Managing
business-to-business
relationships between Swedish
and Russian SMEs in the
Russian market

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Abstract

In recent times the Russian market has been exposed to significant changes, both in the challenges of the transition from planned to market economy as well as the opportunities that has spurred a willingness for foreign companies to exploit the vast potential of the market. The aim of this thesis is to explore how business relationships are managed between Swedish business to business (B2B) SMEs and Russian counterparts. In our study we overview Swedish companies which are well established on the Russian market and have well-developed relationships with their representatives in Russia and try to discover which aspects of their relations is decisive for the success of the companies. To conduct our research we created research questions “What role do business relationships play between Swedish and Russian SMEs in the Russian market?”, and how are the business relationships managed”. We collected data from both Swedish and Russian perspectives to determine the main features of their relations and draw up guidance for potential Western newcomers to Russia.

Keywords

Business relationships, Swedish B2B SMEs, Russian market, Exporting, Personal relations, trust, machinery manufacturers, agents, dealers.
Thanks

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1 Introduction

In this chapter we outline the importance of studying this particular area, where we have chosen to focus on how the relationship between Swedish and Russian business partners is managed. Further, the problem discussion highlights the existing gaps in this area of research which is followed by the problematizing aspects of doing business on the turbulent Russian market. This will eventually lead to our research question.

1.1 Background

Globalization is a concept which has been widely exercised in business research. Ferguson and Mansbach (2012) argue that there are many aspects which contributes to the broad concept of globalization such as; internationalization, liberalization, regionalization, privatization, universalization and westernization among others. Further the authors emphasize that there are many definitions of globalization and in research it is often explained in different ways. According to Audretsch (2003) globalization is the intention of economic activities to grow from national or local level to international or global scale and characterized as one of the keenest transformation of current economic environment. Hollensen (2011) describes globalization as a result of growing interdependence of national economies with an increasing interaction between suppliers, customers, producers and governments. This interdependence is stimulated through a reduction of barriers in trade and exchange between nations. As the globalization shortened the distances, still it did not abolish the differences in culture and mentality. Thus the cross-cultural learning becomes the key aspect for knowledge management in order to collaborate with different markets more efficiently (Hollensen, 2011).

Due to globalization vast opportunities have aroused in the emerging markets where has been a significant increase and willingness of foreign direct investments, especially in the BRIC countries (Brazil, Russia, India and China) which evidently has become attractive markets for all types of companies offering a diversity natural resources and cheap labor (Huart & Verdier, 2013).

Since the Soviet system collapsed the building of a modern market economy started as well as the adoption of western standards (Bosrock & McIntosh, 1995). The Russian market has faced some stages that can be characterized as disorder, crisis and the process of nationalization. As a result of transition from planned to market economy
different changes became the source of turbulence (Johanson, 2002). According to the author “turbulence means the changes in the market are frequent and unexpected and result in a high level of uncertainty” (Johanson, 2002, p.62). To some extent this phenomenon is a consequence of institutional changes, as they lead to reorganization of the whole economic environment (Johanson, 2002). He allocated that the main changes were made by such institutional changes as change to market governance, change of corporate governance, abolition of entry barrier and liberalization of foreign trades. As different companies interpret these changes in different ways it also resulted in behavioral turbulence. Consequently, both institutional and behavioral changes made the market heterogeneous and unpredictable (Johanson, 2002).

As an example, in recent events the Crimean crisis has spread in Russia which has affected the stability of the Russian economy. The crisis is the result of a disagreement within the population of Ukraine whether the country should strengthen the ties between Europe and Russia. This has divided Ukraine into two camps where the eastern province, the Crimean peninsula felt stronger ties with Russia and therefore recently has been recognized as Russian territory (The Washington Post, Anon., 2014). Thus the Russian economy has reacted to this conflict causing the ruble, Russian currency, to fluctuate and is also threatened from eventual sanctions for the European Union. The Swedish prime minister Fredrik Reinfeldt (2014) states that “400 Swedish companies are worried right now” and concludes that sanctions from EU would strike hard against the Swedish businesses in Russia (Veckans Affärer, Anon., 2014). This has been challenging for Russian importers which poses.

Koshina and Dudinskaya (2010) state that during this transition period in Russia the development of small and medium enterprises (SMEs), both local and foreign, have become more interesting for different political and economic institutes, as the SMEs’ sector plays a significant role in establishment of mature market economy. Increased support for this sector is dictated by the need to adapt small and medium businesses to function in a crisis situation, as this sector of the economy remains one of the most important reserves for growth of the national economy (Koshina & Dudinskaya, 2010).

Due to institutional support for foreign companies there has been a significant increase of business relations between Sweden and Russia. For instance, the Russian government
has been investing in federal and local funds for financial aid which main objective is to promote the development of foreground manufacturing activities of small businesses (Koshina & Dudinskaya, 2010). Ministry of Foreign Affairs (MFA) of the Russian Federation (2013) has stated that Sweden was the first in Europe who established practical trade relations with Soviet Russia in the beginning of the 20th century. Nowadays there are no serious problems in bilateral Swedish-Russian economic relations. The development of Russian-Swedish trade and economic relations is going in accordance with strategic plans developed by both countries for the improvement of cooperation (MFA of Russia, 2013). In 2011 the Russian-Swedish Business Council was established in order to create a new mechanism for cooperation between business circles of the two countries in the field of industrial cooperation and innovation. The basis of Russian imports from Sweden in 2011 consisted of: machinery, equipment, apparatus, vehicles, represents 63.4% of the total import industries (MFA of Russia, 2013).

Dergacheva (2011) explains that Swedish business estimates Russia as a country with a huge investment potential, future market, as a dynamic economy characterized by growing consumer demand and significant reserves of natural resources. Most of Swedish investment activity is observed in high-tech industries, as determined by high scientific, technical and industrial potential of Swedish companies. Large untapped potential to deepen cooperation also remains on the part of projects in the field of woodworking, pulp and paper, chemical industry and agriculture. Sweden is an important partner of Russia in foreign trade of chemical products. Cooperation in the chemical industry is also carried out by purchasing equipment, technologies and production lines from Swedish companies (Dergacheva, 2011). Swedish companies in Russia are perceived as being good business partners and attain the benefit of geographical closeness (Business Sweden, 2013). There are several institutions in Sweden which provides support for SME’s to get a foothold in the Russian market in aspects of creating a good social and economic environment for the companies in the new market (Swedfund, 2014).

For the foreign companies it is important to develop collaboration with Russian counterparts in order to adapt to the local institutional environment, where unwritten rules and informal relationships play a significant role (Dolgopyatova, 2009). For
instance, trustworthy relations with Russian party can be used to reach regional and local authorities and it will contribute in overcoming of bureaucratic difficulties (Dolgopyatova, 2009).

We consider that an important ingredient of collaboration between companies is well-established relations. For this reason we decided to study the nature of business relationships. Håkansson and Snehota (1995) states that relationships can be viewed as isolated system only between two parties. However, business activities involve much more than two actors, each relations are embedded or connected to a different extent with other relations. That is why relationships are often viewed as a part of broader context called Network of interconnected relationships (Håkansson & Snehota, 1995).

Advanced network involves relations both personal and impersonal that provide company a lot of benefits (Tretyak & Popov, 2009). For instance, relationship is a precious asset that grants access to partners’ competencies, brings sustained competitive advantage and generates substantial relational rents, and networks are used as means to make leaps in value creation, such as designing new complex products and technologies (Tretyak & Popov, 2009). The value created by networks is varies in different markets. Peng (2003) says that the farther a country from mature market economy, the more important networks and relations are. He claims that during the transition to market economy the economy system moves from a relationship-based, personalized transaction structure to a rule-based, impersonal exchange regime suggesting a market-centred strategy. However, Michailova and Worm (2003) argue that personal relations are still dominating in an emerging market which is going through this transition period. Johanson (2002) emphasize that relationships are crucial for companies, which are both entering and already involved in business activities, in the turbulent market. Firstly relationships help the companies to cope with turbulence as they provide stability. Secondly, established relationships give a competitive advantage, as it is in turbulent markets, more difficult to maintain and develop connections (Johanson, 2002). Thus, the type of relations in post-socialistic countries is different from western market economies, where there is a lack of knowledge about the informal rules and nature of personal relationships in Russia (Hultén, 2009). This has for us aroused an interest in which we would like to explore how business relations are managed between Russian
and Swedish companies and the correlation between the different standards of doing business.

1.2 Problem Discussion
According to Klimenko and Harrison (n.d.) states before the soviet system collapsed there were a lack of studies regarding the Russian business to business (B2B) market, however when the market was liberalized there was an instant increase in the research industry, at first for the newly established multinational giants such as Coca Cola and P&G, then the number of other type of companies increased. As the research emerged two decades ago it contributed to the speed of the transition from planned to market economy. What differentiates the Russian market from other mature market economies is the accessibility of information. The lack of openness has made it challenging for researchers to collect data (Klimenko & Harrison, n.d).

Ivanova and Torkkeli (2013) have been studying the business relationships between Finnish and Russian B2B SMEs investigating how the cultural differences of a developed and an emerging economy are managed. The authors collect in this study data from both the Russian and the Finnish managers and found that their different cultural background clearly affects the sense making when doing business. In another previous research authors have covered how Swedish SME’s adapt to the features of the Russian market in terms of network, business culture and entry modes. The focus has been on how Swedish companies perceive the Russian market explaining how they cope with the barriers (Albertini, Auffray & Aziz, 2011).

Mattsson and Salmi (2013) argues that the challenges for companies when entering the Russian market lies within finding a position in the business network and establish cooperation with other companies. That is achieved through a focus on interpersonal ties between the business actors on the strategic as well as the operational levels of the companies. Johanson and Vahlne (2009) explain how foreign companies strive to achieve a position in the middle of the networks to reduce the uncertainties of the foreign market.

Due to the ongoing Crimean crisis the environment is more uncertain than ever. The fluctuating ruble has caused troubles for many companies, which exports to Russia.
World Bank states that "If the Russia-Ukraine conflict escalates, uncertainty could rise around sanctions from the West and Russia's response to them". Further the World Bank project the Russian GDP to shrink 1.8% because of the turbulence in Ukraine, and has decreased the level of confidence and willingness to invest from foreign companies (Kelly, 2014). These events have aroused an interest from our point of view to explore how the business relationships are managed and how the challenges of the turbulent Russian market are dealt with.

The Russian market has been studied quite a lot since the collapse of Soviet Union but most of the studies were concentrated on the whole business environment, and such aspects as legislation, business networks and institutions(Jansson, et al., 2007). However, we found out that there is a gap in the research about business relations between Swedish and Russian companies. The importance of this topic is in the fact that close business relationship can help to overcome a lot of uncertainties in the turbulent Russian market (Johanson, 2002). We would like to analyze relations by looking at how they are managed from both perspectives, Swedish and Russian, in order to understand the role of relationships and how to maintain them to reduce the risk of turbulence.

