HAMK
UNIVERSITY OF APPLIED SCIENCES

STROI-network – BUSINESS NETWORKS IN RUSSIA

INTERMEDIATE REPORT 2008

Niittymäki Seppo, Tenhunen Lauri, Weck Marina, Lönnqvist Antti, Tolonen Teuvo, Gotcheva Nadezhda, Kähkönen Kalle, Nippala Eero, Perälä Anna-Leena, Riihimäki Markku, Nysten-Haarala Soili, Minina Vera, Dmitrienko Elena, Krupskaja Anastasia, Filinov Nikolay, Tretyak Olga, Settles Alex, Buzulukova Ekaterina, Popov Nikita, Rozhkov Alexander and Vladimirova Nina

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- BUSINESS NETWORKS IN RUSSIA

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PART 1: SUMMARY

Finland   *HAMK:*   *Niittymäki Seppo, Tenhunen Lauri and Weck Marina*
              TUT: *Lönnqvist Antti, Tolonen Teuvo and Gotcheva Nadezhda*
              VTT: *Kähkönen Kalle, Nippala Eero, Perälä Anna-Leena and Riihimäki Markku*
              JoY: *Nysten-Haarala Soili*

Russia   *GSOM:*   *Minina Vera, Dmitrienko Elena and Krupskaja Anastasia*
              HSE: *Filinov Nikolay, Tretyak Olga, Settles Alex, Buzulukova Ekaterina,*
                       Popov Nikita, Rozhkov Alexander and Vladimirova Nina

TAMPEREEN TEKNILLINEN YLIOPISTO

HAMK UNIVERSITY OF APPLIED SCIENCES

VTT

Graduate School of Management
St. Petersburg State University

МЕНЕДЖМЕНТ

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EXECUTIVE SUMMARY

HAMK University of Applied Sciences, Tampere University of Technology and VTT Technical Research Centre of Finland are carrying out a common research project STROI Network together with Russian universities. The Russian universities are State University Higher School of Economics from Moscow and State University Graduate School of Management from St Petersburg.

The objective of the project is to find out or fit present management and leadership models suitable for the Russian business environment and context. The work is divided into two main phases:
- Management and leadership models and performance measurement indicators applied at present in business networked companies and organizations (during 2008) in Finland. The work has concentrated more on management tools than leadership issues.
- Developing applicable management and leadership models and performance measurement indicators for companies and business networks operating in Russia (during 2009). Developing management tools should not be the only issue, as in Russia leadership activities have more emphasis than in Finland.

In the first place, the research is based on qualitative analysis and a constructive approach. Interviews (about 50) have been carried out in Finland and Russia by Finnish and Russian researchers. The results have been compared after the interviews and also during several research conferences and seminars.

Preliminary results show that management and leadership models and performance measurement indicators should be adjusted not only according to the product and the business sector, but also according to Russian tradition and business culture. Business networked companies seem to have extreme difficulties in applying matrix type organizations in the Russian context, as Russian management practices are based traditionally on strong and authoritarian leadership. However, clear and specific targets should be set for strategic business units or lines in the strategic management of the business networked company. The targets should be documented and agreed upon with managers and staff throughout the company and business network.

This report is divided into two parts:
- Business summary representing intermediate results.
- Academic articles by Finnish and Russian researchers including literature review, research methods, results and findings on the basis of experience and the interviews as well as discussion.

Results will be communicated to companies during management group meetings and company visits during interviews and in final report within 2009.

TIIVISTELMÄ

Hämeen ammattikorkeakoulu (HAMK), Tampereen teknillinen yliopisto (TTY) ja Valtion teknillinen tutkimuskeskus (VTT) toteuttavat yhteistä tutkimusprojektia STROI-verkko yhteistyössä venäläisten yliopistojen kanssa. Venäläiset yliopistot ovat State University Higher School of Economics (HSE) Moskovasta ja Graduate School of Management (GSOM) Pietarista.

