

UNTANGLING RUSSIAN BUSINESS CULTURE: TWO CASES OF BUYER BEHAVIOUR

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Abstract

Examples abound of firms that have problems in tackling business relations with their Russian partners. It is claimed that Russian business culture is hard to understand, “due to Russia’s instability, high level of corruption, and lack of understanding the basic international ethical norms” (Hisrich and Gratchev 2001, p. 16). This paper endeavours to delve into the intricacies of these relations by studying two business relationships between two Western companies (a US company based in Western Europe and a Japanese company based in Singapore) and their Russian customers. Based on general B2B literature and literature on Russian culture (for instance Berdyaev 1918, Losskiy 1967, Akhiezer 1997) and on culture in general (Hofstede 1980, Trompenaars 1996, and the Globe project) we analyse these relations across the five phases of business relationships as suggested by Ford (1980).

We conclude that Russian business people have a predilection of secrecy, possibly a manifestation of uncertainty in the encounter with foreign companies. Also the rather monolithic role of the CEO highlights the importance of nurturing close relations with the top executive of Russian organisations. Trust and commitment emerge as a result of “out of business” personal relationship much more with Russian partners than with Western partners. It seems as though the Singaporean subsidiary of the Japanese company understands this much better than the European arm of the US company.

Introduction

The literature on buyer seller interactions in general may be said to have reached a peak in the 1990's with initial contributions from Robinson, Faris and Wind (1967) introducing the buy-grid model and Webster and Wind (1972) with their buying centre model, later extended by Sheth (1973). From the early 1980 and onwards IMP-inspired researchers (Ford 1980, Håkanson et al 1982, Campbell 1985, Anderson and Narus (1990), Håkanson and Snehota 1995, Naude and Buttle 2000, Ford et al 2002) focused more on the interaction process between the buying and selling partners rather than on the purchase decision process. Since the 1990's the Americans have contributed this field of research looking at the outcome of interorganizational relations between trading partners. According to Palmatier, Dant and Grewal (2007) this stream of research takes four different theoretical perspectives: trust (Morgan and Hunt 1994), dependence (Ganesan 1994), relational norms (Heide and John 1990) and transaction cost economics (Williamson 1975, Heide and John 1990, Wathne and Heide 2002). The main conclusions to be drawn from these contributions are that trust and commitment play an overriding role in such relationships, and that through adaptations over different relationship stages, and subsequent information exchange and coordination, the partners become gradually interdependent. Since the 1990's the emphasis has been on understanding the role of different partners in business networks (Håkanson and Snehota 1995) and gradually extending into the realm of economic sociology (Granovetter 1973 and 1985, Burt 1992, Uzzi 1997).

However, little research has looked into the cultural aspects of such relationships. Certainly there has been a plethora of accounts on for instance the role of *guanxi* in a Chinese business context (for an in depth discussion, see Matthyssen and Faes 2006), of the role of culture in general on business relationships (Solberg and Nes 2002, Ivens 2006, Solberg 2008), and on the role of networks in international marketing (see for instance Johanson and Mattson 1988, Blankenburg-Holm and Johanson 1997). Attempts have also been made to "peer into" other cultures such as for instance Arabian buyer behaviour (Solberg 2002) or US-Japanese relationships (Stump, Kim and Oh 2002). One may infer from these studies that the phenomena under study (such as trust, commitment, adaptation and information exchange) all matter whatever cultural contexts— as they do in the "Western models", but that possibly the details of the mechanisms – being culturally bound - differ from one country to the other, making cross border business relations more troublesome and wrought with failures.

The present paper studies relationships between Russian and “Western” (US and Japanese) business partners. Since the collapse of the Soviet Union in 1992, and the subsequent opening of the Russian and other CIS markets to the outer world the number of companies investing or otherwise doing business in Russia has increased dramatically and with that the frustrations of many Western companies of Russian management style. One case in point is the TNK-BP joint venture, developing oil and gas reserves in Siberia. BP has been the victim of changing whims of political regimes and has been forced to play the game of the new economic oligarchy. Another case, Telenor, the Norwegian telecommunications company, has also experienced the caprices of Russian management style and the role of the economic elite in its conflict with the Alfa group investment company, their joint venture partner in Vimpelcom and Kievstar (two of the leading telecom companies in Russia and Ukraine). We aim at getting a bit behind the scenes, not of the Russian business partner (this has proven difficult given the secrecy that such relations are surrounded with in Russia), but through two case studies of Russian-western relationships seen through the lenses of the Western partners, and relate them to different strands of literature on Russian culture and culture in general.

Theoretical framework

Two main streams of literature have inspired our study: Literature B2B relations and literature on culture. B2B literature encompasses a large number of contributions, from IMP writings cited above based on the eclectic interaction model (Håkanson et al 1982) to more focused studies taking a variety of theoretical approaches (Palmatier et al 2007). Trying to explore the Russian mind we tap into writers both from tsarist through soviet and post-soviet eras (for instance Berdyaev 1918, Losskiy 1967, Akhiezer 1997) and on management culture in general (Hofstede 1980, Trompenaars 1996, and the Globe project). The section concludes by positing a number of propositions derived from the two streams of literature.

B2B framework

The initial interaction model (Håkanson et al 1982) introduces a number of factors of importance to the relationship formation: internal factors in the two partner organisations, short term exchange episodes (mostly transactions), long term relationships (adaptations, institutionalisation), “atmosphere” (dependence, cooperation, closeness, expectations) and

environment. The development of long term relations is our focus in the present study. We therefore have to identify critical factors leading to what we may term “successful long term relationships”. Commitment and trust are key factors in this context (Morgan and Hunt 1994, Mohr and Spekman 1994). Commitment is the orientation to build strong relationships that enable the partners to overcome unexpected and potentially harmful situations, as well as curbing opportunistic behaviour (Mohr and Spekman 1994). Commitment to a partner leads to a trusting relationship (Morgan and Hunt 1994). Trust in turn is generally associated with honesty and benevolence between partners and their desire to collaborate and meet long-term expectations (Kenning 2008). Trust is said to be the “cornerstone of strategic partnership” (Spekman 1988, p. 79). Other factors also play a role in this equation. For instance communication and information exchange, social relations, relationship specific investments such as mutual adaptations to each other business systems, power / dependence are shown to have a positive impact on the relationships between trading partners (Solberg 2006). Ford (1980) observed that a number of these variables change over time as the relationship develops. His proposed framework consists of 5 stages:

Stage 1 – The Pre-relationship stage is characterized as a stage with the highest rates on distance (social, cultural, technological, and geographical) between the firms. Cultural distance (the degree of difference in norms and values or between firms as a result of separate national characteristics), social distance (the degree of unfamiliarity between organizations in their methods of working), technological distance (the difference in products and process technologies of the firms) and geographical distance are interrelated and will usually depend on one another. At this stage, the firms’ level of commitment in the evaluation of one another is non-existent. Uncertainty and distance are high, whereas experience is at its lowest due to the lack of good knowledge about each other.

Stage 2 – The Early stage is when both sides come into closer contact in order to negotiate a sample delivery or transaction. At this stage, uncertainty is still relatively high. Experience however continues to stay low because the firms at this point still have limited views on each other’s requirements. The distance between parties remains high with social distance being characterized by a lack of knowledge between parties, cultural distance – by a lack of social relations and hence a lack of trust and technological distance – by the inexperience in terms of one another’s products. Commitment between the parties may start to appear at this stage but

remains quite low with no clear certainty that either will want an actual relationship to develop.

Stage 3 – The Development stage is characterized by a continuous purchase of products and an increase in related deliveries. The organizations' experience in terms of understanding each other's mode of operation and their knowledge about each other's norms and values increases. Uncertainty reduces at this point due to the growing clarity of the necessary adaptations needed and the costs involved. The distance variable begins to reduce. Increasing social exchange and knowledge between parties leads to the gradual development of trust between parties and hence a reduction in social distance which in turn contributes to the reduction of cultural and geographical distances. A greater reduction in the distance variable is also possible through the establishment of local subsidiaries in host countries and the employment of local nationals. The perception of how much commitment the other party has made has a huge influence on the overall situation. Commitment can be demonstrated and evaluated by a firm's adaptation to the needs of its partner(s), through the frequency and form of contact it has with its partner(s), and/or by setting up an office in the partner's market to show a clear intent of further developing joint business.

Stage 4 – the long term stage, coupled with *Stage 5 – the final stage* are an illustration of the firms' mutual importance to one another. At these stages commitment increases and the influence of such factors as cultural or social distance become less visible. Uncertainty is at its minimum however creating the risk of institutionalization where the routine ways of operating may cause a decreased responsiveness to a partner's needs and requirement and hence appear as a decrease in commitment. In his analysis, Ford (1980) emphasizes on the nature of a B2B relationships, the interaction of activities between the parties involved and the evolvement of the various dynamic variables with the development of the relationship.

