branch ministries and firms participated. The process began with political decisions on the highest party level, the Politburo, which thereafter were analysed, interpreted and compared with old information by GOSPLAN, which resulted in a set of "control figures". They were communicated out in the economy and transformed to plan commands. The more operational organisations usually reacted on the commands by requiring more resources and thereby reveal a lot about the own capacity (Ericson, 1991). This information was utilised by the plan authorities when the firms' answer to the commands was sent back up in the hierarchy again. The results of the process were a set of commands to all branch ministries. GOSPLAN and GOSSNAB strived to at least produce at a rough tolerable demand and supply balances. They were, in turn, put together to a draft and sent to the political authorities for approval. The approved plan was returned back to the administrative hierarchy where it was broken down in resource allocation, goals, instructions etc. In general, most of these commands were quantitative.

However, the Soviet network was also stable over time. Collins Cobuild English Language Dictionary (1987) says that: "something is stable when it is not likely to experience any sudden changes" and "it is firmly fixed in a position and is not likely to move or fall". In a network, stability will prevail when various organisations, both firms and others, and individuals tend to be the same over the years. Furthermore, a stable network means also that activities like payment, transportation, production, storing, distribution and so forth are performed in the same way by the same actors and towards the same counterparts over time. The same goes also for the resources. Machines, equipment, premises, products and other types of resources utilised by the actors to perform specific activities will neither change in a stable network. (Håkansson and Snehota, 1995)

The main cause for why the Soviet networks were stable over time was the plan and the planning process and the fact that the plan authorities did not have what was assumed, namely complete knowledge in space and time. Co-ordinating the whole economy by establishing various plans required an enormous amount of information and, of course, the planning process was easier to perform if the networks were stable and did not undergo changes. It says itself that it was easier to collect, interpret and compare the information and also to assess and control the results of the plan if the networks were stable. Ericson (1991) claims that one shortcoming was that all commands were built on the same information which to some extent was outdated and obsolete. It seems reasonable, but, stability and hierarchy in the network made the chances bigger that the information was valid, which, in

turn, increased the probability that the contents in the plan corresponded to the political intentions. The plan authorities did also have to achieve consistency between all detail plans on all levels and between all organisations.

Due to the claim that the authorities had perfect knowledge all kinds of changes in the economy were commanded from a superior level. Changes in the Soviet network were neither appreciated nor encouraged by the authorities. All kinds of change were both personally risky and likely to fail (Ericson, 1991). Changes had to be initiated and controlled by the levels superior to the firms. From that follows that the firms and the relationships were stable in the network. Monitoring and control, the main mechanism in the hierarchy, were thus facilitated by the stability. One important aspect that Ericson (1991) raises is that is that the production structure and the interaction between firms changed only very slowly. Firms were almost never shut down, supply and delivery ties in the state sector very rarely changed, and capital stock and capacity only abandoned due to breakdown and never for economic reasons (Ericson 1991). Furthermore, the authorities remained the same. The technology used was the same for a long period and competition was absent. Neither did laws and regulations change. The planned economy's structure was stable and predictable in both a temporal and structural view, which hampered the development of knowledge about other between firms. When new technology appears and disappears, new firms are founded, laws and regulations are changed uncertainty grows and it becomes more difficult and risky for the firms, the main mean to handle the growing uncertainty is to learn more about other individuals, firms, authorities etc. From that follows my first proposition.

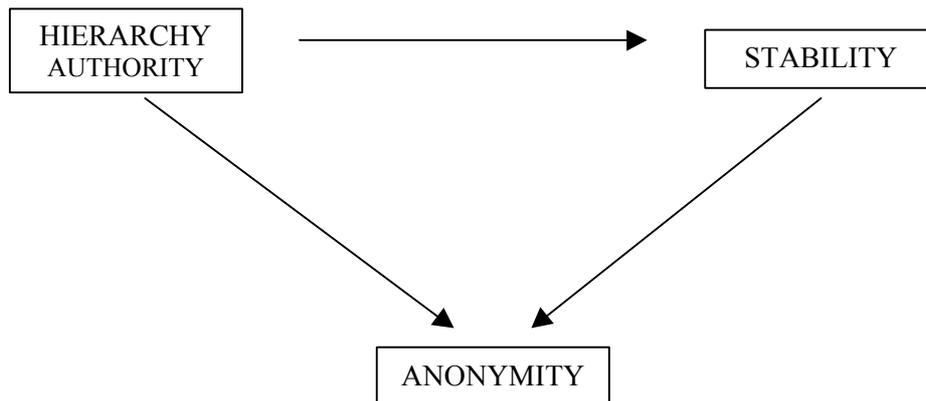
Proposition 1: The hierarchy in the Soviet network tended to positively affect the stability in the same network.