We will analyze the structure of Swedish companies involved in economic activities with Russia, and on this basis decided to study relations of Swedish B2B SMEs with Russian business partners. The reason for choosing B2B is to create a deeper understanding about the business climate in Russia and how the business relationships support the companies’ activities in the country. Another reason is that the majority of Swedish international SMEs are operating in the B2B sector (MFA of Russia, 2013). As the operating cost for production end-consumer goods are very high in Sweden, and SMEs cannot compete with multinational corporations (MNCs) which can afford to establish production in the emerging markets. Thus, Swedish international firms are mainly B2B that makes analysis of B2B companies more valuable. We have found that the majority of Swedish exporters to Russia concerns technology and machinery, therefore we have chosen to study Swedish SMEs in this sector which makes our research valuable to the majority of Swedish exporters in Russia. We decided to discuss relationships as they are crucial for running B2B activities, which was previously discovered by Johanson (2002) and is highly significant in emerging and turbulent markets (Peng, 2003; Johanson, 2002 and Michailova & Worm, 2003).
1.3 Research Question
What role do business relationships play between Swedish and Russian SMEs in the Russian market?
-How are the business relationships managed?

1.4 Purpose
The purpose of this thesis is to explore benefits of business relations for Swedish B2B SMEs working with Russian organizations and to analyze how the relationships are managed. To reach the purpose we will collect qualitative empirical data from both Russian and Swedish companies. We intend to create a deeper understanding about the role of business relationships in the turbulent Russian market, what characterizes the business relationship and how it is managed.

1.5 Delimitations
Our thesis has several delimitations that the readers must be aware of and keep in mind when reading the thesis. We will focus on Swedish B2B SMEs in our paper. Also, we will not consider entry strategies of the firms, just the export modes which are embedded in the entry strategies. We will analyze just the two main actors—manufacturers and their intermediaries. As a result of a lack of resources we were not able to investigate third parties, like end-customers, but we tried to get the representation about them from our interviewees. The case companies which we have chosen are required to be already established and experienced actors on the Russian market, which in our research automatically excludes newly established companies.
2 Methodology
In this chapter we will explain how we intend to conduct our study to answer our research questions; what role does business relationships play between Swedish and Russian B2B SMEs in the Russian market, what characterizes the relationships and how they are managed. There are different methods to choose from which requires evaluation what aspects are useful and motivate the benefits of these methods.

2.1 Research approach
In business research there are several different approaches which could be used in order to conduct a feasible research. Bryman and Bell (2011) argues that every approach has different benefits depending on the specific research area, which makes it important to pinpoint what kind of research we are dealing with and how the correlation between empirical data and theory will function. Further they explain that are three different approaches; inductive, deductive and abductive. The inductive approach means for the researcher to start in reality, from a newspaper or own findings, and further find applicable theories which explains the empirical findings. The inductive approach can be describes as, from the researchers own experiences, gather the empirical data and thereafter develop the theory. This approach has received criticism which claims that the results can be interpreted differently depending on the specific researchers’ perception (Bryman & Bell, 2011). We have chosen to exclude this method since we already found theories applicable for our research.

Alvesson and Sköldberg (2008) describe the abductive approach as a mixture between induction and deduction where the researcher shifts between the theory and reality and enables the author to refine and make changes as the research process develops. We have also chosen to exclude this method because we find it time consuming and would make the research process more complex.

This thesis will have a deductive approach, which is the most common of the methodology approaches, with usage of theoretical frameworks which will be tested in reality. This requires for the researchers to create operational terms out of the theories. The theory starts the methodology process and will be successively used in the empirical chapter. Therefore it is important for the researcher to pinpoint how the data will be collected with a clear connection to the theories (Bryman & Bell, 2011).
As there has been research before about networks in the Russian market we have chosen to tackle this thesis through a deductive approach, where previous assumptions and analysis enables us to form our own view on the correlation to the reality. Thornhill, Lewis and Saunders (2003) argue that in a deductive approach the aim is to explain why and how certain variables are affecting each other. Further previous research has provided a perception on the subject which will be tested to examine the correlation between previous research and reality. The authors claim that the deductive approach is the most common in social sciences when examining the relation between the empirical data and theory.

From previous research we also get help with finding already existing theories about psychic distance and cultural barriers which can be used and form a foundation for our thesis. Taking these aspects into account a deductive approach would be suitable in this research. Researchers have mainly been focusing on wider business networks and how to enter the Russian market while we are digging deeper into the business relationship between the Swedish and Russian B2B SME.

2.2 Disadvantages with deductive approach
Thornhill, Lewis and Saunders (2003) argue that in the deductive reasoning there is one important aspect to be aware of and that is to be completely independent when conducting the research. This is hard in a qualitative study where results are being interpreted and conclusions are made by the authors, unlike quantitative research where the findings are presented in clear digits. That is why it is important for the researcher to, during the interview, create open questions and avoid influencing the respondent.

We will interview Swedish SMEs regarding their entrance into Russia and how they perceive the business network and adaptation. The authors have chosen to approach this thesis through a qualitative research, in order to create an understanding about the respondents and interpret what they say and do. The qualitative approach is applicable when it comes to investigating culture and social patterns, unlike the quantitative approach which considers volumes and digits from surveys. According to quantitative researcher’s data collecting through observations lack credibility on account of how different observers have different perspective.
2.3 Qualitative research method
Merriam (2009) describe two different research methods, qualitative and quantitative, where quantitative research emphasis on numerical form which can explain research phenomena often based on hypothesis which makes quantitative research relevant with support from the deductive approach. For this thesis we have chosen the qualitative approach which aim is to highlight how people perceive their surrounding and experiences and furthermore choose to construct their world. Merriam (2009) exemplify qualitative research covering how recently retired individuals cope with their new lifestyle by asking them about their previous experiences. When it comes to understanding individuals perceptions and experiences qualitative research is not only suitable in this thesis but also the most commonly used method. Bryman and Bell (2011) highlights the importance of, when conducting a research, collecting empirical data from many different sources which enables the researcher to form conclusions based on the average opinions and answers, hence makes it crucial to have a large volume of sources which is representative for the specific area.

According to Widerberg (2002) qualitative research is about explaining the characteristics of a specific topic by defining its attributes and features. The author describes questions that might be aroused in the qualitative research such as; what does the phenomena mean and what is it about? In order to answer these questions there are certain methods which could be used such as observations or qualitative interviews. By an observation the researcher is able to interpret and study the behavioral pattern of the individuals which are exposed in the research.

2.4 Primary data
Data can be collected in different ways, what makes qualitative data is conducted through words in an interview. The collection describes people’s experiences, behaviors and perceptions. However, Merriam (2009) argues that the word “collecting” of data is misleading emphasizing that it is just about getting out there and picking it up. Collecting data requires for the researcher to tailor make and develop certain techniques and select the right data. What qualifies as data is the information gathered from the researchers’ theoretical orientation. In qualitative studies the interview is in most cases used as a source for collection primary data and not seldom the only source.
2.5 Secondary data

In our thesis we have been mainly focusing on primary data since we believe it conveys an inferior reliability as apart from websites which often are highly influenced by the perspective of the author. We have mainly been using secondary data to assess statistics and figures of the amount of export and trade between the Swedish and the Russian market. Further it was necessary to research on the internet for basic information about the case companies.

2.6 Formation of case study

Yin (2014) argues that there are two different categories of case studies; single and multisite case study. A multisite case study aims to collect empirical data from different cases which form a ground for a comparative research. In our study we are using the multisite case study where we are gathering data from three different Swedish B2B SMEs and their Russian business partners in order to make a comparative analysis about how they manage their business relations. Chetty (1996) suggests that the multisite case study helps the researcher to convey a deeper reliability attaining several perspectives as oppose from the single case study. By also studying the perception from the Russian business partners we access a greater perspective from both parties which enables us to attain a deeper understanding about doing business in a cross-cultural context. Further, Yin (2014) argues that a case study is useful because it captures the reality of current affairs. The situation in Russia is right now turbulent due to the events in Ukraine which makes our research relevant in terms of how to maintain and manage business relations.

2.7 Selection of case companies

In the selection of case companies our ambition was to be able to collect as relevant data as possible from our case companies. Therefore it was not only important to find the right companies but also getting in contact with the right people in the companies who are able to provide accurate answers to our research questions. Our main criteria’s for the selection of case companies was that the companies already have well established relations with Russian actors and possess the knowledge based in own experience about how to manage a cross-cultural business relationship. We want to, by interviewing the Swedish SMEs as well as their Russian counterparts, identify the
characteristics of the mentalities and perceptions of the different markets and examine how these two actors cope with and manage the cross-cultural clash.

2.7.1 Norden Machinery AB
Norden Machinery AB has a differentiated niche in the manufacturing of tube-filling machines. The company is located in Kalmar from where they export to their customers in 60 markets all over the world. At the setting in Kalmar, Norden has 225 employees and an additional 40 employees in the external sales network. Their strategy is to provide qualitative, efficient and durable products and to develop long term relationships with their customers. Since they operate a differentiated business they put an emphasis on innovation to be successful in the long run (Norden Machinery, 2014).

Export manager, Magnus Nilsson
We have interviewed the export manager Magnus Nilsson who is responsible for the customers in UK, Western Europe and Russia. Magnus has worked in the company for two years and manage the relationship with the business partners. In Russia he has a close cooperation with their Russian agent Geronik.

2.7.2 Rottne AB
Rottne AB is a completely Swedish company where they practice manufacturing of harvester machines for the forest industry. Today the company has 235 employees at their settings in Lenhovda, Stensele and Rottne. They are proud to say that they are
prepared for the future with one of the best machine programs in the world. Rottne export approximately 50% of their products to markets such as Australia, Russia, North America and Europe. The export is conducted through their dealer in the respective market (Rottne AB, 2014).

**Sales Manager Export, Roland Axelsson**
At the Linnaeus University library we met the Sales Export Manager Roland Axelsson for an interview. Roland is experienced in the company’s business where he started as an engineer in 1967. Since then Roland has been on several positions in the company and is today responsible for the sales towards the export markets. In Russia he has close connections to their dealer Forest Service in St Petersburg as well as direct contact with their end customers.

**2.7.3 Olofsfors AB**
Olofsfors AB is an international successful company in the manufacturing of tracks for forest machines. It is an old company which was founded in 1762 and act according to their key words; sustainability, quality and knowledge. To distinguish themselves in the fiercely competitive market they strive for making innovative and environmental-friendly products. The manufacturing is handled from Olofsfors, in the north of Sweden and export their products to markets such as Finland, Russia and Canada (Olofsfors AB, 2014).

**Göran Nyberg, Director of Sales and Marketing**
Göran is responsible for the sales in Russia in the product lines of wooden machinery and steel-tracks for forest machines. He has been working in the company for 23 years and gained a lot of experience and knowledge about the Russian market.

**2.7.4 Forest Service**
Forest Service is a company that represents logging equipment, manufactured in Sweden and Finland, in the Russian market. They provide a wide range of warranty and service maintenance with departure to the client and trainings of technical personnel. A distinguishing feature of the company is an offered full range of equipment and components used in the process of logging. This is products of the best Scandinavian brands, which official dealer is Forest Service: Rottne, Cranab, Bruks, Huddig, Indexator, Olofsfors, Gunnebo, Trellerborg.
CEO, Johan Hedman
Through Skype we arranged an interview with the CEO of Forest Service Johan Hedman. He is as a dealer responsible for the logistic and legislative issues in the process of import into Russia from their Swedish suppliers to the end customers. Johan is originally from Sweden and moved to Russia in 1995 and is now fluent in Russian and manage Russian employees.