Russian (business) culture

Cultural distance may moderate the effects of these factors. Solberg (2008) studying Norwegian exporters' relationships with their foreign middlemen found that in cases of high cultural distance between the partners clan control (partly defined as trust), social relations, flexibility and information exchange are of particular importance. Solberg (2008) states that

“[C]ultural differences as such are one issue; another matter is how these can influence relationships between trading partners in international markets. Concerning

these latter, studies have shown that cultural differences affect relationships in several dimensions: frequency and intensity of the contacts, social distance, willingness to adapt and invest in relationships, the duration of the relationships, the level of governance, the level of trust, and communication between partners (for a review, see Ivens 2006). The conclude that compared with buyer-seller relationships within a given culture, those in international markets are vaguer, are less intense, and involve less commitment” (p. 59).

Cultural distance is however a very general measure. In order to understand the details of these differences in the present context it is necessary to delve more deeply into the mindset of the Russian manager. For this purpose we will resort to cultural dimensions as identified by Hofstede (1980 and 1988), Hampden-Turner and Trompenaars (1993), and the Globe project (Gratchev et al 1998) and relate these to relevant traits in Russian culture.

The legacy of the her history in general and more recently of the Soviet era has, together with Russia’s geographic coverage and climatic conditions, shaped the mindset of the Russian. In particular, the Mongol Yoke from the 13th until the 15th is said to have had a major imprint on Russian culture, both in terms of their ruthless government (resistance being met by massive punishments) and at the same time liberal stance towards religious worship, which according to Savitskyi (1922) allowed Russia to save its Orthodox religion. The Mongol influence on the Russian culture has divided Russia into two camps: 1. The Western camp (‘Zapandniki’ - West followers): Russians are far behind Europe because of the Mongol Yoke and 2. The Slavophiles (‘Slavtanofili’): Mongol Yoke helped to form Russian people as a nation (Pashchenko, 2002).

Both the orthodox church emphasizing family values and respect towards authority, and agricultural traditions with group decision making institutions by local community (obschina and veche) may explain the relatively high levels of *collectivism* found in the Russian society (Losskiy 1990). The advent of the Soviet state reinforced these tendencies. This is supported by findings both of the Globe project (Gratchev et al 1998), Bollinger (1994), Elenkov (1996), and by Hofstede (1994), whereas Trompenaars and Hamden-Turner (2000) found that Russia would be characterised as a rather individualistic country. It has been speculated that these latter results have been influenced by the heydays of post Soviet unregulated capitalism (Naumov 1996). The general conclusion to be drawn from these writings is that the Russian culture is predominantly collectivistic.

Also the centralised *power* system that has prevailed in Russia for centuries seems embedded in the Russian culture. A number of researchers such as Bollinger (1994) and Rosten (1991) have emphasized the inequality of power between the superior and subordinate in Russian organizations. In particular, Rosten (1991) has noted that power in Russian organisations is often concentrated in the hands of the General Director. This goes in line with the conclusion drawn by Trompenaars about “one-man management” type of management/decision making in Russia (Trompenaars, Hampden-Turner 1997; 2000). In four of the six cases Kate Gilbert (2001) found that Russian firms were autocratic bosses, who accumulated some of the trappings of status.

According to Hofstede (1994), Russia scores extremely high on *uncertainty avoidance*: in his view, this explains why Russian society is known for constant establishment of strict laws and rules, safety and security measures. Numerous other observers (for instance Berliner, 1988; Gregory, 1989; Kiezun, 1991) have also recorded the Russian need to control uncertainty. In fact the long history of Russian wars and harsh Russian climate are mentioned among the reasons for high levels of uncertainty avoidance (Saprykin, 2005). Klyutchevskiy (2007) noticed that the Russian climate with its long winters and short summers only make Russian people even less sure about their most accurate plans. Also, the historical memory of the invasion threats has always ‘lived’ in the Russian soul. Over the years Russians fought for survival against various invaders - over 250 wars since the 11th century. All the wars and the necessity to face threats coming out of the blue have made Russians determined to avoid additional risks whenever possible as well as made them unable to stick to plans (Saprykin 2005).

The GLOBE project found that the Russians are placed at the bottom of the list of all countries concerning *long-term orientation*, indicating that the Russian society at the period of study was “disoriented and uncertain about future” (Gratchev et al, 1998: 15). Hampden-Turner and Trompenaars (2000) found Eastern European countries including Russia to be synchronous – able to do several things at a time and not concentrating on something in particular at the moment. Orthodox tradition postulates that one should live today, not taking care of tomorrow. Loskiy (1990) posits that Russians tend to be passive when it comes to time; they don’t like to plan because of the unpredictable environment that they are surrounded with. Fey and Denison (2000) note that Russians have a tendency of looking back instead of looking forward; they also tend to monitor results rather than set goals. This

suggests that Russians are not keen on planning, and would probably behave in a more inconsistent way when it comes to time efficiency. This may be related to Russians' low score on *performance orientation* (Gratchev et al 1998). The legacy of both the Soviet era ("everything" is provided for) and the Orthodox church ("monetary riches lead you to hell") suggests each in its particular way that Russians do not worship work in the same way as in the West (market capitalism and protestant work ethic). Losskiy (1990) in his work "The character of Russian people" posits that although Russian people are talented and have lots of resources, they are less willing to take actions. He maintains that "Oblomovshchina" – laziness and/or passive attitudes – is one of the main characteristic features of Russians. The word "Oblomovshchina" refers to one of the most famous novels in Russian literature "Oblomov" (by Goncharov 1859), which narrates about Oblomov, a Russian aristocrat, quite talented, smart and ambitious in his young years, but who was subsequently unable to manage his mansion, business and his entire life because of his inertness (and metaphorical affection for his sofa, slippers and bathrobe, which he wore all day long).

Hampden-Turner and Trompenaars (2000) found that Russians tend to score high on *particularism* (as opposed to universalism). In other words, Russians tend to treat each situation differently and to be willing to bend rules depending on the level of relationship they have with the person involved. In fact, Hendley et al (2000) found personal relationships to be imperative for developing and maintaining an understanding of partner's trustworthiness especially during the early stages of relationships. In Russia trustful relationships means so much that once established they could literally open any door (Butler and Purchase, 2008: 534). Berliner (1988: 34) states that "the use of personal influence with particular reference to obtaining favors to which the person or firm was not lawfully entitled". This trait has been reinforced by the Soviet system with constant deficit of consumer goods and services. In such conditions access to goods and services, jobs or other valuable resources could be gained only through personal acquaintances (Ledeneva, 1998). 'Blat' is the word used to define this kind of relations. Most dictionaries in Russia contain the pre-revolutionary meaning of *blat*, which refers to various less serious kinds of crime, such as minor theft. In later Soviet times the word acquired a 'new common vulgar' usage: for example, expression to do something "*po blatu*" (by *blat*) means to do something 'in an illegal manner' – circumventing the rules (Ledeneva, 1998). Another characteristic feature of *blat* is that it has a reciprocal nature – 'Ty mne, ya tebe' ('I will do something for you and you will then do something for me'). From

this point of view, *blat* is different from bribery, which usually has a discrete money-based nature. *Blat* relationships are said to be close to the ‘guanxi’ concept in China (Ledeneva, 1998). What also supports the notion of particularism is the fact that in Russia “*semya*” (literally ‘family’, but with a meaning of ‘people from the same group’) or clan one belongs to, may define the way in which that person is treated by others (Dinello 2002; Kosals 2006).

Gilbert (2001) noted that Russians express a high degree of *emotionalism*, espousing Trompenaars findings on affective relationships. "The soul-man" (person with deep feeling and compassion) is the highest archetypal praise of Russians (Losskiy 1990: 2). They have a need to see not only friends but also good acquaintances, to share their thoughts and concerns, to argue (Berdyayev, 1990). Saprykin (2005) also states that because of a very unstable and unpredictable environment in Russia, Russians have an inclination to rely more on intuition rather than on logical arguments: the experience has shown that logics does not always work in Russia. These intuitive and often illogical decisions are the manifestations of mysterious Russian soul - soul filled with emotions (Losskiy, 1990). Furthermore, Russians rely a lot on friendships, also in work life. “The Russian people have a highly developed individual personal and family communication. In Russia, there is no over-replacement of individual relations with social relations; there is no personal and family isolationism” (Berdyayev 1990: 171). Therefore, the importance of connections in Russia should not be underestimated. As noticed by Butler and Purchase (2008) - working relationships are very often mixed with personal acquaintances, which is an indicator of diffuse cultures. As a result ‘old connections’ may often define the success of a certain endeavour, and trust plays a paramount role in these types of relationships. Trustful relationships in Russia may win a business or get access to whatever information one needs (Butler and Purchase, 2008).

