

KEMI-TORNIO UNIVERSITY OF APPLIED SCIENCES

Building successful cross-border cooperation

Case: trust building in the relationship between the Finland-based
company TMI New Media Professional IC and the Russian company
Sweet-Tour Ltd.

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ABSTRACT

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The aim of this Bachelor Thesis is to help TMI New Media Professional IC and Sweet-Tour Ltd. building successful cooperation with each other on the basis of mutual trust. TMI New Media Professional IC is a Finland-based company located in Tornio which specializes in marketing of tourism in the Tornio-Haparanda area and developing projects with tourist companies. Sweet-Tour Ltd. specializes in local and cross-border tourism, bringing tourists from the Murmansk region to the Nordic countries and vice versa. The studied companies have not established the cooperation yet.

For carrying out the research, the following aspects were studied. The topics include challenges related to strategic vision, organizational cultures and soft skills of the partners, success and critical success factors, strategies for the successful cooperation, and trust building between the partners.

Two structured interviews with the owners of the studied companies and literature analysis were used for data collection in this qualitative single-case study. Due to the fact that the studied companies had not established the cooperation yet, the overall research was based on the concept of building business relationships, namely on the pre-relationship and exploratory stages.

The result suggested that the following factors might influence the successful cooperation: shared goals and values of the partners, open communication for developing understanding, mutual commitment, and importance of the trust building between the partners. The work concludes by suggesting recommendations for the studied companies in order to make it possible for them to succeed in their partnering process.

Key words: cross-border cooperation, challenges, success factors, strategic alliance, trust building.

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1 INTRODUCTION

Due to the process of globalization, cross-border cooperation increased dramatically over the past decade (Holmberg & Cummings 2007, 164). The Murmansk region is one of few regions where Russia has a common border with the European Union. Close location with Finland helps to develop tourism within various international projects in the Barents region. Transport and other communications provide a good potential for developing relationships between Murmansk tour operators and tourist companies in Finland. The Tornio-Haparanda municipality tries to attract more tourists and visitors to the area. At the same time, Murmansk tourist businesses want to give a possibility for tourists from Russia to visit Lapland. It can be seen that there might be benefits from the cooperation for both Finnish and Russian tourist businesses.

We have got the idea of possible cooperation between two neighboring regions Lapland in Finland and the Murmansk region in Russia after the practical training period. We have established a contact with the Russian tourist company called Sweet-tour Ltd. from Murmansk which wants to start cooperation with a Finnish company. We have found the Finland-based company TMI New Media Professional IC (henceforth TMI New Media) which specializes in marketing and consulting in tourism in the Tornio-Haparanda area. The company has become interested in cooperating with the Russian company. Thus, we have come to the topic of how to make the cooperation between TMI New Media and Sweet-Tour Ltd. possible and successful.

By carrying out this research we want to help TMI New Media and Sweet-Tour Ltd. in their partnering process and building successful cooperation. The practical outcome of this research can be the successful cooperation between the studied companies involving establishing tourist-exchange channels and developing projects together. The term 'successful cooperation' in this Thesis work means effective relationship with practical implementation in the real life and possibility to develop it into the long-lasting relationship.

1.1 Research topic and questions

The topic of our research is building the successful cross-border cooperation. One of the aims of this Bachelor Thesis is to help the Finland-based company TMI New Media and the Russian company Sweet-Tour Ltd. building the successful cooperation, and building up the trust in the early stages of the cooperation. Another aim is to suggest reasonable and feasible strategies for the studied companies for starting and developing the cooperation.

For carrying out this research we determine stage boundaries. The process of building cross-border cooperation is analysed only in the early stages of relationship development, i.e. the pre-relationship and exploratory stages. The reason for such boundaries is that the cooperation between TMI New Media and Sweet-Tour Ltd. is not established yet and, therefore, the companies want to start it currently.

We focus on four research questions in our work. These are as follows.

1 How can challenges related to strategic vision, organisational cultures and soft skills of the partners in the pre-relationship and exploratory stages of building the cross-border cooperation influence the success of the partnering process between TMI New Media and Sweet-Tour Ltd.?

In this question we identify the above mentioned challenges which can arise when starting the cross-border cooperation by studying relevant literature on building cross-border partnerships, including existing examples of real companies. The identified challenges are selected according to their relevance to the pre-relationship and exploratory of relationship building. Further, we analyse how the identified challenges can influence the success of the partnering process between TMI New Media and Sweet-Tour Ltd., and what both companies should pay attention to before starting the partnering process. The research question is addressed in Chapter 4 of this Bachelor Thesis.

2 What are the seven success and the four critical success factors in the partnering process between TMI New Media and Sweet-Tour Ltd.?

Firstly, we identify the factors which determine success of cross-border partnerships in general and related to the studied companies. Secondly, we discuss the critical success factors which determine success or failure of the partnership between the studied companies. The research question is addressed in Chapter 5 of this Bachelor Thesis.

3 How should TMI New Media and Sweet-Tour Ltd. strategize towards successful cooperation in their partnering process?

In this question we study which form the cooperation can take in the initial stage in order to secure possible benefits for both parties and minimize potential risks. In addition, we suggest which strategies TMI New Media and Sweet-Tour Ltd. can utilize to make the cooperation successful. The research question is addressed in Chapter 6 of this Bachelor Thesis.

4 How can trust be built between TMI New Media and Sweet-Tour Ltd.?

For answering this question, we study the issue of building trust in Western-Russian business relationships as a key element of success in doing business with Russia. We suggest for the studied companies the way of gaining trust in each other and building effective relationship. The research question is addressed in Chapter 7 of this Bachelor Thesis.

In this Bachelor Thesis we do not study such issues as control and governance of the cooperation, and aspects related to finances. As the studied companies have not started their cooperation yet, these issues are not relevant at this stage of the research.

1.2 Methodology of the study

This research was conducted as a single-case study focusing on one particular case of building the successful cooperation between the studied companies on the basis of mutual trust. We used both descriptive and explanatory case study approaches. For carrying out the research, the following research techniques were used: interviews and literature analysis. The interviews were conducted with the owners of TMI New Media

and Sweet-Tour Ltd. The questions for both interviews were the same in order to be able to compare them, draw analogies between the interests of both companies in the cooperation, and compare visions of the companies on their potential cooperation. In addition to the interviews, analysis of literature was used as another research technique in order to improve the validity of the research. A more detailed discussion of the chosen research method and techniques is provided in Chapter 3 of this Bachelor Thesis.

1.3 Structure of the study

The main theoretical foundation of this study rests on cross-border partnerships literature. The thesis is divided into eight chapters. In the first three Chapters we present the concept of relationship building, the research method and techniques used for carrying out the research. Further in Chapter 4 we discuss and analyse possible challenges relevant to the cross-border cooperation. Chapter 5 deals with success and critical success factors for the studied companies which can help them to build the effective cooperation. In Chapter 6 we suggest strategies for the studied companies for building the successful cooperation. In Chapter 7 we explain how to build trust in the cooperation between the studied companies. Finally, Chapter 8 presents the discussion of the research findings conclusions of the research done.

2 NATURE AND EVOLUTION OF BUSINESS RELATIONSHIPS

In this chapter the conceptual framework is presented. The process of building relationship between businesses is used as a basic concept in this work. It is relevant to the research aims and the research questions because building cross-border cooperation implies building relationship with a foreign company. The selected concept of building business relationship is used as the foundation for data collection and the analysis process. It allows focusing on certain stages of business relationships and narrowing down the research field. There are several stages in a relationship building process. In this work only the early stages of building relationship are described, as the studied companies have not established a partnership yet.

The concept of building business relationship explains the nature and evolution of relationships between companies generally. Understanding this process is useful when building a relationship between the studied companies in practice. It helps managers to assess what takes place in a relationship, what its effects are and how they should conduct themselves and develop that relationship.

2.1 Nature of business relationships

Before starting the discussion on evolution of relationships it is important to define what relationship is. The term “relationship” can be described as the pattern of interactions and the mutual conditioning of behaviors over time, between companies (Ford & Gadde & Håkansson & Snehota 2003, 38; original quote). Relationship can also be defined as a process of mutual understanding and value creation in cooperation (Bagdoniene and Jakstaite 2009, 362). There is no such term as a “standard relationship”. Every relationship is unique in its content, dynamics, in how it evolves and affects the parties involved and in what it requires from them for success for each of them. Managing relationships is a critical task of business. (Ford et al. 2003, 38; original quote.)

Relationships are important assets of a company. Without relationships it is impossible to get the resources needed from other companies, acquire supplies needed, or solve its customers’ problems and thus generate revenue. Moreover, relationships cannot be turned on and off easily, and cannot produce the same benefits. The possible benefits

depend on the involvement of both parties and the degree to which they are prepared to react, adapt, learn and invest. In addition, it takes time to build a relationship. There are costs that arise before starting relationship and sometimes exceed the revenues, especially during the initial periods. Besides, it is important to screen potential relationships before entering into them and to audit them on a continuing basis. (Ford et al. 2003, 50.)

Relationships are based on understanding, commitment and adaptability, personal contacts, communication and trust. Trust is the basic element in most of the long-term activities. Relationships are dynamic, and they evolve over time. (Ford et al. 2003, 50.) Time is the defining feature of any relationship (Bagdoniene & Jakstaite 2009, 362). That is why several researchers identify different stages of a relationship evolution as discussed below.

2.2 Evolution of business relationships

Ford et al. (2003) identify four stages of relationship development. They are pre-relationship stage, exploratory stage, developing stage and stable stage. Bagdoniene & Jakstaite (2009, 362) present such stages as full mutual awareness, exploration, expansion, commitment, and dissolution stages. Thus, these researchers highlight the break of the relationships. At the same time, Ford et al. (2003) argue that at the final stage relations institutionalize. Despite the diversity of relationship development stages, Bagdoniene & Jakstaite (2009, 362) have found that the majority of researchers determine pre-relationship and developing stages.

We have built the model of the process of relationship evolution depicted in Figure 1 by integrating the models offered by Ford et al. (2003, 51) and McDonald (2000, 265). In our research we will focus only on the pre-relationship and exploratory stages, as the studied companies have not established a partnership yet. Besides, these early stages are important in terms of further relationship development. The success in early stages can create a good base for success in the final stages of the partnership.

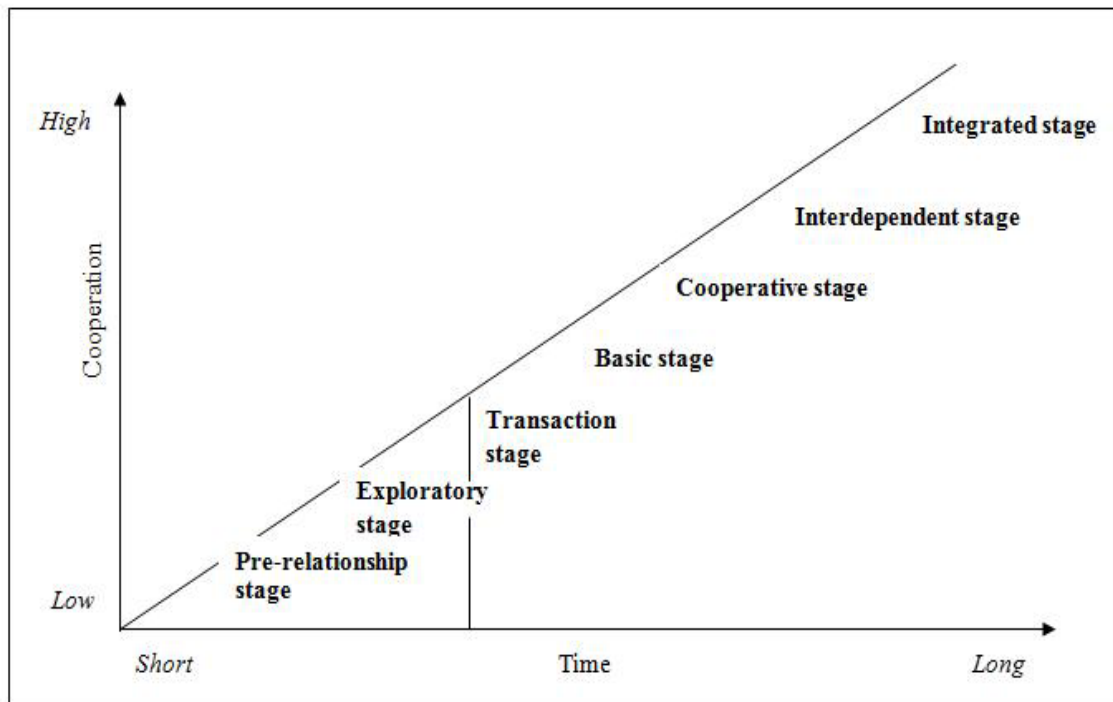


Figure 1. Evolution of relationships in business-to-business markets

As it is illustrated above, a relationship starts with the pre-relationship stage, a so called pre-existing situation which is a starting point for companies that will be involved in a relationship. Two companies can know about each other but have not experience in working with each other on a continuing basis. Both companies in such a situation can be inert in their actions. The most frequent questions that the companies can have are concerning benefits of this relationship, interest in it, and the amount of investment needed. Besides, the question of adaption to each other and necessity to learn in order to deal with a new partner will arise as well. The companies will evaluate each other on the basis of these questions. (Ford et al. 2003, 53.)

In order to evaluate a new partner in the pre-relationship stage, a considerable amount of communication is necessary between companies. However, there will be no bonds established between companies yet. Companies are “distant” from each other, and this “distance” reduces mutual understanding. Thus, there will be no commitment in such communication. Both companies will try to build their relationship slowly and will seek to minimize their commitment until potential outcomes become clear. (Ford et al. 2003, 53; original quote.)

In such circumstances it is unlikely that either party will disclose confidential information as there is low level of trust between the parties. It is necessary to protect and cultivate the fragile relationship. (McDonald 2000, 267.)