2.7.5 Geronik GmbH
Geronik GmbH is the German company that represents European manufacturers of machines in the sphere of cosmetics, pharmaceuticals and food industries. Julia said that they established their company in Germany because for the European manufacturers it is easier to trust the company that falls under the jurisdiction of European court. In most cases the company acts as the distributor, but sometimes their clients prefer direct European supplies, then they act just as an agent.

CEO, Julia Nikolaeva
Julia Nikolaeva and her husband are the owners of Geronik GmbH. They established their company in 2007, and started their activities on the Interpack exhibition in 2008. There they met representatives from Norden Machinery AB, who was looking for dealer in Russia at that time. As Julia said they both were lucky to meet each other. Since then the number of machines supplied through Geronik was growing and there are about 30 machines operating in Russia and neighbor countries, such as Belarus, Ukraine and Kazakhstan at the moment. Due to her it can be called as successful collaboration.

2.8 Interviews
Widerberg (2002) argues that the qualitative interview gives the researcher a possibility to meet the respondent in person where the interview could, either have a structure and follow a specific schedule, or develop and take new directions as the interview flows in a more semi-structured way. If there are conducted several interviews it could be easier to compare the answers of the respondent with a strict and structured interview. However, this type of interview is of the quantitative nature and disregards for the unique stories and perceptions of each respondents which is taken into account in the qualitative interview.
Yin (2014) and Merriam (2009) highlights the importance of the interview as a source for collection of empirical data and also that it is commonly used in case studies. The interview seeks to use a conversation instead of using queries. Even though questions are outlined to follow a specific structure with different paragraphs the interview will turn out to be fluent, this is called a semi-structured interview (Yin, 2014).

It is up to the researcher to decide how to conduct the interview. According to Yin (2014) the interview can be approached in three different ways; structured, semi-structured and unstructured. A structured interview is common in quantitative studies where the researcher asks the same questions to each respondent in order to make clear distinctions between the responses. Since the questions in this interview are standardized it lacks the possibility for accessing findings which was not expected. Therefore we will out rule the structured interview. The unstructured interviews do not follow a specific schedule and seeks to develop a fluent conversation with only the guidance of at least one theme. For us it is important to answer the research questions by the usage of the specific theories which make this type of interview unsuitable, nor do we believe that the different interviews would be comparable. We have chosen to conduct a semi-structured interview which requires for the interviewer to be flexible in what order to cover the topics and let the respondent speak freely about his or her ideas conveyed through open answers (Denscombe, 2009).

Yin (2014) argues that there are two tasks for the interviewer to consider in the process; for one, it is to follow the structure of the interview and secondly to form objective questions which do not lead the respondent to different answers. It is important for the interviewer to regard for these aspects and create a balance in getting the answers that you want but at the same time not affect the respondent.

Our case companies have been interviewed at their convenience in terms of time and location. According to Denscombe (2009) it is important to make the respondent to feel as comfortable as possible and thusly feel comfortable to speak as freely as possible. That implies that the choice of location should be considered accordingly to the respondent’s preference. Further the author states that there should be clear communication between the interviewer and the respondent before the interview in
order to make sure how long time the interview will progress and to explain what the specific topic for the interview.

2.9 Quality of research
2.9.1 Validity
When conducting research it is crucial to convey a gathering of information which the reader can trust. It is the researchers’ obligation to create confident investigations when collecting the data. It is a common view among scientists that qualitative research is inspired by different assumptions and worldviews. According to the authors, there are two different types of validity; internal and external. Internal validity seeks the correlation between how two factors influence each other resulting in a specific phenomenon and is measured through its extent of credibility. This aspect is often taken into account when dealing with an explanatory research, if it the casual relationship cannot be explained internal validity is threatened (Yin, 2009). To assess whether the collected data is credible the authors should gain inputs, preferably from an external part who can interpret the data which according to Yin (2009) leads to the questions; Is the evident convergent? Have all the rival possibilities and explanations been considered? External validity seeks to generalize the research findings and how the data can be applied in different circumstances (Yin, 2009; Merriam, 2009). Yin (2009) argues that case studies have received a lot of criticism in terms of external validity, especially in single case studies where the basis for generalization is considered to be too narrow. Further, there are two types of generalizations; statistical and analytical. Statistical generalization is frequently exercised in surveys while analytical generalization seeks to explain what different cases have in common with support from wider theories.

2.9.2 Reliability
According to Yin (2009) in reliability it is important to be consequent in conducting of a research and minimize potential errors. That means to practice the research in the same way as previous researchers have done, without replicating. However, when using the same procedures as previous researchers it is important to be thorough with clear documentation of the intention. Reliability has a history of being closely connected with the quantitative research but is however commonly used in the qualitative research as well. Validity is widely used in the qualitative studies, however the interpretation of validity varies as a result of the different perceptions about the subject from the writers (Golafshani, 2003).
2.10 Operationalization
According to Patel and Davidson (2011) there must be a connection between the collected empirical data and the literature review. That is conducted through creating categories of questions which concerns the theoretical frameworks which have been explained. The process operationalization starts with the forming of the research question, further the research question should be answered by the use of theoretical framework.
In our research we found that theories which explain cultural differences and doing business in a foreign market would be relevant such as; psychic distance, Hofstede’s cultural dimensions as well as network theory and institutional barriers. From these theories we have created questions which intention is to be understandable for the respondent and provide us with useful and well elaborated answers. The operationalization of Patel and Davidson (2011) encourage us to create a connection between the chapters of the thesis.

**Business relationships:** To receive input about the business relationship between the Russian and Swedish actors we asked them about to what extent the business relationship has a bilateral gaining for the counterparts and how important they are for the Swedish SMEs presence on the Russian market.

**Personal relationships:** We wanted to find out what role personal relationships play between the companies to strengthen the ties between the companies. From the theory we used trust in personal networks to inspire us in the formation of interview questions.

**Blat:** The old Russian expression blat is defined as an exchange of favors. This was a common phenomenon in the early post-Soviet transitional period, we therefore wanted to hear our respondents perception whether blat is still a commonly used business method or not.

**Cultural differences:** We wanted to know how the cultural differences affects the business relationship and what challenges arouses when doing business between companies in the different cultures. To answer this aspect we used the cultural dimensions of Hofstede and psychic distance to form our interview questions.
3 Literature Review and Conceptual Framework

In this theoretical part, we will use the relevant theoretical frameworks about business relationships and network. First, we will talk about the theories on institutional concepts which has impact on relationship. After that we will continue to discuss the theories about personal network in Russia, export mode, dimensions of culture, psychic distance and business relationship substances.

3.1 A view on business network

According to Meyer and Skak (2002) business relationships play an important role among SMEs strategies. The networks are not only committed with the strategic opportunity, they also develop an objective on strategic activity. It is helpful for an organization to enhance the ties of relations while discovering new relationship business opportunities. Business networks facilitate the specific country’s market knowledge, skills, and the dynamics of relationships which influence the global behavior of the firm (Meyer and Skak, 2002). Coviello and Munro (1997) note that business relationship network supports the global development of firms. However, these networks not only develop their activities but also limit other occasions which are managing fears of whole dependency (Coviello and Munro, 1997).

In order to manage market uncertainties, especially if it is a new market, small firms need certain types of resources and they become dependent on various sort of business and non-business relations (Pourmand, 2011). According to Andersson et al. (1994) business relations are characterized by involved players, their resources and activities. The players tend to increase their control over network through managing resources, performing activities and applying knowledge. “Every relationship is unique in its content, its dynamics, how it evolves, how it affects the parties involved, and in what it requires from them for success for each of them. …managing relationships is the critical task of business and the complexity of that management task reflects the complexity of the relationships themselves and the resulting network structures” (Ford et al 2003, p. 38).

The studies by Granovetter (1985) and other social science researchers emphasized that companies are involved in continuous networks of social and business relations with other stakeholders. Players are “embedded in concrete, ongoing systems of social
relations” (Granovetter, 1985, p. 487). The level of embeddedness depends on the tightness of the relation with consumers, suppliers, competitors and other network actors (Forsgren et al., 2005). Halinen and Törnroos (1998) say that this embeddedness can be divided into six types: temporal, spatial, technological, market, political, and social. Also non-business players can be seen embedded in network and influence on the network environment. Thus network can be explained as comprehensive system with different business and non-business actors, interconnected with and influencing on each other (Halinen and Törnroos, 1998).

**Structure of network**

This aspect refers to the openness of a network. Strength of relations, as a result of adaptations, investments and different commitments, make networks either expensive or cheap to enter as well as to leave and understandable or not for outside actors. This aspect is essential for business network structure for two reasons (Jansson et al., 2007). First is that company takes a specific position in the network in accordance with its resource investments (Johanson & Mattsson, 1985). Secondly relationships are interrelated and affect each other in different ways (Blankenburg Holm, Eriksson, & Johanson, 1999).

**Role and function of networks**

Relationships can be established for different purposes, such as minimization of cost or maximization of value production when the relations did not achieve its goal should be abolished. However, the network relations can have wider functions, being a premise for future business. Both functions determine the value of relations, also these functions play a significant role in forming the identity, building processes of companies within the network (Anderson et al., 1994; Snehota, 1990).

**The strategy and planning in the business network**

One of the most important aspects in day-to-day activities for the firm is to understand how and on what basis the decisions are made (Håkansson & Johanson, 1992). In addition to this, strategic management involves perceived necessity to control ambient environment i.e. actors, resources and relations. This aspect helps to identify how close other actors are and reliability of relations (Jansson et al., 2007).
3.2 Export modes

Hollensen (2011) states it is common that exporting is the first step for companies to enter the new market and further they develop their activities in direction to foreign-based operations. In other cases, for example when there is a limited amount of customers, exporting mode become the permanent way of operating on another market. Further he explains that export modes are used when companies’ product manufactured in the home or third country and then send to the target market. Export channels can be very different in terms of responsibilities and activities that intermediaries perform. Hollensen (2011) allocated three types of export modes: indirect export, direct export and cooperative export.

**Indirect exporting** can be described as a use of independent intermediary in the home country thus it is very similar to domestic sales. This intermediary is the committed to deal with exporting issues by itself (Hollensen, 2011). Cavusgil, Ghauri and Agarwal (2002) explains that indirect exports are cheap at the beginning steps of the exporting since all influences of host country market are managed by the intermediary as a result the seller carries less risks. The authors emphasized that the intermediaries has control over the final costs on products and also company’s reputation will be on the intermediary’s side in the foreign market (Cavusgil et al., 2002; Hollensen, 2011).

**The direct export** according to Hollensen (2011) the manufacturer transfer its products directly to intermediary or customer situated in target market. This mode imposes certain responsibilities on the company such as developing contacts, making researches on marketing and care about documentation and transportation. Direct exporting can be handled through independent intermediaries for example agents and distributors (Hollensen, 2011). Agents are those who gain profit from commission. However, the distributors take responsibility over the product in such terms as finance, risks while doing business, whereas agents do not. When exporting its products the manufacturer must know ways of exporting and global payments (Cavusgil et al., 2002).

