

THE ROLE OF INDIVIDUALS IN BUSINESS NETWORK RELATIONSHIPS DEVELOPMENT: CASE STUDY ON FINNISH-RUSSIAN BUSINESS NETWORKS IN ELECTRICAL ENGINEERING INDUSTRY

Research proposal

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ABSTRACT

This study aims at understanding the role of individual managers in developing business network relationships within Russian-Finnish contexts in industrial markets. As we live in the world of people and clearly, should take into account the individual factor in any sphere, it will be just to say that business in any country depends on individuals and interaction between them. In USSR personal ties played a predominant role in business, thus the power of individuals within developing relationships was tremendous. Even though nowadays in Russia the professional reputation of the company plays a distinctive role in business relationships formation, the interpersonal contacts and relations are still strongly considered within this issue and the power of individuals is supreme.

This study isn't restricted to studying the role of interpersonal relations and interaction; it goes deeper and aims at analysing individuals and their behavioural elements, for instance trust, commitment, adaptation and how they were affected by business culture, comprising industry and ICT culture. In turn how behavioural elements of individuals affected the process of interpersonal interaction, so that this process lead to the development of network relationships. Russian-Finnish contexts are of particular interest when investigating this issue, because of different backgrounds, business culture and ICT development level.

This study is to be a qualitative single case study, it will help to gain significant amount of relevant data that would be useful in setting up new ideas and theories and research the problem on a deeper level. The methodological approaches are to be contextual, interpretive and longitudinal. The theoretical framework of this study mainly contains network, interaction approach and socio-cultural embeddedness theories. The motivation is that this study will produce substantial theoretical and managerial implications for understanding the role of the individuals in developing business relationships within cross-cultural business networks.

Keywords: Business networks, business relationships, socio-cultural embeddedness, interaction, individuals

RESEARCH BACKGROUND

When observing the problem of relationships in networks most scientists observed them in terms of Western countries. After the collapse of USSR, countries that were part of it were declared as “developing” countries and needed to review their economy in order to be competitive in the global marketplace. This study focuses on relationships within Finnish – Russian networks. Here the West meets the East. While Western business represent steadiness in views and tend to be more far ahead and developed, the business in former USSR countries is still matched by instability of views. Even nowadays one could observe the remaining traces of socialism influence in Russian business. For example, in USSR personal ties played a predominant role in business, thus the power of individuals within developing relationships was tremendous. Even though nowadays in Russia the professional reputation of the company plays a distinctive role in business relationships formation, the interpersonal contacts and relations are still strongly considered within this issue and the power of individuals is supreme.

The industry to be focused on is electrical engineering. According to Abbott L.F. (2003, 1) among the general factors facilitating the growth and performance of engineering and other manufacturing firms are:

- Technological developments;
- Positive cultural and individual (attitudinal, motivational, and behavioural) factors;
- Generally favourable market economy conditions;

Electrical engineering industry comprises various kinds of sub industries and most of the companies tend to have narrow specialisation. None of the companies can have all the resources and skills for production, as most of the companies in this and other B2B fields produce complex products. Thus companies form networks in order to run business, production and other processes effectively and be competitive on the market. Because of the stated peculiarities it is viable to use a network/interaction approach to the analysis of business relationships.

The context of this study is Finnish-Russian business network relationships. To find out the gap in research there is a need to conduct a literature review of studies with the same context. Because of lack of research concerning the exact context and theoretical perspective as in this study, the context of the reviewed studies is not exactly about Finnish-Russian business network relationships, but more about Western European – Russian context, which is quite similar to the former. Figure 1 represents a summarised literature review and what could be done to fill in the gap.

The focus of the reviewed studies ranges from “management of business networks” to “integration and development of relationships in them”. In their articles all the authors try to think big and do their research on an organisational level, striving to comprise as many issues as they can. Thus there is a gap in research from an individual level perspective. When talking about Russian networks they mainly refer to the past and the changes in business networks that rose after the collapse of Soviet Union. The empirical focus of their studies is mostly on Russian networks and how to deal with them. In some articles the other, Western side is observed, but as a separate entity, which is not in conjunction with Russian networks. We can see that there is a gap in research which would take into account Finnish-Russian network as a holistic entity. Mostly all the articles are conducted by reviewing literature and secondary information, which the authors explain by the restricted information access to Russian business networks. As is it seen from figure 1 only two of the observed studies where conducted empirically, but both studies, do not go into deep. In one of the studies qualitative methods are used only to get hypothesis and then they are

tested using quantitative methods. The other is conducted as a single case study, which could give in-depth knowledge of network, as it concentrates one on case, but it is done with a narrative approach, which does not allow interpreting the situation, though only describes it. Thus the gap in the research method can be done by conducting a retrospective and longitudinal contextual single case study with an interpretive approach.

Figure 2 represents managerial clashes between East (Russia) and West, which lead us to the need of considering cultural issues. For example existing under planning system for a long time lead Russian business to mainly use vertical integration (c.f. Tretyak et al., 2004), which is slowly disappearing nowadays, but still abundance of company aren't as horizontal integrated as are most companies in West. Networks in Russia are mainly survival, where the main goal of the entrepreneur is a "rent-seeking" game (c.f. Huber et al., 1998) and managers are being opportunistic (Salmi, 1996), while on West they are entrepreneurial and the goal is improving market performance and profits and thus they actively seek for developing relationships in order to benefit from them (c.f. Huber et al., 1998). Also it would be critical to note that dyadic relationships prevail in Russia (c.f. Koutch et al., 2004), while Western business is more network relationship oriented (c.f. Jansson et al., 2007). Thus figure 2 represents a definite need to consider socio-cultural embeddedness of networks in this study.