Projektin tavoitteena on kehittää tai soveltaa nykyiset johtamismallit soveltuviksi venäjän olosuhteisiin ja liiketoiminta-ympäristöön. Työ on jaettu kahteen pää-vaiheeseen:

- Nykyiset asia- ja henkilöjohtamisen sekä suorituskyvyn mittaamisen mallit, joita sovelletaan suomalaisissa verkottuneissa yrityksissä ja organisaatioissa. Työ on painottunut laajemmin asiajohtamisen työkaluihin kuin henkilöjohtamisen kysymyksiin. Tämä osio on toteutettu vuonna 2008.
- Käyttökelpoisten asia- ja henkilöjohtamisen mallien sekä suorituskyky-mittareiden kehittäminen yrityksille ja liiketoimintaverkostoille, jotka toimivat Venäjällä. Asiajohtamisen työkalujen kehittäminen ei ole ainoa kehittämisen kohde, koska Venäjällä henkilöiden johtamisen toiminnoilla on suurempi painoarvo kuin Suomessa. Työ toteutetaan vuoden 2009 aikana.

Tutkimus on toteutettu laadullisena tutkimuksena konstruktiivisella lähestymistavalla. Haastattelut (noin 50 kpl) on toteutettu Suomessa ja Venäjällä suomalaisten ja venäläisten tutkijoiden toimesta. Haastattelujen tuloksia on vertailtu ja arvioitu useissa tutkija-tapaamisissa ja seminaareissa.

Alustavat tulokset osoittavat, että asia- ja henkilöjohtamisen malleja sekä suorituskyvyn mittaamista tulee muuntaa sekä tuotteen että liiketoimintasektorin mukaan. Lisäksi Venäjän perinne ja liiketoimintakulttuuri pitää ottaa huomioon.
Verkottuneilla yrityksillä on suuria vaikeuksia matriisityyppisten organisaatiomallien soveltamisessa Venäjän liiketoimintaan, koska Venäjän perinteiset johtamiskäytännöt perustuvat vahvaan ja autoritääriseen johtajuuteen. Toisaalta verkostoituneissa yrityksissä tarvitaan selkeästi määritellyt tavoitteet liiketoiminta-alueille ja -yksiköille. Tavoitteet tulee dokumentoida ja niistä pitää sopia johtajien ja henkilöstön kanssa koko liiketoimintaverkostossa.

Tämä raportti jakautuu kahteen osaan:
- Yrityksille tarkoitettuun yhteenvetoon, jossa on esitetty välitulokset.
- Suomalaisten ja venäläisten tutkijoiden artikkelit, joissa on esitetty kirjallisuuskatsaus, tutkimusmenetelmät sekä havainnot että tulokset haastattelujen ja kokemuksen perusteella, pohdinta ja seuraavan tutkimusvaiheen vaiheen tavoitteet ja menetelmät soveltuvin osin.

Hankkeen tuloksia esitellään johtoryhmän kokouksissa ja yrityksissä haastattelujen yhteydessä sekä konferensseissa Suomessa ja ulkomailla. Saadut tulokset kirjataan loppuraportiksi suomalaisten yritysten käyttöön vuoden 2009 aikana.

1. Background information

HAMK University of Applied Sciences, Tampere University of Technology and VTT Technical Research Centre of Finland are carrying out a common research project STROI Network together with Russian universities. The Russian universities are State University Higher School of Economics from Moscow and State University Graduate School of Management from St Petersburg.

The research is funded by TEKES, the participating companies and the Finnish as well as Russian research institutions involved.

The co-operating companies, research organizations and researchers are listed below (*Figure 1*).