Having described Russian culture through the above mentioned dimensions, we conclude that Russian managers have collectivistic oriented behaviour, show a high level of power distance within the group/organization, are passive towards the outer environment, accept the control from above, are not inclined to take risks and prone to laziness. Russian people also seem to be extremely freedom-oriented, self-sacrificing, generous and soulful. Russians are not performance-oriented, they are claimed to rely a lot of personal relationships. Figure 1 shows how cultural manifestations are thought to be related to cultural dimensions and the historical and cultural heritage of Russian people.

Propositions

Based on the above discussion we posit a number of propositions that will guide our research.

1. In comparison to non-Russian partners, Russians are more suspicious and secretive in the initial stages of a relationship, but extremely trustworthy on the later stages
2. In comparison to other non-Russian partners, coordination issues with Russians get constant attention. Loose planning and inability to stick to deadlines contribute to coordination being one of the most problematic areas when relationship with Russians is concerned.
3. Trust in relationships with Russians is gained mainly through unrelated-to-business encounters (personal relationships, social gatherings, mutual time-spending)
4. Commitment demonstrated by the Russian partner company depends largely on the CEO and his “gut feeling” about particular business.
5. Russians strive to be direct/clear and emotional/confrontational when resolving an issue, at the same time there is a feeling of secrecy in the communication.
6. Russians strive to be more independent in the relationship rather than dependent or interdependent. They like to demonstrate power.
7. The overall pattern of B2B relationship quality between Russian and non-Russian partner companies usually follows the general pattern despite influence of Russian culture: the quality of the relationship strengthens through the stages with cultural influence becoming less felt in the later stages (stages 3-5, Ford 19880).

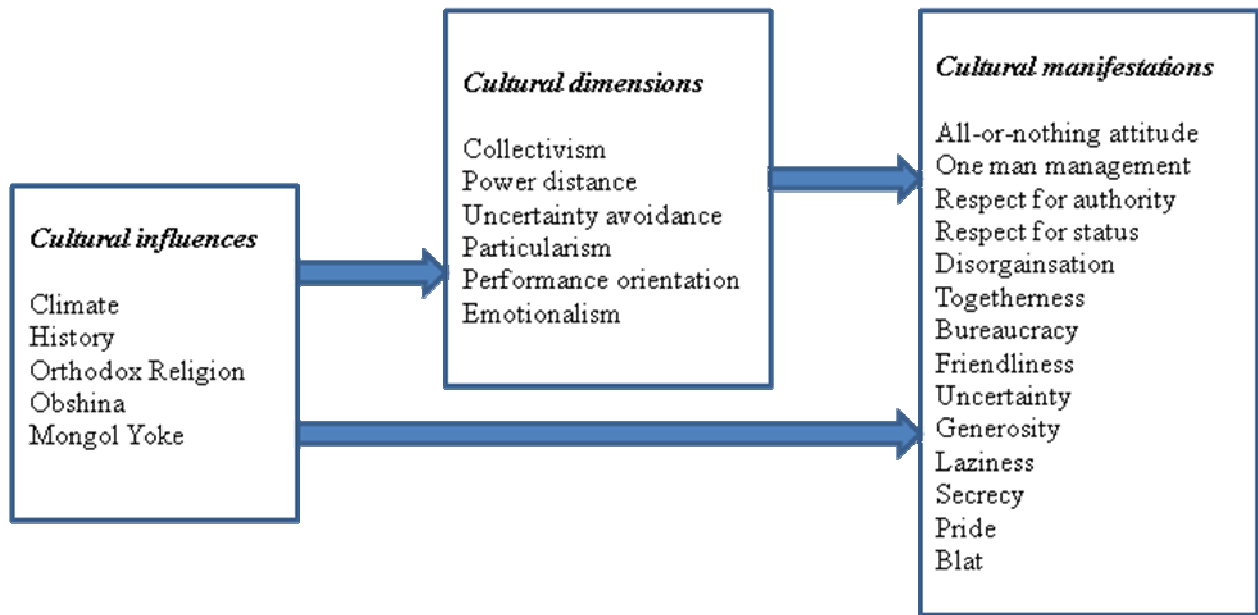


Figure1. Russian Management: Antecedents and Manifestations

Adopted from Solberg. 2002. Culture and industrial buyer behaviour; the Arab experience. 18th IMP conference, September, Dijon, France

Methodology

We use a multiple-case design including two cases. The logic behind that is to use the second case for the purposes of replication and comparison, which allows us to check the generalisability of the propositions and results across two different cultures.

1. The foreign companies are quite similar with regard to market domination (both are part of the market leaders in their industries).
2. The Russian companies, although young, are quite successful and already have a considerable number of international activities.
3. Relationships between both companies are within the same range (5-10 years)
4. The two foreign companies represent different countries therefore if any similarities between the results are found, we may speculate that they can be generalized.

Theory testing involves logic linking collected data and propositions (Yin, 2003). We chose 'pattern matching' described by Donald Campbell (1975) as an attempt to find

match/mismatch between the data and propositions. Since our cases are of explanatory nature, the patterns will be related to both dependent (the quality of B2B relationships; stage of the B2B relationship) and independent variables (cultural traits). Case research implies assessing whether the evidence obtained from the case is internally valid, reliable and generalisable. These issues should be addressed in order to ensure that the potential for the researchers' bias is decreased (Tellis, 1997). Reliability issue would be addressed via triangulation, which usually serves to corroborate and organize the data gathered from different sources. Data is collected from multiple sources of evidence: interviews, reports, contracts, reviews of interpersonal communications, like emails etc. Events or facts will have to be supported by more than one sources of evidence: we chose to concentrate mainly on interviews which are focused directly on the case, documentation (contracts, reports) which has a broad coverage and intercompany communication like emails etc. Thus, multiple measures of the same phenomenon will also address the problem of construct validity.

The interviewees are of two different kinds: 1) country account teams (in Case 1) and country managers (Case 2) which are key people from the foreign companies responsible for managing the relationship with Russian partners; 2) company's key management staff (Case 1) and marketing director (Case 2) who have a bigger picture of the situation, and who have more experience of working with other foreign companies and hence have more expertise when giving their opinions on cultural differences. Interviewees are asked about their perceptions and experiences on the circumstances of their B2B relationships with the Russians, on the influences of Russian culture as felt through the stages of the relationships (and in comparison to other non-Russian partners) and on specific Russian behavioural patterns. See Appendix – Interview Guide for details. We have not been able to approach the Russian side of the dyad, in spite of the fact that two of the authors are fluent in Russian, since they were unwilling to be interviewed.

We have created a case study database by organizing the data into Case Study Report, Case Study Protocol etc., which subsequently will form a "chain of evidence", as suggested by Yin (2003). The following chain: Case study report → Case study database → Citations to specific evidentiary sources in the case study database → Case study questions, - will allow the reader to follow the research from the initial questions to the conclusions. Among the links of this chain, Case Study Protocol is the most important one, according to Yin (2003). Achieving internal validity of the case study will be done by applying pattern-matching (as

described above). External validity or generalisability will be more difficult to attain, considered we only have two cases. However, according to Yin (2003), surveys rely on statistical generalisation whereas case studies resort to analytical generalisation, where the investigator endeavours to generalise a particular set of results to some broader theory.

The cases

In this section we discuss two relationships between 1) Western (A1) and Russian (B1) company and 2) Singaporean (A2) and Russian (B2) company respectively. We take a closer look at how their relationship was created and how it has developed over the years. We analyze the development of their relationship, the stage (Ford 1980) it has reached, the quality of their relationships, how culture has influenced the outcomes and their current situation (as of Spring 2008).

Case 1

Company A1 – The Western company

Company A1 is a large US based company, that operates in over a 100 countries worldwide. Its products and technology services range from handheld devices to powerful supercomputer installations. This company is divided into a number of business groups, one of which is targeting the telecommunications market, providing technology solutions including software, managed services and storage, and servers, etc. Company A1 sells hardware – a unique computing system – and also various software to Company B1 through its Russian subsidiary in Moscow.

In our case it is the EMEA (Europe, Middle East and Africa) region unit which manages the business and relationship that we'll be discussing further. Within EMEA, managers are Western European natives, and its subsidiaries in different markets are staffed with local natives. However, the overall relationship, especially with international partners is managed at a higher level. Major decisions are made at the EMEA level or may even be escalated to the WW level.

Company B1 – The Russian company

The Russian company B1 - a software developer of billing systems for telecommunications companies - was established in 1996.. It also provides consulting and implementation services, technical support and IT outsourcing. Company B1 successfully operates in over 30 countries, serving more than 160 customers worldwide. By the late 1990's, early 2000's, Company B1 had already established and positioned itself well on the Russian market. Company B1 buys hardware and software from Company A1 which it then integrates into its product and sells to the end user.