**Cooperative exporting** in this type of exporting the SMEs build close relationship with foreign based intermediaries or with export groups in order to be attractive to larger buyers in the host market. Basically, the marketing department of firm is located in the foreign market and managed by export marketing groups (Hollensen, 2011).
3.3 Partner mindshare
According to Hollensen (2011, p.335) “Partner mindshare is a measurement of the strength of a relationship in terms of trust, commitment and cooperation”. He claims that the higher mindshare level, the more interests considered by partner or vice versa. Mindshare has proved itself in term of sales that intermediaries who have strong mindshare level will usually sell more than those weak mindshare levels. It basically describes the degree of interaction between manufacturer and importer (Hollensen, 2011).

3.4 Personal relations in networks and the concept of Russian blat
According to Puffer and McCarthy (2011) Russian managers are depending more on informal institutions in the business environment. Recent research emphasized that relationships between persons are crucial in order to build trust as trust plays an essential role in establishment of healthy and valuable network. It helps to minimize the uncertainties in business networks, also to control the knowledge flow and to get access to information that was closed before (Mattsson & Salmi, 2013). Further in their paper they state that interpersonal and business relationships cannot be separate from each other.

In the transition economies the personal networks play a key role in the business network. Thus it is important to take into consideration personal relationships in order to develop value of network (Mattsson and Salmi, 2013). For these reasons western companies, which intend to enter these post-socialistic markets, should be aware of differences and be able to manage their relations by the local rules. For instance, in Russian market there is a special kind of personal relationship called blat (Michailova and Worm, 2003). The concept of blat defines it as a use of personal and informal relations in order to get goods and services that are in shortage, and also by blat it is possible to access certain job places, influence decisions and avoid formal procedures (Ledeneva, 1998). Comparing to personal networking and barter, blat is not only suggesting bilateral relationships. In this kind of network transactions can be intermediary, for example, in the figure 2.1 actor A will ask actor B to gain value from actor C, if the second one has relations with both. Or circular: player A helps B, player B helps player C and it does not always end with a help of player C and A. Ledeneva
(1998) explains the relations in such systems are ruled by trust, loyalty and power of authorities.

*Figure 2.1, Relationships.* Source: Authors own model based on literature review.

![Diagram of relationships between A, B, and C.](image)

Sometimes blat is confused with such phenomenon as bribery. However, there are some certain distinctions between them. First of all the bribery is a kind of non-personal agreement, while in blat favors are made on the bases of personal relations. Secondly, bribery is just compensation for an action but blat is a form of collaboration, reciprocal support with a long term perspective. When contacts are widely developed in blat system it is possible to avoid bribery and gain value only by blat. So, blat is not based on the immediate payment it use the personal bases with long term perspective and favours made by altruistic motives and friendly support (Ledeneva, 1998).

According to Ledenova (1998) nowadays when transition economies getting closer to the free market economy the value of blat diminishes as most of good and services are more freely access and the market mechanism replacing blat transactions. However, in monetary system the lack of good and services was replaced with the shortage of money. For instance now people are using their blat contacts in order to get money for business or loans on privileged contracts. According to Ledenova (1998) today blat is more important for businesses rather than for personal issues, for example for business start-ups and for those who intends to manage their business more efficiently. In modern blat system the role of acquaintance are more formal and rational than it was before (Ledenova 1998). But still acquaintances are performing following functions:

1. They help to find solution through information, so they encourage information flow.
2. They can be used as intermediaries connecting business players with each other.
3. Still in Russia recommendation play an important role and acquaintances can provide such informal recommendations.
4. The structure of blat relations is moving from patronage becoming cynical. Still loyalty and friendship play great role but actions are calculated in terms of short term costs and benefits.

3.5 Trust in personal network
According to Jansson, et al., (2007) in West European business relations trust is organizational and professional based. Trustworthiness is the expected norm based on legal system there, and business transactions are mostly anonymous, formal and personal (Jansson et al., 2007; Lindell & Arvonen, 1996). While in Russian business trust is based on social trustworthiness. Trust for individuals is more valuable than legal contacts. Trustworthiness is not an expected norm and relationships are usually started from an attitude of suspicion to be cheated (Jansson et al., 2007). It outcomes in the fact that if some problems occur, Russians tend to find and blame others, which is often followed by conflicts in relations (Fey & Beamish, 2000). Thus the main difference between Western Europe and Russia is that in West European business relation there is a clear division between formality and informality, while in Russia this boundaries are blurred (Jansson et al., 2007).

3.6 Hofstede’s cultural dimensions
The theory on cultures came out in early 1980s by Hofstede, the aim of perspective is identifying cultural differences among the nations. He defines culture as “the collective mental programming of the people in an environment. Culture is not a characteristic of individuals; it encompasses a number of people who were conditioned by the same education and life experience.”(Hofstede, G. & Hofstede, G.J., p.3, 2005).
Hofstede wants to show that the concept of motivation works in different way in all countries. The study by Hofstede (1983) noted that, thoughts of the people in different countries define and identify their view of the world according to four dimensions: power distance, uncertainty avoidance, individualism and masculinity.

*Power distance* refers to the level of inequality among people in physical and educational terms, or the degree of gap between poor and rich. This can be measured by Power Distance (PD) scale from 0(low PD) to 100(high PD). In the high Power Distance countries, power is centralized by autocratic leadership which means the power managed by a few actors at the top who makes all decisions. In low power
distance societies, power is more spread and relations among players are more democratic. This society is known as more individual when it comes to organizational decision making. For example, high PD index results were observed in countries such as Philippines, India, Venezuela, and others. Even though, France and Belgium are fairly high PD countries. However, the Scandinavian countries, Sweden, Denmark, and Norway are counted low score.

**Uncertainty Avoidance** refers to the level to which people in a particular country trying to show how they perceive future uncertainties. People who are cared much about rules and regulations for example at work or in any organization. Also the managers of organization try to create security in advance in order to avoid from future unpredictability. They don’t usually like to take risks and easily will be upset when the thing goes wrong. This kind of society, according to Hofstede (1983), can be called **strong uncertainty avoidance**. However, the weak uncertainty avoidance cultures can be described as risk-taking society. They tend to take risks much rather than avoiding unpredictability. And also in weak avoidances people don’t work as hard. In the high uncertainty avoidance societies make the long-range planning in the organization in order to minimize the risk associated with unpredictable events.

**Masculinity** concerns the divisions of the role between the genders in the society. In masculine refers to which ‘masculine’ values, such as success, gaining money, performance and rivalry rather than femininity oriented values such as quality of life, take care of the weak, service-oriented and more environmentally friendly. Masculine societies care about the different roles between genders what should have done and also they have a phrase which is “big is beautiful”. The femininity cultures perceive anything small as important, more environment oriented and they attempt to keep warm relationship with person before money and also both men and women’s values play equal role for them. More masculinity oriented societies were discovered in Japan, US and Italy. However, femininity cultures include Sweden and Denmark.

**Individualism** regards level to which people in society behave as individual rather than person in a group. Individual groups have depended on doing things by themselves and less dependency to others. In this society everyone should care interests of themselves or close relatives such as family members. On the other hand collectivist societies are
more “we”-conscious oriented, which means that they follow the social systems rules, and group decisions are more important than single person’s decisions. In this society often called “embarrassment” because a member of group can influence the whole group image.

3.7 Characteristics of B2B relationships
Håkansson and Snehota (1995) characterize B2B relationships as an extensive or close interaction within B2B network and these interactions are stable and long-lasting relationships. Other researchers have declared some of the same point of views (Michel, et al., 2003). Hollensen (2011) distinguish B2B market from B2C market. He states that Interactions between buyer and seller make durable relationships. B2B relations are stable and they are not easily willing to change their partners and also they more focus on negotiation rather than promotion in comparison with B2C (Hollensen, 2011).

After we analyzed studies of Michel, et al., (2003) and Hollensen (2011) we pointed out the following characteristics:
- A firm has to make trade-offs during the buying-selling process: parties go through negotiations and reach a compromise.
- The interaction between supplier and its customer implies close and durable relationships.
- Firms exchange their goods and services in a large volume during their trade-offs (wholesaling).
- Relationships with the customer are not affected much by traditional marketing mix.

3.8 ARA Model
In order to understand the complexity of business relationship, it is important to study three layers or substances of business relationship which are Activities, Resources and Actors, known as ARA model was covered by Håkansson and Johanson in 1993. This model mainly consists of activity links, resource ties and actor bonds. First, the activities links are embedded in business relationship that link, tightly or less tightly, different activities (technical, administrative, marketing and other activities) of the two firms. Activities can be connected through relations. It is obvious that activity ties affect the consequence of the relationship for the two firms. Second, the resource ties while the relationship recovers the different resource factors (technological, information,
human and other assets) are connected and developed by two firms. A relationship links resources. Relationships can also make-up of the resource that can be used or exploited. Finally, the actor bonds as the relationship becomes tight, and it create linkages between two companies, and this relationships between actors are developed that may cause of firms’ perception, evaluations and treatments between each other (Håkansson and Snehota, 1995).

3.9 Psychic distance

Johanson and Vahlne (2003) describes that in the early international trade and investment theories, an economic barriers were emphasized as an obstacles to businesses, afterwards the theories have focused significance of intangible barriers such institutional, and cultural barriers which are caused the challenges for internationalization practices of businesses. Further, the authors explained that the dimension of those obstacles is generally mentioned as the terms psychic distance or cultural distance. Those, ‘different cultures, language, regulations, background of education’, not tangible obstacles make difficult for firms in terms of knowledge transformations between different countries (Prime, Obadia & Vida 2009; Sousa & Lengler, 2009).

The simplest form of psychic distance usually described as perceived differences between company’s home and host countries (Håkansson & Ambos, 2010). Dow and Karunaratna (2006) asserts that psychic distance is one of the most frequently mentioned research interest in international business literature with the number of 37 articles are released which related to the subject in business research journal only within five years consequently. In order to explain the subject in a broad business phenomenon Håkansson & Ambos (2010) mentioned the psychic distance is the structure of human resource management activities, the power of external distributor, negotiation methods, and the plan of knowledge exchange activities and also entry modes.

The larger differences perceived in a host country comparing to home country, the larger is the psychic distance to that particular country (Johanson and Vahlne, 2003). This means the more misunderstandings between countries, the higher psychic distance.
This becomes cause of more challenges of doing business with any business or people in that nation (Håkansson & Ambos, 2010).

Håkansson & Ambos (2010) also claims that the differences of culture are not the same as psychic distance rather cultural difference is one of the ancestors for psychic distance. The authors created seven antecedents of psychic distance on the list:
1. Cultural differences
2. Geographic proximity
3. Linguistic differences
4. Political competitiveness
5. Economic differences in development
6. Larger economic development in foreign market
7. Weaker government systems in the foreign market
Above mentioned aspects will increase the perception of psychic distance to the outside/foreign country (Håkansson & Ambos, 2010). The larger psychic distance is between firm’s home country and host country, the more difficult for the firm to gather, interpret and analyse the knowledge from it, as a result of this will, in accordance with Johanson and Vahlne (2009), rise the uncertainty degree for the firm in that particular market and in that way this hinder the firm’s operations there (Håkansson & Ambos, 2010).