In the Soviet planned economy changes were almost completely concentrated to the authorities. The firms' task was to receive and absorb the change, which means that the initiator and the way towards the change were separated from those who had the task to realise the change. In the planned economy the hierarchy delimited the space for the firm, since solely the politicians and the authorities identified both the ends and the means. Stability decreases the uncertainty and risk perceived by the firms and since risk-taking was not rewarded in the planned economy, it was in the interest of not only the authorities, but also of the firms to conserve the stability and as long as possible avoid changes. The only change that was welcomed was the one that made plan fulfilment easier to achieve, but, which is important, only the changes that meant plan goals more difficult to fulfil with the same amount of resources allocated.

The hierarchy and stability of the network meant anonymity between the firms in the Soviet network. Anonymity is in Collins Cobuild English Language Dictionary (1987) defined as "the state of not having your name or identity known, especially when you have done a particular thing". Obviously, someone's anonymity is a consequence of other not knowing. Ignorance and knowledge are antonyms and having a name, or rather, an identity can consequently be viewed as the contrary. A firm's identity develops when it does particular thing, not any thing or the same things as everyone else is doing. I prefer to use the concept ignorance since I in this section will focus on, first, the relationships between the plan authorities and the firms, and, second, the relationships between the firms. Ignorance of something is in Collins Cobuild English Language Dictionary (1987) defined as the "lack of knowledge about it". Ignoring does in my case mean that the firms lack knowledge about other firms and the plan authorities and their needs and capabilities. So, when the firm's

communication with other firms in the economy is weak, its social contacts delimited its counterparts' capabilities and needs perceived unimportant, since the relationships are developed by other mechanisms than business, anonymity will appear and prevail among the firms. Since the relationships were developed by other mechanisms than business and there were no rewards for firms to interact they did not develop an identity. Neither co-operation nor competition were desirable, in turn, meant that the firms had poor knowledge about other firms' strong and weak sides, about their capabilities and needs.

Figure 2. A model of a network in the planned economy



The firm has a face, an identity, which is not the same as everyone else's, but still have similarities. The firm's identity is a result of an interaction with other firms, which implies heterogeneity among the firms. The firms' identity is obviously who it is in the network. Being someone does also mean not being someone else (Håkansson and Snehota, 1995). In line with the model presented there are two levels that make up the identity. First, there is the exchange level. How does the counterpart manage the exchange between us? Which are its capabilities and needs? In a business context the answer on this question is a major component in what I defined as the firm's identity. But, moreover, the exchange is embedded in an activity pattern and resource collection (Håkansson and Snehota, 1995) and others' perception of how the firms manage these aspects in relationship becomes important. So, in this wider respect, the crucial question is instead, the role of the product exchanged in the activity pattern and resource collection. The identity is created in process where firms learn about each other in the network, but also were learn with and from each other in an interaction.

The firms' knowledge about other actors was deemed unnecessary in the Soviet network, as the economy provided no incentives for firms willing to co-operate (Mattsson 1993), and only toward implementing commands (Ericson 1991). Consequently, identity seems to have two input components: experience and reputation. Experience is gained from doing things in relationship to others. Interaction with the counterparts gives the firm experience. In a relationship, the interaction consists of solving various problems and fail to solve problems related to transportation, payment, storing, production, negotiations etc. Thus, by excluding different activities from the activities the possibility to get experience decreases, which means that the smaller amount of issues that have to be managed by the firms in the relationship the less experience is acquired by them. The relationship is thereby a vehicle to gain experience, since experience is action-based and interaction, in turn, takes place between

different people in the relationship. A more hierarchical and stable network offers less room for acquiring experience. If experience is gained from doing things in relationships to others reputation can be defined as the information actors in the network get about an actors without doing business or having any real direct contact with him. The relationship serves also as a transmitter of experience, which makes it essential as a distributor of different actor's reputation and give the firms possibility to learn about the exchange partners' customers and suppliers. Thus reputation is experience or other types of knowledge that is transformed into opinions, ideas, information about specific actors and then transmitted in between the firms. Relationships are thereby instrumental both as a vehicle for acquisition of experience and as a node for transmission of non-experiential information. In the Soviet Union, anonymity was most obvious between firms, which did not exchange resources, but emerged also between firms, which according to the plan had to exchange resources. The over time evolved lack of mutual ignorance lead to that anonymity became embedded in the whole network.