Company B1 is a medium sized organization but it is well recognized and has a good presence on the telecommunications market as a provider to the telecommunication companies. Within Company B1 designated staff manage the relationship between its partners and suppliers. However, decisions are mostly made by the head of the organization – a Russian native.

The Relationship

The interaction between the two companies is more than a simple buyer-seller relationship. They have a partnership alliance which was established about 6 years prior to our study. Company A1 either partners with Company B1 complementing B1's software with its products and then selling the solution technology together (sell-with) to telecommunication companies or Company A1 sells its hardware directly to B1 (sell-through/resell) which then integrates it into their end product reselling it in their own name to the telecommunication companies. The hardware product from Company A1 is a unique computing system which doesn't have a replacement on the market and which is extremely useful to company B1 providing it with a competitive advantage on the market, the software being less irreplaceable. On the whole however, Company B1 usually requires a particular solution model which is excellent for Company A1 because it drags a broad spectrum of products from A1's portfolio.

The most frequent points of contact in Company A1 for Company B1 is made up of Russian natives based in Moscow in the Russian branch of Company A1. In Company B1, there are managers in charge of the partnership with A1, however the head of B1's organization is more closely involved with the joint activities having to deal with both the Russian management as well as the EMEA level management of Company A1. Figure 5 below illustrates the present relationship between Company A1 and Company B1.

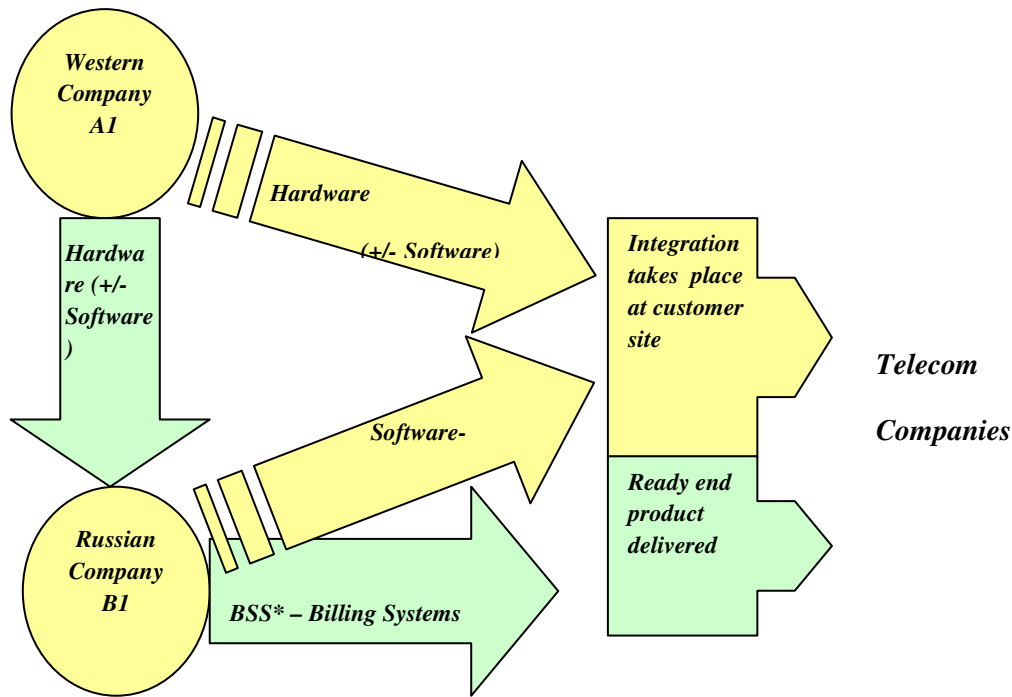


Figure 2. The buyer-seller relationship between Company A1 and B1

The Beginning

Prior to the initiation of their relationship, the two companies had gone through a rocky acquaintance. A part of Company B1's strategy was to buy out small billing software companies, one of which was a small Scandinavian software company which then used to partner occasionally with Company A1. At the same time there was an ongoing opportunity for a huge project in a large European telecommunications company which Company A1 was bidding for. Its initial plan was to partner with the Scandinavian (B1 owned) software vendor and offer a joint solution. However at the very last minute Company A1 had preferred to go with another software vendor based on the demand of the end customer and by so doing it threw Company B1 out of the game. This turned out to be harmful for Company B1 which at the time was trying to break into to the Western/International markets. As a result (and possibly for other unconscious culture-related reasons) the Russian company loathed Company A1, and went on to cause a series of roadblocks for this project that Company A1 had won by refusing to cooperate during the data migration program. Nevertheless, both companies were aware of the competitive advantage to be gained if they partnered: Company B1 would have the opportunity to gain access to the Western/International market through Company A1's channels and the latter would have better representation on the Russian market

due to Company B1's significant presence there. Therefore, despite the head bump during their initial contact and the built up scepticism, they eventually decided to partner.

The Development

As a result of their past experience, both companies continued to be wary and somewhat suspicious of each other. B1 was cautious not to end up in a similar situation as described above and A1 was trying to avoid some sort of additional retaliation from the Russian company because it was obvious that the incident was still deeply engraved in B1 and particularly in its boss' memory. This "authoritative boss", as described by Company A1 representatives, was the brains, the steering wheel and the sole decision maker for B1. He was also the main contact in the Russian company for A1 both on the global and regional level. For Business Development Manager (BDM) of Company A1 the Russian CEO came across as an "intimidating man with an aggressive modus operandi". This view was supported by virtually all our interviewees on the EMEA or WW levels. The only interviewee who had described the Russian CEO differently was the Account Manager from Company A1, qualifying him as a great leader without whom Company B1 would not reach the heights it has today. Despite the counterarguments regarding the CEO's nature there was a unison agreement regarding his relatively controlling, very rarely compromising nature. This view was primarily based on the incident prior to their partnership when he still tried to control the progression of the project by dragging it out longer than necessary simply out of spite.

There were also other signs of his and his company's desire for a certain level of power/control. An example is B1's refusal to coordinate some of the buyer-seller activities through the EMEA managers in A1. The idea was that this would make it easier when a customer in a non-Russian market was addressed. Conversely, B1 simply was not interested in doing business through A1's regional or worldwide people arguing that it was much practical to coordinate all activities through A1's Russian subsidiary with which there was no language barrier. Although Company B1's stubbornness was quite frustrating for Company A1, the BDM for EMEA had somewhat taken a middle stance on this issues. He stated that, he would also have been quite frustrated had he been in the shoes of Company B1 - a regular buyer/partner from Company A1 and yet always had to bump into incompetent coordination during purchase. He explained that because Company A1 is such a huge organization, some of the activities within the organization are at times poorly coordinated and in this particular

case where Company B1 was always faced with issues and the need to be in contact with several persons at different levels in A1 when making a purchase would be irritating to him as well. Nonetheless, despite the above mentioned obstructions, the benefits of their collaboration kept them committed to the continuity and development of their relationship.

The Present

Over the years Company A1 became B1's acknowledged partner and regular supplier particularly of the hardware product. B1 has been awarded several times by A1 for outstanding performance in the industry and as a partner. However, the partnership has never blossomed into a warm, easy-going, reliable and trustworthy relationship. Instead Company B1 over the years, through contractual arrangements and other formalities has been able to overcome some of its cautiousness around Company A1, whereas Company A1 has nurtured new doubts regarding B1's honesty and commitment. These doubts are mostly related to a lack of understanding of B1's culture of secrecy and a constant feeling that B1 is hiding or not telling something that could possibly be critical or project related.

Currently, according to various managers from different divisions of Company A1, there is a lack of transparency and/or open dialogue from B1's side, a lack of faith and confidence in each other despite the amount of years spent together, as well a level of insecurity and uncertainty regarding Company B1's desire to continue to purchase A1's product should a substitute product appear on the market. It appears to them that Company B1 is only focused on doing business here and now because of the benefits it is getting but is not really interested in bettering their relationship. Another issue raised by A1 is the fact that the Russian company does not allow A1 to have direct contact with its end customers because they fear that A1 could end up proposing a solution that does not include B1's products.

Case 2

Company A2 – Singaporean company

Company A2 is a 100% owned Singaporean subsidiary of a Japanese company producing automotive air-conditioning compressors for AC systems designed for various vehicles. The parent company based in Japan is the largest independent manufacturer of automotive air-conditioning compressors in the world with approximately 25% of the global market. The Singaporean branch produces compressors for OEMs in a number of Asian markets. 90 % of

staff consists of Singaporean natives (Singaporean Chinese), and the remaining 10% comprising nationals of Japan and other countries. The Marketing Director and Area Marketing Manager of Company A2 are responsible for the contact with Russia.