3.10 Conceptual framework
Business relationships are of utmost importance when operating in an emerging market because it reduces uncertainties in a turbulent environment. To manage a business relationship between different cultures it is important to know how to cope with the cultural differences in order to create a bilateral understanding in communication and activities. Also keeping the consistent collaboration and being aware of the existing activities, resources and actors within the network are crucial for the company in order to manage the relationship.

Therefore we have developed this model below in order to answer how business relationships are managed between Swedish and Russian business partners.
Figure 2. Conceptual framework model. Source: Authors own model based on literature review.
4 Empirical Data
In this chapter we will present our empirical finding which we have gathered from interviews with the respondents in our case companies. We asked them about their perceptions on the business relationships with their counterparts. We have divided the different areas into sub-paragraphs in order to make it easier for the reader to understand how the different aspects influence on the business relationships.

4.1 Norden Machinery AB

<table>
<thead>
<tr>
<th>Company’s name</th>
<th>Norden Machinery AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area of business</td>
<td>Tube filling system</td>
</tr>
<tr>
<td>Location</td>
<td>Kalmar</td>
</tr>
<tr>
<td>Interviewee’s name</td>
<td>Magnus Nilsson</td>
</tr>
<tr>
<td>Interviewee’s position</td>
<td>Sales manager, UK, Western Europe and Russia</td>
</tr>
<tr>
<td>Entry year to Russia</td>
<td>1960</td>
</tr>
<tr>
<td>Interview date</td>
<td>2 May 2014</td>
</tr>
</tbody>
</table>

The Company
Magnus Nilsson is the Sales manager, managing UK, Western European and Russian markets.
Magnus starts the interview explaining that many Swedish companies move their production to emerging markets, however Norden seeks to keep their production in Sweden in order to utilize their technological competence.
Magnus argues that Norden Machinery has a good reputation in Russia amongst the tub-filling producers, mainly because of the quality of their products. If you would compare a Norden machine towards the competitors Norden is almost always the most expensive choice, however the lifetime of the machines is often the double as the competitors’ which makes it a good choice in a long term perspective. Norden also provide an extensive aftersales service and aim to be accessible for the customers. The competition in Russia is not that fierce since there are no domestic producers.
The Russian market

Norden machinery has been active on the Russian market ever since 1960. The sales manager, Magnus Nilsson, describes the Russian market right now as being quite unstable with a fluctuation of the currency and political instability mostly due to the events in Ukraine. Therefore the processes are not running as smoothly as they used to before the Crimean crisis, requiring a lot of waiting in the decision making process. Magnus states that Russia has jurisdiction as well as the neighboring countries Ukraine and Belarus which are managed through their Russian agent Geronik. He mentions that they just received message from their Russian agent that “Everybody is waiting, what is going on in the Ukraine”.

Export mode

Magnus stated that they have a limited number of customers in Russian region and for them it is enough to use just an agent there. They are satisfied with the productivity of Geronik, that’s why they have no plans to go deeper in the Russian market through Foreign Direct Investment.

Relationships

Magnus asserts that since the Russian market is managed through an agent it is crucial for Norden Machinery to have a good relationship with the agent which is very personal and warm. The agent plays a huge role in Norden Machinery’s operations on the Russian market, nurturing the existing customer relationships in the aftersales process as well as trying to attract new customers to the company through visits and fairs. Since Norden Machinery is a well-established and recognizable brand in the branch the task is quite simple for the agents when visiting new customers. Magnus states that “we want the agent to sniff around the market and see where the new projects are happening”. Further he describes the relationship with the agent like a long marriage because these types of projects are lasting for a long time, all the way from the first sale until the aftersales and new orders. The agents usually has many other customers so if Norden Machinery makes the relationship a little bit more fun and personal, which according to Magnus is the “Norden way of doing business”, the agent will spend more time and focusing on Norden Machinery. Magnus describe that Norden Machinery wants to have an informal approach by creating close relationship without formalities as for instance dressing casually and convey an outgoing friendly approach. The personal relation is
very important for Norden Machinery in the Russian market, partially on account of the exchange of information which is received in terms of pointers from Russian contacts that implicates the recent rumors and future trends on the market. Magnus states that Russians are very friendly and always wants to listen how Norden Machinery perceive it from the Western side and they are asking about improvements in the production, therefore Magnus feels that they do not have to adapt in the cross-cultural interactions. He continues by explaining that you have to be a good listener in Russia meaning that they also want to talk about other things and possibilities. Magnus states that “As a Norden sales guy in Russia you have to be like an elephant: big ears and a small mouth”. He continues by saying “when we receive an order we want to first have a contract. It is trickier now to go to an end with a certain project on account of the economic instability. It is important for us to have personal relations with the agent. The agent enables processes to run faster”. Magnus states that they are seldom in contact with the end-customer since they use an agent and means that it is very important to have an agent if ones do not master the Russian language. Norden Machinery knows that there will always be changes on the Russian market therefore they always must keep pushing and find new customers. Magnus claimed that “you must have good connections in the Russian market”, that is why it is important to have a Russian business partner who knows how to deal with the authorities. He declared that “You also must have a good net on the market because the agent cannot do everything. It is important to be clear with what you want and expect from your business partners which reduces the possibilities for misunderstanding. Of course you could face corruption if you were to circle around in the Russian market but we are very clear with what we want, we have experienced that sometimes customers can ask for special favors regarding the purchase of a machine”. Magnus states that they have developed a good teamwork with their agent, with a 6 year old cooperation and argues that it is very hard to find a new agent on the Russian market. Therefore Norden Machinery have no plans on hiring a new agent and also because it would reduce the control in Russia. Magnus stated that “we want to keep our production in Sweden in order to control the manufacturing as we always have done and keep selling to the Russian market through our agent”. Magnus asserts that there is a lot of bureaucracy when exporting to Russia in comparison with other customers. He emphasize that it is beneficial to have the Russian agents to handle the paper work. Additionally there are institutional barriers which require explicit and detailed contracts. This is where the agent becomes handy by
managing the relations with authorities and institutions. The main competitors come from well developed markets which often also run the Russian market through an agent. “If we do not have the right papers, we are out”.

Cultural differences
Magnus claims that cultural differences are obviously exist between the Swedish market and the Russian market and it is necessary to take it into account when doing business in Russia. Therefore Magnus states that it is very important to use an agent. The differences is sometimes evident in the decision making process where some organizations have a vertical structure. He concludes that there is a clear distinction in the influence of authority between the markets. Further he states that it is important to be able to communicate in Russian whereas the English-speaking in Russia is not very good, which is why the use of an agent is justified. When doing business in Russia Magnus describes that there are many people who still possess the old Russian mentality.

4.2 Rottne AB

<table>
<thead>
<tr>
<th>Company’s name</th>
<th>Rottne AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area of business</td>
<td>Manufacturer of forwarders and harvesters</td>
</tr>
<tr>
<td>Location</td>
<td>Rottne</td>
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<tr>
<td>Interviewee’s name</td>
<td>Roland Axelsson</td>
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<td>Interviewee’s position</td>
<td>Export manager</td>
</tr>
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<td>Entry year to Russia</td>
<td>The beginning of 1990</td>
</tr>
<tr>
<td>Interview date</td>
<td>6 May 2014</td>
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</table>

The company
Roland started in the company in 1969 as an engineer and has, through the years switched jobs within the company to eventually end up as Export manager. His responsibility is to be the link between Rottne AB and their dealers all over the world. In Russia he is connected with the dealer Forrest service which is located in St Petersburg. The establishment of this dealership started out with three Swedish entrepreneurs that wanted to import second hand machinery to Russia from Sweden, since they noticed that there were a significant demand for harvester trucks, because at
that point the companies in Russia only sold the harvesters but lacked the ability to transport the wood in the absence of a truck. Eventually the agent started to hire Russian employees and began to look at the possibility to sell new machines and that is when they got in contact with Rottne AB. The cooperation started in 1997 and the sales started to operate in 2001. Today Rottne AB have approximately around 200 machines running in Russia.

The Russian market
Roland describes the competition in this business as fierce with well-established manufacturers from America among other countries which possess the advantage of financial muscles as oppose to the SME, Rottne which is a relatively small manufacturer in order to cope with the financial challenges Roland describes that they have established funds to supply the financial demands. However, the fund is not accessible on the Russian market which makes the financing a lot more difficult than on the Swedish market. Therefore they get support from the EKN which arranges lower interest rates on the Russian market. To ensure payments with their Russian customers Rottne uses letter of credit which enables them to conduct safe transactions where they get the money for the product instantly. Roland states that it is a high trust towards the Swedish companies in Russia, he exemplifies by mentioning that their previous customer in Belarus wanted to pay to Rottne directly instead of leaving the handling to the payment through the agent. This company had previous experiences with dealing with the Swedish MNCs, Volvo and Scania which gave Rottne a competitive advantage on account of the Swedish reliability when doing business.

Since there are a lot of bureaucracy regarding the custom issues the Russian customers often helps Rottne with the payments and administrative work to enable a smooth logistic process into Russia.

Export mode
Roland stated that they started supply machines to Russia in 2001 and at the moment they have between 125 and 150 machines working there. In comparison with Lithuania and Latvia it is quite good, as there they sell about 5-10 machines per year. However, in Sweden they sell around 100 machines only per year. He stressed that there is a great difference in value between Sweden and Russian markets, which is the reason why it is enough for them just to have a local distributor on the Russian market.
**Relationships**
Roland believed that personal relations are very important because every customer has a unique need which requires you to listen to what they want to be done. If they are satisfied with Rottne’s machines and service they often want to order more machines. According to Roland, 75% of the sales are directed to old customers who are satisfied with their machines. Therefore the old customers are very important for Rottne, which is why they focus on nurturing the old business relationships with an extensive aftersales service. Roland states that it is very important to keep close relations with the customers and strengthen the ties in the network. For example Rottne recently organized an exhibition on Värnamo, outside of Växjö in Sweden, where they invited customers from all over the world, many of them from Russia. Through this the customers in their network got to know each other and eventually started to help each other out conserving machinery issues which creates network effectively in the way that Rottne gets support from the customers in their activities.

**Cultural differences**
Roland highlights the relationship with the leaders as the most significant difference between the Swedish and the Russian market. He specifically remembers one business meeting where the operators of the Russian company were not allowed to talk without the manager’s consent.

### 4.3 Forest Service

<table>
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<th>Forest Service</th>
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<tbody>
<tr>
<td>Area of business</td>
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</table>
The company
Forest service was founded by three Swedish entrepreneurs who notice there was a demand for forest machines. At that point there only was a market for harvester heads but there was nothing that could transport the wood after the harvest. Therefore the Swedish Ola Olsson got help from the Swedish export council after listening to a seminar about the Russian market where he asked for the possibilities of selling used harvesters on the Russian market. Ola went back to St Petersburg where he invited 300 people with experience in machine sales. At that convention he met Johan who had been active in the Russian market since 1995.

Forest Service got in contact with Rottne and sold harvester heads but they noticed after a while that they had to put it on something so they got in contact with Volvo who had a concept to put the harvester heads on excavators. At that point Rottne were not satisfied with their current dealer which is why they got in contact with Forrest Service. Today the profile of Forrest Service is dealership in the Russian federation for forest machines and backhoe loaders produced by Swedish suppliers. The jurisdiction of Forrest Service is North-western Russia. According to Johan they could cover the entire Russia but it is a very big country which makes it hard to control.