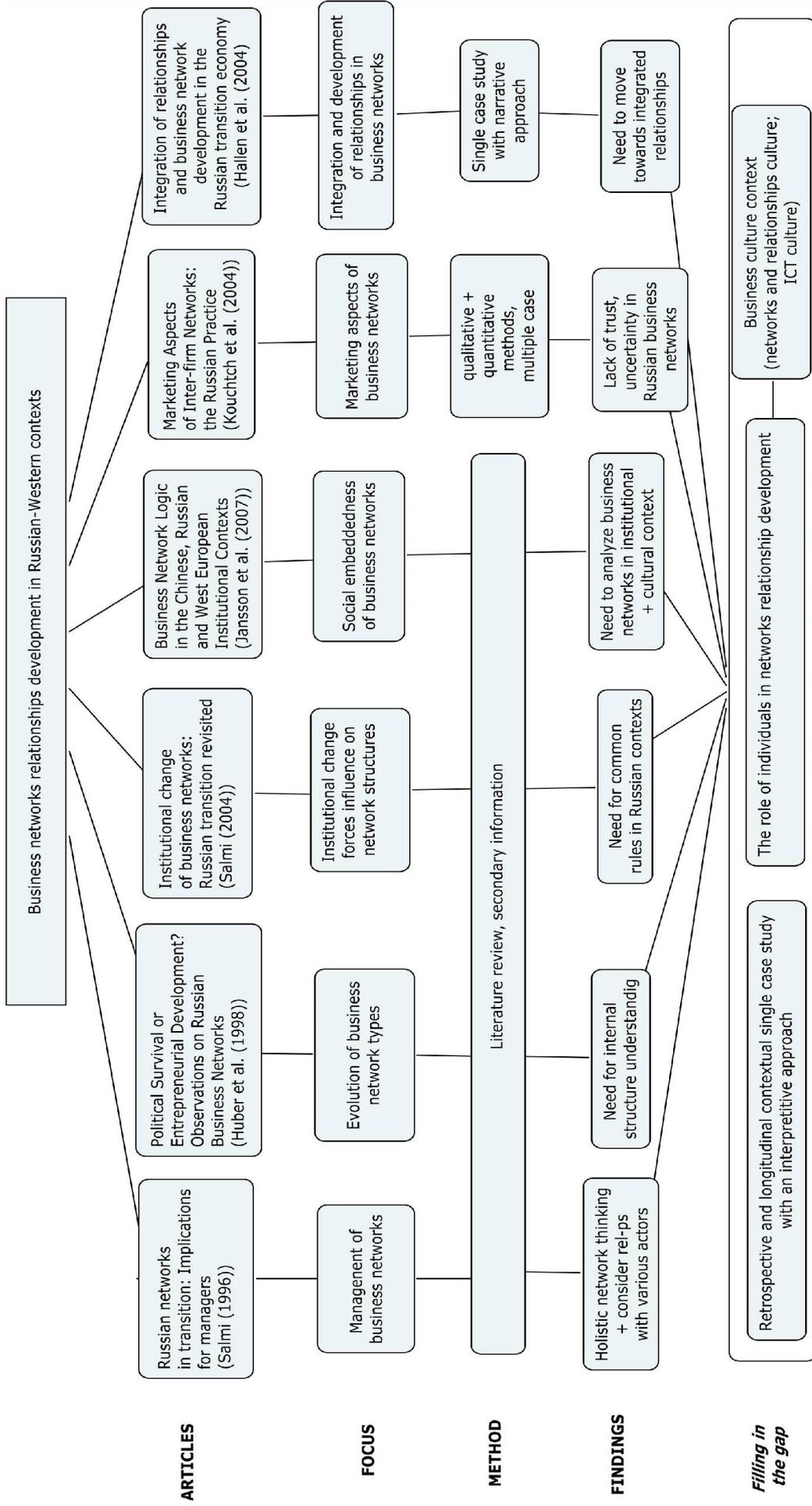


Figure 1 Literature review

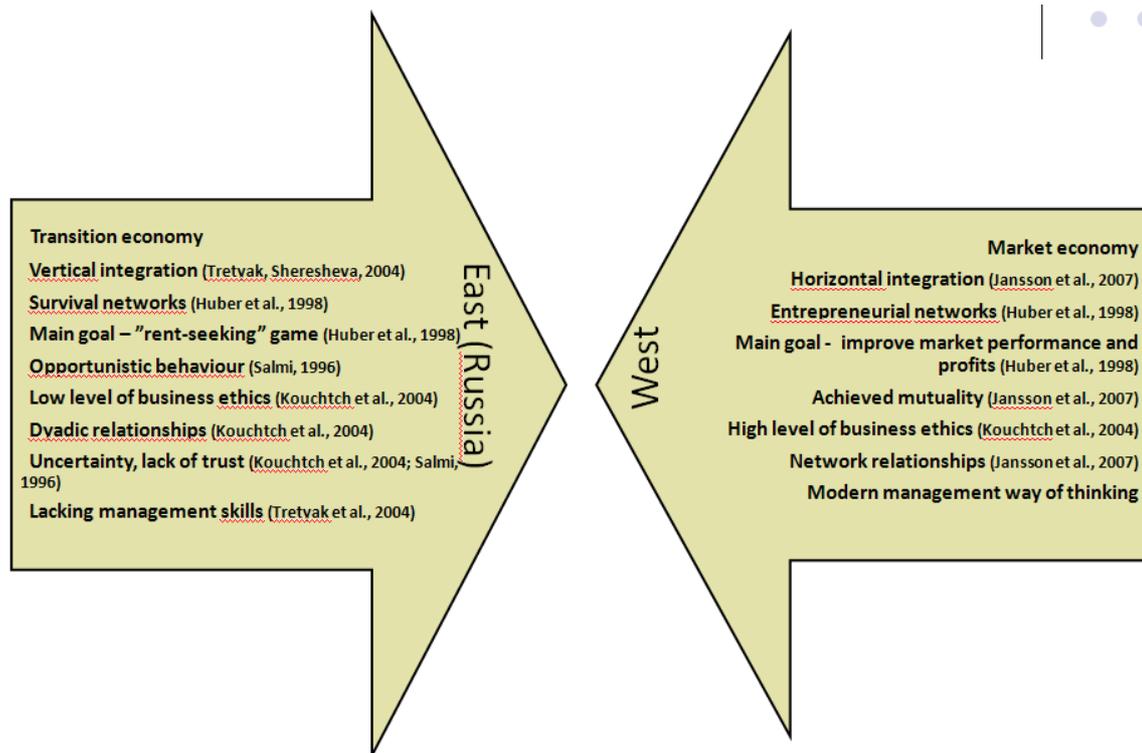


Figure 2 East vs. West managerial clashes

After reviewing the literature with the similar context as this study has and identifying the main gaps in research, a conclusion can be done that there is a need to conduct an up-to-date study of Finnish-Russian networks in a socio-cultural context, on individual relationships level and to understand the role of individual behavior elements, for instance, trust, commitment and adaptation.

THEORETICAL BACKGROUND

Business networks as described by Håkanson (1995, 52) comprise various business actors that are linked between each other by some kind of relationships and they are all interconnected. Thus an individual organization can be seen as embedded in a network. When observing a network from a relationship perspective it would be more appropriate to have a focal dyad of two focal actors as a starting point rather than observing one focal actor embedded in a network. Here we are talking about dyad-network embeddedness where the core dyad is to be examined as a part of a wider industrial network (Halinen et al., 1998). Let us not forget that relationships' development is a consequence of interaction between individual actors of the dyad and network in whole. Individuals act on the behalf of their company, literally represent it and are involved in various kinds of social relations, thus a business network is socially embedded.

When investigating global networks there is obviously a need to conduct a cross-cultural research. Ellis et al. (2006, 23) state that researching networks requires the researcher to include the network of ideas and symbols which is the foundation of culture. Thus culture appears to be the dominating factor that needs to be observed, as a network is culturally embedded. Many studies on culture in a business context where conducted using Hofstede's (1991) cultural dimensions (e.g. Holden, 2002; McSweeney, 2002). When

doing study based on network approach one must not forget of the interaction process which is a key part of networks (c.f. Håkansson 1982; Ritter et al. 2003; Olkkonen et al. 2000). Interaction occurs between actors of various groups which hold certain assumptions, values and codes of conduct. Thus it would be more appropriate to observe business culture when studying business networks and relationships rather than Hofstede's dimensions which refer more to national culture. Törnroos (2000, 6) defines business culture as a part of a national culture stating in a specific culture or within a cultural group the codes of business conduct and the ways of doing business. This comprises all the aspects about how to negotiate, manage organisations, market products and