Company B2 – Russian Company

Company B2, established in the year 2000, is a Russian manufacturer of air-conditioning systems for various agricultural and passenger vehicles. Company B2’s customers are the main manufacturers of agricultural and passenger vehicles in Russia, Ukraine and Belarus. In 2003, after 3 years of its commencement, Company B2 started exporting its AC systems to Syria, Ecuador, Uruguay, Venezuela, Cuba, Bulgaria, Turkey, Germany, France and Greece. Company B2 has several different suppliers of spare parts for AC systems; one of them is Company A2. Company B2’s staff are of Russian nationality and the CEO is Russian.

The Relationship

Company A2 exports its compressors to Company B2, which then bundles them into Air-conditioning systems and sells forward to various vehicles manufacturers. The Compressors are produced in Singapore, and then shipped to Russia. Below is an illustration of the B2B relationships between Company A2 (Singaporean) and Company B2 (Russian):

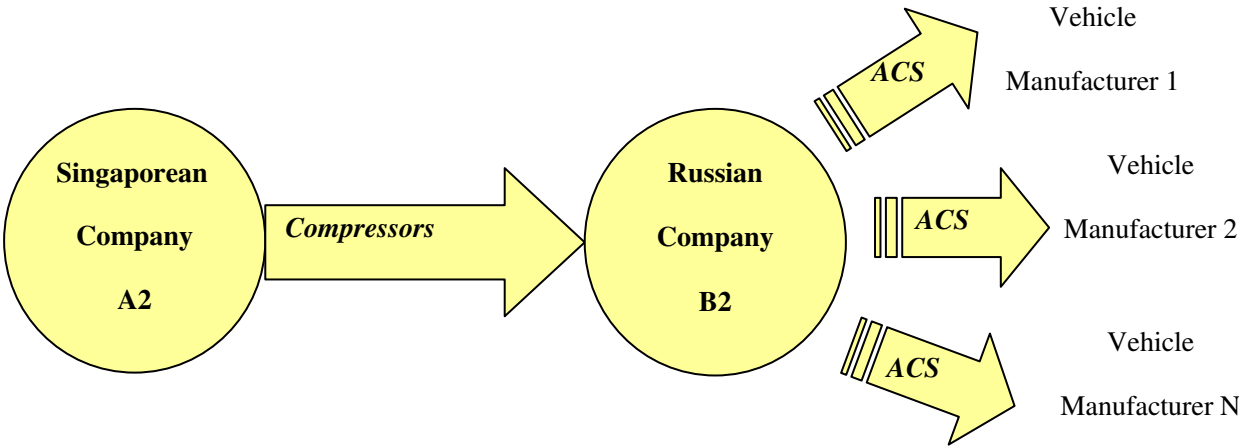


Figure 8. The buyer-seller relationship between Company A2 and company B2

The Beginning

In 2001 there was an attempt by the CEO of Company B2 to make a request for quotation from Company A2, but it was not successful at that point. A2 was not interested in the Russian market then because it was busy exploring the market of cash-rich UAE. In 2003, however A2's Marketing Director (MD) decided to set a closer look at Russia, where at that time automotive market started to grow at a rapid pace. A2's MD contacted B2's CEO and then visited Russia to discuss details of a possible collaboration with Company B2's CEO. There were a lot of doubts from the Russian side concerning the size of the market for air-conditioning (AC) systems in Russia, where the weather is quite cold all year round, but A2's MD managed to persuade B2's CEO in the likely emergence of a bigger demand due to increased salaries of Russians and hence their more sophisticated needs when buying a new car (i.e. cars with AC). Besides, a certain level of demand from agricultural equipment manufacturers already existed in Belarus. Partly because of the above mentioned arguments but mainly because of the rapport already established between A2's MD and B2's CEO, the collaboration commenced.

At the early stages of the relationship most of the points of contact regarding discussions on the possibilities and conditions of their collaboration, negotiations, etc. took place between A2's MD and B2's CEO. Both parties involved were willing to have a clear picture of the collaboration and consequently the information exchange (concerning models, pricing, quantities, and long-term plans) was quite smooth. After several sample models were sent to Russia, A2's MD got a strange feeling that he didn't have a full picture of what was going on. Although the Russian company seemed to initially agree to use the 'classic' model of compressors, after it received the model itself, B2's CEO made a back move and asked the Singaporean company to make adjustments to the existing model at its own cost. He explained that it will be easier for them (B2) to market the model further targeting vehicle manufacturers, which used models of compressors slightly different from the ones offered. However, they were not ready to pay more for the slightly adjusted models for their Russian customers to whom they later sold the AC systems, as they clearly stated themselves, "could only pay the old price." Because this was not the initial plan, A2's MD and CEO had immediately wanted to cease the relationship with B2, but nevertheless decided to go for it. Russia was a promising market and little concessions in the form of making adjustments to design (and NOT including it to price) would give them opportunity to be present and subsequently get knowledge of the Russian market. That would also possibly give them more

bargaining power in negotiations later on. After the above described situation, Company A2's MD had felt that there were some external actors that had influenced the decision process of the B2's CEO. This led to a certain level of suspicion by A2 managers.

There were also other difficulties, such as the complexity of putting the export agreement in place and to finally start exporting. In comparison to Singapore, where business processes are very structured and easy to follow, the Russian business environment appeared to be quite chaotic for Singaporeans. According to A2's Regional Manager (CIS/Russia), the documents needed from the Russian side were usually sent late or simply absent at the moment of time when they had to be in Singapore. As a result, Company A2 constantly felt that it depended on the Russian company; the development of business was delayed. In spite of that, once this problem was addressed during talks and discussions, the Russian counterparts tried to assure the Singaporeans that they will do their utmost best to cope with it in a better way. Since the companies were still at their early stages of collaboration, A2's Management could not understand whether this was the attitude of the natives of Company B2 – usual difficulties when dealing with Russians, or simply a coincidence, hence A1 decided to wait and see what happens next with respect to the delays matter. In 2004 the contract was signed: the classical compressor model had to be changed a bit to fit the needs of Russian vehicle manufacturers; expenses from the change in model design will not be included in their price; the first portion of compressors (1,500) was to be shipped to Russia one month after signing the contract. Right after the contract was signed, the day-to-day collaboration began and A2's Sales Manager and others who were involved in communication with the Russian side (mainly through emails and phone) realised that the main obstacle here was communication: the language barrier (Russian people usually are not as fluent in English as Singaporeans) and the refusal to speak frequently on the phone hindered the smooth flow of communication. There was not such a problem before because the communication and negotiation took place mainly between the companies' CEOs and Marketing Directors, who were fluent in English (besides, the interpreter was always present when the strategic issues were discussed). That was the biggest point of frustration in terms of communication at that point and a second issue in addition to the issue of constant delays.

The Development

As the relationship progressed (year 2005-2006), it became clear that the success of collaboration heavily depended on the interaction of A2's MD and B2's CEO. They became the pillars of the whole relationship. In fact, when certain issues arose between A2's Regional Manager and B2's managers, A2's Regional Manager could not hope to resolve problems with the Russian Managers himself; it happened because Russian managers simply could not make significant decisions on their own – they had to always get the approval of their CEO. A2's Regional Manager used to call it “kindergarten”. From his point of view “it was like bugging your parent for some minor issues all the time”. That is why it was decided internally in A2 that most of the important issues will be addressed by A2's MD and discussed with B2's CEO, so that only the not so important decisions were left for the rest of A2's staff involved in relationship with Russians. That saved time which would otherwise be spent on the coordination of communication between B2's managers, their CEO and A2's staff responsible for the Russian market. As mentioned A2's MD and B2's CEO got along very well. Whenever Company A2's people came to Russia, they were shown around the city and taken good care of. Joint parties and long discussions all marked A2's experience when being in Russia. Moreover, A2's MD has noticed that most of the decisions both companies were happy about had been made during joint parties, “drinking” sessions etc. In fact during such drinking sessions MD got to know that a lot of problems concerning their relationship with B2 were solved by B2's CEO through “his people”, as B2's CEO called them. Such problems varied from lacking export papers to getting access to new customers and getting big orders etc. Although MD knew about this fact, he didn't know what the exact algorithm of the help B2's CEO got from “his people” was; he only knew that it was good for business and that he didn't need to interfere because Company B2 would settle everything.

Despite the fact that both A2's MD and B2's CEO understood each other's needs quite well and seemed to enjoy working with each other, there were still certain areas/situations where both of them had to be very careful in handling. Since day one of the collaboration A2's MD learnt that he had to be rather direct if he wanted his message to be taken seriously. Throughout the first three years of their relationship A2's MD used to clearly show his dissatisfaction regarding disagreements that appeared on the way. Otherwise - had he been less direct, his tactfulness could have been taken for “weakness”, which in turn could lead the other party to feel that it was “ok” to act the way they used to. For example, in a situation when the Singaporean company made any sort of concession (i.e. waiting for payment more

than necessary, getting more responsibilities via INCOTERMS etc.), either A2's MD or A2's Regional Manager made it fully clear to the other party that they knew what they did and that they now were waiting for something similar from the Russian side. There were times however, when the Russian directness impressed the Singaporeans a lot.