The Russian market
Johan claims that they have not been exposed to any consequences of the Crimean crisis except for one aspect; people are very uncertain about the future. Additionally the currency is fluctuating which makes importing of machines expensive and that leads to expensive sales for Forrest service. Johan explains that if imports of new machines are expensive the customers tend to hold fast to their old machines which requires for Forrest Service to put more focus on repairs. Since money is expensive in Russia right now there are high interest rates and costly loans.

Relationships
Johan describes the relationship with Rottne as mainly good, since the cooperation has been going on for a while we are relatively synchronized with a small amount of bureaucracy. Johan describe that sometimes the suppliers are not that flexible in
understanding the requirements of entering Russia, but in all they have a good relationship. Forrest Service are in the current situation satisfied with the brands they are working with and want to keep grow and develop new relationships to expand their network. In order to do that Johan explains that they must strengthen their financial muscles which they do not have at the moment. “We are looking for new dealers and partners in order to increase our sales”, he explains.

Johan asserts that personal relationship is of great importance when doing business in Russia. Companies in Russia put focus in to this spending a lot of money on business trips where a sales manager could be away for one week attending events such as hunting trips or other activities. Johan states that he is familiar with the concept blat but think it is hard to define. He means that it is common in Russia to provide the boss with gifts which is rooted back from the Soviet time. Also the meaning of “blat” can be found within a common saying in Russia; “I know a guy who can help you”, but he claimed that he try to stay away from such way of doing business.

Johan asserts that he feels accepted in the Russian market and pinpoints the weight of knowing Russian. Also he states that it is beneficial to represent Swedish producers since they have a good reputation in Russia with high quality, however at the end of the day you have to deliver results with low prices.

Even though the Russian market is uncertain, Johan states that there are also many lucrative aspects. For Swedish companies there is the benefit of good reputation of high quality and advantageous technology. Also the Russian market is huge with low income taxes. He describes that Russian are very hospitable and friendly and do not need to know the specifics of a certain deal when they trust their counterpart. The difficulty for Forrest Service is to be accountable in two directions, both towards the Swedish suppliers as well as their customers. “Our clients usually want fast deliverances which sometimes can result in panic which spreads to the Swedish suppliers”. Johan means that a common trait in the Russian market is that everything needs to be in a hurry.

Since there are many obstacles and issues that needs to be solved to export over the Russian border there are sometimes problems for our business partners to grasp how much is actually needed to be done, which actually arouse a lot of questions, questions like; Why should we do that? Why do we need that? Johan explains that there are a lot
of criteria’s that needs to be accommodated and that is the way it always been and serves no use asking questions of necessities. Johan continues, “The European border is an expensive border, if you would export from Sweden to Germany it could take one day, but export to Russian is more likely to take one week, getting together all the fees and taxes”. However, there are cases where we can pay a little bit more money to the customs which enable the process of export to take three days if it is an emergency for our customer. Forest service needs to have a good understanding from their suppliers that it takes time to export to Russia.

**Cultural differences**

According to Johan the organizational behaviors differs a lot between the Swedish and the Russian market. He means that the organizational structure in Russian firms seems paralyzed where things rarely changes. When new people arrive into the organization an uncertainty arouses because that means that someone might take your place. Johan describes that in a Russian organization the jurisdictions are more specific and restrict the specific area of work for the employee, every employee know his role and what is expected. It is quite common that the Russian employee does not care about problems in the organization which is not on his desk, unlike the organizational structure in Sweden where the roles are more flexible.

Johan also notice a significant difference in the relationship with the leaders of the organization. He exemplifies the phenomena: “When a boss wants an employee’s opinion the employee thinks: What does the boss want to hear?”

Regarding adaptation Johan suggests that a Swedish SMEs do not have to adapt that much to the Russian market and their standards since they he believes that Russians are very hospitable. However Johan mentions that their off course has been misunderstandings on account of the cultural clashes but he cannot remember any specific examples.

The Russian market is very unpredictable as well as the actors in it. Johan explain that an actor can give a specific impression one day and a completely different the next. “At one occasion a customer wanted immediate delivery and said it was in a hurry, after that we did not hear from him for a long time”. Johan concludes that in the Russian market you do not really know where you have your business partner whether it comes to
deliveries or negotiations. In negotiations Johan have experienced Russian customers that has been taking advantage of a counterparts vulnerable position when, for instance, travelling a long way or are desperate to close the deal. Johan adds that he is not surprised anymore about the unexpected outcomes of the Russian market. “If you want routines, do not go to Russia”.

4.4 Olofsfors AB

<table>
<thead>
<tr>
<th>Company’s name</th>
<th>Olofsfors AB</th>
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<tbody>
<tr>
<td>Area of business</td>
<td>Attached equipment for wooden machinery</td>
</tr>
<tr>
<td>Location</td>
<td>Olofsfors</td>
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<tr>
<td>Interview’s name</td>
<td>Göran Nyberg</td>
</tr>
<tr>
<td>Interview position</td>
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<td>2008</td>
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We have interviewed Göran who is the Director of Sales and Marketing at Olofsfors regarding his perspective on the relationship with their retailers in Russia. Forest Service is a retailer of Olofsfors and are included in the description about the Russian partners.

The company
Olofsfors is a 252 year old company which sells steel-products and tracks for wooden machinery. Görans is the Sales Manager responsible for the company’s forest products. For many years Olofsfors have been selling their products through the distributor Forest Service but to obtain a better control and increase sales we opened up our own sales subsidiary in St Petersbourg in 2008. Since then Forest Service is a customer of Olofsfors among other retailers.

The Russian market
Göran explains that the uncertainty in Russia is quite big right now with the ruble which dropped 25% in comparison with the Euro and that has had an affect in terms of decreased the sales. “However, the economy seems to be turning around”- Göran states.
Göran suggests that it is necessary to adapt to the features of the Russian market as much as possible because it makes it easier to build business relationships. Göran has experienced corruption in Russia in the past but believes that the authorities have improved and reduced the problem. For example, corruption was common in the customs in to Russia where there was a lot of bribery towards the customs officers. Olofsfors gets no external help selling their products on the Russian market, there are more obstacles than support, especially when it comes to the extensive bureaucracy of the authorities, but fortunately they get a lot of help from the Swedish Export Council.

**Export mode**

Today Olofsfors have import license and their own storage. Göran describes that Olofsfors have several retailers in Russia and all the sales goes through our sales subsidiary Olofsfors LLC in St Petersburg. Olofsfors found their retailers through Swedish and Finnish machinery manufacturers which we have been cooperating with.

**Relationships**

Göran asserts that, in Russia you need to know your business partner very well and develop a close relationship in order to succeed. It is important to go to Russian and visit the retailers physically to show that you trust them. He mentions that the Russians are not as long-term oriented as we are in Sweden and that is noticeable in the authorities which can change the rules very quickly, although the authorities are improving their standards. Further he outlines that is very important to arrange the payments for the products in advance on account of the lacking moral regarding payments in Russia. Business relations are always important in order to be successful, and especially in Russia. That is because the Russian business partners could change very quickly, this a very common in Russia, therefore a close business relationship prevents them from making fast changes since they have stronger ties to us. Göran believes in the personal approach since that is the way he would like to get to know their future business partners. Olofsfors have obtained their contacts with the retailers through conventions and also by company visits before initiating cooperation. Since they run their own sales subsidiary in Russia Göran mentions, that they are pretty knowledgeable in the Russian business culture, but to reduce the possibility for misunderstandings they have hired to Russian sales representatives. Olofsfors communicate with their business partners over email, telephone and personal visits where they can get an exchange of information and pointers. Göran describes that their
network consists of retailers all over Russia as well as machinery producers both in Sweden and Russia. The cooperation with Forest Service has decreased the recent years regarding payment issues. Therefore Göran cannot say that they have a tight cooperation.

**Cultural differences**

Göran highlight that in Russia the relationship is much more in focus meaning that personal relations creates trust an increases the chances for a successful cooperation. Further, the general difference between Swedish and Russians are that Russian wants it all and are very eager to win. If they lose they are bad losers. Russians likes exclusivity and total power and when it is not going the way they expected they can get in a bad mood. Göran has experienced this a lot and it usually solve itself when you explain clearly about the situation. Göran gives an interesting example:

“We delivered products to the Swedish distributor Johndeere, who delivered the products to our retailer worst competitor. We went to Russia to meet with the retailers. Five guys with mop faces entered the room without greeting (very childish off course but common in Russia). But after a lot of discussions, explanations and vodka later during the evening everything was okay, so we hugged before we went back to Sweden. These procedures are something you have to put out with if you want to succeed in Russia.”

### 4.5 Geronik GmbH

<table>
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<td>Agent for Norden Machinery</td>
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<tr>
<td>Location</td>
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<tr>
<td>Interviewee’s name</td>
<td>Julia Nikolaeva</td>
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<tr>
<td>Interviewee’s position</td>
<td>CEO</td>
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<td>Founded in</td>
<td>2008</td>
</tr>
<tr>
<td>Interview date</td>
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**The company**

Julia Nikolaeva and her husband are the owners of Geronik GmbH. They established their company in 2007, and started their activities on the Interpack exhibition in 2008. There they met representatives from Norden, who was looking for dealer in Russia at
that time. As Julia said they both were lucky to meet each other. Since then the number of machines supplied through Geronik was growing and there are about 30 machines operating in Russia and neighbour countries, such as Belarus, Ukraine and Kazakhstan at the moment. Due to her it can be called as successful collaboration.

Geronik GmbH is the German company that represents European manufacturers of machines in the sphere of cosmetics, pharmaceuticals and food industries. Julia said that they established their company in Germany because for the European manufacturers it is easier to trust the company that falls under the jurisdiction of European court. In most cases the company acts as the distributor, but sometimes their clients prefer direct European supplies, then they act just as an agent.

**The Russian market**

The year 2013 was very successful for Geronik, the turnover increased approximately by 20 percent and it refers to all the suppliers. Another positive aspect is that the demand for higher speed machines of Norden also increased. The year 2014 started slower and it was due to the political uncertainties in Ukraine, which started in February that caused fluctuations of Russian rouble. But Julia noticed that clients as well as suppliers did not tend to give up their planned projects, moreover they are always keeping in touch in order to continue their business activities when the currency rates will become stable. Certainly, Geronik partners slower their activities in Russia for three months, from February to April, but by the moment of interview (22.05.14) she said that most of the parties are coming out of hibernation and have intentions to work in the full swing in the very nearest future. In general European manufacturers perceive Russian market as not such stable as European, but they feel it turbulent in a good way, seeing it as growing with a huge potential.

**Relationships**

Norden was the first supplier of Geronik, and to these days the relationships with Norden is a priority for the company. These relations are the only exception from the rule about neutrality. As Julia said, these relations are similar to what is called as “a first love”. In some cases Geronik discuss with Norden its business relations with other partners. For example there was a situation when Geronik represented bottling equipment for a pharmaceutical company in Russia and the development of their relations with the company led to the order for Norden, and it was not the only case.
Custom issues are more complex in Russia than in Europe, but to deal with them Geronik use brokers as third parties to solve them. Julia said that they try not look into the process of dealing with customs issues, in order to stay apart from it, as in Russia such problems can be solved in different ways, and some of the ways are not ethical. So they can be honest and transparent with partners and with themselves.