services and what network connections to have and how to handle relationships. To narrow the focus of the research regarding culture, the use of "industry culture" concept that is based on codes of conduct, assumptions within a cultural group that is formed of actors of an industry will be appropriate. When using the concept "industry culture one must not forget that a network is a multi-industrial entity, thus various cultures can be observed and it becomes even more complex when talking about multinational networks, as industry culture can also vary depending on a country.

Culture is often seen as a stable concept, but many recent scholars emphasize the importance of its evolution in time and dynamics (c.f. Geertz, 1973; Schein, 1985; Brannen, 1998; Hatch, 2000). The concepts of interaction and networks are also bound in time (c.f. Medlin, 2004). Interaction in turn irreversibly leads to the emergence of some kind of relationships. Relationships within networks also are not a stable concept, they are dynamic and tend to change (c.f. Storbacka et al., 1994; Halinen et al., 2002). Here we speak about temporal embeddedness of a network and thus there is a definite need to take time perspective into account within this study.

It is obvious that culture corresponds to a group characteristic, and consistently researches within a cultural context are made from a group, organization level perspective (c.f. Ali et al., 2009; Fletcher, 2006; Naude et al., 2003), but it is worth mentioning the statement made by Ellis et al. (2006, 22) that the foundations of both culture and networks constructs are based on the perception of the individual rather than a generalised structure. Individual behaviour elements, for instance, emotions, commitment, trust and adaptation are often stated as being at the centre of business relationships and networks (c.f. Andersen et al., 2006; Morgan et al., 1994).

One of the main processes affecting the elements of behaviour, for instance, trust, commitment and adaptation is interpersonal communication which as stated by Olkkonen et al., (2000, 3) is a substantial part of the interaction process and can therefore be regarded as a processual element of relationships and networks. In the modern business world apart from face-to-face communications, one should take into consideration digital ways of communication and therefore information and communication technologies (ICT) which seem to be the most advanced and prominent ways of facilitating activities and communication arising in global networks. Thus ICT directly affects interpersonal communication and through it the interaction process and relationships within networks. Besides that ICT is linked to culture by being a de facto part of it (c.f. Hofstede (1991); Sørnes et al. (2004)).