The Present

In 2007, A2's MD encountered an unpleasant situation with B2's CEO while in Russia negotiating a new agreement with him. The new agreement stated that Company B2 would become an exclusive distributor of A2's compressors of a certain model. A2 in its turn, got the promise that the sales volumes will increase and the orders will be bigger and more frequent (all of this stated in the contract). After the negotiations Company A2 and B2 were joined by B2's customer (Russian vehicle manufacturer) to celebrate the occasion. During this informal meeting A2's Regional Manager approached one of the managers of B2's customer for an intentionally-not-looking-serious discussion on the possibilities of direct collaboration in future (forming a joint venture). The discussion did not go that far because it was interrupted by B2's CEO. Subsequently, A2's MD was asked for a vis-à-vis talk, where he was told (in a very direct and furious way) that such behaviour on A2's part "violates the conditions of their collaboration." Although a negative reaction was understandable and could have been expected, A2's MD did not expect the Russian CEO to be so direct and even aggressive. "Perhaps, this is the Singaporean (Chinese) in me that is speaking", he had said when narrating that experience. Singaporeans are usually less direct and control their emotions more. The Russian CEO had been so furious it was almost threatening in terms of the continuity of their contract. He was very demeaned by the Singaporean's action and despite the MD's honest attempt to explain his intentions – a mere curiosity from his company's team, the Russian CEO would not accept it. From that experience A2's MD learnt that Russians did not like to be put down in public.

Despite that unpleasant experience on the party, A2's MD remained positive about the further development of a relationship with a Russian company. So far, the strategy of "nurturing good relationships" with the Russian company CEO has benefited the business, so he did hope that the picture will not change in future.

Analysis

The overall perspective of Company A1 on its partnership with the Russian Company B1 is that as the relationship developed trust and commitment remained at a low level, coordination was not a major issue in the relationship, and communication was not very healthy; in addition to that, another construct of RQ – power – was a constant source of frustration for A1, because according to the interviews, the Russian side constantly tried to demonstrate it in the relationship:

“It seemed that the CEO of the Russian company was consistently giving orders to his employees to withhold information or to not go through with some activities that have been asked of them such as communicating with us on the EMEA/WW level.” — Global Alliance Manager of Company A1

Therefore the whole pattern of relationship development was different from the one described by Ford (1980) in literature, where relationship quality increases – trust, commitment and coordination increase, communication becomes easier and power is being counterbalanced – throughout the stages.

At the same time, the second case showed that the relationship quality increased as the relationship stages developed – commitment remained strong throughout the relationship, which bolstered trust and communication development, and although coordination didn't improve significantly, the whole impression from the collaboration is positive; power issue didn't appear as bothering, because there were not so many serious conflictual situations. According to the interviewed employees of the Company A2, because of their understanding of the importance of the trust in relationships with the Russian companies, they “tried to give it special attention from the very beginning”; they would make concessions if they saw that it was needed to retain the feeling of trust.

“We are absolutely aware, that trust is everything in this relationship. Just as everywhere, where we have our operations, in Russia the rapport between us and our partners is given special attention. We keep it in mind all the time. It is a strategic issue and when handled successfully, it can bring great results.” — Marketing Director of Company A2

Throughout the different stages of their relationships Companies A1 and A2 have experienced various influences of the Russian culture. Below is the comparative table of the results obtained from the interviews with the various representatives from Companies A1 and A2. It

shows which manifestations were more relevant with respect to RQ influence, at which stages of relationship development.

On the 1st Stage of relationship development, uncertainty and secrecy was felt by both A1 and A2. In addition to that, in Case I, Company A1's management noticed the signs of one-man management within Company B1. Company B1's boss also seemed to have a proud and all-or-nothing attitude.

“He seemed very intimidating and with an aggressive stance in a meeting where I'd first met him. Also after the situation with the large telco company when they had lost the deal when we decided to go with another software vendor he threatened to not cooperate and eventually went through with that threat, holding up our migration program for 18 months longer than it should have lasted.” — Business Development Manager (EMEA) of Company A1.

In Case II however, as was reported by the interviewees, the biggest problem was the directness with which Russians would express whatever they wanted.

“When we had only started the discussions on the possibility of collaborating, the Russians immediately stated clearly what they wanted, and they expected to get an equally direct, clear and fast reply from us, which we of course couldn't give them because we wanted to have some time to contemplate and decide. They would still insist. When they speak, they tell what they mean. Having said this, there was always a feeling on our side that some facts remain concealed.” —Marketing Director of Company A2.

However, Company A2's personal relationships orientation from the very beginning of the partnership with the Russian company proved to be a communication facilitator.

“Because of our Marketing Director's and B2's CEO rapport, we actually started the relationship. In spite of the lack of customers' demand on the Russian market, he still risked and believed in the potential, which was promised to him by our MD. Our boss can get along with anyone!” — Regional Manager of Company A2

Table 6. Comparative table of Cases I and II results

	<u>Organizational behavior- manifestations:</u>	<u>Relationship quality:</u>		<u>Organizational behavior- manifestations:</u>	<u>Relationship quality:</u>	
STAGE 1	Uncertainty	Trust	LO	Uncertainty	Trust	LO
	Secrecy	Commitment	N/A	Secrecy	Commitment	N/A
	One-man mgmt	Communic.	AVG	Disorganization	Communic.	AVG
	Pride	Power	N/A	Friendliness/Personal rel-ps orientation	Power	N/A
	All-or-nothing	Coordination	N/A	Directness (problem resol.)	Coordination	N/A
STAGE 2	Secrecy	Trust	LO	Bureaucracy	Trust	AVG
	Uncertainty	Commitment	HI	Hospitability	Commitment	HI
	One-man mgmt	Communic.	AVG	Secrecy	Communication	LO
	'BLAT'	Power	AVG	Personal rel-ps	Power	LO
		Coordination	HI	'BLAT'	Coordination	LO
STAGE 3	One-man mgmt	Trust	AVG	Authority	Trust	HI
	Authority	Commitment	HI	Hospitability	Commitment	HI
	Uncertainty	Communic.	AVG	Personal Relationships	Communication	LO
	Secrecy	Power	HI	Disorganization	Power	AVG
	'BLAT'	Coordination	AVG	Uncertainty	Coordination	LO
STAGE 4	One-man mgmt	Trust	LO	One-man mgmt	Trust	AVG
	Authority	Commitment	AVG	"BLAT"	Commitment	HI
	Uncertainty	Communic.	LO	Authority	Communic.	AVG
	Directness	Power	HI	Personal relationships	Power	AVG
	Secrecy	Coordination	LO	Directness (problem resol.)	Coordination	AVG
STAGE 5**	One-man mgmt	Trust	LO	Personal relationships	Trust	HI
	Uncertainty	Commitment	AVG	Pride	Commitment	HI
	Secrecy	Communic.	LO	Directness (problem resol.)	Communic.	HI
		Power	HI		Power	AVG
		Coordination	LO		Coordination	AVG

HI- high; LO – Low; AVG – Average

* *Directness (the way problem resolution takes place)*

** *Organizational behaviour manifestations and Relationship quality constructs levels are projected for Stage 5, because it has not commenced yet.*

The 2nd stage in their relationships was once again marked with a culture of secrecy for both A1 and A2. However, particularly the issues of uncertainty and one-man management continued to bother Company A1.

“It is not so easy to create relationships of trust even in the long term. Everything needs to be negotiated. Everything needs to be checked. Otherwise any opportunity the Russians see where they can be opportunistic they will take it.” — Alliances and Business Development Manager (for software in Russia) of Company A1

“Although we managed to establish a relationship based on their consistent purchase of our hardware which is an extremely good deal for us, the previous issue remains as a negative reminder to them and continues to be a root problem for the lack of trust and the high uncertainty on their part” - Business Development Manager (EMEA) of Company A1

Company A2, in addition to the abovementioned directness, secrecy and relationship orientation, was “hit” by the Russian bureaucracy. Bureaucracy hindered the relationship in a sense that it was difficult to coordinate business.

“Because the Russian Customs Code Book has changed several times, it was almost impossible (without outsourced consultants’ help) to get any kind of information concerning the codes for export of the model of compressors that was projected to be exported to Russia. This information, in theory, has to be got from the official bodies, but because of some changes in the bodies responsible for that, it was difficult to find the responsible person, and then almost impossible to talk to him without “special” effort. Because our partners were responsible for that, we hoped that it was an unfavorable coincidence for them, but apparently it wasn’t. Delays caused by the lack of access to information in Russia and bureaucracy had a huge effect on coordination of our relationship.” — Marketing Director of Company A2

Despite that Russian hospitality has always made A2’s MD feel like he and his company are very important for the Russian company. He remembered that during one of his first visits to Russia, Company B2’s CEO made a deep impression on him with regard to the preparation he made prior to his visit. A2’s MD, thus, felt that B2’s commitment to their business was quite high, which made him (A2’s MD) sure that Company B2 and its CEO was a reliable partner.