Proposition 2: The hierarchy in the Soviet network tended to positively affect the anonymity in the same network.

Proposition 3: The stability in the Soviet network tended to positively affect the anonymity in the same network.

The relationships between the firms and the plan authorities were characterised by one-sided power arbitrariness, which was stable and predictable, but the firms had a small room of manoeuvre; they could via negotiations with the authorities reduce plan goals and have more resources allocated to them. It has been argued that there were two reasons for the why the plan authorities had a weaker anonymity than the firms. *First*, if the firm received insufficient quantity, which was very often the case, since the physical resources were poorly distributed it had the option to contact the ministry and negotiate for additional resources. It was vital to have a close relationship with individuals at the ministry. A dispute could lead to the impossibility of receiving the required goods. Having good contacts made it possible for example to request faster deliveries. *Second*, if the firm did not fulfil the plan it was penalised. Furthermore, to be able to fulfil the plan, it was vital that the firm had the appropriate supply of products. Obviously, both the cases concern some kind of deviation from the plan by negotiating and bargaining with authority, which resulted in a stronger identity than in the relationships between the firms.

Methodology

The aim of this paper was to investigate a former state-owned firm's relationships with its customers and suppliers in the planned economy. A requirement was that the relationships should have been established already during the old regime. I decided to conduct a case study (Yin 1989) based on the biggest printing house, Tipografia, in the Novgorod district, 440 kilometres from St. Petersburg. I made altogether 33 interviews in Russian with eleven employees and the interviews covered the period 1986-1991. They were type-recorded and then transcribed. The interviews were made from September 1996 to August 1999 and it took between 30 minutes and two hours to do them.

Case study – Tipografia and its network 1986-1991

Production and technology

During the planned economy, Tipografia produced two main products: forms and newspapers. The forms accounted for around 60% of the whole production. Approximately

25% of the production were a handful of local and regional newspapers. The remaining 15% were shared between seals and stamps, multi-colour products, like books, etc. Tipografia used mainly eight products, of which six were different types of paper. In general, writing paper was used for forms, label papers for production of label and board for packages for the local industry's production of TV-sets and furniture. News print was used for printing of the local newspapers while offset paper and printing paper both had a wider field of application. The production was divided into two departments, the first consisted of two printing shops, one for offset printing and one for relief printing. The second production department was the book bindery and pre press/the composition room. The number of employees was stable around 115. Tipografia utilised two technologies for printing. The traditional relief printing shop counted for the main part of the production and the second technology used was offset.

Customers

Tipografia's customer structure consisted of three groups of firms, which corresponded to the types of products Tipografia printed. The first group was the local newspapers. The second group was the Soviet Post Office Administration's regional branches, which almost only bought forms. Besides the Post Office Administration Tipografia was mainly operating in an area of 200 kilometres from the city of Novgorod. So, various local industrial firms made up the third group of customers. The plan and production department managed the customers but their contacts with them were extremely limited. No one did ever pay them a visit. Consequently, the lack of knowledge both about existing customers and potential customers was obvious and activities to increase the knowledge absent. Tipografia did not try to find new customers. The individuals at the plan and production department spent almost all the time at the firm. All documentation was done by hand, for instance, invoicing, since there was no computer in the department. After a plan order was received, a note of production was prepared and taken to the head of the paper store, who prepared the paper needed and thereafter brought it to one of the two production departments. The order receivers gave the note of production to the printing shops and she was responsible for the execution of the orders and of monitoring that the production took place according to timetable. The accounting department received the money and controlled the payments and wrote a pass and gave it to store for finished products, from where the customers picked up their products themselves, that is, without Tipografia's involvement. Tipografia did not know how they did, if they utilised their own means of transport or turned to other firms and the employees did not really care either.