The role of ICT has been discussed a lot since its appearance (c.f. Baraldi, 2002, Lindh, 2008), one emphasizes its importance and positive influence on business, others criticize it due to the diminishment of live interaction, which is definitely important when building relationships within a business network, especially on the initial phase. The influence of ICT on individuals and individual behaviour elements has not been sufficiently examined

yet (c.f. Lindh, 2008). In this study ICT is regarded not in terms of technological devices, but rather in that of ICT culture, which is to be defined further.

Figure 3 summarizes the theoretical background discussion and clearly shows that individuals and individual behaviour elements are central to concepts that are needed for business network relationships analysis and to business network relationships themselves.

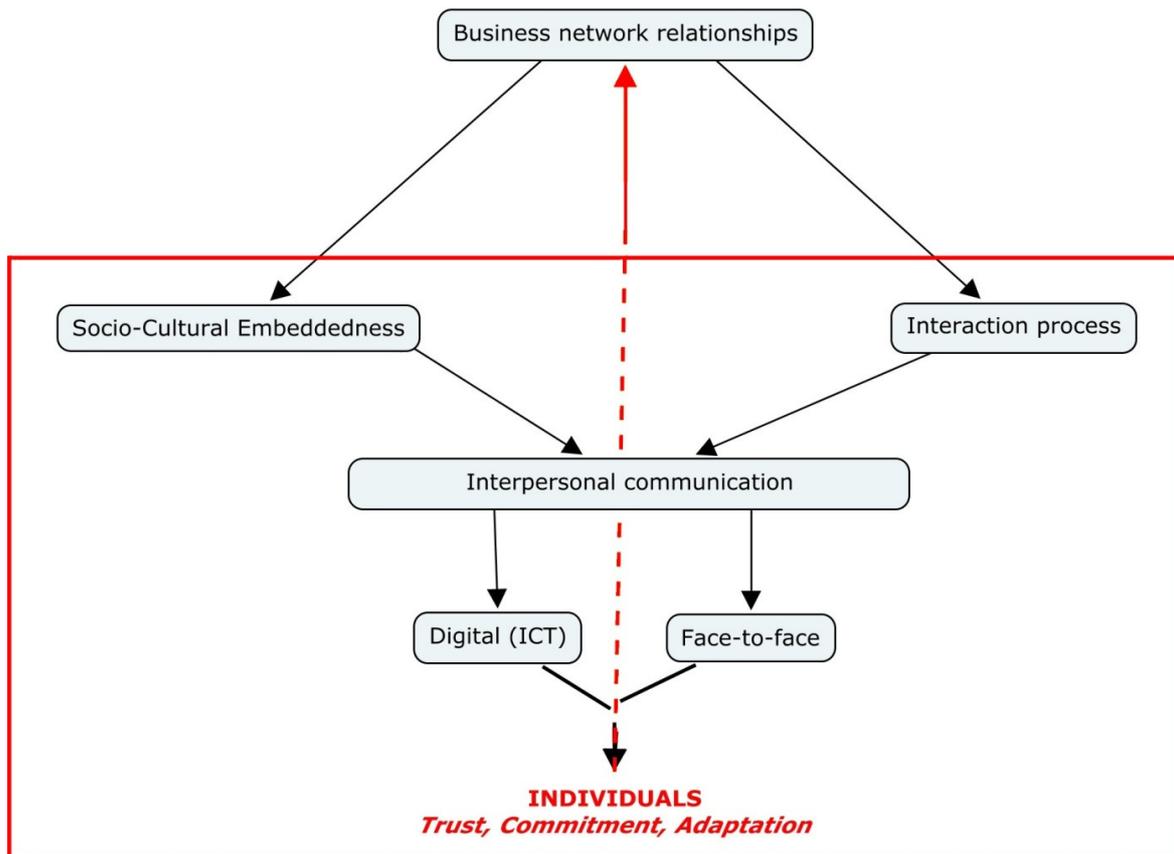


Figure 3 Theoretical background

MOTIVATION FOR THE RESEARCH

Stipulated by the theoretical and research background the motivation is the following:

- Need to study Russian-Finnish business networks relationships development from both sides of the conjunction;
- Need to study business networks relationships development at individual level in a cultural context;
- Need to understand individual behavior elements, for instance, trust, commitment and adaptation, factors affecting them and their influence on business relationships;
- Need to conduct more up-to-date research, taking into account latest aspects, concerning business relationships development, for instance, the rising significance of ICT.

FOCUS AND FRAMEWORK OF THE RESEARCH

The focal subjects of this study are individuals and elements individual behaviour within a Finnish-Russian business dyad embedded in a network of relationships that is in turn socio-culturally embedded (see figure 4).