Co-operation companies

HAMK:		www.hamk.fi
Contact person	*Company*	*Web-page*
Mika Räty	Konecranes Heavy Lifting Oy	(www.konecranes.com)
Matti Mikkola	KPM-Engineering Oy	(www.kpmeng.fi)
Pertti Tammivuori	Lassila&Tikanoja Oyj	(www.lassila-tikanoja.fi)
Hannu Markkanen	GTT Oy	(www.cloudberry.fi)
Markku Lundström	Forssan metallityöt Oy	(www.forssanmetallityot.fi)
Jouni Haajanen	Kehittämiskeskus Oy Häme	(www.kehittamiskeskus.fi)
TUT		www.tut.fi
Olli Niemi	NCC Oy	(www.ncc.fi)
Arvo Ianes (Timo Laapio)	Peab Seicon Oy	(www.peabseicon.fi))
Jukka Pekkanen/Jani Kemppainen	Rakennusteollisuus RT	(www.rakennusteollisuus.fi)
VTT		www.vtt.fi
Matti Mikkola/Janne Manninen	Stora Enso Timber	(www.storaenso.com)
Peter Nordgren	Finndomo Oy	(www.finndomo.fi)
Heikki Suhonen	CRAMO Oyj	(www.cramo.com)
Esa Kosonen/Marko Kallunki	Metsäliitto Osuuskunta, Finnforest	(www.finnforest.com)

Figure 1. Co-operating companies and their representatives.

2.   Motivation, objectives and contents of STROI Network Project

The basic motivation for the STROI Network is given by the fact that trade between Russia and Finland has been increasing during the last few years and Russia has been one of the largest co-operation partners for Finland for decades. In addition to trade there are investments in both countries and companies working simultaneously in Finland and Russia. On the other hand, markets become more demanding and new ways of thinking and action models will be needed in order to gain customers' trust and commitment within business networks.

The objective of the STROI Network research project is to develop and modify Finnish management and leadership models fitting theRussian business culture and context. The final aim for the companies is to develop strategic agility (Stage 3, *Figure 2*).
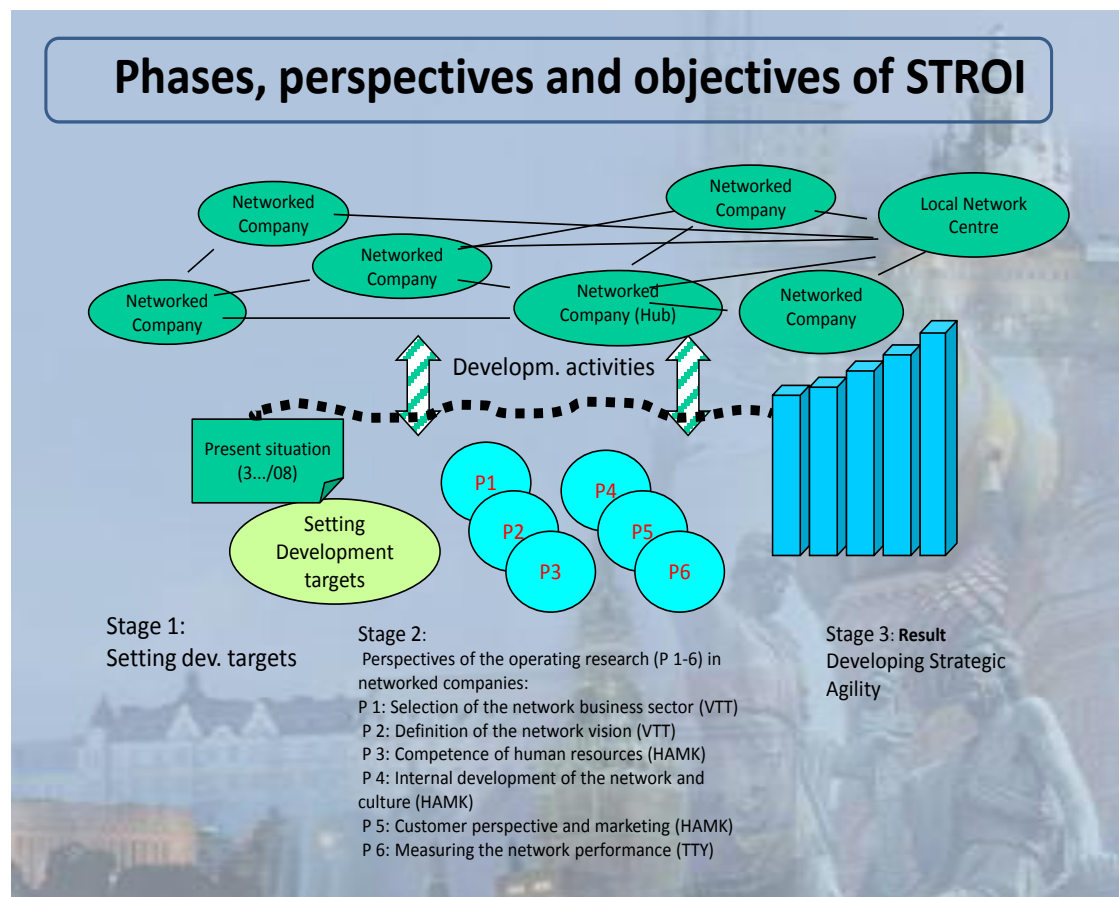