However, through time companies get to know each other more closely, the communication between them improves. This creates the basis for further trust development. Thus, companies might proceed to the next stage of the relationship building, i.e. the exploratory stage. This is the stage when two companies engage in discussions or negotiations about a possible transaction. It can be their first direct face-to-face contact with each other. In this stage the relationship between the companies can still have the “distance”, and limited or zero mutual experience and bonds. The companies have little idea of what the other party can request from them, or even of what they hope to gain from the relationship themselves. The companies will need to learn about each other to reduce the “distance” between them. (Ford et al. 2003, 54; original quote.)

At the pre-relationship stage the relationship can appear costly, and benefits can be uncertain. The level of trust and commitment is still low. The companies can doubt each other’s promises. This means that it is important to convince the other party that there is a serious interest in the relationship and to gain the interest of the potential partner. It is also important to demonstrate commitment to earn trust from a potential partner, although it is hard to demonstrate it in the stage of discussions and negotiations in a concrete way. That is why the way the companies interact and the amount of time they invest in the relationship building can become a key to success.

The two stages described in this chapter, i.e. pre-relationship and exploratory stages are important to understand before starting discussion on building successful cross-border cooperation between the studied companies TMI New Media and Sweet-Tour Ltd. These stages also define challenges which will possibly take place, and success factors that should be identified and paid proper attention to by the studied companies in that particular period. The overall research is based on these stages of relationship building process.

3 RESEARCH METHODOLOGY

In this chapter the methodology of the study is described. First this chapter discusses the research essentiality and the design of the study. Secondly, the chosen research method and techniques are discussed and justified. The third part of this chapter is devoted to describing the process of data collection and analysis. Subsequently the issues of generalizability, validity and limitations of the research are discussed. In the last part of this chapter, the studied companies are introduced.

3.1 Research method and techniques

Our aim was to increase general understanding of the process of building effective relationship in cross-border cooperation, and give propositions to the studied companies on how to succeed in this process. We stated the following assumption in our research. When dealing with cross-border cooperation, it is important to know that there are certain factors that can influence the success of the cooperation positively or negatively. Positive factors are success determinants, and negative factors are challenges to the success of the cooperation process. As an outcome, we expected to create an understanding of how to build the successful cross-border cooperation between the studied companies TMI New Media and Sweet-Tour Ltd.

In our research we concentrated on the specific example of the cooperation between the Finland-based and the Russian companies and made our research drawing from the companies' interests. That is why we chose a single-case study as the research method. We focused mainly on the particular issues in cross-border cooperation, such as challenges influencing the success of the cooperation, success and critical success factors determining the failure or success of the partnership. Thus we carried out a deep investigation for the studied companies to give a clear understanding of how to build effective relationship with each other.

We used both descriptive and explanatory case study approaches. The reason for choosing the descriptive approach was that we described the process of starting and developing the cross-border cooperation in the pre-relationship and exploratory stages, and the issues we wrote about in our thesis were known to exist (Sekaran, 2003).

Furthermore, we wanted to apply and describe those issues in the particular situation of the cooperation between the studied companies. By using the explanatory approach, we wanted to explain how to make the cooperation successful, which factors would determine the success, and how the studied companies should strategize towards the effective partnership (Sekaran, 2003).

When doing the research we established stage boundaries. We analyse the process of building cross-border cooperation only in the pre-relationship and exploratory stages of relationship development. The reason for such boundaries was that the cooperation between TMI New Media and Sweet-Tour Ltd. had not been established yet.

To carry out our research we used the following research techniques: literature analysis and interviews. We made two interviews with the owners of TMI New Media and Sweet-Tour Ltd. We prepared face-to-face structured interviews with questions which gave us detailed information about the companies' interests and their vision on a potential partner. In addition, we asked questions about the companies' strengths, weaknesses, opportunities and threats when being involved in the cross-border cooperation. The questions for both interviews were the same in order to compare them and draw analogies between them. These questions helped us to find the strategic fit between the two case companies for the successful cooperation. By preparing structured interviews we insured the right course of discussions and acquisition of all information needed (Hair & Money & Samouel & Page 2007, 196). The interview with the Russian company was taken in the Russian language, and the transcription of the interview was translated by a Russian speaking teacher to minimize bias in interpretation. However, the research involved an additional stage of making interpretations as all qualitative research.

We understand that it is not enough to base the research only on the interview findings given by the studied companies. Another research technique that we used was analysis of literature. We analysed relevant literature on how to build business relationships, cross-border cooperation and partnerships, in addition to literature on building trust in partnerships, and other literature related to the research topic. Literature analysis included mainly study and analysis of books and scientific articles. By using literature analysis we filled in the knowledge gap that could not be covered with the help of the interviews.

3.2 Data collection and analysis

The data used for this research was qualitative. As this study is descriptive and explanatory, the data collected was narrative derived from the personal interviews with the owners of the studied companies. These interviews were the primary source of information in the research, because we based our research on the interests of the studied companies. After the information from the interviews was collected, it was analyzed and interpreted in terms of four research questions.

The significant amount of collected data was based on secondary sources, i.e. literature analysis. The data was categorized by source and format. The secondary data was collected from different sources, including books and articles from scientific magazines, on relevant topic as external sources of data. These data was collected in different forms: raw data and summarized data; graphs, charts and tables; printed and digital data. We processed the raw data in order to make it applicable for this research according to our own interpretations.

When collecting the data we prioritized it according to relevance and importance. As we mentioned above, the collected data was qualitative, which was divided as found from secondary sources and generated data, i.e. the outcome from the interviews. We transcribed and translated the generated data into a written format in order to use it in the research as a base for the analysis. The transcriptions of the interviews are presented in the appendices of the Bachelor Thesis. The reduction and organization of the data was based on its importance and usefulness. In terms of our research questions, we identified which information was needed to be minimized, which aspects were needed to be emphasized on, and which data were needed to be eliminated from the research. The reduction of the collected data was needed to get a manageable amount of relevant information for this research.

After reduction of the collected and generated data, we displayed it and established cause-effect relationships. The data was analyzed through induction. With the help of induction we were able to create the general understanding of how to build the successful cooperation. The interpretation of data was done by sense-making.

We organized the information in the way that the most important aspects were emphasized and it was possible for us to comprehend the logical links that are related to the research findings. After identifying the links between the main aspects and findings in this research, and providing explanations for them, we were able to draw conclusions on the research topic.

3.3 Validity, generalisability and limitations of the study

We made verification of the conclusions by checking and re-checking their reliability, validity, acceptability and feasibility. We measured the reliability and validity of the conclusions on the basis of reflecting and analyzing the literature in relation to the studied companies.

As it was mentioned above, there are stage boundaries in this study. The process of building cross-border cooperation was analyzed only in the pre-relationship and exploratory stages of relationship development.

As for limitation of this research, we realize that the research findings can be biased by our interpretations of the studied companies' statements and expectations, because of the feature of the qualitative data analysis approach and the case study method. We minimized biases in this research. For instance, when taking interview with the Russian company we had to use Russian language. However, the transcript of the interview was done by a Russian speaking teacher to ensure correctness of interpretations.

We understand that it is impossible to generalize the results of this research to all cross-border cooperation on the basis of one case study. However, this research can be useful for other companies which want to establish cross-border cooperation. In our research we described the particular aspects and issues which should be paid proper attention to. The knowledge from this research might assist managers to improve the better understanding of the challenges associated with establishing cross-border cooperation. In addition, our work can be used as a framework for their actions and decisions.

3.4 Description of the studied companies

In this section the studied companies are described, and their SWOT analysis is presented. The choice of these companies is also explained in this section.

3.4.1 TMI New Media

TMI New Media was established in 2004 by Mr. Marcel M. Tyber-Simonen, who is the present owner. It is located in Tornio. The basic activity of the company is research and project development in the Tornio-Haparanda region. The mission of the company is to develop the Tornio-Haparanda area in four main directions, i.e. business, tourism, sport and culture. The company's services include research and project development, marketing, Web marketing, advertising, consulting, I2I (ihminen to ihminen, i.e. person to person), B2B, B2C, development of business plans for companies, establishing business contacts and cooperation with companies and universities.

The company's customers are firms, and individuals interested in news and business. TMI New Media establishes contacts with their customers directly. Currently, the company operates in 32 European countries. What is more, the company has regular partners in Finland, Italy and Switzerland. TMI New media still continue to search for partnerships. The main target for the company is to have regular partnerships in the 32 countries in 3 - 5 years. In addition, the company wants to become a limited company (Oy), and to increase connections with universities. Finally, the company's target is to ensure profitability of the current business, so that all participants involved in the company's activity get profit.

TMI New Media has found its niche on the market. It has been operating on the market for 5 years. There are not many companies in Tornio-Haparanda region which have similar activity.

We produced the following SWOT analysis for TMI New Media on the basis of the interview with Mr. Tyber-Simonen. The SWOT analysis is done with the purpose of finding the strategic fit with Sweet-Tour Ltd.

The company's first strength is their firm position on the local market. The second strength includes wide network and connections in 32 European countries. The company has a possibility to establish direct contact with companies as well as with individuals. Other strengths are the language skills of employees of the company. The communication with customers can be conducted in English, German, French, Italian, Finnish and Dutch. Moreover, the company wants to find persons who can communicate in the mother tongue of each target country. However, the language of communication in the network is English. As for weaknesses, the company does not identify any weaknesses in their activities at the present moment.

Mr. Tyber-Simonen sees the following opportunities in a potential cooperation with a Russian partner. They include development in the fields of sports and tourism due to the present company's focus on these fields. Further, the cooperation is an opportunity for the cultural exchange and business development in the Tornio-Haparanda area. Although cross-border cooperation can imply certain threats, Mr. Tyber-Simonen does not identify them at the present moment.

As Mr. Tyber-Simonen points out, the key criteria for selecting a partner in Russia is objectivity, validity, and reliability. In other words, it is important for TMI New Media that a partner operates on the Russian market and has the particular suggestions of what they can offer for the development of tourism in the Tornio-Haparanda region. Besides, a partner should be reliable. Trust and security are the key words for the cooperation. For this reason TMI New Media will check the background of a potential partner. Moreover, there should be a direct contact with persons in a partnering company, who are entitled to make decisions.

Mr. Tyber-Simonen's company is chosen to be the Finland-based case company for the research because they develop the Tornio-Haparanda area in such fields as business and tourism. We suggest that they can become a potential partner for the Russian company Sweet-Tour Ltd. with which we already had contacts, and which wanted to start cooperation with a Finnish company. Moreover, Mr. Tyber-Simonen's company focuses on building connections with different businesses in Europe with the purpose of cooperation. This fact makes the company more relevant to our research.

3.4.2 Sweet-Tour Ltd.

The company Sweet-Tour Ltd. was established in Murmansk in 2006. It is a family based company with a lot of ideas and potential projects. The basic activities of the company are local and cross-border tourism. The company has 5 main services, which are culture exchange, sport and entertainment, relaxing programs and shopping tourism. At the present moment the company's main customers are schools, organizations, companies and private people in Russia.

The company's mission is to attract tourists from the Nordic countries and the rest of Europe in future to the Murmansk region, and for local customers to develop culture and sport exchange between the Murmansk region and the Nordic countries, to provide to customers interesting and attractive programs of excursions.

The company is a family business, which makes the internal structure and relationships of the company stronger. Sweet-Tour Ltd. is still a young company with a lot of potential to grow and develop. However, the position on the market is not strong enough. There are a few strong competitors in the same field.

On the basis of the interview with the owner of Sweet-Tour Ltd. Mrs. Svetlana Kaplina we produced the following SWOT analysis of Sweet-Tour Ltd. with the purpose to find the strategic fit with TMI New Media.

Due to the owners' personal previous 10-year-experience of working with companies from Finland, Sweden and Norway, the company has already several useful contacts. The company can operate in three languages which are English, Russian and Swedish. Mrs. Kaplina considers family basis as one of the strongest point of the company, which helps them to survive in times of economic recession. Mrs. Kaplina points out financial weakness of the company. The company is small at the moment and has not enough capital for further development. Another weakness is lack of experience of the company due to its age.

As it was mentioned before, the company's mission is to attract tourists from the Nordic countries to the Murmansk region. Cooperation with a Finnish company will bring about an opportunity to establish channels and bring visitors to Murmansk. In addition

Mrs. Kaplina sees the opportunities for developing the existing projects by widening excursion programs and involving more tourist attractions. In the nearest three to five years the company aims to open up a few subsidiaries in Russia and in Europe, particularly in Sweden and Finland. Mrs. Kaplina does not mention any threat at the moment. The reasons for this are successful deals with Finnish companies in the past.

As Mrs. Kaplina points out, the key criteria for selecting a partner in Finland would be connections and advices of third parties, involving people who have successful previous experience with a potential partner. A partner should be open-minded and reliable, active and initiative. Sweet-Tour Ltd. expects from the cooperation establishing the long lasting relationship and creating effective network later on. Mrs. Kaplina points out that trust is very valuable and important for Sweet-Tour Ltd.

Mrs. Kaplina's company is chosen for the research due to our pre-knowledge that the company has been looking for the development in Scandinavia and Finland, and has been searching for a potential partner in Finland. We have suggested the idea of our research to the company and they agreed to cooperation for the Thesis work.

4 CHALLENGES IN THE COOPERATION BETWEEN THE STUDIED COMPANIES AND THEIR INFLUENCE ON THE PARTNERING PROCESS

In this chapter the challenges which can arise during the pre-relationship and exploratory stages of the process of building the cooperation between the two case companies in this study, i.e. TMI New Media and Sweet-Tour Ltd. are discussed. The challenges which refer to the later stages of relationship building process are not subject of this research. Even though several challenges arise due to differences in national cultures of the partnering companies, the cultural aspect is not a key element in this discussion. However, it supports the reasons for differences between the two case companies. The chapter also presents the analysis of how the identified challenges can influence the success of the partnership between the two case companies, and what both companies should pay attention to before starting the partnering process. This chapter answers the 1st research question.