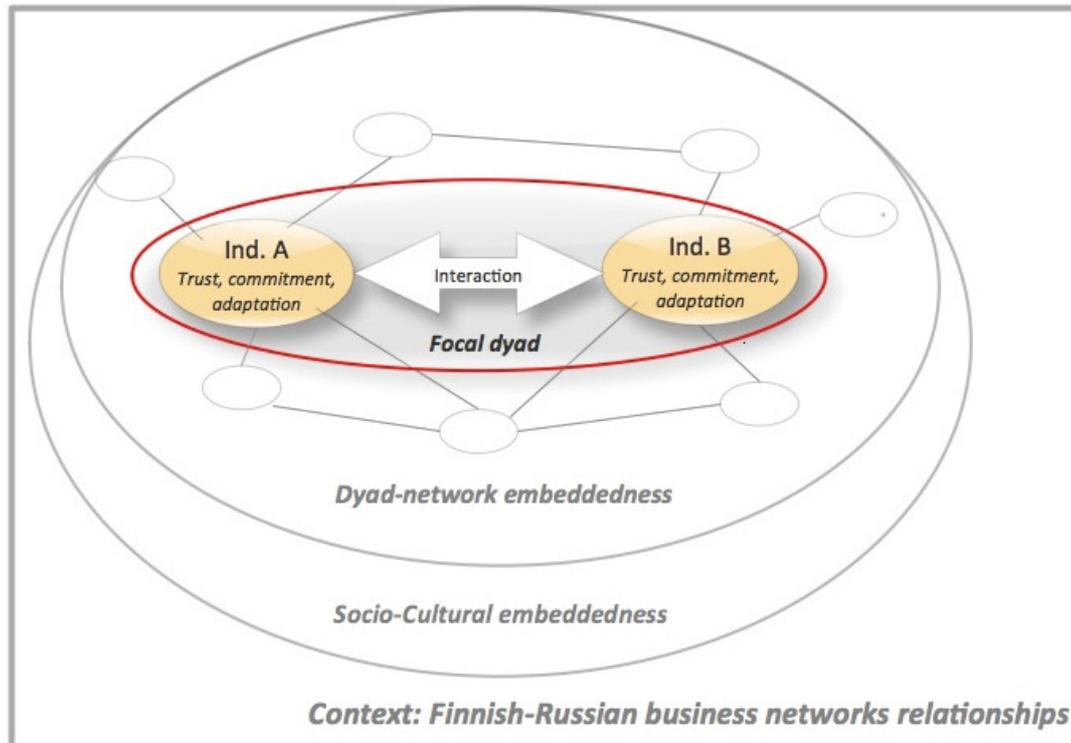


Figure 4 Focus of the study

An interaction approach in combination with network approach is seen as central for studying business relationships development within networks. If considering only interaction approach, it would embrace only dyadic relationships separately from the holistic network relationships. In this study dyad-network embeddedness is to be observed. Of all different types of network embeddedness, social and cultural embeddedness are seen as core in this study, which leads us to consideration of interaction process when developing relationships. The interaction nowadays can be either digital or face-to face and usually this ways of interacting are combined to achieve higher efficiency of relationships, thus both ways need to be taken into account when investigating the interaction process. The main subjects of interaction process are individuals, which play a representational role in networks of business actors. Individuals act differently depending on the elements of behaviour, for instance, trust and commitment, on the ways to adapt to a concrete business actor. Thus the role of individuals and individual behaviour elements appears to be core in the process of relationship development and the need to investigate it is crucial.

Figure 5 summarizes the framework of this study.

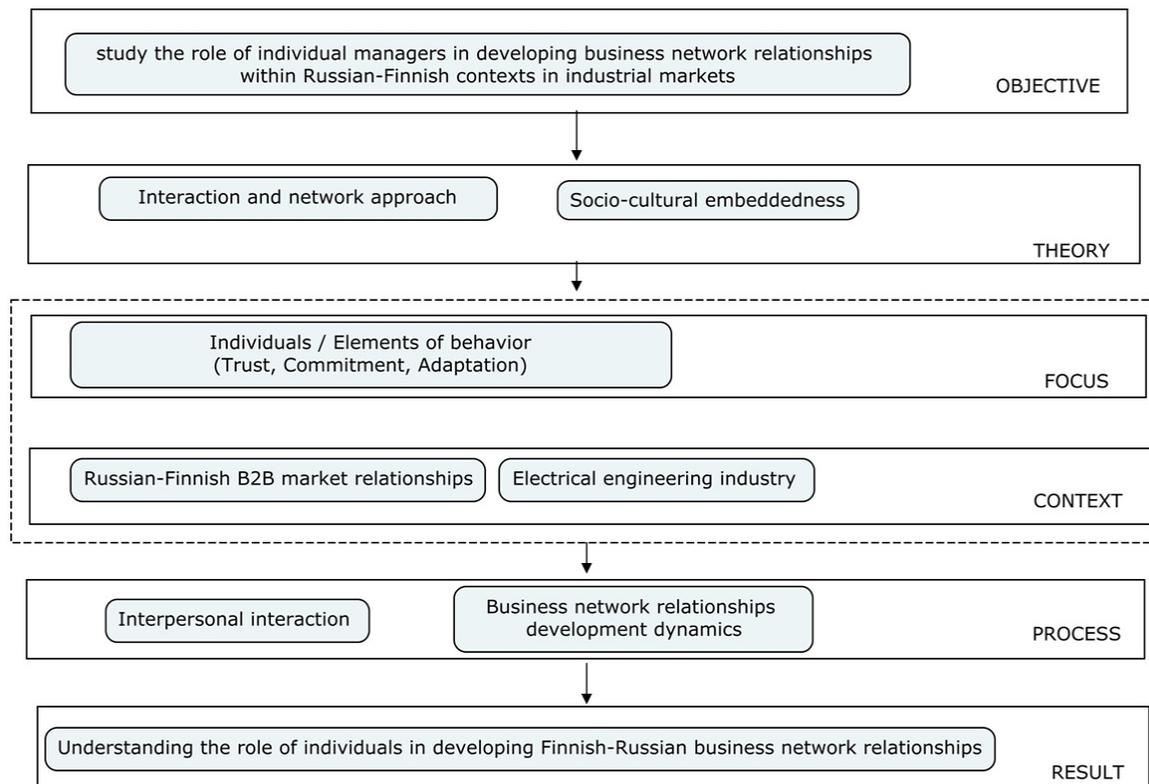


Figure 5 Framework of the study

RESEARCH OBJECTIVE AND QUESTIONS

The main objective of this thesis is to study the role of individual managers in developing business network relationships within Russian-Finnish firms in industrial markets.