Geronik’s suppliers and customers are operating in the field of cosmetics, pharmaceuticals and food industries. It allows Geronik to keep the integrity of the network and offer to the same customer equipment from different suppliers, and one supplier to different clients. It is essential for the company to maintain qualitative composition of their network, rather than quantitative. They try to approach suppliers who can offer their goods to already existing customers to build the whole line of products for the clients. And the quality of manufacturer’s products should be high, even though it might be very expensive for the customer. So the network can be described as strong, wide, quite open, with a long-term perspective of relations, though they pick and choose actors of their network very thoroughly.

Julia claims that in relations between manufacturer and client Geronik try to keep neutral position, without favouring any party. If problems occur, they show that they are all on the same side and should solve the problems together.

Since the company is small and it is the own creation of Julia and her husband, they approach the business with the soul and the attitude to the producers and customers is very personal. And although the importance of the equipment, which the company represents, is very significant, the trust between all parties equally important. If the company does not share any values and approach to the business of any of its partners, it does not break off contact with them, support them in service, but will not start any new joint projects. By priority, trusting relationships shared the first place with the quality of the equipment provided.

Julia emphasizes, that doing business by blat is no longer relevant. For 6 years the company has faced with situations when certain actions are taken by some third parties, but these were isolated cases that can be counted on the fingers of one hand. This is due to the fact that the company is trying to conduct business according to European standards, and succeeds in it.
Cultural differences
In this part the interviewers were mainly asking Julia about Power Distance, as they believe it is the most distinctive and influential feature between Sweden and Russia among others Hofstede’s cultural dimensions. To show the difference Julia described the situation when Russian engineers visited Norden’s factory and they were impressed by the fact that all the spare parts were in a free access without any control and video surveillance. In Russia people have not used to such freedom, to work productively they are needed to be pressed from someone of a higher rank. She explained that in Sweden people are working for conscience as they understand that they have a common purpose, but Russians are working just for their own salary. And Julia concluded that the problem is possibly in the fact that government of Russian companies allocates power among managers and employees, while government of Swedish companies allocates specializations of their workers in accordance with the field of competence.

In Julia’s opinion, certainly there are some cultural differences, but it is hard to distinguish any specific points that influence on their business with Norden, these differences do not create any discomfort for both parties. Julia considers her partners from Norden as people with similar values and life notions, and cannot recall any misunderstandings between them. They communicate in English and it also does not make any problems, as both parties are quite proficient in it.
5 Analysis

In this chapter we form an analysis in the exploration where we combine our used theoretical framework with our empirical findings and see if there is a correlation between the written theories and reality. In the analysis we can also draw comparative conclusions and find how different or similar the respondents’ perceptions are to each other.

5.1 Business networks

Jansson, et al., (2007) declared that strength of relations is a consequence of adaptations, investments and other type of commitments invested in these relations. Forest service and Geronik started their business representing Rottne, Olofsfors and Norden Machinery, respectively. They helped each other to settle on the Russian market. This type of collaboration made their relations very valuable. Even though Geronik and Forest Service have other partners, Norden Machinery and Rottne, hold a high priority position in their network, and the fact that Olofsfors used Forest Service as a distributor before their establishment of a subsidiary they also attains strong ties in the network. Another aspect of network is network dynamics which refers to longitude of relations in the network (Jansson, et al., 2007). As Norden Machinery and Geronik provide extensive aftersales service and their Russian representatives support them on Russian side for this reason they use long-term perspective with each other and with customers they try to prolong their relations as much as possible. Magnus Nilsson described their relationship with Geronik as “long term marriage” and also Julia Nikolaeva described them as “first love”. Johan stated that Forest Service has a good relationship with Rottne and they have less bureaucracy. Next aspect describes the role of relations between manufacturer and distributors as value creation, as they make profit to each other (Jansson, et al., 2007). The role of agents and is to attract customer and the more customers will be attracted, the more value will be gained for both parties. Magnus named the function of Geronik as an agent who will sniff around market and see where the new projects are happening.
5.2 Personal relationship
As recent researches emphasized that personal relationships prevailing in Russian business culture and the function of close relation is to minimize the uncertainties in business networks, also to control the knowledge flow and to get access to information that was closed before (Puffer & McCarthy, 2011; Mattson & Salmi, 2013). All our respondents aligns in this view, for example, Magnus states that they make their relations with the agent a bit more fun and personal as it will make agent to spend more time and focus on Norden. Such attitudes contribute in the fact that even though Geronik has a lot of other suppliers they still give priority to Norden.

Norden clearly understand the necessity to build trust with the Russian actors, and Julia confirmed that their whole business is based on trust. She said that by priority trusting relations share the first place with the quality of equipment they offer. Julia emphasized that if they do not feel mutuality based on common values and approach to business, they will interact with this party as little as possible. Also we noticed that during the interview Julia called both manufacturers and clients as partners, which expressed her attitude towards them as quite intimate.

According to Janson et al. (2007) In Russia, at first foreign firms must be able firstly to build personal trustworthy relationship and then initiate a formal business relationship within the business due to the fact that there is a constant suspicion of being cheated. After the establishment of trustworthy personal links they can smoothly develop into business relationship (Janson et al., 2007). As Johan Hedman claims that personal relationship is crucial while doing business in Russia that is why Russian managers take into consideration the importance of business trips and spending much time to establish close relationship during joint pastime for example during hunting, fishing or other activities that can last for a week. Göran at Olofsfors also describes the importance of trust, outlining that it is important to know your business partner in Russia before initiating business activity. He further concludes that the weight and energy focused on personal and close relationship is what differentiates the Russian market from the Swedish market. He argues that a close relationship with strong ties reduces the chances for fast changes, which is very common in Russia among the actors.
5.3 Blat
According to Ledenova (1998) nowadays when transition economies getting closer to the free market economy the value of blat diminishes as most of good and services are more freely access and the market mechanism replacing blat transactions. We assume that today Russian business is closer to the market economy rather than to the old planned system, especially in business which is conducted with western companies. The old mentality still exists in state institutions and large Russian companies for the reason that it takes time to eradicate old mentality from large organizations. If someone would like to make a deal by “blat”, he has to be sure that another party will not regard it as a bribery or corruption. That is why blat is used only inside Russia who shares old approach to business. The representatives of Swedish companies even did not know about blat at all, however their agents have a certain understanding about it. For instance, Johan says that he is familiar with the concept of blat. He described it as “I know a guy who can help you”, but showed his negative attitude towards such this concept of favors. Julia stresses that doing business by blat is no longer relevant. For six years the company has faced with situations when certain actions are taken by some third parties, but these were isolated cases that can be counted on the fingers of one hand. This is due to the fact that the company is trying to conduct business according to European standards, and succeeds in it.

5.4 Hofstede’s cultural dimensions
We have been using the cultural dimension of Hofstede (1983) in this analysis as a measurement for the cultural differences between the Russian and the Swedish business partners.

*Power distance*
According to Hofstede (1983) power distance is in the inequality between individuals. In organizations this aspect is characterized through a centralized and autocratic leadership where the decisions are conducted by the leader. Russia has been described as a country with high power distance in which Julia at Geronik agrees a highlight that it is probably the most significant difference between Swedish and Russian business culture. When Russian engineers visited Norden they were surprised to find that they were under no surveillance from a manager, which made them impressed. She describes that in Russian culture the workers gets motivated when experiencing the pressure from
an autocratic leader. From her Russian perspective Swedish workers have a mutual understanding about what needs to be done and feel obligated to make effort in their job assignments. Johan at Forest Service concur with Julia and explains that when a boss wants an employee’s opinion, the employee tells the boss what he thinks he wants to hear. The same impression was given by Roland’s clarification regarding a business meeting directly with a Russian customer, where he noticed that the operators who are lower in the hierarchy did not speak without the manager’s consent. However, we have found in our research that power distance is not a problematic issue in the relations between the Swedish and Russian case companies.

Uncertainty avoidance

Johan at Forest Service have experienced uncertainty avoidance in the Russian organizational structure. He mentions that when a new person gets employed in a company it is hard to be accepted into the organization because the established employees perceives this as a threat that will compete for positions within the company. From this we have found that a general trait among the Russian employees that they are reluctant to change and therefore take percussions’ which strengthen their current position in the company.

Collectivism

Further Johan exemplifies that an employee in a Russian company usually knows what is expected from him to play his role in the organization. He compares this with the Swedish business culture where the jurisdiction of the employee is a lot more flexible managing many different assignments. If a Russian sees an error outside of his jurisdiction he does not care because it will not have an effect on his performance. We are of the impression that this is correlated with the power distance in Russia and the strict control which results in that the Russian employee will be doing what is expected of him, nothing more.

Masculinity

Hofstede (1983) asserts that masculinity explains a cultures masculine value such as winning, being the biggest and to obtain power. Göran at Olofsfors describes that general trait of the Russian actors is that they have are very control-oriented and desires to achieve a state of total power. When this desire not correlates with reality they can tend to get in a bad mood. We can see that the theory matches the data. From this correlation we can conclude that the Russians are more masculine society.
5.5 ARA Model

According to (Håkansson & Johanson, 1992) the ARA model explains the contents as well as the functions in a business relationship; activity links, resource ties and actor bonds.

Activity links

The activity links in a relationship can be described as the administrative and commercial activities between two actors (Snehota & Håkansson, 1997). In the cooperation between Norden and Geronik the activity links mainly concerns sales and distribution of machinery to the end customer. Geronik’s role is to represent Norden machinery and manage the relations with the Russian customers. In order to maintain the relations, as well as find new customers, they attend exhibitions and visit the customers face-to-face at their respective location. Magnus states “we want the agent to sniff around the market and see where the new projects are happening”. In the relationship between Rottne and Forest Service, the activity links are similar where Forest Service visits Rottnes customers in the Northwest of Russia handling repairments as well as educating and delegating operators to the end customers. Forest service helps Rottne with the bureaucracy over the EU border which requires.

Resource ties

Snehota and Håkansson (1997) explain that the resource ties are necessary to support the activities. Resource ties concerns aspects such as knowledge, manpower and equipment. Norden machinery and Geronik has an education program, where engineers of Geronik get education and knowledge from Norden in order to obtain a competence in the technological aspects of the machines. Knowledge is something that Norden offers and plays an important role in the relationship, since there is a demand for qualitative and sustainable technology Norden needs to spread knowledge about their machines in order to make them last in the long run. To make sure that the end customers are satisfied with their product the engineers and agents of Geronik, put emphasis on providing an extensive aftersales process where they meet the customers in person. For Rottne it is also important to share the knowledge with their customers. The operators get support from both Rottne and Forest Service regarding the handling and repairment of the machines. Johan mentions that they sometimes needs to get in contact with other dealers who can support the end customer, but also explains that it is hard to
delegate assignments to other dealers since he believes that it is hard to find a business partner who has the right competence.