Since Tipografia was Oblispolkom's (district administration) printing house, its main task was to print the local newspapers. Tipografia printed the most influential and biggest newspaper, *the Novgorodskaya Pravda*, in terms of circulation in the Novgorod district. It was the regional committee of the Communist Party's official organ and was published six days per week and had a circulation of 75 000. The planned edition varied due to the number of subscribers. It was cheap and was distributed only to its subscribers. The Novgorodskaya Pravda paid Tipografia once a month. The subscription and distribution of the newspaper were done through *Sojuzpetjat*, which was a governmental organisation, and from *Sojuzpetjat* the plan order was passed to the Novgorodskaya Pravda and Tipografia. Tipografia delivered the newspapers to a room, which was rented by *Gazetno-zhurnalnaya ekspeditsija* from Tipografia. *Gazetno-zhurnalnaya ekspeditsija* was a department to the Post and distributed all papers to the subscribers. When *Gazetno-zhurnalnaya ekspeditsija* picked up the newspapers it meant the end of Tipografia's responsibility. *Gazetno-zhurnalnaya ekspeditsija* did also the physical transportation of the newspapers to *Sojuspetjat*'s newstands.

In the beginning of 1990s a new newspaper, the *Novgorodsky Vedomosti*, was launched by Oblispolkom, which first came out only once per week. Tipografia printed the Novgorodsky Vedomosti from the very beginning but did continue to print the Novgorodskaya Pravda. A third newspaper, the *Novgorod*, was founded in 1990 and Tipografia printed the Novgorod already from the very beginning and did also have direct contact with the Novgorod's management. In 1991, the authorities closed the Novgorodskaya Pravda, when it actively supported the coup d'état in August 1991, by publishing the perpetrators' of the putsch statements. The Novgorodsky Vedomosti and the Novgorod took sides against these statements. All newspapers that supported the coup were closed, which meant that all subscriptions were transferred to the Novgorodsky Vedomosti, which suddenly became the main newspaper in the region.

The papers were printed in the relief printing shop. Four from the production personal worked with the newspapers, two at the first shift and two at the second shift. One was doing the composition and one did the make up. The volume of the Novgorodsky Vedomosti was approximately 50-60 000 per day in 1991 and Tipografia printed the Novgorodsky Vedomosti four times every week, but Tipografia had few contacts with the editorial staff. Besides Ludmila Iakovleva, who was the head of the plan and production department, the foreman for the composition room, Valentina Guseva, met the representatives from the Novgorodsky Vedomosti, although it did not happen so often. The relief printing shop had some contacts with the Novgorodsky Vedomosti. The Novgorodsky Vedomosti had a constant presence at Tipografia. A supervisor was working at Tipografia and controlled every issue of the newspaper and had the final responsibility of each publication. Furthermore, four proofreaders from the Novgorodsky Vedomosti were working at Tipografia. The Novgorodsky Vedomosti was already from the beginning considered to be Tipografia's most important customer. It was the biggest consumer of paper and stood for the biggest incomes, but thus not profit. There was a well-defined and stable price list, but when the inflation started in the final years of the planned economy, Tipografia's suppliers began to increase the prices. The price list was abolished in 1991 Tipografia began cost price plus a small profit margin. There was a written contract that regulated the relationship between the Novgorodsky Vedomosti.

The Novgorod quickly came to an agreement with Gorispolkom (City Administration), saying that it should finance a daily circulation of 87 000. This volume was distributed free to the all households in Novgorod. The newspaper was daily publishing the television programmes, which according to Tipografia was the main reason why people were reading the paper. The Novgorod was also printed in the relief printing shop. The editorial office was situated just a few building from Tipografia, but despite the geographical closeness, the contacts between the firms were not so extensive and the relief printing shop had most contacts with the Novgorod. The plan and production department had contacts with the Novgorod when a change of circulation and volumes was in the pipeline. Furthermore, the department was in charge of all financial issues like invoicing and re-negotiation of the annual agreement. In this case the contacts were always with the deputy of the editor-in-chef. The Novgorod did also have its own supervisor working everyday at Tipografia, who checked the quality of each issue, and two proof readers. Gazetno-zhurnalnaya ekspeditsija picked up the newspapers at Tipografia. In the end of the month Tipografia send an invoice to the newspapers' editorial offices according to the agreement. There were never any delays with the payment.

Besides the local newspapers, the *Soviet Post Office Administration* and its regional branches were the biggest customers. Tipografia printed ten different types of forms for the Soviet Post Administration, which were used in the post-offices. They were standardised in terms of quality of the paper, size and layout and did not change over the years. The forms differed between themselves, since they were printed on different types of paper. The forms were annually depicted in the Ministry of Transport and Communication's catalogue. Neither Tipografia nor the regional branches had any possibility to influence the design of the forms. The distribution of the forms to all the regional branches of the Post Office Administration was governed by Lensvjazsnabkomplektatsija (LSSK). There existed approximately 50-60 different types of forms for the Post Offices. Tipografia used to print ten types of forms while other printing houses printed the other forms. Tipografia was not permitted to print these other forms. At Tipografia these products had always been regarded as the most profitable. All the regional branches sent their order, where they specified the volumes of each type of forms for the coming year, to LSSK in Leningrad.