The research questions needed to be answered to reach the research objective are following:

1. To develop theoretical framework for developing of business relationships in international industrial markets using an interaction and network approach.
2. To describe the development of cross-cultural business network relationships and the place of interpersonal interaction within Russian-Finnish contexts.
3. To analyze the role of individuals and elements of behaviour in developing relationships between different socio-cultural contexts.
4. To give theoretical and practical implications of understanding the role of individuals in developing business relationships within Russian-Finnish business networks.

KEY CONCEPTS

Business network / network approach: In this study business networks are viewed according to the IMP perspective and characterized by relationships being embedded in a social structure, mainly a specific market structure in the form of networks, whereas it has also been called the markets as network approach.

Interaction approach: Is also viewed from IMP perspective and implies that for successful marketing and purchasing interactive, long-term and mutual relationships should take place in a buyer-seller dyad and none of the actors in this process is passive.

Dyad-network embeddedness: This perspective on the concept of embeddedness can be defined as the dyad's connectedness in a broader industrial network (c.f. Halinen et al., 1998). Thus the core dyad is central for investigation, but the examination should be done by taking into account the network in which the dyad is enclosed.

Social embeddedness: Refers to Granovetter (1985) point of view that economic relations of individuals and firms are constrained by a system of social relations and are embedded in a social network.

Individual behaviour elements: Firms are inanimate entities and it is only human that makes a firm alive. The individual behaviour elements, for instance, trust, commitment and adaptation are stated to be core to business relationships and thus are of primary consideration when studying business relationships development.

Trust and Commitment: Trust refers to the willingness to rely on an exchange partner in whom one has confidence (c.f. Moorman et al., 1993). The authors also define commitment as an enduring desire to maintain a value relationship. In both definition the authors infer to the "desire" which directly addresses the interplay of society and individual and is focused on a specific something shaped by social and historical circumstance (c.f. Belk et al., 2003). Thus here we also see the presence of social, temporal embeddedness and also cultural embeddedness, as it derives from the historical context.

Adaptation: As in the wild world adaptation within business networks is crucial for survival, as it is necessary process for a firm to become better suited to the habitat surrounding it. In this case habitat is the business network of the firm. Adaptation in this study refers to individual behaviour elements, as the individual and his behaviour is central to the process of adaptation.

Cultural embeddedness: Corresponds with the definition of Zukin et al. (1990) as the role of shared collective understanding in shaping economic strategies and goals. Business culture theory is regarded in this study, but in particular industry and ICT culture concepts are taken into account.

Industry culture: Is based on industry-driven assumptions that lead to value systems that need to be considered by the firm in order to survive and these assumptions as argues Gordon (1991) form the basis of the company culture.

ICT culture: Comprises the aspects about how the technology affects business processes, how it is used to enable interaction within various groups and how it affects values, codes of conduct and behaviour.

LIMITATIONS OF THE STUDY

Theoretical scope

- Network-interaction approach;
- Relationship perspective -> individual level -> trust, commitment, adaptation;
- Socio-cultural embeddedness -> business culture, particularly industry and ICT culture and social relations

Methodology

- Longitudinal study-> time perspective -> critical events;
- Interpretive and contextual approach -> qualitative case studies -> understanding individual behaviour, meanings;
- Schein's (1985) model -> artefacts, values, assumptions.

Empirical limitations

- Area: North-West Russia and Finland;
- Field: electrical engineering;
- The main relationships to be observed are the relationships of the focal dyad. Other relationships within the network are of secondary importance;
- Focus: role of individuals
- Processes: interpersonal interaction and relationships development.

RESEARCH DESIGN AND METHODOLOGY

As a starting point to observe the cultural context of the study, Schein's (1985) model will be useful as it allows investigating deeper than the artefacts level and reach the core of culture by analyzing values and assumptions. At the same time the interpretive and contextual approach is the most suitable to conduct a study concerning business networks relationships and culture. For this purpose case study approach is to be widely used in this study. Case study research can involve qualitative data only, quantitative data only or both (Yin, 1984). This study is to be qualitative; it will help to gain significant amount relevant data that would be useful in setting up new ideas and theories. Yin (1984) also mentions that a case study design with a qualitative character, including multiple material sources, for instance, documents, archives, interviews, observations, field notes and physical objects or artefacts, enables the study of process, function and department, and flow of events or history. It will also help to provide a continuous view on relationships and observe how they evolve in time depending on various factors. An interpretive case study will also help to observe individual behaviour, its elements and factors' influence on it. In order to consider the time perspective of the study a longitudinal approach with the emphasis on observation of critical events also needs to be taken.

The critical events that arise within business network relationships raise the need to be involved in intensive interpersonal interaction, the core construct of which is the individual behaviour and its elements, which in turn is influenced by socio-cultural context. In turn formed under socio-cultural context the individual behaviour will influence the course of business relationship development.

Thus to understand the role of individual in development of relationships the research design described in figure 6 is to be used. Figure 7 represents part of research design concerning network relationships.