Another issue in the 2nd stage that deserves special attention is *blat*. Described in the literature review section on Russian Culture, it is “the use of personal influence for obtaining favours or the relationships of reciprocal nature.” This feature of Russian culture reflected on both of the relationships on this 2nd stage. Although the foreign companies (A1 and A2) were not actually involved in the *blat*-relationships themselves, they knew the importance of this activity and

were well aware that if their Russian counterpart did not resort to this practice in Russia, the development of their relationship would have been more problematic. The foreign partners could not really understand the mechanisms of the *blat* issue but because they knew that it meant a lot for the progress of their business, they accepted the fact that they were not fully aware of what was going on. Both of the interviewees (A1's Financial Director for CEE region and A2's Marketing Director) stated that they left it for Russians to settle, which actually favoured the relationship quality by creating a certain level of trust (not necessarily high) between the partnering companies.

In the 3rd stage – characterized by reduced distance and uncertainty as well as increased experience, commitment and adaptation (Ford 1980) – both A1 and A2 experienced the importance of authority in the Russian society. Very similar problems were reported by the interviewees from both companies: the constant referrals of the Russian junior management for the advice/permission to the senior management caused even more delays as well as misunderstanding from the side of their foreign counterparts. Apart from that, both A1 and A2 kept being bothered by uncertainty; in the case with A1, this uncertainty was actually quite strong. Stemming from their pre-partnership experience, Company B1 remained to feel threatened by A1 and would therefore not allow it to come in direct contact with its end customers. The uncertainty revolved mainly around the fact that Company A1 could possibly end up partnering with another company as opposed to partnering with Company B1 and hence cause it to lose projects.

Another issue for Company A2's Regional Manager and Company's Marketing Director was the lack of understanding regarding how exactly decisions were made by their Russian counterpart. Furthermore they were not quite sure "if their Russian partners would be consistent enough with their own decisions". Although such features of the Russian people and the inclination to support personal relationships (attentiveness, high inter-personal trust etc) and hospitality were said to increase the quality of relationship between A2 and B2, other features as the disorganization and lack of ability to speak English hindered the relationship quality, by making communication and coordination alarming issues.

"Everything was fine after we started the collaboration itself. We were on the same page with B2's management. What was annoying however, were the technical difficulties. Russians are not bilingual, so sometimes we would have difficulties communicating. Of course, delays, constant delays, were not very pleasant either."—Marketing Director of Company A2

In terms of communication A1's main points of concern was the difficulty it had in communicating to Company B1 about the necessity of certain activities to be coordinated directly through the EMEA organization as opposed to trying to do them at the local/regional level. Company B1 however continues to refuse to do this, putting the blame on the language barrier and lack of practicality of communicating and doing business at any other level other than with the local Russian subsidiary.

“I cannot understand the logic behind such decisions and behaviour. I often catch myself wondering if perhaps there is some misunderstanding or miscommunication of what we want exactly. There have been several occasions when we come to an agreement with say an accounts person in the Russian company and he seems to be clear on everything and promises to act accordingly, however eventually this is completely ignored and I can't help but wonder if the order is not given from above to disregard what's been agreed upon ..?”—Global Alliance Manager of Company A1

The same type of issues remained on stage 4 for Company A1: secrecy, uncertainty, authority and one-man management. According to Global Alliance Manager of A1, at this point when it is clear on the benefits it gets from its collaboration with B1, A1 is becoming more and more uncertain of their relationship because it seems that B1 is now less interested in the relationship than before. B1's level of commitment seems to have dropped and now solely reflects its dependency on A1's unique product which currently allows it to stay competitive in the market. Company B1 continues to maintain its culture of secrecy and this is felt by Company A1 which does not understand the reasons or motives behind the secrecy. Moreover there was an issue of directness that bothered A1 too.

A2, in its turn, at this stage experienced something new – Russian people's tendency to be emotional and direct. In the situation during the negotiations, when A2's MD approached one of the B2's customers (which would be the end customer, if the consumer is not regarded, in this value chain), which was described as a part of the case above, both of these issues could easily be spotted.

“It was too direct. I would understand if he let my manager or me understand it through eye contact or in a formal setting after the party, but instead he approached me on the party and was very, extremely direct. I could see that he felt as if I/my employees betrayed him or something, which was not the case. This conversation with their company was just “testing the territory” for a possible future move.”—Marketing Director of Company A2

Company A2's MD "felt a bit threatened" that the relationship may come to an abrupt halt because of the above described situation. He said that he simply didn't expect this kind of reaction from B2's CEO, but had to admit that it was not extreme in comparison to some of his partners from the Middle East. That situation slightly lessened the level of trust between the partners, although not completely destroying it. At the same time, coordination improved due to institutionalization of certain practices and experience. Communication remained on the average level due to the usual delays, various translation issues, and even time difference.

In fact, neither companies could say whether they were at the long-term relationship stage, stage 5, yet. This was the case for a multiple number of reasons: both of the foreign companies (A1 and A2) stated that they would like to advance in relationship and get more from the collaboration (new type of contract, revised terms, improved partnership, etc.). Therefore it is difficult to judge what kind of "arch-Russian" characteristics would affect the relationship quality between the companies in the future. Nevertheless we asked the interviewees to point out the main issues which they suppose could affect the relationship quality between the companies in future. Company A1's Global Alliance Manager as well as Business Development Manager both said that authoritative/aggressive modus operandi, uncertainty and secrecy could worsen the relationship even more. For A1 at this stage the biggest issue is the lack of trust and the existing secrecy that it feels coming from Company B1. If they are able to overcome these differences it is very possible to set the relationship on a good track because the commitment to do business is there. Transparency and decentralization could be beneficial for the relationship. A2's MD (and Regional Manager as well) stated that if there was another precedent touching the pride feeling in Russian, it could be an issue, because he (A2's MD) would not be able to remain calm and cool as he did in the previous situation; hence, the possibility of a "fight" could be high. Therefore he concluded that if personal relationships with the Russian CEO are nurtured and given special attention, such unpleasant situations would be avoided in the future.

Discussion

Our first proposition posits that in comparison to non-Russian partners, Russians were more suspicious and secretive in the initial stages of a relationship, but extremely trustworthy in later stages. Both cases support the assumption of secrecy culture and suspicious attitude at

the beginning of their relationships, the trust factor however is represented differently at later stages in each case. As we already know from the chosen manifestations, secrecy is a characteristic of society that scores high on uncertainty; therefore we conclude that it will be a common trait in Russian behaviour particularly at the early stages of an unfamiliar situation. It is the Russian way of protecting themselves when there is uncertainty.

Trust on the other hand, according to Ford's (1980) stages of relationship development, is supposed to increase as the relationship progresses, which is true for Case II and not true for Case I. We explain this phenomenon by highlighting the fact that the initiation of the relationships varied in the two situations. The difference in Case I from II was that the involved companies had already experienced and seen each other in a negative light prior to the actual establishment of their partnership which in turn had an effect on their eventual collaboration. Also, we must bear in mind that the relatively low cultural distance between Singaporeans and Russians in terms of the emphasis both put on social/interpersonal relationships. Singaporeans have similar cultural values and understanding when it comes to trust. We know from our interview, that the management of Company A2 made it a priority to work hard in order to gain the trust of their Russian counterparts not only through trust-demonstrative business activities but also, and more so, through personal and informal events. The same cannot be said for the Western European management in Case I. It is also worth mentioning that According to Solberg (2006 and 2008), the further the cultural distance, the more problematic it is to establish clan control (trust). In Case II it was easier for Russians to establish clan control, because, as stated above, Russia and Singapore are quite similar with regard to the importance they give to personal relationships in business. Hence, the negative outcome of trust in Case I is most likely case specific and depends on the level of understanding that foreigners have about the Russian culture and the extent to which they would go to work on building a strong and positive relationship.

P2 states that in comparison to other non-Russian partners, coordination issues with Russians received constant attention. Loose planning and inability to stick to the time frames contributed to coordination being one of the most problematic areas when relationship with Company B2 was concerned. In Case I coordination issues were not the problematic area of the relationship. Although there were certain difficulties in the adapting some of the rules of both Companies A1 and B1, timing and loose planning were not the "weak point" of Company B1. In Case II, however, coordination issues were a problematic area of the

relationship. Most of the coordination problems of company B2 were caused by the delays stemming from their uncertainty regarding issues like, the length of time it may take to resolve certain problems, who will resolve them and under which circumstances will that happen.