LSSK did in the beginning of every year send Tipografia detailed production plans, specifying products and quantities, which had to be produced and delivered to the customers. The plan did also include prices and salaries, which did not change over the years. When Tipografia had received the production plan, it could produce the decided quantity whenever it was convenient, but by the quarter allocated over the year. The forms were almost only printed on the relief printing machines, but sometimes, on the offset machines. Sometimes, deviations from plan happened. For instance, when Tipografia produced too many of some type of form it could offer the surplus to one of the regional branches. In that case, the regional branch and Tipografia set up the agreement without interference from LSSK.

Sometimes Tipografia run out of paper and had to make up on its own. The lack of financial resources did prevent the firm from doing any illegal business in the black market. The authorities did not require efficiency from Tipografia, but, on the other hand, Tipografia could not, due to lack of financial resources, buy in the in the black market. All the revenues went direct to Oblispolkom, which then distributed the money back to Tipografia, depending on Tipografia's capability and power. But, this did not mean that Tipografia did not try to push, charm, convince or threaten the plan authorities in order to solve some question where Tipografia was dependent on the authorities. Tipografia did never go to the regional branches, neither did their representatives come to Tipografia. The volume and the quality of the information were low and the information seldom flew directly between Tipografia and the regional branches, instead it was channelled through LSSK. It happened just a few time a year and in these cases, exclusively by phone and it concerned transport, delivery times and logistics. However, Tipografia had all the contacts with some specific individuals at Leningrad district. The relationship to LSSK was a little bit different. Sometimes some of their representative came to Tipografia but it was either for control or when problems had occurred. It also happened that the managing director went to Leningrad. No one else from Tipografia did ever go there.

Although the relationship had a long history, the representatives from the two firms had never met, which was typical for all the branches of the Post Office Administration. Tipografia's knowledge about them was poor and no one really tried to learn more about them. Over the years, few changes took. The same contact pattern was valid, which means that all contacts were made by telephone and at each branch there was a special contact person with whom Tipografia communicated. Throughout the period, the deliveries were made in the same way, that is, either by train or container. Tipografia concluded agreement with the railway. In the

beginning of each month, Tipografia gave the railway information about volumes and destinations and the railway required that Tipografia fulfilled the timetable, otherwise penalties threatened. After that, the containers were sent away and the plan and production department wrote the invoice and sent it by mail. The only exemption was the Leningrad district, which sent a van to pick up the forms. No one at Tipografia knew to whom the van belonged and no one really cared or was interested in what happened with the forms when arrived to the customers. After the van had picked up the forms they were transported to St. Petersburg where Leningrad district first had them in stock and then distributed them to their offices. The regional branches paid immediately when they received the invoice and they were almost never late with the payment. Tipografia was paid when the products were produced, thus, not when they were delivered. Tipografia did not give any credit. In the price for the forms only expenses in terms of physical work carried out by Tipografia was included, accordingly expenses for raw material, for instance paints and paper, bought by Tipografia, were not included. Probably, the regional branches paid LSSK for that. During these years the system of payment between the Tipografia and the regional branches changed. In 1991, Tipografia successively started to require prepayment from all customers. It happened when the whole Russian economy ended up in a financial crisis.

Tipografia was the dominating printing house in the Novgorod district. Tipografia's biggest customers were by tradition to be found among four local electronic industries *Kvant*, *Elkon*, *Start*, *Transvit* and the manufacturer of furniture, *Novgorodmebel*. A number of the local industrial firms belonged to the defence industrial complex. All these remaining customers stood for something between seven and ten per cent of Tipografia's production. *Kvant* produced television sets called *Sadko* and to each television set belonged documentation, guarantee certificate, instruction and schemes. Tipografia printed all kinds of documentation for them. *Elkon* produced kinescopes for television sets and Tipografia printed forms for them. Tipografia used to print instruction and labels for *Start*, but not packages. *Start* produced radio electronic equipment. Two other traditional customers for Tipografia were *Transvit* and *Novgorodmebel*. Tipografia used to print forms for them but also an internal newspaper for *Transvit* that came once every half year. In *Novgorodmebel*'s case, Tipografia printed the instruction for assembly of furniture and labels. The products for these customers were printed on various presses depending on the product. Multi-colour products were printed on the offset machines while forms, instruction etc. on the relief printing presses. There was no offset technology besides in the district besides Tipografia's offset presses. Only Tipografia were able to print in multi colour.