Before starting the discussion on challenges in the pre-relationship and exploratory stages of relationship building, it is essential to understand why some companies want to be involved in cooperation with other companies. As it was discussed in Chapter 2, forming partnership is not an easy task, and it requires certain investments from companies, including time and joint efforts. However, for several reasons companies wish to start cooperation. The possible reasons are achieving strategic objectives, reducing risks and increasing benefits, improving returns on scarce resources, creating new opportunities, and innovation (Virolainen 1998, 70-71).

Nevertheless, partnering process has its challenges that can influence the cooperation in different ways. It is important for companies which wish to start partnering relationships to take these challenges into consideration. According to previous statistics in cross-border partnerships, at least half of them fail within four years, while some researchers indicate 60 - 70% rate of failure (Draulans & deMan & Volberda 2003, 151). As for Western-Russian alliances, the failure rate is also very high. After 1987 the opportunity for partnerships with Russian companies opened up, and it resulted in the great number of the established Russian-foreign partnerships together with problems and risks. Even though over 20,000 international alliances have been registered in Russia since 1987, only about one fifth of those have actually begun operations. Many Russian-foreign

alliances fail in their first year of operation, with an average survival period of about 2.5 years. (Reece 1998 cited in The corporate executive board 2005, 9.)

Forming inadequate partnership can be risky and expensive. If companies are not precise in their initial analysis and are not aware of the potential challenges of cross-border partnerships, they can face serious subsequent problems related to partnership performance. Being aware of these challenges can increase companies' opportunities for a successful partnering process.

Different researchers identify various pitfalls and challenges of a cross-border partnering process according to their frequency. For instance, values, goals, facts, procedures and misinformation have been identified as the core areas of conflicts in partnerships (Rigsbee, 2000). Such issues as achieving trust, different priorities, organizational cultures, and control have also been identified as challenges (Child 2005, 228-231). Pitfalls of partnering include lack of commitment, lack of understanding, poor communication, lack of strategic direction, ineffective conflict resolution, and lack of risk sharing (Virolainen 1998, 119). Cultural differences and multiple visions can become sources of conflicts as well (Deering and Murphy 2003, 61). Besides, organizational resistance and resentment to change are also considered as challenges (Pekar and Allio 1994, 60). Finally, problems related to the balance of power, differences in size of partners, and flexibility can become pitfalls to successful partnering (Stiles 1995, 110-111).

As for Western-Russian cooperation, possible conflict areas include different goals, organizational climates, national cultures, motives and views for cooperation, understanding and communication between partners, and commitment problems (Fey and Beamish 1999, 103-104).

Taking into account the fact that the studied companies TMI New Media and Sweet-Tour Ltd. have not started their cooperation yet, particular challenges mentioned above can be eliminated as they refer to the later stages of relationship building, but not to the researched pre-relationship and exploratory stages. They are challenges in partnership management, balance of power, and control issues.

Challenges in cross-border partnerships relevant to the pre-relationship and exploratory stages can be classified into three groups as is depicted in Figure 2. On the basis of literature study we have done the following grouping in order to organize challenges, get deep understanding of them, and find better solutions for managing them. The first group refers to strategic vision of the partnering companies on the cooperation and includes objectives, interests, priorities and shared risk-taking. The second group is comprised of challenges related to organizational cultures of the partnering companies. The third group includes challenges related to soft skills of the partnering companies, such as trust, commitment, communication, and understanding.

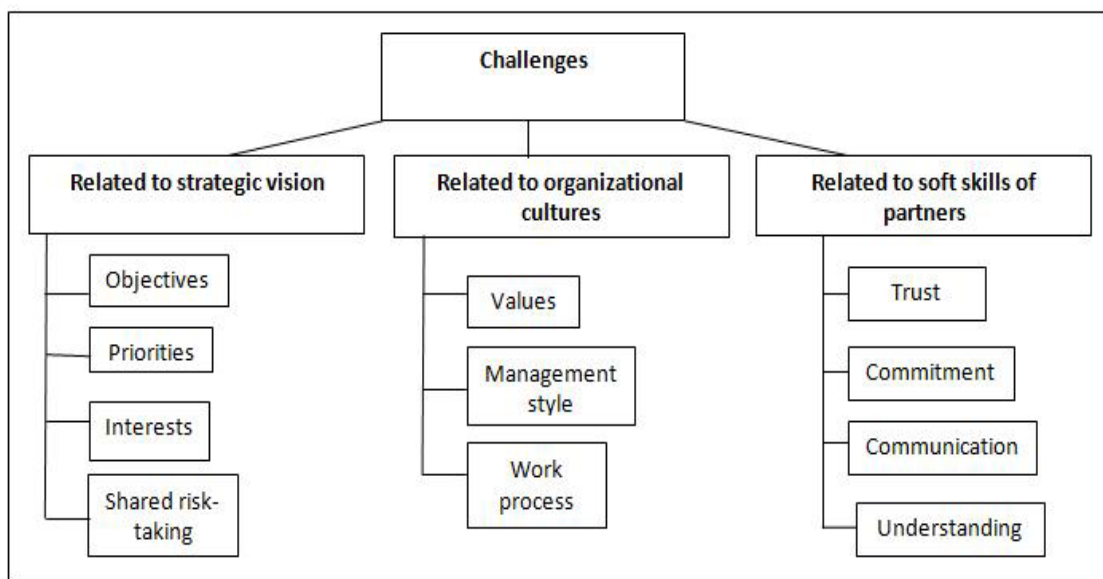


Figure 2. Possible challenges in cross-border partnerships

Further, the challenges in the partnering process between the studied companies will be presented in three groups.

4.1 Challenges related to strategic vision of the partnering companies

Firstly, the studied companies can enter into the cooperation with different objectives. Most of failures in cross-border partnerships, i.e. 49%, occur due to misunderstanding in the objectives and their definitions. The misunderstanding in objectives can happen due to the studied companies' different orientations, i.e. long- or short-term orientations. For instance, according to the interview, TMI New Media expects the Russian company to

provide projects and ideas in one year after starting the cooperation. This illustrates their short-term orientation. As for Sweet-Tour Ltd., their objective is establishing the long lasting relations and creating an effective network. This shows their long-term orientation in the cooperation. Thus, the studied companies seem to have different objectives. That is why it is essential for the studied companies that everyone in the partnership knows what is needed to achieve, and works towards the same objectives.

Secondly, if the studied companies enter into the cooperative relationship with the assumption that their objectives are similar or at least complementary to be achieved through the cooperation, however it does not mean that their priorities for the cooperation will be the same (Child 2005, 229). These priorities can be originated from the companies' way of doing business. For example, TMI New Media having short-term orientation can aim at gaining short-term revenues from the cooperation. Whereas Sweet-Tour Ltd. having long-term orientation can aim at long-term revenues, and prefer to reinvest short-term returns to strengthen the cooperation and improve its position on the market.

It is important to know the short- and long-term objectives of the partnering company. Sometimes a change in the corporate strategy or a restructuring can lead away from the partners' core activity causing the partners' distress (Rigsbee, 2000).

Incompatible priorities can cause a conflict between the managers of the studied companies. The greater the differences in objectives are, the more serious the conflict. These differences in the partners' priorities will have a negative impact on the partnership's performance. The amount of conflicts in the cross-border partnership inversely affects the partnership's performance (Fey & Beamish 1999, 100). As a result, there can be lower productivity, inadequate decision making, tensions, disagreements, and general dissatisfaction in the cooperation. This example illustrates the importance of clear priorities for the studied companies in their cooperation.

Fey and Beamish (1999) researched 40 Russian international joint ventures. According to their research, in Russian-foreign partnerships, the reasons of conflicts can lie in the motives of forming the cooperation. Russian companies in general seek to obtain the needed capital, technology, or an access to western brand names. They want to develop products for foreign markets, but they are not sure how to market and distribute their

products abroad. (Fey & Beamish 1999, 101-102.) This issue is relevant to the cooperation between TMI New Media and Sweet-Tour Ltd. For instance, Sweet-Tour Ltd. can gain an access to the Finnish market. Moreover, the company has a plan to open few subsidiaries in Finland in few years.

At the same time TMI New Media can form the cooperation with the Russian company to obtain help in dealing with Russian bureaucracy, to access knowledge about the Russian market, and to be able to enter Russia quickly, because they are not familiar with the Russian business environment, particularly in the Murmansk region. Thus, Sweet-Tour Ltd.'s connections and developed relations in Russia can be of interest for TMI New Media.

In brief, the studied companies' objectives and motives are different, but complementary from the practical point of view. The Finland-based company can get a wider range of services for tourists from the Russian company and establish more important business connections in Russia, while the Russian company can get an access to the Finnish market with the help of the cooperation and build their network in Finland.

Lack of risk sharing is identified as another pitfall to the successful partnership between companies in general (Virolainen 1998, 119). Ambition is a result of partners' views of opportunities and risks. The more the perceptions of risks rise, the lower the trust expressed. On the contrary, the greater opportunities seen and discussed, the more open and trustful partners become. Partnerships are normally established on a partnership rationale. However, the nature of ambitions varies widely from a wish to prevent negative outcomes, i.e. risk management, to the desire to promote positive outcomes, i.e. cooperation. Thus, partners' vision on these dimensions is what determines success and failure of cooperation. (Deering & Murphy 2003, 18-19.) Therefore, TMI New Media and Sweet-Tour Ltd. should have similar vision on risk-taking when starting their cooperation. The cooperation can reduce some risks for the studied companies as if they operate independently. However, both case companies should take equal responsibility concerning risks in their activities.

4.2 Challenges related to the organizational cultures of the partnering companies

Different organizational cultures of partnering companies can become another challenge for the successful cooperation (Child 2005, 230). For instance, the power distance between the managers and the employees of the studied companies can become a challenge for them. Even though the personnel of Sweet-Tour Ltd. are mainly comprised of family members and the power distance between them can be not high. At the same time, according to the interview TMI New Media prefers to discuss all important issues with persons who are entitled to make decisions. This indicates the high power distance in the company. This illustrates the fact that the studied companies approach the issue of power distance differently. It might be seen as a challenge for them.

Another organizational challenge in forming cross-border partnerships is lack of shared sets of values. If partners have different sets of values, they can face a great problem. For instance, TMI New Media's values include objectivity, validity, and reliability in a potential partner. Other important values for the company are relations, trust and security among business partners. As for Sweet-Tour Ltd., the company's values include activeness and initiative of a potential partner, as well as reliability and long-term relations with business partners. Trust in business partners is also very important for the Russian company. Thus, it can be seen that both case companies appreciate relations, reliability and trust. This is a positive factor in building the successful cooperation between the studied companies.

The next organizational challenge relates to the difference in management styles of the studied companies. In Sweet-Tour Ltd. the employees are mostly family members, as the company is family-owned. This makes the internal relations between the managers and the employees stronger. As for TMI New Media, there are two people working permanently in the company. The other employees, including trainees, are hired when needed for the particular projects. Moreover, TMI New Media's personnel is comprised of people from different countries as the owner is Swiss, and the rest of personnel include trainees from different countries studying in Tornio. Therefore, it is obvious that the studied companies have different management styles due to the different ownership types. This can be a possible challenge for the partnering companies.

The last set of organizational challenges is associated with working process, which includes values and beliefs associated with work and operations. Regarding the working process, the question of ‘whose’ way the business should be done can cause a conflict. The western, i.e. the Finland-based company can insist on doing business ‘their way’, as their practices can be perceived as ‘superior’ compared to Russian practices. Such view can be insulting to Russians and cause a conflict in the cooperation. (Barnes et al. 1997, 543; original quote.)

To summarize this section, it is important to highlight that organizational culture clashes can cause destruction on efforts to maintain a successful partnership (Rigsbee, 2000). As the dynamics of cooperative relationships are constantly changing, inflexibility of partners and their resistance to change can harm a partnership quickly. Therefore TMI New Media and Sweet-Tour Ltd. should be flexible and able to adapt to each other’s organizational cultures.

4.3 Challenges related to soft skills of the partnering companies

As cross-border partnerships involve the integration of human resources of companies, it is important that partnering companies possess not only hard skills, but also so called soft skills in order to succeed in their partnering process. Lack of such skills can become a challenge to successful cooperation. Soft skills refer to people’s ability in building trust, being committed, communicating and understanding each other. This will be discussed below.

Achieving trust can become a challenge for cooperation (Child 2005, 228). Even though partnerships are established on the basis of contracts, partners need to develop trust in order to perform successfully. However, trust cannot be developed in one moment. It takes time to build it, and yet it is easy to lose it in one moment as it is a very fragile phenomenon.

Russians may be suspicious initially of Westerners’ motives in Russia. (Barnes et al. 1997, 547.) For instance, Sweet-Tour Ltd. may be suspicious of the TMI New Media’s motives in cooperation with them. The Russian company may ask for references from the third parties about TMI New Media. At the same time TMI New Media may not

start relations unless they have some trust in the Russian company. According to the interview, TMI New Media's key values in a potential partner are trust and security. TMI New Media may use background check of Sweet-Tour Ltd. to be secure of the new partner. Therefore, it is important for both companies to build the trust between each other.

The question of trust is very vital in the early stages of relationship building as in the case of TMI New Media and Sweet-Tour Ltd. As it was mentioned in Chapter 2, trust in pre-relationship and exploratory stages is very low. However, trust is one of the critical success factors in cross-border partnerships (Virolainen 1998, 105). Therefore, it is important to build trust for the successful cooperation. These issues will be addressed in Chapter 7 of this Thesis.

Low level of trust can become a barrier to achieving commitment in a relationship (Virolainen 1998, 119). Commitment in this context means taking responsibilities, being engaged and showing support from each partner. The more committed partners are, the more quality time and resources they are likely to put into cooperation (Cavusgil & Ghauri & Agarwal 2002, 114). A partner without such commitment might show only minimum effort to keep a partnership, leaving it to another partner to do all necessary work (Medcof 1997, 724). As for Russian attitude to commitment, Russian employees appear to be more concerned for their own personal well-being, not connected with the welfare of their company (Barnes et al. 1997, 545). Such attitude might result in little commitment of Sweet-Tour Ltd. towards the cooperation. As for TMI New Media, it is a Finland-based company. One of the characteristics of Finnish businesses is high commitment (Nishimura & Nevgi & Tella 2008, 6). Thus, the level of commitment of TMI New Media to the cooperation might be high. However, the extent of Sweet-Tour Ltd.'s commitment will be defined by their interest in working on the Finnish market. Besides, commitment of the studied companies towards the cooperation should be on a continuing basis. The lack of commitment can easily break down the relationship (Medcof 1997, 724).