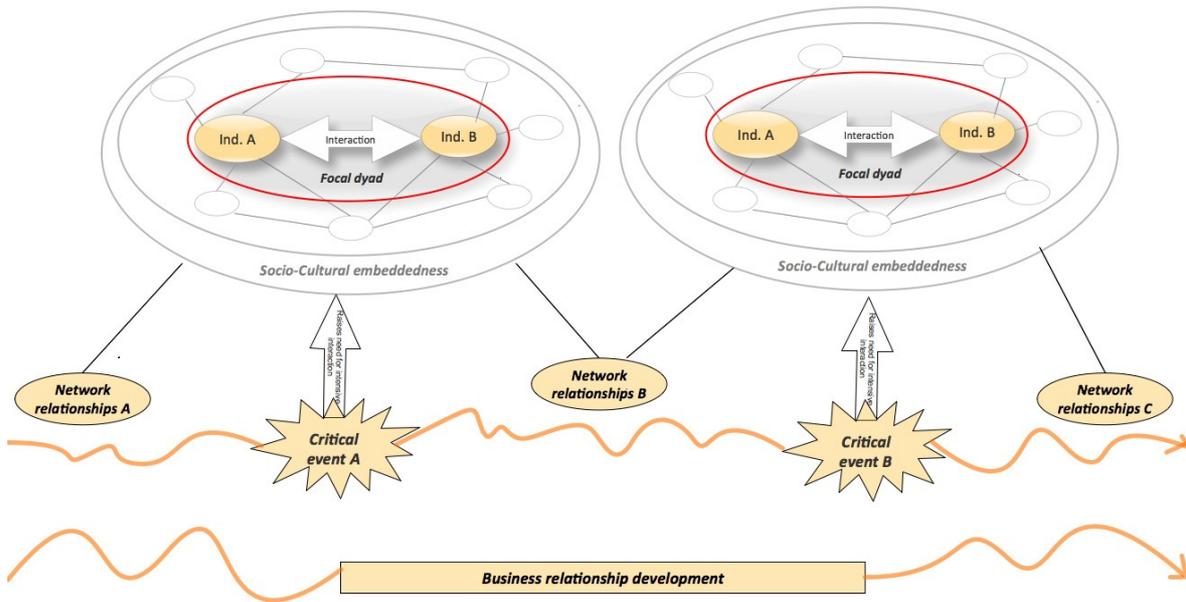


Figure 6 Research design

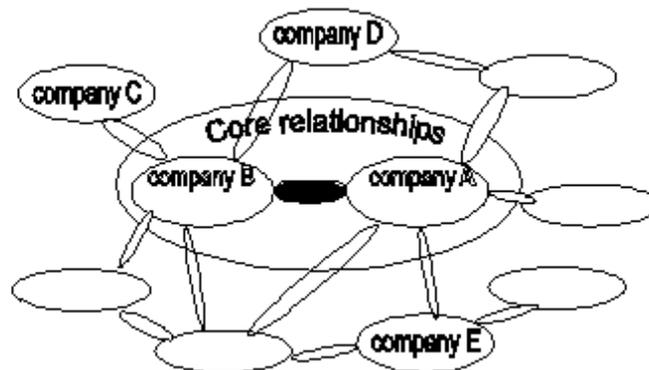


Figure 7 Network relationships

The research design consists of four steps of analysis which are to be done separately, after which the analyzed information needs to be converged in order to obtain the whole picture concerning the main problem and lead us to accomplishing the main objective of the study, which is to study and understand the role of individual managers in developing business relationships within Russian-Finnish firms in industrial markets.

1. On the first step there is a need to investigate the development of relationships (see figure 6) within chosen business network. In order undertake this task firstly certain period of time needs to be taken, within which the relationships will be observed. After that critical events that happened during this period need to be identified. As mentioned before qualitative case study methods will be generally used during the accomplishment of this and other steps of this study.
2. Then network relationships before and after critical events need to be described (see figures 6 and 7). The process of description consists of two phases.
 - a) In the chosen business network there are two main companies, one of them is Finnish and one Russian and they represent the focal dyad of this net. Actors of

the focal dyad and relationships within it are to be studied more systematically than the others, thus vast amount of information is needed. The focal dyad is to be selected for the case study. It is supposed to gather information by numerous in-depth interviews with representatives of the focal dyad (different persons from the companies, in different periods of time), secondary sources (company records, newsletters, press reports, catalogues and annual reports), observations and other tools of qualitative research. It will help to describe evolution of relationships, identify other network actors, etc.

- b) The second phase is about examining other network actors. Here it will be important to identify what are the network relationships, how they affect each other and how they affect the focal dyad and relationships within it.
3. After describing network relationships before and after critical events there is a need to review how exactly the critical events were handled, the place of interpersonal interaction in this process and describe the socio-cultural environment at that moment. Here Schein's (1985) model will be of use.
4. The last and the most deep step of the study requires to analyse the individual behaviour elements when the critical events raised, how these elements of behaviour were affected by socio-cultural context and in turn how they affected the process of interpersonal interaction, so that this process lead to the development of network relationships from for example its state A to B (see figure 6).

CONTRIBUTIONS OF THE STUDY

Theoretical contribution

- Improving network/interaction approach theory by bringing in contemporary issues, for instance, ICT; looking at network/interaction approach theory from an individual perspective and in a socio-cultural context;

Practical contribution

- Implications on the role of individuals in developing business relationships within Russian-Finnish business networks;
- Ways of adaptation in Russian-Finnish business network relationships, taking into account individual perspective and socio-cultural context;
- Implications on ways of interpersonal interaction process within Russian-Finnish business network relationships development

STRUCTURE OF THE THESIS

The doctoral dissertation is to be article-based and has the following structure:

1. Introductory paper
2. Article 1. Theoretical

Working title: "Development of business relationships in international industrial markets using an interaction and network approach"

- Introduction
 - Theoretical Review
 - Gaps in theory
 - Discussion
 - Conclusions
3. Article 2. Methodological

Working title: “Finding methods towards studying the individual level of business network relationships within cultural context”

- Introduction
- Methodological review
- Gaps in methodology
- Discussion
- Conclusions