A representative from the distribution department at each company came with a binder with samples to Tipografia and made the order. It was the same persons all the time and Tipografia knew them very well. It was not a part of planned distribution system, but neither was it based on formal agreements. The plan and production department planned when it would be possible to print. Tipografia had reception of customers only two days per week and it did actually have a constant queue of orders and the customer did usually have to wait a long time for its product. Some of the customers even brought the paper themselves. Tipografia made actually an agreement with the biggest customer, *Kvant*, every year, which was prolonged the following year. It was a general agreement and did not contain any specific details. Corrections from the general agreement were made at each specific order. Until the beginning of 1990s, there existed an established price list, from which no one could deviate. The calculation of the wages and of the prices for the products was distributed in a centralised way. The prices were centralised but the orders were decentralised.

Suppliers

Tipografia had a rather stable supplier structure, however, it did not mean that they had close relationships with the suppliers. Tipografia did not have any opinion concerning the choice of suppliers, nor did it have any relationships to the purchasing of paper. The newspapers rented a stock room at Tipografia where they stored the paper. All the newspapers were themselves buying the paper and the only cost for the paper Tipografia had for this was the master of paper. Tipografia did not interfere as long as the quality of the paper was sufficient. But it happened that the paper was not of sufficient quality.

LSSK provided paper to Tipografia, which did not have any freedom to choose quality, quantity, transportation or supplier. It was done by LSSK. Tipografia always tried to keep a big stock of paper in order to have some freedom and not to be so dependent on the suppliers. Tipografia paid LSSK and not the supplier for the paper immediately when the paper had been delivered. It was planned that Tipografia should always try to have a big stock of paper, but the plan and production department had to make reports to LSSK about the paper. The calculators did also base on the type of paper and the official price list fixed the price. In spite of the fact that the paper always was delivered directly from the producer Tipografia's contacts with them were extremely limited. However, Tipografia always knew which firm was the supplier. The suppliers of paper took care of the physical transportation, usually by train, and Tipografia received the paper a couple days after notice of delivery.

Tipografia had to turn to KPI, which made centralised inquiries and thereafter Tipografia had to wait, very often for a long time, although Tipografia already had sent the money. When Tipografia was transformed into a leasing company, in 1991, it also gained some freedom and responsibility to take care of the purchasing of paper itself. The managing director did all the purchasing of paper, since it was considered to be of high strategic importance. The chief engineer was responsible for purchasing of other consumable material but also for investment and maintenance of machines and equipment. The managing director estimated that the purchasing activities take approximately 10 % of his and the chief engineer's time. Tipografia preferred to buy large quantities and to keep them in stock for long periods. There was a large number of paper and pulp producers in north-western Russia, but Tipografia had traditionally been buying from five-six of them. DAO Bumaga Arkhangelsk produced writing paper for forms and writing pads. Syktyvkar TsBK made newsprint, offset paper, printing paper and writing paper. Okulovskij TsBK produced wrapping paper and Solikomskij TsBK newsprint. AO Kondopoga produced newsprint. All the suppliers had to produce according to the governmental standard called GOST while the authorities fixed the prices. In spite of the fact that the paper always was delivered directly from the producer Tipografia's contacts with them were extremely limited. No one from Tipografia had ever been to the paper suppliers.

The suppliers of paper were all specialised on some types of paper all of them produced in accordance to federal standards GOST. Tipografia did always know which firm was the supplier. Tipografia did not care from where or which type of paper that was supplied. Partly, since it was a constant deficit of paper, all printing houses had to be pleased that they had a sufficient quantity of paper, and partly, since Tipografia knew that they could not influence the choice of paper or supplier. Especially, since Tipografia just sometimes paid for the paper. The suppliers took care of the physical transportation and Tipografia received the paper a couple days after notice of delivery. The contacts with the paper suppliers were limited. The relationships were face less and the main issue discussed was logistic. Tipografia received paper and it always fell on the supplier to secure the transport of the paper, which was done by train. The expenses for transport were included in the price. As said before, from

1991 Tipografia had the freedom to buy paper themselves, which they started to do, but with one exemption. LSSK still provided paper for the forms, but Tipografia paid for the paper. However, after a while Tipografia decided to buy paper for the forms as well.