Another aspect of commitment is related to how a partner leaves a partnership when unexpected difficulties appear. A company without this commitment might abandon the partnership at a critical period and leave its partner alone to deal with all liabilities (Medcof 1997, 724). That is why the studied companies should discuss this type of

commitment on the contract basis. Even though Russians prefer focusing on terms of sincerity and reliability of the other partner in contrast to heavy reliance on legal contracts (Gill & Butler 2003, 545), it is important in the cooperation between TMI New Media and Sweet-Tour Ltd. to include this type of commitment in the contract.

Communication is a key part of the process of building relationships. It can become a leading reason for failure of cross-border cooperation (Rigsbee, 2000). Ineffective communication between the studied companies can lead to the ineffective cooperation. Therefore, regular face-to-face meetings of the managers from TMI New Media and Sweet-Tour Ltd. should become the essential element of their communication. Open communication can help the partners to avoid becoming suspicious towards each other (Rigsbee 2000).

Closely related to communication is lack of understanding between partners which can become a challenge. There are several barriers related to it. One of the most important barriers can be lack of understanding that some changes are required in partnering companies in order to succeed in cooperation (Virolainen 1998, 120). Another barrier is lack of understanding of what partnership is formed for. This lack of awareness and understanding can lead to a conflict and a possible breakdown of the cooperation. These facts prove the importance of open communication between TMI New Media and Sweet-Tour Ltd. and necessity to make all issues clear for everybody involved in the cooperation. The studied companies should understand each other, and use this understanding to find their “common ground” (Deering & Murphy 2003, 16; original quote).

In this chapter the challenges which can arise during the early stages of the process of building relationship between TMI New Media and Sweet-Tour Ltd. were analyzed and presented in three groups. The identified challenges related to strategic vision, organizational cultures, and soft skills of the partnering companies, were highlighted in order to make the studied companies aware of the potential influence they can make on the success of the cooperation. Further, the strategies for solving the challenges will be presented in Chapter 6 of this Thesis.

5 SUCCESS AND CRITICAL SUCCESS FACTORS IN THE COOPERATION BETWEEN THE STUDIED COMPANIES

The following chapter answers the 2nd research question of the Bachelor Thesis. Firstly, success factors are discussed in general and then analyzed according to the studied companies on the basis of the findings in the 1st research question. Secondly, critical success factors in the potential cooperation will be identified and analyzed on the basis of SWOT analysis and the outcome of success factors analysis. Finally, the chapter presents practical advices for the studied companies concerning which factors are important for building the successful relationship in the cooperation and how to deal with them.

5.1 Success factors for the cross-border cooperation

While contemporary interest in cooperation is certainly significant, success rates are low. In fact, around 70% of cross-border cooperation fails to meet the partner expectations or is terminated. The failure occurs because “the most companies adopt a ‘seat of the pants’ style of their approach to joint management, and learn lessons the hard way.” In other words companies recognize the importance of development of cooperation, however do not fully understand how to manage or maintain these relationships. (Whipple & Frankel 2000, 22; original quote.)

Success factors are the factors which define the direction of success in cross-border partnerships. The largest barrier to success of cooperation is organizational rather than technical or financial. In addition performance must be enhanced and specific goals must be achieved in order to identify success of cooperation. (Whipple & Frankel 2000, 22.)

On the basis of literature study it is possible to identify seven essential factors which make a partnership successful according to their frequency. The first factor is genuine commitment from partners to make cooperation work. Ideally, the goal of a partnership should be discussed at the highest level before the negotiation process starts. The second factor is a definite understanding by both parties of what is expected in a principle and in detail. The third factor is sufficient resources to ensure success. The

fourth factor is patience to tackle challenges and teething the problems. In addition, open communication between both companies. Further, implementation of words into the actions is important, including preparedness to undertake more than in partnership contract. Moreover, trust, and particularly good-will trust plays an essential role in success of cooperation. (Virolainen 1998, 104-105.)

The previous chapter has presented and discussed the challenges related to the cooperation between TMI New Media and Sweet-Tour Ltd. The identified challenges presented in Figure 2. (Chapter 4, 23) are coincided with the success factors introduced above. On the basis of discussion concerning challenges and barriers, it is possible to suggest that these challenges identify the success factors for the cooperation between TMI New Media and Sweet-Tour Ltd.

Despite, the fact that all of these success factors are important for success of cooperation, there are factors among them which are vital because they define failure of cross-border cooperation. These factors are called critical success factors (henceforth CSFs). (Cherian & Flores & Srinivasan, 2.)

5.2 Critical success factors for the cooperation between the studied companies

According to the definition, “critical” factors of success are those that determine the success or failure of an alliance (Hoffmann & Schlosser 2001, 368; original quote). In successful partnerships, three common CSFs include impact, intimacy and mutual vision. Firstly, impact means a tangible objective including costs savings and reduced risks (Virolainen 1998, 103). For instance, the practical outcome from the cooperation between the studied companies can be establishing tourist exchange channel, which involve saving of costs and reducing of risks. Secondly, the impact cannot be achieved without intimacy. The most important elements of intimacy are trust and information sharing. As the owner of TMI New Media has mentioned in the interview, trust issue is very important for the cooperation from the company’s point of view. Trust as the key element for the successful cooperation between the studied companies is discussed in Chapter 7 of the Bachelor Thesis. Thirdly, mutual vision is another CSF, which means compelling however realistic picture of what the partnership can potentially achieve. In

order to be successful, the studied companies must be able to combine all these three elements. (Virolainen 1998, 104.)

The CSFs related to the cooperation between TMI New Media and Sweet-Tour Ltd. particularly includes equal contribution from the partners, bringing in specific strengths to the cooperation, the strategic fit and building trust between the partners. These CSFs were determined on the basis of literature analysis and the interviews with the studied companies. Firstly, equal contribution is an important factor to avoid opportunistic behavior which means that both partners should be interested in the ‘win-win’ situation. Secondly, bringing in specific strengths involves usage of complementary resources. In the cooperation between the studied companies those resources include knowledge about Russian and Finnish markets, business connection and language skills of the companies. (Hoffmann& Schlosser 2001, 368.). Thirdly, the strategic fit is used as a tool to compare critical success factors from each partner’s side (Bierly & Gallagher 2007, 136). Fourthly, the issue of trust building is important and is a key element for the successful cooperation.

The strategic fit plays an essential role in building the successful cooperation between the studied companies. For this reason it is described elaborately. The strategic fit is one of the most common and rational explanations for the way of how strategic and resource needs of cooperating companies are meeting. (Bierly & Gallagher 2007, 136.)

Partners should understand each other’s strategic reasons for forming cooperation and the consequent strategic rationale of cooperation itself. The individual reasons do not have to be the same. However all the reasons should be clear to all parties which are involved. The discussion of these issues should take place before a partnership is formed so that shared understanding can be developed. The establishment of good strategic fit involves self-examination in addition to a prospective partner examination. (Medcof 1997, 720.)

The strategic fit for the potential cooperation between TMI New Media and Sweet-Tour Ltd. should be examined on the following strategic fit drivers. Firstly, the cooperation is only advisable when the partners have a shared vision on the future developments within the industry in which the cooperation will be formed. Secondly, the cooperation should be a strategic importance for the partners. Thirdly, the successful cooperation

requires mutual dependency including language facilities, markets, resources, etc. Additionally, the cooperation should have added value for the partners and their customers. (Douma et al. 2000, 584.) The following analysis of the studied companies is done on the basis of SWOT with relevance to strategic fit drivers.

The usual advice on assessing strategic business fit assumes that complementary strengths and weaknesses are desirable (Medcof 1997, 720). On the basis of SWOT analysis made from the interviews with the owners of the studied companies it is possible to observe the strategic fit between TMI New Media and Sweet-Tour Ltd. The following figure was created by us on the basis of the interviews in order to facilitate the comparison of strengths and weaknesses of the studied companies.

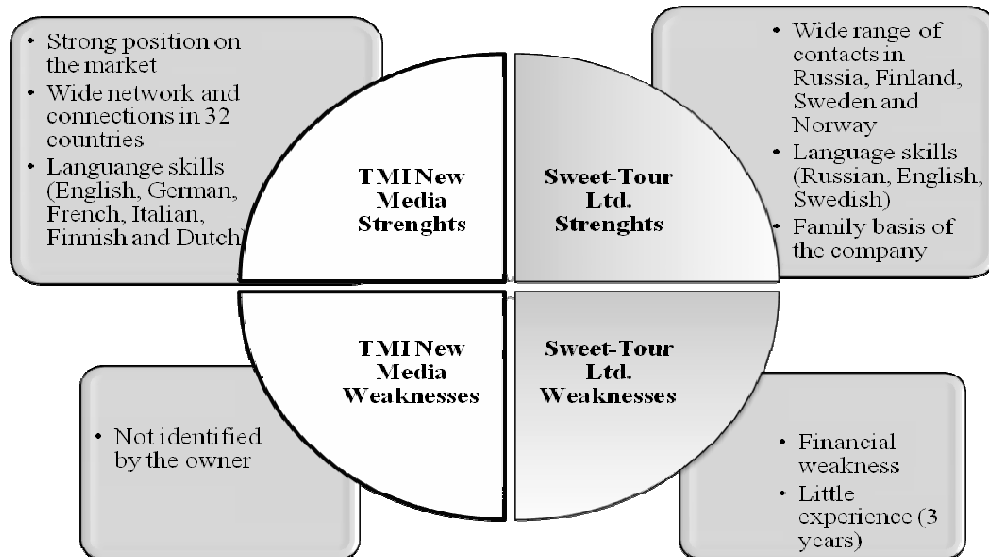


Figure 3. Strengths and weaknesses of the studied companies

From the SWOT analysis, it is obvious that both case companies have a complementary strength of language skills. On the one hand, both case companies can operate in English, which means the challenges in communication between them can be reduced. On the other hand, the companies have complementary language skills, i.e. TMI New Media can help Sweet-Tour Ltd. working in Finnish language. At the same time Sweet-Tour Ltd. can provide help to TMI New Media working in Russian language. As for the outcome of the cooperation, the partnership might have wide range of operating languages, which provides more opportunities for developing network of the cooperation.

Another complementary strength of the studied companies is their networks. Sweet-Tout Ltd. has contacts in Russia, Finland, Sweden and Norway; and TMI New Media has contacts in 32 European countries. This will allow the cooperation to have wide and strong network in Europe and Russia.

In addition, opportunities and threats should be analyzed in order to accomplish the strategic fit analysis for the studied companies on the basis of the SWOT analysis. During the interviews the studied companies were asked what opportunities and threats they saw in the potential cooperation.

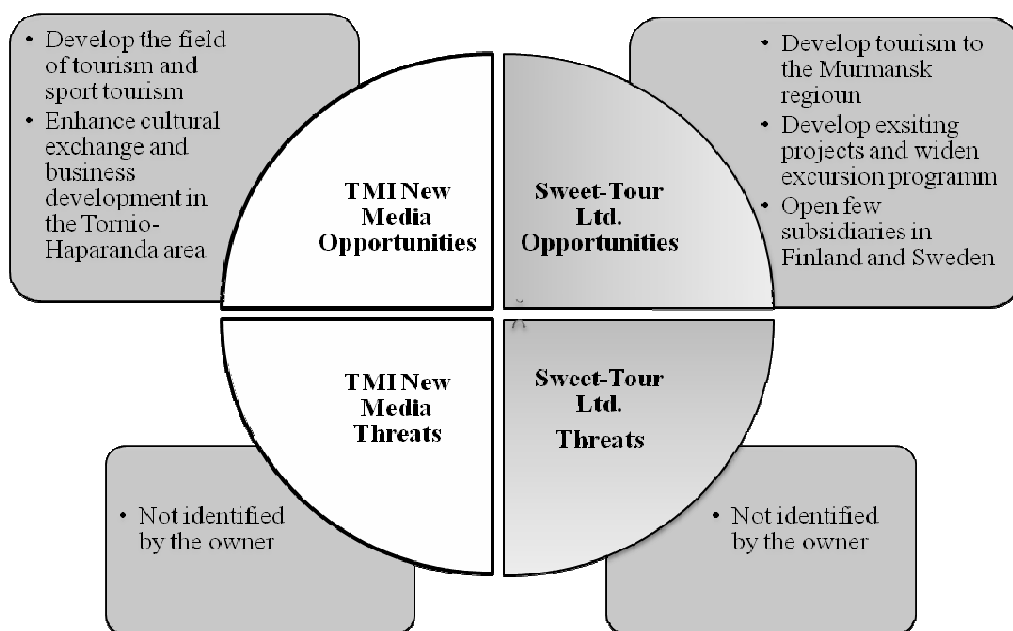


Figure 4. Opportunities and threats of the studied companies

At present, the companies see the opportunity of self development with the help of the partnership. This is due to the reason that each company has their own vision. However if the companies share the same mission, there is obvious similarity. The mission of TMI New Media is to develop Tornio-Haparanda area in four main directions, such as business, tourism, sport, culture. The mission of Sweet-Tour Ltd. is to attract tourists from Nordic countries to the Murmansk region, and to develop culture and sport exchange between the Murmansk region and Nordic countries. Therefore, both companies are aiming on the tourists exchange development as well as sport and culture development.

Summarizing the analysis above, the studied companies' strategic fit can be defined on the following strategic drivers. Firstly, the studied companies have a common vision on the outcome of the cooperation which is the development of tourists exchange, sport and culture between regions and countries. Secondly, the cooperation is viewed as a strategic importance for the partners due to the geographical location of Lapland and the Murmansk region and interests of the studied companies in the regions. Thirdly, the cooperation requires mutual dependency including resources which are knowledge of the market, connections and language skills of the partners. Additionally, the cooperation between the studied companies can have added value for their customers due to the reason of wide opportunity for the development of the excursion programs and ability to visit another regions and countries.