The 3rd proposition puts forward that trust in relationships with Russians is gained mainly through unrelated-to-business encounters (personal relationships, social gatherings, mutual time-spending). In Case I, Company A1 usually relied on formal business; informal business encounters was not a strategy A1 used to gain trust in its relationship with B1. In Case II trust was gained mainly through informal business encounters. The two cases evolved differently when it comes to trust formation. In Case I, despite having knowledge of the existing low level of trust from the Russian side, management of Company A1 only concentrated on formalities such as contracts and honest business behaviour to help establish a better level of trust which as we have seen is deemed insufficient when building a relationship with Russians. In Case II however, Company A2's management worked on developing personal relationships, attending social gatherings and in general spending a lot of informal time with their Russian counterparts. This, we believe, played a great role in the overall outcome of their relationship and is a good illustration of how to gain the trust of Russian natives.

P4 states that commitment a Russian partner displays, depends on the CEO and his "gut feeling" about the particular business relationship. Indeed in both cases, commitment depended on the CEO's gut feeling: the CEO's word was usually the final without any discussions or negotiations within his organization. This is characteristic of most of the hierarchically organized companies (Hofstede, 2001). Russians, having been classified by Hofstede (1994) as a high power distance nation suggests that usually the one in charge is the only one in charge. On the other hand, in most developing economies, the one in charge is usually the oldest one and the one with the most experience (like in Asia and Middle East, and post-Soviet Russia), hence such organization of power division in the company looks quite adequate (Bollinger, 1994; Gilbert, 2001). Therefore, the CEO's feelings, be it anxiousness and uncertainty or trust and the urge to commit, are passed down to his subordinates and reflect on the activities of the organization as a whole. This proclivity to rely on the company leader's knowledge, experience and intuition reflects the characteristic of Russians as suggested in P4.

In the 5th proposition, we suggest that in comparison to other non-Russian partners, Russians would always strive to be direct/clear and emotional/confrontational when resolving an issue, at the same time there would always be a feeling of secrecy in the whole communication. This proposition again was supported by both cases: there were situations involving companies A2's and B2's staff being direct, emotional and confrontational; at the same time, the secrecy, so felt by both A1 and B1, did not disappear. The propensity of Russians to be direct is not surprising. First of all, Russians are very maximalist: "When one threatens, it is not a joke; when one swears, it is from a high temper". Second of all, it noticed by both Russian philosophers (Berdyayev 1990; Losskiy 1990) and western researchers (Hampden-Turner and Trompenaars, 2000) that emotional appeal is a very characteristic feature of Russian people.

P6 suggests that in comparison to other non-Russian partners, Russians strive to be more independent in a relationship rather than dependent or interdependent; they like to demonstrate power. In Case I, independence from the Russian side was clear and power in relationship was greatly exercised. In Case II, however, it was difficult to say whether company B2 wanted to demonstrate independence/power in the relationship or not. Company B2 took advantage of Company A2's dependence on them (A2 wanted and needed to sell its compressors) and demanded product adjustments without consequences on price, indicating B2's relative power. But it could equally reflect the bargaining power of a buyer and is not necessarily culture specific. Therefore, we conclude that the demonstration of power by B2 was only in a light form and very situational. Based on what we have gathered from the information on the two cases, Russians tend to have an urge to control and exercise power, however they seem to feel the need to do so in two situations: 1) when they are violated and hence feel the need to get defensive, and 2) when their counterpart is generally a weaker or more dependent player.

Finally, the last proposition P7 maintains that the overall pattern of B2B relationship quality between Companies A1 and B1 followed the general pattern despite the influence of Russian culture: the quality of the relationship strengthened through the stages with cultural influence becoming less felt on the later stages (Ford's stages 3-5). The overall pattern of B2B relationship quality development varied in the two cases. In Case I, though there was a relatively stable level of commitment from both parties which has kept the relationship going so far, other factors such as the lack of trust, suspicion, communication problems and demonstration of power from the Russian side have caused this partnership to have a rocky

relationship without a clear outlook for the future. According to the information received, cultural differences are still a source of frustration for Company A1's management. In Case II on the other hand, the trust factor, and hence commitment, were well managed, given a lot of attention, and prioritized from the commencement of the relationship. Although coordination is a continuously frustrating issue, other factors of b2b relationship quality, such as power and communication does not seem to cause significant problems for the interacting parties. Culture as an influencing factor, according to the interviews, is not so conspicuously problematic anymore because most of the challenges in the relationship with Company B2 have been addressed and/or are being tackled.

Only two propositions received full support from our results: P 4 and 5. According to these, the power of the Russian CEO in an organization is unconditional; in addition, Russians do appear to be direct/emotional and ready-to-argue when something doesn't go according to their plan.

The other propositions gained partial support: either the proposition (P 2, 3, 7) was supported by only one of the cases, or only a certain part of a proposition was supported by both cases (P 1). P 6 received mixed results. From our understanding of the results, Russians may be (but not necessarily are) successful at managing time; they also might behave somewhat suspiciously; they feel better about the relationship when there is an interpersonal trust between them and their partners. The issue of trust was addressed in both, P 1 and 3. With regard to the proposition one, it is worth saying that only one of the cases indicates that Russians behave in a more trustworthy manner in the later stages of the relationship. P 7 also received only partial support, therefore we can not allege that the relationship quality improves over time, and we cannot affirm that the influence of cultures becomes less felt in the later stages of the relationship.

Conclusions and implications

The main purpose of our study is to address the question of how Russian culture affects the quality of B2B relationships throughout the stages of a relationship development.

Overall we found that the role of CEO and uncertainty of Russian managers are the major issues highlighted by the cases. These issues have the biggest effect on relationship quality

constructs such as trust and commitment. For instance uncertainty is common for Russians and manifests itself as the culture of secrecy among Russian people. Trust building through informal, non-business related activities is important for the Russian people to help tone the uncertainty. Contracts and formal agreements are not enough to gain the necessary level of trust. The appearance of secrecy even in a healthy relationship should not necessarily have a negative connotation but should be a sign to foreign managers that their Russian counterparts are perhaps not very comfortable with a particular situation or decision taken. Managers interested in working with Russians should consider bonding outside of the business sphere in order to help improve struggling relationships. Indeed, we have seen that Eastern (*in casu* Singaporean / Chinese) cultures are more prone to successfully tackle Russian business culture, since on some dimensions they are closer to each other.

Furthermore, the importance a leader of an organization has in the Russian society is conspicuous and establishing trusting relationship with him/her is essential to the quality of relationship that is eventually developed with the company he manages further down the hierarchy. Power and independence are common traits for Russians and how power is exercised depends on the independence/dependence of the parties involved. Power did not appear as the major problem though.

Although Russia is known for its disorganized at time approach to doing business, we did not find this to be a major roadblock for the development of a relationship, although it might reflect on coordination issues between the companies. It may lead to delays and other situations of that nature.

Based on our findings we suggest the following implications for management:

- 1) Establishing close and friendly relationships with a Russian CEO prior to entering into the substance of the relationship helps diminishing the felt uncertainty (and ensuing secrecy) of the Russian partner. Also, secrecy and uncertainty coming from the Russian partner should be tackled with patience. This is simply the way Russians. The key is gaining trust and using it to address this issue together with the Russian company.
- 2) TTT - Things Take Time - in Russia. Lack of proper planning from the Russian side may lead to unfavourable delays. So, a wise manager partnering with a Russian would make

sure (either in the contract or simply during the negotiations stage) that he/she addresses this issue with his/her Russian counterpart.

- 3) The invisible (for a foreigner) allegiances between Russian players – such as *blat* - should be left to the Russian side to tackle.
- 4) Russians are emotional so one should be ready to argue with his/her heart - but always keeping in mind the power play that may occur in the relationships.
- 5) ‘Saving face’ is also very characteristic of a Russian, especially when CEO is involved. So one should try to be respectful, especially to the authority, when doing business in Russia.

Our study has some limitations. First, studying only two cases makes it difficult to make generalizations of any kind. The results obtained from this study may be used for getting an insight into the problem, generating further hypotheses and subsequently testing them on a bigger set of population.

Second, because two companies, partnering with Russians, came from the opposite parts of the world (Singapore and Europe), their perceptions of cultural constructs may vary. Whatever an Asian manager finds to be “direct” and “aggressive”, might be slightly different for a European. Therefore, if a similar research is to be undertaken in future, it will help to make clear the definition of the constructs to be tested. This can be done by showing the interviewees tabs with the definitions of what ‘aggressiveness’ is as describe in scientific sources.

Last but not least, because we studied ‘sensitive’ issues, we could not be 100% sure if the feelings of the interviewees were completely reflected in the interviews they have given. That is why if possible, the case researchers should strive to be the part of the case, in other words, they should try to become the actors of the situation. This will allow them to be in a position of the latent observer and hence being able to validate the interview finding afterwards.

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