Discussion

My first observation is that the case study seems to support the model. The Soviet economy was structured like a network, which makes it worth while discuss and compare it with western networks. Obviously, the firms bought and sold from each other over a long period of time but for other reasons than in western market economies. For Soviet firm neither business nor technological development was the driving forces in the networks. Instead these networks were anonymous, hierarchical and stable structures.

The plan-governance was present in various degrees in the relationships. The first concerns the forms where the production and distribution, where the plan governed the relations between Tipografia and the Post Office Administration. LSSK completely defined which or how much of each products that should be produced and exchanged between Tipografia and POA. Furthermore, the design, quality and which paper that should be used was determined by the authorities. The second type were the relations to the newspapers, where there was no plan, and where the authorities played only an indirect and minor role. The third type was the relationships between the remaining customers and Tipografia, where the only dimension beyond the control of Tipografia and the customers was the price. The fourth type concerns the supply of paper where LSSK's completely determined prices, quantities, qualities, payment and so forth when it came to paper used for production of forms. All Tipografia had to do was to answer the telephone when someone from the paper suppliers called and said that the paper was on its way and to secure that there was enough space in the stock room. In Tipografia's relations with its customers the quality of the products supplied was determined in different ways. In the relations both to the newspapers and to the remaining customers the quality of the products was determined by Tipografia and the customers, while in the relations with the regional branches of the Post Office Administration almost everything that concerned the products were decided by the Ministry for Communication. Neither Tipografia nor the users could influence the quality. A third case was the paper supplied by the various paper and pulp kombinats. Obviously, the quality of the paper was determined through a governmental standard.

However, we can in the case observe a few changes but it is also evident that these changes were commanded, since Tipografia had a small room of manoeuvre when it came to changing products, customers, suppliers, investment, technology and so forth. Oblispolkom, LSSK and KPI were responsible for the lion part of the changes but they seldom met representatives from Tipografia and in the light of that, one can actually asks oneself what they knew about Tipografia's capabilities and needs. And if one assume that they after all had knowledge about Tipografia, one wonder what did they knew about Tipografia's customers and suppliers and their operations. So, although the period 1986-1991 sometimes has been described as a rather turbulent one it is evident that for Tipografia its network was stable.

Three types of actors are active in the case. It is the customers, the suppliers and the authorities. Striking is, of course, the regional branches of the Post Office Administration's anonymity. LSSK's governed the relations with the branches by the annual plan. In the plan-governed Soviet economy, the enterprises were not allowed to establish or terminate production relations. When they once were established, as in the case with the Post Office

Administration's branches, the enterprises had minor possibilities to develop change and develop them, which caused ignorance about the counterparts, which over time resulted in anonymity. The main issue, which Tipografia had to manage vis-à-vis the regional branches, was logistic. The enterprises were isolated from each other and did not perform any real exchange. Consequently, the environment was faceless and its actors anonymous. Tipografia's knowledge about the paper suppliers, although extremely important both from a financial and a quality point of view, was poor. No one from Tipografia had ever been to any of the paper suppliers and no one expressed a real interest in learning more about them, although I believe that there is a natural difference between an enterprises' knowledge about its customers and suppliers, which the case verifies. An enterprise has usually a richer knowledge about its suppliers than about its customers and the reason is that the enterprise always have to manage a result of the supplier's capabilities – the product supplied. Rather surprisingly, the newspapers and the local industrial enterprises had the strongest identity among these actors. Why is it so? The answer is that the more far geographic distance and the more plan-governance the less contacts and communication between the exchange partners and more ignorance about the exchange partners' capabilities and needs, that is, the stronger the anonymity.

Managerial implications

These observations discussed above will have severe consequences since they are not compatible with, for instance, trust, commitment, adaptation and other forces observed as driving business relationships in market economies. It therefore seems adventurously to suggest that Russian firms should hang on to their old networks during the transition. I would instead argue that relationships emerge in a specific context and that they are not perfect transferable to other contexts. However, this does not mean that a network strategy is never appropriate for Russian firms, but that the firms have to re-consider both their exchange partners and the reasons for building relationships with them.