The strategic fit between TMI New Media and Sweet-Tour Ltd. can be achieved if the companies share the mission and negotiate how to use their strong points to achieve opportunities. The owners of the studied companies can reduce the risk of cooperation failure and can generate more value from their alliances by studying the detailed success and critical success factors discussed in this chapter. Careful strategic planning and good partnership preparation are essential for the cooperation success. However the full value of the partnership has to be developed as it evolves. (Hoffman & Schlosser. 2001, 376.)

The identified CSFs should be considered in the pre-relationship and exploratory stages of the relationship evolution. The rationale for the cooperation between TMI New Media and Sweet-Tour Ltd. should be determined in the exploratory stage (Figure 1, Chapter 2, 11) when clear rules of the partnership should be defined. Preparation for the cooperation is essential to the success of the partnership. However, this does not mean that the relationship must be planned to the last detail. Therefore, it means particularly that conditions for the effective cooperation should be created from the beginning. (Hoffman & Schlosser 2001, 372.)

6 SUCCESS STRATEGIES FOR THE COOPERATION BETWEEN THE STUDIED COMPANIES

In this chapter the success strategies for TMI New Media and Sweet-Tour Ltd. are discussed in order to build effective cooperation. These strategies include the suggestion of the strategic alliance as the form of the cooperation in the initial period in order to secure possible benefits for both parties and minimize potential risks; strategies to overcome possible challenges in the cooperation; and additional suggestions for TMI New Media and Sweet-Tour Ltd. to make their cooperation successful. This chapter answers the 3rd research question.

We suggest for TMI New Media and Sweet-Tour Ltd. to start their cooperation in the form of a strategic alliance. A strategic alliance can be described as a coalition of two or more organizations to achieve strategically significant goals that are mutually beneficial (Kotabe & Helsen 2001, 305). An alliance is termed “strategic” because it is usually formed to help partnering companies realize their strategic objectives can be achieved more efficient in cooperation than alone (Child 2005, 222). A strategic alliance refers to medium or long-term cooperative relationship between companies, excluding short-term contracts and projects. Besides, a strategic alliance does not require creating new entity and demand contributing of less resources compared to joint ventures (Child 2005, 224), but it allows partners to use all benefits of their cooperation and remain independent entities.

The strategic alliance (henceforth alliance) between TMI New Media and Sweet-Tour Ltd. can give both companies access to the Russian and Finnish tourist markets and distribution networks, increased capacity, and spreading of risks (Stiles 1994, 134). The studied companies can also get the opportunity to upgrade their business strengths without excessive investments. Besides, the alliance can help the studied companies stabilize competitive landscape, to gain competitive strengths and improve their strategic position on the tourist market. Further, it will provide a way to leverage resources of TMI New Media and Sweet-Tour Ltd. A well-structured and well-managed alliance can also support efficiency and productivity of the studied companies. (Pekar & Allio 1994, 59, 65.) The pooling resources and capabilities can generate synergistic growth between the studied companies in terms of developing current services for tourists. In addition, the cooperation in the form of alliance is very effective in

increasing flexibility and helping TMI New Media and Sweet-Tour Ltd. respond quickly to external opportunities and threats (Bearly III & Gallagher 2007, 145). All these factors make the option of the alliance attractive and convenient from a practical point of view for the studied companies.

There are several types of alliances. The choice depends on partners' strategic intentions, objectives they intend to fulfill (Child 2005, 226) and resources available (Lorange & Roos & Brønn 1992, 11). Besides, different types of alliances are formed between competitors and non-competitors (Kotabe & Helsen 2001, 305). The studied companies are not potential competitors to each other, because TMI New Media specializes in marketing of tourism in the Tornio-Haparanda area and developing projects with tourist companies. Whereas Sweet-Tour Ltd. specializes in local and cross-border tourism, bringing tourists from the Murmansk region to the Nordic countries and vice versa.

As TMI New Media and Sweet-Tour Ltd. are non-competitors, they can form cross-industry agreement. This is a type of alliances which combines complementary competencies of partners, and assists diversification in a new field. It is formed between non-competitors, which makes it easier for partners to develop a long-lasting cooperative relationship based on complementary interest and trust. (Child 2005, 227.) Thus, the studied companies can gain benefits from pooling complementary strengths, such as wide connections of TMI New Media with 32 European countries, and contacts of Sweet-Tour Ltd. with businesses in Russia and the Nordic countries. Besides, by forming cross-industry agreement the studied companies can develop long-term relationship, as they have complementary objectives and interests discussed in Chapter 4 of this Thesis.

The alliance should be accorded high priority within the minds of the managers of TMI New Media and Sweet-Tour Ltd. It is a weapon with which they can gain competitive edge and management should remain aware of its potential (Devlin & Bleackley 1988, 21).

It is also important to recognize the limits. The alliance is not a joint venture or merger, which involve higher integration between companies. Therefore, the commitment to make the alliance work needs a protocol and a top-level review structure. (Devlin &

Bleackley 1988, 23.) To keep the alliance working, TMI New Media and Sweet-Tour Ltd. should clearly define projects with finite goals and properly pooled resources.

Successful alliance need to be developed as part of the overall strategy of the studied companies. It requires initial identification of clear goals, significant attention to the partner, and to the implications of the formal structure to be adopted, in order to reduce potential difficulties and provide the greatest benefit to both companies. (Stiles 1995, 111.) It also demands considerable attention and management skills throughout the entire period of its existence in order to be successful. If done well, the benefits can be significant, not simply in terms of the operations, but also in terms of the learning that can be achieved and drawn upon in future collaborations. In order to make the alliance between TMI New Media and Sweet-Tour Ltd. successful, several strategies can be utilized. They are described below.

6.1 Strategies for achieving mutual benefits

There can be four generic motives for forming an alliance, i.e. to defend, to catch up, to remain or to restructure. It is based on two strategy dimensions: the strategic importance of the business segment within the firm's portfolio and the market position of the business segment. (Lorange et al. 1992, 10.) They are presented below.

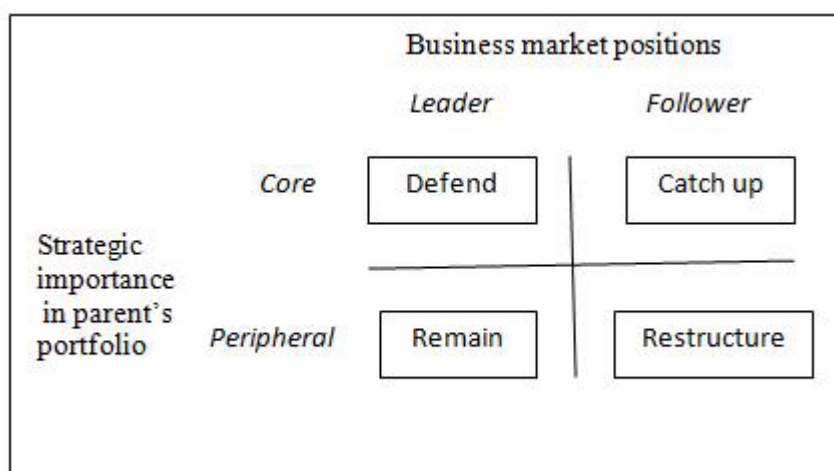


Figure 5. Generic motives for strategic alliance

The Finland-based company TMI New Media operates on the market for 5 years. They gained connections and found regular partners. Besides, there are not many companies in the Tornio-Haparanda region which have the activity similar to this company's, i.e. research and project development in order to make business and tourism grow in the Tornio-Haparanda region. The company also has direct connections with partners and customers in 32 countries of Europe. This makes TMI New Media a leader on the local market. Obviously the strategic importance of the alliance with Sweet-Tour Ltd. is primary, i.e. core, because establishing regular partnerships in different countries, including Russia, is the company's objective in the nearest 3-5 years. Thus, TMI New Media can utilize defend strategy in the alliance with Sweet-Tour Ltd. This means that the Finland-based company can sustain its leadership position by getting an access to new skills and competences of the Russian company, and getting access to the Russian market to reinforce its competitive advantage (Lorange et al. 1992, 10).

The Russian company Sweet-Tour Ltd. is a young company with little experience. The company's position on the market is not strong enough. Besides, there are a few strong competitors in the same field in Murmansk. This makes the company a follower on the local market. The strategic importance of the alliance with TMI New Media is high, because the Russian company expects to establish long-term relationships with TMI New Media and develop their network in Finland. In addition, Sweet-Tour Ltd. sees the opportunity for developing existing projects by widening excursion programs and involving more tourist attractions in the cooperation with TMI New Media. Thus, Sweet-Tour Ltd. can utilize catch up strategy in the alliance with TMI New Media. This means that they can strengthen their competitive position and move toward becoming a leader (Lorange et al. 1992, 11).

The alliance between the studied companies can be marketing-based alliance, which involves marketing assets and resources such as access to distribution channels (Kotabe & Helsen 2001, 306). This means that TMI New Media can assist Sweet-Tour Ltd. in marketing their services in Finland to attract tourists to the Murmansk region, whereas Sweet-Tour Ltd. can promote the Tornio-Haparanda area in the Murmansk region and attract Russian tourists to visit the area. In this case both companies can benefit from such alliance. It might allow the studied companies to improve their competitive position, grow, and develop their business.

We illustrated that the studied companies complement each other to create common strengths from which both parties can get benefits. Thus, there might be a 'win-win' match between TMI New Media and Sweet-Tour Ltd. This makes the chances for the alliance success high (Lorange et al. 1992, 12).

6.2 Strategies for solving challenges in the alliance between the studied companies

As it was mentioned in Chapter 4, there can be several challenges in the alliance between TMI New Media and Sweet-Tour Ltd. It is important to know how to solve them properly to make the alliance successful. Here some solutions are discussed.

A strategic alliance can prove to be a powerful tool if objectives are clearly understood and if design of an alliance is considered with care (Stiles 1995, 110). At the same time, having different objectives in cooperation is quite natural (Fey & Beamish 1999, 103). However, it is important that the studied companies in their alliance clearly understand each other's goals and determine whether both sets of goals are mutually obtainable. The partners' objectives should be aligned so that achieving one company's objective will be beneficial for the other company as well.

A basic misunderstanding about goals and roles of each partner can become a reason of an alliance failure (Fey 1995, 52). That is why TMI New Media and Sweet-Tour Ltd. should spend time initially to learn each other's goals and ideas, and set priorities in their cooperation. The open discussion of goals in the formation stage can alert about the differences in understanding of the goals and help to resolve them early. In addition, spending extra time in the negotiation stage to understand the other partner thoroughly is a wise investment. Further, the role of each partner in the alliance should be agreed. Besides, the question of sharing risks between TMI New Media and Sweet-Tour Ltd. should be also discussed from the beginning of the alliance formation.

Organizational compatibility is essential if the partners want to work together successfully. Small differences in organizational style can develop into major problems once the initial 'honeymoon' phase of the relationship is over. (Stiles 1994, 135; original quote.) Therefore, it is important for TMI New Media and Sweet-Tour Ltd. should not make assumptions that the partner will be 'just like us', but instead try to

bring any differences closer together. It can be done for example, by introducing corporate 'language' translation, developing compatible management systems and joint projects. (Stiles 1994, 135; original quote.) Another way of solving organizational challenge is to learn to work together (Fey 1995, 53).

As for organizational values, they should be addressed by the studied companies to each other carefully. As it was described in subchapter 4.2, TMI New Media and Sweet-Tour Ltd. have similar values of reliability and trust, but their overall organizational cultures are not the same. Both companies should understand that even though their organizational cultures are different, none is superior. They are just different. People accustomed to different organizational cultures can have different expectations. For this reason, the studied companies should develop a tolerance for different values as it is important to the successful resolution of conflicts. (Fey & Beamish 1999, 104.)

The studied companies should remember that it is not difference itself that is the underlying cause of conflicts, but it is their response to difference. At the same time, difference can be a powerful source of creativity and transformation and find ways to harness its potential. (Deering & Murphy 2003, 133.)

Developing reliable and regular communication among partners is another solution for solving possible challenges. It is essential for maintaining valuable input and guidance (Fey 1995, 55). That is why both case companies should be prepared to make numerous trips to meet each other. It is hardly possible to maintain cooperation 'from the desk'. Besides, it is good to prepare a list of topics for discussion and particular questions that need to be addressed during the visit. Besides, sufficient time should be allowed for an equal exchange of questions and concerns. The studied companies are encouraged not to try to speed up the process of negotiations. From an operations perspective, time should be allotted in the daily schedule for this process to take its course.

The following advices in communication can be offered to TMI New Media and Sweet-Tour Ltd: be sensitive, but not oversensitive, to mutual problems; treat the other counterpart with respect; stand tall and maintain dignity; insist on agreed rules (for example, leave nothing to goodwill or unwritten agreements); and implement problem-solving mechanisms early. (Yost 2000.) Good communication between the studied

companies can help work out compromises about their differences and prevent some conflicts in future (Fey & Beamish 1999, 103).

Understanding between partners in an alliance is helpful to minimize conflicts. For instance, the studied companies can have different views. It is not necessary to agree with all views of the other party. However, it is important that both TMI New Media and Sweet-Tour Ltd. can express understanding of the other party's view and explain the reasoning for their different views. Even though this may not alter the fact that the conflict exists, it is helpful to understand why there are different views and to feel that the other party appreciate them. (Fey & Beamish 1999, 104.)

The managers of TMI New Media and Sweet-Tour Ltd. need to be committed to their alliance for the long-term. The alliance can yield good results, but it is challenging task to make it work. Moreover, it is very difficult to get around the risk - reward trade-off. If the managers of the studied companies have an attitude of 'this will be good if it works, but if it does not, it is not so important for us', it can lead to failure of their alliance. If the studied companies are strongly committed to the alliance for the long-term, they are likely to work hard to resolve conflicts that appear and to develop patience which can help to prevent and solve conflicts. (Fey & Beamish 1999, 104; original quote.)