4. Article 3. Empirical

Working title: “Exploring Russian-Finnish business network relationships in electrical engineering industry”

- Introduction
- Literature Review
- Materials and Methods
- Results
- Discussion
- Conclusions

5. Article 4. Empirical

Working title: “Does interpersonal interaction matter in developing business network relationships? A case study on Russian-Finnish business networks”

- Introduction
- Literature Review
- Materials and Methods
- Results
- Discussion
- Conclusions

6. Article 5. Empirical

Working title: “The role of individual and elements of behavior in developing business relationships: A case study on Russian-Finnish business networks”

- Introduction
- Literature Review
- Materials and Methods
- Results
- Discussion
- Conclusions

7. Conclusions

TIMETABLE FOR THE RESEARCH

Year	Activity	Months
1	Enroll in and pass various general and elective courses, participate in seminars, workshops, conferences	Nov/09-Aug/10
	Literature review	
	Collect theoretical information on business relationships and networks (Theoretical framework)	Dec/09-Nov/10
	Writing up Article 1 (theoretical)	Apr-Aug/10
	Define focal actors and contact with them	Jun-Jul/10
	Overview and start collecting secondary information (documents, archives) the focal dyad and other actors of the network	Aug-Dec/10

2	Enroll in and pass various general and elective courses, participate in seminars, workshops, conferences:	Sept10-Aug/11
	Writing up Article 2 (methodological)	Sept/10-Apr/11
	Questionnaires design	Jan– Feb/11
	Practical preparations for fieldwork	
	Interviews with key persons in the focal dyad	Mar-Nov/11
	Observations within the focal dyad and other actors of the network	
	Some interviews with other actors of the network	
	Data entry and first stage of analysis	
	Writing up Article 3 (empirical)	May-Dec/11
3	Enroll in and pass various general and elective courses	Sept-Dec/11
	Participate in seminars, workshops, conferences	Sept/11-Aug/12
	Review the relationship development within the network, critical events	Oct/11-Jul/12
	Second round of interviews and observations	
	Review critical events handling, the place of interpersonal communication in this process, cultural and ICT factors	
	In-depth analysis of the information collected on the first and this stages of research	
	Writing up Article 4 (empirical)	Jan-Aug/12
4	Participate in seminars, workshops, conferences	Sept/12-Aug/13
	Third round of interviews and observations	Oct/12-Apr/13
	More in-depth analysis of behavioral elements of the individual, factors influencing them and their influence on relationship development	
	Writing up Article 5 (empirical)	Sept/12-May/13
	Writing up Introductory paper	Jun-Sept/13
	Submit the thesis to the committee	Sept/13
	Public defence of the Doctoral thesis	Oct-Nov/13

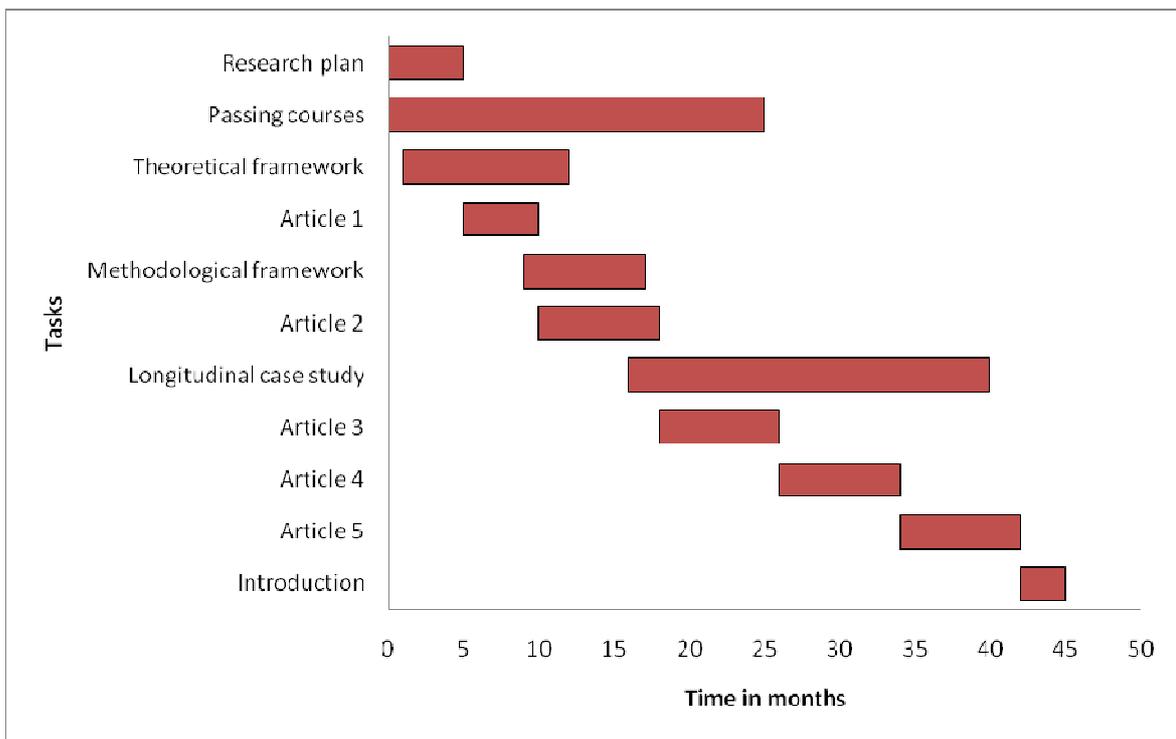


Figure 8 Timetable for the research

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