The case study gives obvious evidences that the Soviet network had characteristics, which are not compatible with the driving forces in network in western market economies. Thus, it must be dangerous to propose that Russian former state-owned firms should apply a network strategy on their relationships and I would claim that there are six aspects that will surely prevent Russian firms from just applying a western network strategy on their relationships from the planned economy. The *first* constraint is the knowledge problem. By assuming that someone somewhere has, if not perfect, so at least superior knowledge, one neglects the whole knowledge problem. In the Soviet network new knowledge was assumed to be possible to command by those having superior knowledge, that is, by those who were at the top of the hierarchy. Having superior knowledge means implies that new knowledge is not needed and appreciated and if needed it should be commanded by those who were at the top. Developing new knowledge is not a complex and complicated process. In the western network perspective is dispersed or bounded knowledge a key assumption and a reason for why relationships above all evolve (Snehota, 1990). The *second* concern regards freedom to learn and to utilise the knowledge, which is related to Kirzner's discussion (1992) on search and discovery. It is obvious that in the planned economy a level superior to the firms commanded almost all types of changes, which excluded discoveries, in terms of, for instance, new products, other customers and suppliers, new ways of transportation and payments etc., in the economy.

The *third* concern is the incentive to learn. Interacting and learning more about others imply that there is an incentive to do it, either a reward tempts the firm or a punishment threatens. The planned economy did only offer the firms potential punishment, while business, growth, technological development etc. are incentives for firms in western networks. The risk of being punished and seldom rewarded, which was typical in the Soviet network, does not encourage experimentation and creativity, which, on the other hand, are essential ingredients in the traditional network perspective. Firms do not develop relationships for altruistic reasons, but for profit (Snehota, 1990). The *fourth* concern is interaction. One of the first main observations in the network tradition was the notion of interaction (Håkansson, 1982). Relationships can facilitate room and time for interaction between several individuals and firms almost simultaneously. But when there are no rewards or freedom to interact firms will tend to do other things instead, in the Soviet case, concentrating on internal matters, which will decrease the possibilities to learn more about and with the market. The *fifth* concern is variety and heterogeneity. To be able to learn one has to face other things, new things. Reflecting and comparing differences, the new and the old things, is an important ingredient in the development of an identity. If these activities, reflecting and comparing, are only performed within the boundaries of the firm, both incentives and the possibilities for development of an identity decrease. The *final* concern is the stability. Stability provides two of the most important preconditions for learning. First, firms usually tend to learn more about what is already has knowledge about. Obviously, new knowledge is dependent on old knowledge and there is a path between on which the firm has to walk. Furthermore, since learning is very often a process, firms need time to repeat. The Soviet network did really offer stability

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Table 1. Summary of Tipografia's network 1986-1991

RELATIONSHIPS	HIERARCHY	STABILITY	ANONYMITY
Tipografia-The Post Office Administration	Based on an annual plan and regulated prices set up by the authorities Products were standardised	The customers and the plan authority, LSSK, were the same over the period Activities like production, transportation, storing and communication did not change over the period Neither did the quality of the products or the prices change	Typography standardised forms to over 100 regional branches and the knowledge about them was poor. The plan authority, LSSK, was more well-known and some interaction took place
Typography-The newspapers	Annual agreement but regulated prices and no plan-governance The City and District administrations influenced the relationships, but did not plan-governed them	The big change was that the Novgorodskaya Pravda was closed and two other newspapers were founded. The production technology did not change	Tipografia had relatively few, but important, newspapers as customers They were geographically closely located to Tipografia and some of them had a constant presence there. Still, they were anonymous for Typography who did not have much knowledge about them
Typography-The remaining customers	Spontaneous deals, which had a low priority than the newspapers and the Post Office Administration The customers were geographic close to Typography Regulated prices	The remaining customers were the same in 1986 as in 1991 In the end of the period Typography began to set by the computer The production was stable and the only change was that sometimes small volumes were printed on the offset machines instead of the relief printing presses Otherwise the activities were performed in the same way	The remaining customers were a group of heterogeneous firms in Novgorod The interaction was more extensive than in the relation to the other customers and at least on a personal level they knew each other well
The paper suppliers-Typography	Despite paper being the most important product bought, the supply was mainly managed by other organisations The newspapers bought the paper themselves while LSSK bought provided the paper for production to the Post Office Administration	The paper bought was the same and of the same quality over the whole period. The suppliers were the same in 1986 as in 1991, no appeared and no disappeared Activities like payment, transportation, storing and communication did not change over the period s	The lion part of the paper used in production by Typography was not bought by them but by LSSK or the newspapers Since Tipografia had to use the paper they knew very well the differences between the suppliers when it came to type of paper and quality of paper, but besides that, the paper suppliers were anonymous