6.3 Additional suggestions for the studied companies

One of the useful suggestions for TMI New Media and Sweet-Tour Ltd. is to be proactive. This includes such informal methods as persuasion and generating trust in the alliance; and efforts to bring any conflict out openly for discussion, requesting that the companies clarify the requirements they place on the alliance, and proposing constructive solutions that may integrate those requirements. (Child 2005, 229.)

When starting to work together, it is good for TMI New Media and Sweet-Tour Ltd. to develop a standard procedure to resolve conflicts. Having such conflict resolution procedure can ease problems. For instance, it is possible to agree that when a conflict exists, both companies will talk several times to each other and prepare written documents where they can explain why their views seem optimal. After reading

documents and discussing conflict views, the partners can try to find solution. (Fey & Beamish 1999, 104.)

Integrity and honesty are the cornerstones of a lasting and rewarding relationship. Cooperation based on mutual trust is the only way for a partnership to last long. Westerners tend to underestimate the necessary time and resources needed for building a relationship with their Russian counterpart and obtaining initial business agreements. This can lead to frustration and a loss of enthusiasm if expectations are set too high and patience is not exercised. (Barnes et al. 1997, 547-548.) Therefore, TMI New Media should be open and should actively engage in personal socializing with Sweet-Tour Ltd. prior to transacting any business. It will create a good atmosphere to forge trust.

The studied companies should contribute resources equally to the alliance within the alliance agreement (Devlin & Bleackley 1988, 22). These resources are related to personnel, finance, necessary assets, etc. The partners also should consider gains of each other in the alliance. There should be balance in each party's benefits. This can help the alliance endure. If one party try to maximize only their gains, it can lead to dissatisfaction of the other party and their unwillingness to continue relationship. The benefits of the studied companies should be adequate.

It is essential for the success of the alliance for the studied companies to understand clearly the value-creation logic upon which commitment to the partnership is formed and the factors which influence it (Stiles 1994, 134).

Further, constant review of the relationship is needed to achieve success in an alliance. An alliance cannot be arranged purely on the basis of the initial logic of the relationship and then be left on 'autopilot'. The aims and direction of the alliance TMI New Media and Sweet-Tour Ltd. can change over time and therefore need to be continuously reviewed in relation to the external environment and the context upon which it is based. (Stiles 1994, 136; original quote.) For the studied companies this suggestion is very important as the external environment of their alliance is business environment in Finland and Russia. Therefore, there are many issues that should be monitored and constantly reviewed, such as cross-border regulations in tourism, competition among tourist companies in the Tornio-Haparanda area and the Murmansk region, etc.

As it was described in Chapter 2, there are several stages of relationship building process. Through time the studied companies will go through them. It is important to review the alliance regularly to facilitate its evolution in line with both internal and external changes in the tourism industry in the Tornio-Haparanda area and the Murmansk region.

The studied companies should not worry if there is no harmony in their relationship. Most partnerships generate it together with many conflicts. Instead TMI New Media and Sweet-Tour Ltd. should focus on the value they expect to achieve from the relationship and take action to maximize it. It is good to use task to improve relationship, not relationship to improve task. The relationship improves by working together to achieve a common goal. (Deering and Murphy 2003, 133.)

The attitude which can be adopted by managers of the studied companies is 'win-win' approach. Anything else should be considered unacceptable. This frame of mind needs to be instilled at all levels of their alliance. (Devlin & Bleackley 1988, 23; original highlighting.)

Summarizing, this chapter described the strategies for the studied companies to make their cooperation successful. The suggested form of cooperation is the strategic alliance. The possible benefits for TMI New Media and Sweet-Tour Ltd. from practical point of view were described. In addition, the solutions for challenges in their partnering process were discussed. Further, other suggestions were presented to make the strategic alliance between TMI New Media and Sweet-Tour Ltd. successful.

7 TRUST AS A KEY ELEMENT FOR THE SUCCESSFUL COOPERATION BETWEEN THE STUDIED COMPANIES

“The key ingredient in a successful alliance is trust.”

(Houghton J.R. cited in Parkhe 1998, 219).

In this chapter definitions and constituents of trust in business relationship applicable to cross-border alliances are combined and analyzed. The chapter describes how trust is established and how it is developing in concept of time between two parties of alliance, focusing on pre-relationship and exploratory stages of relationship building. Further, the difference in understanding of trust and in attitude to it are described from Russian and from Western perspectives. In conclusion, this chapter presents practical advices for TMI New Media and Sweet-Tour Ltd on how to build trust. This chapter answers the 4th research question.

Trust is significant for all relationships, and especially in the situation of cross-border cooperation. Trust often plays an important and even dominant role in successful alliances. Managers often cite low level of trust which is a key reason for failure of alliances. Despite the fact that formal contracts are an important element of business, many companies realize the importance of informal understanding. This means that business relationship include not only contractual part, but explicit and implicit promises about future behavior. Trust transforms those promises into credible propositions. (Parkhe 1998, 219.)

There is several research done into the issue of trust and still there is no common definition of trust. For example, from economic perspective trust is viewed in terms of risks and calculativeness, whereas from sociological perspective goodwill and social relations are emphasized (Gill & Bulter 2003, 545). Parkhe (1998, 221) suggests the following definitions of trust: “trust is the mutual confidence that no party to an exchange will exploit another’s vulnerabilities; trust is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to trustor, irrespective of the ability to monitor or control that the other party”.

There is a common thought which stands out from the definitions above. Firstly, trust implies the risk of losing something of value. The greater the potential loss, the greater trust is required. In addition, trust lowers the opportunity that a partner will exploit the vulnerability of another party, admitting to better sharing and greater specialization of resources between partners. Secondly, trust does not mean placing the partner's behavior under control, but experiencing partial influence over alliance outcomes. This involves the following dependency. The lower is level of control in alliance of one partner over another; the greater trust is required from first one. Thirdly, trust intrinsically involves uncertainty about the future. (Parkhe 1998, 221.)

Basically there are two uncertainties in alliances. The first uncertainty is regarding unpredictable future events. The second one is regarding a partner's response to those events. The greater the uncertainty, the greater trust is required. Trust to a partner reduces complex and uncertain realities more quickly and economically than prediction, authority or bargaining. (Parkhe 1998, 220.) Trust stabilizes the expectations that people have of each other and provides the reassurance necessary for them to continue working or transacting with each other. At the same time, trust generates willingness to overcome cultural differences and to overcome challenges of relationship building in alliance. Trust can prevent the demotivating effect of full control and a heavy reliance on contracts. (Child 2005, 342.)

However, it is not recommended having 'blind' trust without any bases. A company can trust too much too soon, without sufficient signals from a partner that the trust will not be abused. It makes a partner naive and vulnerable in the eyes of the other partner. Placing too much non-based trust in an untested partner can expose a company to grave damage. (Parkhe 1998, 432-433; original quote.) There are two bases for trust. One is a natural base which stands for family members, friends and people from the same local community, sharing common education and having long history of mutual dealing. Particularly this means close relationship between representatives of alliance participants. An institutional provision is another base for trust. This involves role of contracts and guarantees of competence and quality provided by officially recognized certification. (Child 2005, 340.)

7.1 Trust constituents

Trust is a complex subject area to investigate. It is assumed that meaning of trust is well known and can be left identified (Ayios 2004, 5). However, to build a successful relationship based on trust, it is vital to know which aspects are important for trust building.

What creates trust between partners? There is no exact answer to this question, due to the fact that trust is not something that can be measured. However, there are aspects which can lead to trust establishment and its strengthening. Ojasalo (2008, 96) suggests the theoretical model of trust building in business relationship. The extract of Ojasalo's model is presented in Figure 6. The model shows the main aspects which influence trust in business relationships and what trust can lead to in alliance development. The model will help the studied companies to understand which aspects they should pay attention to and how, and what the benefits of trust are.

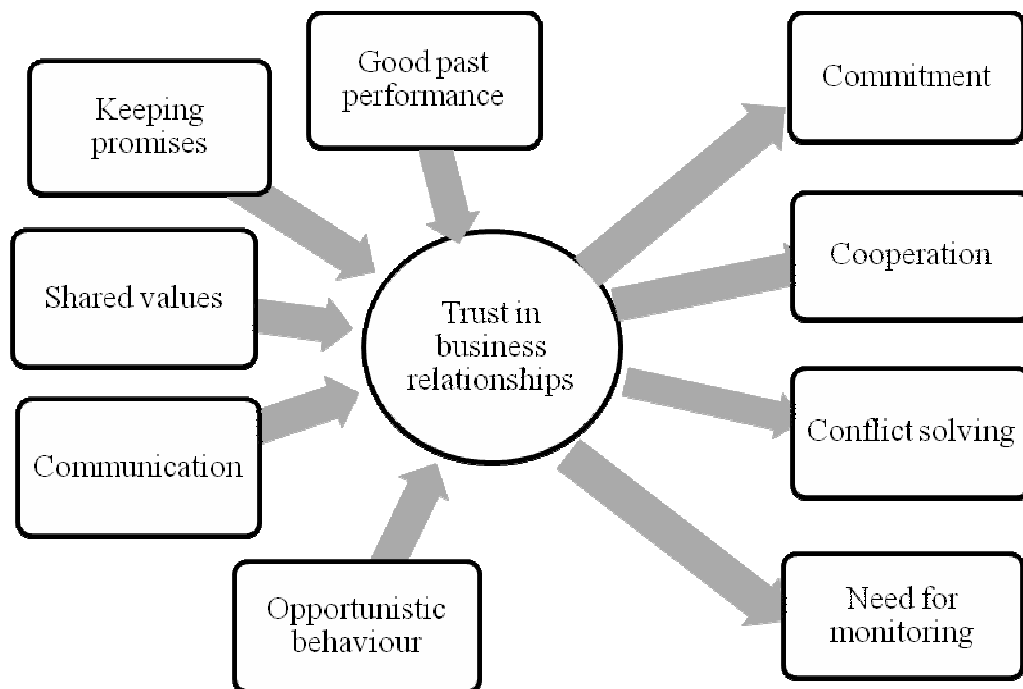


Figure 6. Antecedents and consequences of trust in business relationships

Firstly, trust is based on good past performance of a company. The best assurance of the future performance is continuous history of error-free interaction. However, there is not

always past performance and former experience. In addition a company will have to trust that the partner can perform well for the first time. (Ojasalo 2008, 93.)

Secondly, keeping promises builds trust between partners. Certainly this issue develops through time experience and cannot be so fast proven. Therefore, trust is gained through series of successfully fulfilled promises (Ojasalo 2008, 93).

Thirdly, communication allows for knowing more about a partner, avoiding misunderstandings, solving problems, and holding negotiations. Communication refers to formal as well as informal sharing of meaningful and timely information. It is important that companies have two-way communication between each other (Ojasalo 2008, 93), particularly when alliance is based on the information sharing, as in case of TMI New Media and Sweet-Tour Ltd.

Fourthly, development of trust is affected by shared values between parties of alliance. Shared values are comprised of common goals, policies, behaviors and beliefs among partners. For example, disagreement over goals is obvious when two independent organizations start to work together. Trust is also affected by ideological similarities, which refers to a great extent to shared values. Ideological similarities reduce the need for monitoring, which is an indication of high level of trust. (Ojasalo 2008, 93.)

Trust is affected negatively by an opportunistic behavior of a partner. This behavior is defined as self-interest seeking (Ojasalo 2008, 94). If a partner shows opportunistic behavior, trust cannot be build. Nevertheless, it is not always clear if there is hidden self-seeking interest and company gets suspicious, which means decreasing of trust between partners in alliance.

The main outcome of effective trust building is success of relationships. As one of the consequences of trust, the commitment between parties is contributed. Commitment is a tie between parties in the alliance, with economic and social aspects and has attitudinal and behavioral dimensions. (Ojasalo 2008, 95.)

Trust is a precondition for cooperation. Once trust is established, companies learn that joint efforts can lead toward goals of both partners, in a win-win situation, more

efficient than if a company would act solely in its own business interests. (Ojasalo 2008, 95.)

Trust facilitates conflict solving between parties in a positive direction. At the same time trust helps to avoid potential conflicts. However, there are always disagreements and conflicts in exchange relationship, trust makes the nature of those conflicts different, and for example conflict can be perceived as a functional conflict. (Ojasalo 2008, 95.)

Another result of trust is the decrease of need of monitoring the other party. Trust can be viewed as complement to formal legal contracts (Ojasalo 2008, 95; Parkhe 1998, 424). Sometimes even the substitute of them, reducing transaction costs, facilitate dispute resolution, and allow more flexibility in an alliance (Bierly & Gallagher 2007, 138).

Several aspects were extracted from this model due to applicability to the situation of starting building cooperation between TMI New Media and Sweet-Tour Ltd. For instance, the balance of power aspect was extracted due to the fact that cooperation is not established and this aspect is not relevant for this stage. The aspect of good personal relationship and favorable personal characteristics of interacting person was also extracted on the basis that the studied companies have not met by this moment. In addition, good reputation aspect will not be discussed, on account of short working period of the companies and inaccessibility to sources, which can provide information about the companies' reputation on the local markets.

7.2 Time aspect of trust

Trust plays a positive role in business relationships, but it requires effort, sensitivity and time to be built and maintained generated (Child 2005, 344). The older a relationship is the greater likelihood is that it has passed through a critical shakeout period of conflict and influence attempts by both sides (Ojasalo 2008, 94). The question is when and how trust might be generated (Child 2005, 344), and what are the main characteristics of the trust at each stage of relationships.

Evolution of the relationships in alliance is presented in Figure 1 from subchapter 2.2. (page 11) As it is mentioned above, the cooperation is one of the results of the effective trust building. Thus, there is direct proportion dependence between trust and cooperation. The stronger trust is the more successful and efficient the cooperation will be. This explains that on the line of relationships evolution trust is growing.