**Actor bonds**

Actor bonds are the mutual understanding the business partners has towards one another and the knowledge they have about each other’s. Actor bonds create knowledge about the counterpart’s ambitions and perception, which becomes valuable when challenging situations arouses. Trust is one of the main factors within actor bonds, which is evident in both of the relationships between our case companies. The relationships have developed and contributed respective party with growth. Julia also mentions that they perceive the relationship with Norden as a first love meaning that they started up Geronik’s activities and has therefore influenced the company resulting in shared values. Johan at Forest Service describes the relationship with Rottne as good, where the processes are running smoothly with a small amount of bureaucracy. Rottne helped Forest Service to start up their dealership in Russia and thusly the relationship has had a mutual exchange where Forest Service access Swedish technology machinery and Rottne access an emerging market with great future prospects.

**5.6 Psychic distance**

Aligning in Håkansson & Ambos (2010) economical differences, Magnus at Norden describes the Crimean crisis as an impact at the moment then doing business in Russia since the processes takes a longer time than usual mainly because of the fluctuating ruble. Julia agrees with Magnus, but describes however the willingness of European suppliers to keep on with the projects in the same manner, therefore the actors, Norden among the European suppliers are keeping a close contact with Geronik waiting for the ruble to stabilize. Julia describes that the European suppliers perceive the Russian market as unstable but in a good way, offering huge potential and possibilities. For Rottne the financing is more demanding in Russia in comparison with Sweden in the absence of their fund which is applied in the European market. Therefore Rottne turns to the Swedish export council which enables the company to get lower interest rates. Rottnes dealer Forest Service aligns with Rottne claiming that it is very hard to access capital in Russia, where there is high interest rates and usually hard to be granted with loans. Further Johan claims that a challenging issue for their suppliers in the customs issue a further describes the border between Russia and the EU as an expensive border.
The difference is evident between the markets of the Swedish and Russian partners in the market stability and the fact that exports over the European border is a complex process in comparison with exports within the EU in terms of costs and bureaucracy. Olofsfors has also experienced the outcome of the Crimean crises which has resulted in a decrease of sales, although Olofsfors notice that the situation is about to stabilize. He explained that the ruble fell 25% in relation to the Euro which have made it challenging to export to Russia.

The language is according to Magnus essential to adapt to when doing business in the Russian market and highlight therefore the importance of having an agent who manages the contact with the customers. Roland agrees with Magnus that it is very important to be knowledgeable in Russian. For Rottne it is important to educate their operators regarding the functions of their machines. That is why the relationship with Forest service serves the company well since they speak Russian, otherwise they need to find interpreters an interpreter which takes time and is costly. Johan at Forest Service agrees with previous respondents explaining that knowing the local language reduces the possibility for misunderstandings which also was the conclusion of Håkansson & Ambos (2010). There is a common trait that the English proficiency is not very high in Russia, but the agents and dealer which represents the link between the counterparts enables a smooth dialog.

Magnus asserts that the Russian market have huge future prospects and means that the company need to be active and seize the possibilities in the emerging market since they believe that it is constantly growing. Geronik share Magnus view in the assessment of the market as growing, offering a huge future potential. Roland describes that there in recent times has been a growing demand for their products in Russia. What unifies the Swedish actors in the Russian market is to take part in the rapid economic growth and perceives the presence as a future investment for respective companies.

Johan at Forest service outlines that the Russian business partners are very hospitable meaning that they are tolerant towards different cultures and do not have strict demands for foreign companies to adapt to their business culture. Magnus agrees with Johan in the description and further describe the business relationships as very warm. However, Johan argues that the actors on the Russian market can be quite unpredictable as in
comparison with Swedish business culture where there is a higher level of understanding where the counterparts have each other and that there is an inferior mutual consensus of the collaboration. Magnus assess that there is a higher level of authority in Russia where all the decisions usually has to go through the boss, which sometimes can be time-consuming in the decision-making process. Julia agrees that there are certain cultural differences in their cooperation with Norden but not to the extent that is arouses discomfort, since they share the same core values.
6 Conclusion
The purpose of this chapter is to make conclusions from our gathered empirical data and analysis in order to answer our research questions. Further, the conclusions will result in recommendations and suggestions for further research.

6.1 What role does business relationships play between the Swedish and Russian B2B SMEs in Russia?
We have found that the relationship between the Russian and Swedish case companies is mutual beneficial for both parties creating a balance where they gets enable to fill their respective needs. From the Russian point of view they attain high technology machinery which is of significant demand in Russia machinery. The Swedish companies can offer a great deal of knowledge which is attractive in the emerging Russian market. That is evident in the way Magnus at Norden machinery describes the interest from their Russian customers in knowing the aspects of their machinery and further that they are keen to learn about new innovations. From the Swedish perspective the Russian business partners are very important where both Roland and Magnus emphasis on the importance of having a distributor or a dealer in the Russian market. The Russian business partners helps the Swedish partners to reduce the uncertainties and risks on the Russian market, managing the customer relationship with the end-customers and helps out with the practical issues of getting the products into the country. We also conclude that the language is an important issue when operating on the Russian market since the English proficiency is low in the country. In that way the dealers and agents reduces the possibilities for misunderstandings. In the turbulent Russian market we suggest that business relationships are of utmost importance as they provide the counterparts with valuable information that is very important to access when the features of the market are rapidly changing. The factors behind the exchange of information are the amount of trust between the business partners. In our case companies we have found that the level of trust is high since they have well established relations. What is significant for the Russian market is that trust is hard to attain, since it arouses the possibility of being cheated. However, due to the fact that the partners have helped each other growing the relationships have become stable where they know where they have their partners. To avoid facing uncertainties it is important to be clear with what you want and always keep to a contract.
6.2 How are the relationships managed?
The relationships are managed by a web of intermingled activities where there is a flow of intangible aspects, such as knowledge and values as well as practical contents as bureaucracy and distribution of products. We conclude that personal relations are of high significance, where the Swedish partners pinpoint the weight of meeting the Russian partners face-to-face in order to create an environment of trust. In the Russian market personal relations are important because it reduces the level of suspicion which is very common on the Russian market. The Swedish case companies strays to operate their businesses through personal relations such as attending exhibitions and company visits. When doing business with Russian companies the Swedish companies should be clear with what they want and with a frequent use of contracts decrease the risk of uncertainties.

Another dimension of personal relations is the old Russian expression “blat”. We have found that the relationships between the case companies have an absence this phenomenon as we assess these business relationships highly influenced by western standards. However, the phenomenon still exists in Russia but is not applicable in export relationships. We have discovered that the concept is decreasing because Russians understands the necessity of conducting business in accommodating western business standards and therefore have decreased the tendencies of the “blat” concept. However, we have found that there are still old Russian companies that still possess the old mentality and that is something to consider when doing business in Russia.

The agents and distributors enable a smooth transition into the Russian market and make it accessible for Swedish businesses. We have discovered that what attracts western companies to the cooperation with Geronik and Forest Service is their quality of adaptation towards both the Russian and the European markets. This forms a link which channelizes the qualities of the Swedish companies and makes them applicable on the Russian market.

6.3 Recommendations
For a Swedish B2B SME we find it advantageous to export through a local agent. The benefits are evident in the way that the agent can adapt in two directions, first accommodate the needs of the foreign SME regarding the practical issues as getting the
products in to the market and secondly help out to market and customize the product in order to align with the local market characteristics. We have found that the agent are very useful in the approach towards the end-customer in terms of providing them with the knowledge about the products as well as being accessible if something is wrong with the product. We also conclude that in the Russian market it is necessary to have a business partner which is proficient in the language.

If an exporter decides to establish a subsidiary in Russia we highly recommend being aware of the characteristics of the Russian market and actively stray towards adapting to its behaviors. Since there has been and still is a certain suspiciousness when new actors enter business relationship one of these adoptions is to invest time and money in forming the foundation of the relationship in order to gain trust. As the suspiciousness of the market has affected the business environment there is a reluctance of sharing information in the fear of that it could be used against you. Therefore close business relationships with Russian actors can reduce this information barrier granting beneficial pointers and rumors about the trends of the market.

Machinery manufacturers provide the customers not just with the product, but also with value that is created from the product. This core idea should be conveyed to the Russian customers, as it will show that both the manufacturer and the customer are on the same side and it will make it possible to overcome such barriers of the Russian market as suspicion, tendency to blame others and resulting in an increase of trust.

6.4 Limitations
In our research we have covered Swedish companies which focus on sales to Russia through export. Although we have studied about how to manage business relationships between Swedish and Russian companies the research is not applicable in a situation where Russian companies sells to Sweden. Mainly we have been focusing on the characteristics of the Russian cultural peculiarities and thusly not considered the traits of the Swedish market. Furthermore, the choice of case companies has been B2B SMEs which does not apply to the aspects of reaching out to the end-customer.
6.5 Further research
In our studies we have been in contact with the counterparts of the Swedish companies in the Russian market. Through our dialog via emails and interviews we have realized the complexity of being accountable to both foreign companies as well as domestic customers. We therefore suggest that a further research on the role of the agent or distributor can be conducted, concerning the difficulties of coping with the expectations which comes from two directions.
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Webs


Interview guide - Swedish and Russian companies

For Swedish companies

Entry mode
Why and how did you enter the Russian market?
How do the Russian companies perceive your company?
- Why Swedish business partners
- How do they adapt to your company
How do you distinguish your company on the Russian market?

Networks
How important were business relationships for your company when you were entering the Russian market?
Which market uncertainties did networking help to overcome while you were entering Russia?
How did you manage with these contacts to establish business relations?
For how long did you develop your relations with certain network actors? E.g. customer, suppliers...etc.
How do you see your network? (wide/narrow, strong/weak, open/closed, short/long-term perspectives)
Which functions do your networking contacts execute? (any kind of support, cost saving, or just barter relations)
Do you have any plans or strategies to control and develop your network?
What was the contribution of personal relations, if you have such?
Are you familiar with the Russian blat, and do you practice it?

Cultural differences
How did you overcome and cope with the cultural and psychic barriers?
Have you experienced any misunderstanding?

Corruption
Do you feel the pressure from corruption?

Institution
Which differences can you name between Swedish and Russian people’s mentality in terms of keeping relationship or doing business differences in norms, values etc. Also differences in regulative substance: legislations, power of authority
For Russian companies

Preliminary plan for interview:
Short history of your company and your relations with Norden (how did you met, and when it was). Are you an agent or distributor?
How do you perceive current situation in Russian market? (Any uncertainties, lack of contracts, probably it is take more time to sign them up). In your opinion, how far is Russia from market economy?

Networks
How can you describe the structure of your network? (Its actors, such as importers like Norden, customers, and also non-business actors, like different kinds of authorities). Which functions do non-business actors perform? Is your network strong\weak, wide\narrow, close\open, tending to use short-term or long-term perspective?

Personal relations
What is the contribution of personal relations to your business? How close you are trying to be with the actors of your network?
For sure you know what “Блат” is; is it still exists in Russian business and do you use such kind of relations?
Do you have any plans or strategies to control and develop your network and relations embedded in it?

Exporting modes
What is the level of partner’s mindshare in terms of commitment, trust, collaboration, mutuality of interests and common purpose?

Institutional approach
Which differences between Swedish and Russian people’s mentality can you name in terms of norms, values keeping relations etc.? Also differences in regulative substance that create obstacles for smooth business (legislations, power of authorities…).

Cultural Differences
How do you cope with the cultural and psychic barriers?
Were there any misunderstandings in terms of relations with Norden or other parties?