However, the nature of trust on each stage is different. Child (2005, 344-353) suggests three stages for trust: trust based on calculations, trust based on mutual understanding and trust based on bonding. The development of trust is summarized in Child's (2005, 348) model of evolution of trust-based relationships, which is presented in Figure 7.

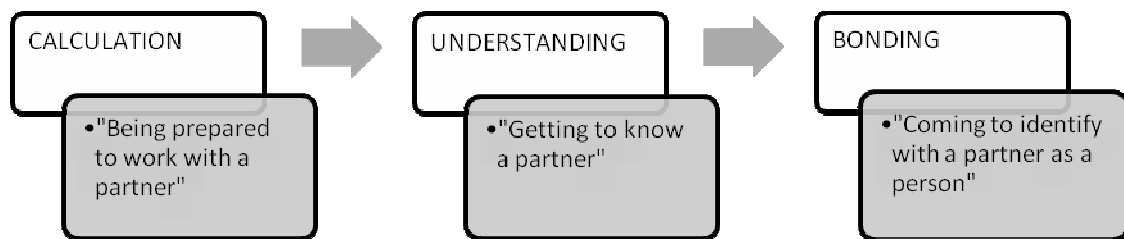


Figure 7. Phases in the evolution of trust

The stage of trust based on understanding involves working process between companies, when partners have chance to test each other in real-life action. The stage of bonding involves close personal relationship between representative persons from each partner, when trust is on the high level. As for the moment for TMI New Media and Sweet-Tour Ltd alliance the stage of calculation is relevant.

Trust based on calculations is usually a starting point. Calculating that business partners have the ability, competence, and motivation to deliver on their promises is a vital condition for being prepared to cooperate with unknown company. Early in the formation process of the alliance, partners will have to come to the conclusion that they favor an alliance out of a range of possible alternatives (Child 2005, 344). Therefore, when a company trusts to its potential partner, it calculates a certain probability that a partner acts positively toward the company and reaches decision of taking risk of partner's opportunism based on this probability. (Lui & Ngo 2004, 473.)

In case of cross-border strategic alliance, the nature of cultural differences between potential partners will become evident. Cultural differences can hinder the developing of mutual understanding and trust and pull into the risk the process of moving towards formal agreement (Child 2005, 344-345). This links trust based on calculations to pre-relationship and exploratory stages, which are relevant to the studied companies at present.

There are two types of trust related to calculation-based trust: goodwill trust and competence trust. Goodwill trust is related to risks in relationship, involving expectation that a partner will fulfill its role in relationship. This expectation is based on the mutual perceptions and attitudes among people. Another type is competence trust which refers to the expectation that partners will have ability to fulfill their roles in alliance, involving performance risk, involving agreement upon obligation. (Lui & Ngo 2004, 474-475.) In situation between TMI New Media and Sweet-Tour Ltd, due to the fact that the alliance is not established yet, the main focus is done on calculation stage of trust evolution (Figure 7, 50) showing the importance of goodwill trust.

Good will trust reduces relational risk by increasing confidence in a partner's willingness to fulfill his responsibilities. As confidence in a partner's good intention increases, there is closer cooperation, a more open information exchange and a deeper commitment between partners. The efficiency gained through better communication shortens the completion time in construction of joint projects. As positive cooperation is enhanced, the satisfaction with the joint projects also increases, creating increase of the performance (Steven & Ngo 2004, 474).

7.3 Russian and Western understanding of trust

As it is mentioned in the previous subchapter, in case of cross-border strategic alliance, the nature of cultural differences between potential partners will become evident (Child 2005, 344-345). Cross-border alliances often bring together managers who may have different patterns of behaving and believing, fundamentally different interpretations of the world and differences in the very structure of perceiving, thinking and reasoning (Parkhe 1998, 230). This means not only cultural backgrounds of partners, but understanding the concept of trust itself.

As the personnel of the Finland-based company TMI New Media is multinational, it would be appropriate to refer to the company as a representative of Western business culture. On the contrary, the Russian company Sweet-Tour Ltd. is seen as a representative of Eastern business culture. (Ayios 2004, 222.)

There is a lot of relevant research made on trust in Western culture that shows how Western capitalist market systems are based on legal contracts and ownership rights rather than long-term personalized trust relationships. Gill and Butler (2003, 545) argue that in western society between individuals the trust is built on the incremental and calculative basis. Nevertheless, Russian and eastern managers focus on terms of sincerity, close personal relationship and reliability of the other person.

Furthermore, trust is divided on low-trust societies and high-trust societies. Low-trust societies tend to avoid people who are not part of their families and build large private business organizations. Examples of such societies include Russia. Russians are known for being family-centered (Iivari 2008, 158). High-trust societies include Finland, which prepare citizens to work cooperatively in large enterprises. These differences can be crucially important for international alliances managers. Persons from low and high trust countries are likely to focus differences in criteria of seeing partner and partnership in general (Parkhe 1998, 230).

In low-trust societies, when institutional support for trust is weak, people have no resort to supports of a traditional nature of trust. In these circumstances, trust provides a significant bond in personal relationships that assume much greater significance than in the so called high-trust societies. At the same time, because people depend on trust so highly, they require assurances of a traditional base for trust, which reinforced by group norms that govern approved behavior, before they are willing to trust to others (Child 2005, 339-340).

The characteristics done above are rather general. There are particular examples in western and eastern societies which make the identification of trust specification more relevant for TMI New Media and Sweet-Tour Ltd. Western societies dealing with partnerships by detailed contracts and background checking, whereas in eastern societies detailed contracts can be seen as distrustful attitude (Gill & Butler 2003, 545).

In Russia managers emphasize trustful behavior on behalf of word of mouth promoting collectivism, paternalism and networking, although the Russian proverb says ‘trust but verify’. At the same time westerns still work from the rational, economic model-objectivity, where arm’s length business is perfectly sufficient. (Ayios 2004, 222.)

Researches on east-west business partnerships in Russia propose that the emotionally-based trust is optimum. It is much stronger and durable than institutionally based trust. In fact, business success and competitive advantage are now seen as potential benefits to be drawn from trusting ones’ business partners and customers. The modern business trend of globalization seems to require that business relationships with cross cultural boundaries rely to a greater extent on bureaucratic and institutional trust rather than affective interpersonal. (Ayios 2004, 203.)

7.4 How to build trust between the studied companies

The studied companies have not met by present. This implies that trust level is very low. In order to start building trust between each other, the managers from both sides need to meet face-to-face and explore each other’s visions and missions, with the purpose of getting the first impression of potential partner’s way of thinking and seeing the potential cooperation. Face-to-face meeting will be a first step to create interpersonal trust. It is advisable for the companies to have trust in mind, with the purpose to motivate cooperation establishment. Alliance partners must believe that they can trust to each other and they must believe that mutual commitment is possible. (Cullen & Johnson & Sakano 2000, 237.)

In addressing issues as central as trust, it is important to understand cultural differences (Parkhe 1998, 232). As the subchapter 7.3 dealing with differences in societies are described, it is necessary to understand what creates trust in the eyes of a partner. Contractual safeguard is needed to create trust for TMI New Media and at the same time for Sweet-Tour Ltd trust toward words is it sufficient, in the starting stage. It is important for managers to be aware of the need to cultivate and find optimal mix of trust and contractual safeguards because these control devices interact between companies. This involves proper combination of competence and goodwill trust (Steven & Ngo 2004, 482). It is important for a cooperation, the agreement between the partners should

be committed to be written, in detail and with the minimum of uncertainty (Child 2005, 349).

In addition, it is vital to give a partner clear explanation of companies goals and values. Sharing this will help to find common visions and goals for the alliance and avoid opportunistic behavior. It is advisable to seek for mutually beneficial situations in order to achieve and maintain mutual commitment and trust in alliance (Cullen et al 2000, 238). The commitments of each party must together be sufficient to meet the purpose of their cooperation. Managers of the studied companies must be realistic and therefore subject to careful calculation and attentive. Both parties must be seen to be able to honor those commitments. (Child 2005, 249.)

Both case companies should be patient and not expect high level of trust from the very beginning of relationships (Cullen et al. 2000, 238). Our discussion in Subchapter 7.2 also accents that trust creation is a long and slow process. Therefore, our suggestions to TMI New Media and Sweet-Tour Ltd are not to force trust building in the beginning of the relationship. As trust is long process the studied companies need to have patience.

Direct communication is very important, particularly in the cross-border alliance, meaning that it is advisable to invest in proper direct communication ways (Cullen et al. 2000, 239). Increase of communications will provide better understanding and development of interpersonal relationship which lead to increase of trust. This argument gives the studied companies motivation to pay attention on communication and facilitate the process of communication development.

In real life alliances there will be always some uncertainty due to the gaps in information, despite the most thorough reporting and auditing systems and the most expensive scanning and surveillance mechanisms. There will always be some vulnerability, since the risk of loss of values like technology, knowhow, markets and personnel is ever-present in alliances (Parkhe 1998, 222). However, it does not mean that trust is useless to build up. As it is proven above that trust plays the key role in alliances, leading to creation of good relationships between partners as well as good performance of the alliance. The discussion above shows why trust is important for success and which aspects are necessary to be taken in consideration for the studied companies when building the trust towards each other.

Trust is usually slow and difficult to build up, yet it is quick and easy to tear down. Moreover, managers trying to build trust must prevent erosion, especially in recently established alliances, where trust is only beginning to emerge. Trust is fragile, and once it is damaged, it is doubly difficult to reestablish. (Parkhe 1998, 419.). For this reason, the studied companies need to work on trust building and pay attention to this process.

8 DISCUSSION AND CONCLUSIONS

This chapter presents the key findings in the work and concludes the overall research done. The practical implications of the Thesis for the studied companies are outlined. This is followed by a critical overview of the Thesis focusing on its limitations. In the end of the chapter the suggestions for further research are provided.

8.1 Discussion of the findings

The aim of the research was to give suggestions to the studied companies in order to build the successful cooperation between them. The research was conducted as a single-case study. During the research the following research questions were set: How can challenges influence the success of the partnering process between TMI New Media and Sweet-Tour Ltd.? What are the success and the critical success factors in the cooperation between the studied companies? How should the studied companies strategize towards successful cooperation? And how can trust be built between the studied companies?

For answering the research questions mentioned above we used interviews with the studied companies and literature analysis as research techniques. Throughout the research we came to the following findings.

Even though the studied companies have different objectives for the cooperation, those objectives are complementary from the practical point of view. The Finland-based company can get a wider range of services for tourists from the Russian company and establish more important business connections in Russia, while the Russian company can get an access to the Finnish market with the help of the cooperation and build their network in Finland.

As for organizational challenges, the studied companies have different management styles; however both companies have similar organizational values such as relations, reliability and trust. This is a positive factor in building the successful cooperation between the studied companies.

Further, the studied companies might face challenges in being equally committed to the cooperation, communicating with each other, understanding each other and building trust with each other.

On the basis of literature study we identified seven essential factors which make the partnership between the studied companies successful. They include genuine commitment from the partners, definite understanding by both parties of what is expected from the cooperation, sufficient resources, patience to tackle challenges, open communication, implementation of words into the actions and trust. There are factors among them which determine failure or success of the cooperation between the studied companies. They are critical success factors for the cooperation which include equal contribution from the partners, bringing in specific strengths to the cooperation, building trust and finding the strategic fit between the partners.

The strategic fit is the important critical success factor for the studied companies. It can be defined on the following strategic drivers. Firstly, the studied companies have a common vision on the outcome of the cooperation which is the development of tourists exchange, sport and culture between regions and countries. Secondly, the cooperation is viewed as a strategic importance for the partners due to the geographical location of Lapland and the Murmansk region and interests of the studied companies in the regions. Thirdly, the cooperation requires mutual dependency including resources which are knowledge of the market, connections and language skills of the partners. Additionally, the cooperation between the studied companies can have added value for their customers due to the reason of wide opportunity for the development of the excursion programs and ability to visit another regions and countries.

The suggested form of the cooperation between TMI New Media and Sweet-Tour Ltd. is a marketing-based strategic alliance, i.e. cross-industry agreement because the studied companies are not potential competitors. The option of the strategic alliance is attractive and convenient from a practical point of view for the studied companies. TMI New Media can assist Sweet-Tour Ltd. in marketing their services in Finland to attract tourists to the Murmansk region, whereas Sweet-Tour Ltd. can promote the Tornio-Haparanda area in the Murmansk region and attract Russian tourists to visit the area. In this case both companies can benefit from such alliance. It might allow the studied companies to improve their competitive position, grow, and develop their business.

TMI New Media and Sweet-Tour Ltd. should spend time initially to learn each other's goals and ideas, and set priorities in their cooperation. The open discussion of goals in the formation stage can alert about the differences in understanding of the goals and help to resolve them early. In addition, spending extra time in the negotiation stage to understand the other partner thoroughly is a wise investment.

TMI New Media and Sweet-Tour Ltd. should not make assumptions that the partner will be the same, but instead should try to bring any differences closer together. It can be done for example, by introducing corporate 'language' translation, developing compatible management systems and joint projects. Additionally, the studied companies should learn how to work together.

Both companies should understand that even though their organizational cultures are different, none is superior. For this reason, the studied companies should develop a tolerance for different values as it is important to the successful resolution of conflicts.

The following advices in communication can be offered to TMI New Media and Sweet-Tour Ltd: be sensitive, but not oversensitive, to mutual problems; treat the other counterpart with respect; stand tall and maintain dignity; insist on agreed rules; and implement problem-solving mechanisms early.

TMI New Media and Sweet-Tour Ltd. should express understanding of the other party's view and explain the reasoning for their different views. Even though this may not alter the fact that the conflict exists, it is helpful to understand why there are different views and to feel that the other party appreciate them.

The managers of TMI New Media and Sweet-Tour Ltd. need to be committed to their alliance for the long-term. If the studied companies are strongly committed to the alliance for the long-term, they are likely to work hard to resolve conflicts that appear and to develop patience which can help to prevent and solve conflicts.

In order to start building trust between each other, the managers from both sides need to meet face-to-face and explore each other's visions and missions, with the purpose of getting the first impression of potential partner's way of thinking and seeing the

potential cooperation. Face-to-face meeting will be a first step to create interpersonal trust. It is advisable for the companies to have trust in mind, with the purpose to motivate cooperation establishment.

On the basis of the findings we came to conclusion that the research method and techniques were chosen properly to answer the research questions, the research assumption was proven, and the aims of the study were achieved.

8.2 Limitations of the study

Certain limitations in the study and their implications on the results and the generalisability need to be addressed.

Firstly, this research was done within certain stage boundaries, i.e. the pre-relationship and exploratory stages of relationship development. The reason for these boundaries was the fact that the studied companies had not established the cooperation yet. Thus, several issues such as control, governance of the cooperation and finances were not covered in this research.

Secondly, the research findings might be biased by our interpretations, because of the feature of the qualitative research and the case study method. We minimized biases in this research by ensuring correctness of the interpretations with the help of case companies and teachers.

Thirdly, the results of this research cannot be generalized to all cross-border cooperation. However the findings of this research can be used by other companies to improve their understanding of the challenges associated with establishing cross-border cooperation. In addition, our work can be used as a framework for their actions and decisions.

8.3 Suggestions for further research

The study in this Thesis focused on suggestion of the low integration level between the studied companies, i.e. the form of the strategic alliance. The reason for this suggestion was the fact that TMI New Media and Sweet-Tour Ltd. did not work with each other previously and they would have to explore each other's activities, missions, visions, and ways of working, projects and ideas. In addition, we suggested to the studied companies how to build trust with each other in their relationship. As trust was introduced as a key element for the successful cooperation between TMI New Media and Sweet-Tour Ltd, it might be suggested that trust can be used to improve the integration level between the studied companies in the cooperation and allow them to develop their cooperation on a new level such as a joint venture. This can become a topic for further research.

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INTERVIEW WITH MR. MARCEL M. TYBER-SIMONEN, HEAD OF TMI NEW MEDIA PROFESSIONAL IC

Alena, Valentina: - Could you tell about your company? - When was it established? – Which services do you offer?

Mr. Tyber-Simonen: - The company TMI New Media Professional IC was established in 2004. The basic activity of the company is research and project development in the Tornio-Haparanda region. The main products include research and projects with different aims, i.e. development in marketing, WEB marketing, advertising, consulting, I2I (ihminen to ihminen, i.e. person to person), B2B, B2C, development of business plans for companies, establishing business contacts and cooperation with companies, universities, etc. The projects are done in 4 main fields: business, tourism, sport, and culture.

Alena, Valentina: - Who are your customers?

Mr. Tyber-Simonen: - The company has customers in 32 countries of Europe. They are firms and individuals interested in news and business. TMI New Media Professional IC establishes contacts with their customers directly.

Alena, Valentina: - What is the mission of your company?

Mr. Tyber-Simonen: - The company's mission is to develop business and tourism in the Tornio-Haparanda region.

Alena, Valentina: - How do you evaluate your position on the market in which your company operates?

Mr. Tyber-Simonen: - The company has been operating on the market for 5 years. They gained connections and found regular partners in Finland, Italy, and Switzerland. They

continue to search for cooperation in other countries as well. There are not many companies in Tornio-Haparanda region which have similar activity.

Alena, Valentina: - How do you think your company is different from the competitors?

Mr. Tyber-Simonen: - First of all, it is wide direct connections with partners and customers in 32 countries of Europe in such fields as tourism, business, culture and sport, which are the main directions of project development in TMI New Media Professional IC. Secondly, it is good structured webpage which is user friendly, and makes it easier to understand company's activities.

Alena, Valentina: - What are the strengths of your company?

Mr. Tyber-Simonen: - The company has the possibility to contact persons who make decisions directly in 32 countries of Europe. They have built a wide network and connections with people who can assist in their activity. Also they have possibility to conduct operations in several languages such as English, German, French, Italian, Finnish, and Dutch. Moreover, the company has a possibility to communicate with customers in other languages if needed due to connections with universities and students from different countries in the Tornio region.

Alena, Valentina: - What are the weaknesses?

Mr. Tyber-Simonen: - There are no major weaknesses for the present moment.

Alena, Valentina: - How do you see your company in the next 3-5 years? What are your goals?

Mr. Tyber-Simonen: - The company aims to establish regular partnerships in all 32 countries where they operate now. Currently they have only 3 partner companies on a regular basis. Also the company wants to change the ownership type to a limited company (Oy), and to increase connections with universities. Finally, everybody involved in their activity should increase their profits.

Alena, Valentina: - What opportunities do you see in the cooperation with a Russian company?

Mr. Tyber-Simonen: - There is a potential in cooperation with a Russian company in the field of tourism and sport. Tourism development can have an essential value in terms of the potential cooperation. Then, it could be possible to develop such fields as culture exchange, and finally – business development.

Alena, Valentina: - What threats or dangers there might be when starting cooperation with a Russian company?

Mr. Tyber-Simonen: - Objectively there are no fears in cooperation.

Alena, Valentina: - Are you familiar with the Russian business environment?

Mr. Tyber-Simonen: - No.

Alena, Valentina: - If you would choose your partner yourself, how would you do that? Which criteria would you use? Which characteristics and skills of a partner would be important for you?

Mr. Tyber-Simonen: - The most important criteria would be objectivity and validity of a partner. In other words, it is important that a partner already operates on the market in Russia, and have a clear idea of what they can offer for the development of tourism in the Tornio-Haparanda region. Besides, a partner company should be reliable. Trust and security are key words for cooperation. That is why TMI New Media Professional IC would check the background of a partner company. Moreover, the contact should be established directly with people who are entitled to make decisions.

Alena, Valentina: - What do you expect from cooperation with a Russian company?

Mr. Tyber-Simonen: - We would expect results in terms of offering services in one year after starting cooperation.

Alena, Valentina: - When would you be ready to start cooperation with a Russian company?

Mr. Tyber-Simonen: - Now.

Date and place: October 8, 2009, Tornio.

INTERVIEW WITH MRS. SVETLANA KAPLINA, HEAD OF SWEET-TOUR LTD.

Alena, Valentina: -Could you tell about your company? - When was it established? Which services do you offer?

Mrs. Kaplina: - The company Sweet-Tour Ltd. was established in 2006 in Murmansk. It is a family-based company with a lot of ideas and potential projects. Basic activities of the company are local and international tourism. The company's activity has 5 main directions: culture exchange, sport and entertainment, relaxing programs and shopping tourism.

Alena, Valentina: - Who are your customers?

Mrs. Kaplina: - Customers are schools, organizations, companies and private people in Russia.

Alena, Valentina: - What is the mission of your company?

Mrs. Kaplina: - The company's mission is to attract tourists from Scandinavia and other European in the future to Murmansk region, and for local customers to develop culture and sport exchange between the Murmansk region and the Nordic countries, also to provide to the customers an interesting and attractive excursion programs.

Alena, Valentina: - How do you evaluate your position on the market in which your company operates?

Mrs. Kaplina: - The company is still young and inexperienced. The position on the market is not strong yet and there are few strong competitors.

Alena, Valentina: - How do you think your company is different from the competitors?

Mrs. Kaplina: - The company is a family business, which gives an advantage in the structure and close relationships within the company. Since Sweet-Tour Ltd. is still a young company, there is a big potential for growth and development.

Alena, Valentina: - What are the strengths of your company?

Mrs. Kaplina: - Due to my previous experience of working with Finland, Sweden and Norway, the company has already a base of useful contacts. The company can operate in three languages: English, Russian and Swedish. The family basis is one of the strongest characteristics of the company, which helps them to survive in times of the economical crisis.

Alena, Valentina: - What are the weaknesses?

Mrs. Kaplina: - The financial side is a weakness of the company. Currently, the company is small and has not enough capital for further development. Another weakness is the lack of experience of the company due to its age.

Alena, Valentina: - How do you see your company in the next 3-5 years? What are your goals?

Mrs. Kaplina: - The company aims to open a few subsidiaries in Russia and Europe, particularly in Sweden and Finland.

Alena, Valentina: - What opportunities do you see in the cooperation with a Finnish company?

Mrs. Kaplina: - As it was mentioned before, the company's mission is to attract tourists from the Nordic countries to the Murmansk region. Cooperation with a Finnish company will bring an opportunity to establish channels and bring visitors to Murmansk. In addition, there is an opportunity for developing existing projects by extending the excursion program and involving other tourists' attractions.

Alena, Valentina: - What threats or dangers there might be when starting cooperation with a Finnish company?

Mrs. Kaplina: - Currently there is no any threat at the moment. Reason for this is successful deals with Finnish companies in the past.

Alena, Valentina: - Are you familiar with the Finnish business environment?

Mrs. Kaplina: - Yes, due to my previous 10 years of experience of working with Finnish companies.

Alena, Valentina: - If you would choose your partner yourself, how would you do that? Which criteria would you use? Which characteristics and skills of a partner would be important for you?

Mrs. Kaplina: - The key criterion in selecting a partner in Finland would be the presence of connections and advices from acquaintances, including people who had prior successful experience with the potential partner. The partner should be open-minded, and reliable so that we can trust; and active and initiative.

Alena, Valentina: - What do you expect from cooperation with a Finnish company?

Mrs. Kaplina: - Sweet-Tour Ltd. expects long-term relationships and creating an effective network of contacts later on.

Alena, Valentina: - When would you be ready to start cooperation with a Finnish company?

Mrs. Kaplina: - Now.

Date and place: October 30, 2009, Tornio.

The translation from the Russian language was verified by Mr. Vladimir Ryabov, PhD, Principal Lecturer in Information Technology, Kemi-Tornio University of Applied Sciences.

ИНТЕРВЬЮ СО СВЕТЛАНОЙ КАПЛИНОЙ, ВЛАДЕЛИЦЕЙ КОМПАНИИ ООО
СВИИТ-ТУР

Алена, Валентина: - Не могли бы Вы рассказать о своей компании? Когда она была основана? Какие услуги Вы предлагаете?

Светлана Каплина: - Компания Свиит-Тур была основана в 2006-м году в городе Мурманск. Компания является семейным бизнесом, имеющим большой запас идей и потенциальных проектов. Основной деятельностью компании является внутренний (местный) и международный туризм. Деятельность имеет 5 основных направлений: культурный обмен, спорт и развлечения, расслабляющие программы и покупательский туризм.

Алена, Валентина: - Кто Ваши клиенты?

Светлана Каплина: - Клиентами компании являются школы, организации, компании и частные лица в России.

Алена, Валентина: - Какова миссия Вашей компании? Т.е что Вы предлагаете Вашим клиентам?

Светлана Каплина: - Миссия компании - это привлечение туристов из Скандинавии и других Европейских стран в последующем в Мурманскую область; для местных клиентов развить культурный и спортивный обмен между Мурманской областью и Скандинавскими странами, а также предоставить клиентам интересную и заманчивую экскурсионную программу.

Алена, Валентина: - Как Вы оцениваете вашу позицию на рынке, в котором работает Ваша компания?

Светлана Каплина: - Компания все еще молодая и неопытная. Позиция на рынке еще не такая сильная, и есть несколько сильных конкурентов.

Алена, Валентина: Как вы думаете, что отличает Вашу компанию от конкурентов?

Светлана Каплина: - То, что компания является семейным бизнесом дает преимущество в структуре и тесных отношениях внутри компании. Так как Свиит-Тур все еще молодая компания, есть большой потенциал для роста и развития.

Алена, Валентина: - Каковы сильные стороны у Вашей компании?

Светлана Каплина: - Поскольку у меня есть предыдущий опыт работы с Финляндией, Швецией и Норвегией, у компании уже есть база полезных контактов. Компания может работать на трех языках: английском, русском и шведском. Светлана считает семейную основу бизнеса как одну из сильных черт компании, которая позволяет им пережить времена экономического кризиса.

Алена, Валентина: - Каковы слабые стороны?

Светлана Каплина: - Финансовая сторона может считаться слабостью компании. На данный момент компания маленькая и не имеет должного капитала для дальнейшего развития. Так же слабой стороной является недостаточный опыт компании в силу своего возраста.

Алена, Валентина: - Как Вы видите свою компанию в ближайшие 3-5 лет? Каковы Ваши цели?

Светлана Каплина: - Компания нацелена открыть несколько филиалов в России и Европе, в особенности в Швеции и Финляндии.

Алена, Валентина: - Какие возможности Вы видите в кооперации с финской компанией?

Светлана Каплина: - Как упоминалось ранее, миссия компании – это привлечение туристов из Скандинавии в Мурманскую область. Сотрудничество с финской компанией даст возможность наладить каналы и привозить посетителей в

Мурманск. Также есть возможность для развития существующих проектов, через расширение экскурсионной программы и привлечения других туристических аттракционов.

Алена, Валентина: - Какие могут быть риски или опасности при начале кооперации с финской компанией?

Светлана Каплина: - На данный момент нет никаких страхов. Причиной этому является успешный опыт работы с финскими компаниями в прошлом.

Алена, Валентина: - Знакомы ли Вы с финской бизнес средой?

Светлана Каплина: - Да, ввиду моего 10-ти летнего опыта работы с финскими компаниями.

Алена, Валентина: - Если бы Вы выбрали партнера самостоятельно, как бы Вы это делали? Какими критериями Вы бы руководствовались? Какие характеристики и навыки партнера были бы важны для Вас?

Светлана Каплина: - Основным критерием в выборе партнера было бы наличие связей и советы от знакомых, включающие людей у которых был предыдущий успешный опыт с потенциальным партнером. Партнер должен быть открытый и надежный, чтобы можно было ему доверять; активный и инициативный.

Алена, Валентина: - Что Вы ожидаете от кооперации с финской компанией?

Светлана Каплина: - Свиит-Тур ожидает долгосрочных отношений и создание эффективной сети контактов в дальнейшем.

Алена, Валентина: - Когда Вы готовы начать кооперацию с финской компанией?

Светлана Каплина: - Сейчас.

Дата и место: 30 октября 2009, Торнио.