Figure 2. Phases, perspectives and objectives of the STROI research project.

Long-term objectives, perspectives, contents and research institutions of the STROI Network project are presented in *Figure 3* and *Figure 4*.
The research organization and researchers are described in *Figure 5*.

Long- term objectives for companies and perspectives (P1-P6)

Perspectives (P1 - P6)	P 1: Business sector	P 2: Common Vision	P 3: Competence of human resource	P 4: Internal development	P 5: Customer orientation and marketing	P 6: Measuring network performance
Objectives of network	Growth is bigger than average	Vision is based on derivative action	Managing staff and learning	Network growth and strategic development	Developing customer-based network	Continuous develop-ment of network performance
Research questions	1.1, 1.2	2.1, 2.2	3.1, 3.2	4.1, 4.2, 4.3	5.1, 5.2, 5.3, 5.4	6.1,6.2,6.3
Results	Operating in profitable sector	Making visions based on customer needs	Competitive and developing working conditions	"Agile" and learning network	Functioning CRM system and risk manageme nt	System for measuring the performance of the network
Research institutions	VTT StPSACEU	VTT	HAMK GSOM	HAMK HSE	HAMK HSE	TUT HSE

OBJECTIIVES, RESULTS AND RESEARCHERS OF THE NETWORK

Management and leadership models of business for Russian oriented networks

Figure 3. Long-term objectives, perspectives, contents and research institutions.

Researchers, Topics; Expected Results

Researchers	Item	Topics; expected results
Perälä Anna-Leena Nippala Eero, Markku Riihimäki	1.1 1.2	**Selection of network business sector (P1)** An operation model for business targeting - total demand for building, real estate and environmental business sectors.
Riihimäki Markku Kähkönen Kalle	2.1 2.2	**Definition of the network vision (P2)** Building up a model to produce vision for a business network in Russia.
Niittymäki Seppo Luoma-Keturi Natalia Krupskaja Anastasia Dmitrienko Elena	3.1 3.2	**Competence of human resource (P3)** Typical Finnish mistakes in Russian business Competence of resources in Finnish companies operating in Russia; HRM-model applicable in the Russian market. Business profiling tool for human capital.
Settles Alex Vladimirova Nina Filinov Nikolay	4.1 4.2 4.3	**Internal development of the network and culture (P4)** Learning organizations (LO): Russian and Finnish companies; Evaluation of participation in business network; expectations regarding trust, property rights, contract obedience, social networks, etc. related to integrative social contracts theory (ISCT). Strategic process of business networked companies; strategy planning and implementation. Decision making
Weck Marina Popov Nikita Rozhkov Alexander Buzulukova Ekaterina	5.1 5.2 5.3 5.4	**Customer perspective and marketing (P5)** Building trust in counterweight to risks; trust building process in Russian business networks. A model for supplier relationship management in Russia. Customer perspective in B2B networks; success factors & key performance indicators of CRM. Relationship building in Russian market; management model for network building.
Antti Lönnqvist Gotcheva Nadja Niittymäki Seppo	6.1 6.2 6.3	**Measuring the network performance (P6)** Evaluating Performance of Formal Business Networks (Nikita Popov) Performance measurement practises; preliminary analysis. Measuring the business network performance; strategy planning, implementation and performance measurement model for companies and business networks

Figure 4. Researchers, Topics and Expected Results.

Research organization

Perspective	Partners	Prof./Dir.	Researchers	Item	Note
P1 Business Sector	VTT StPsaceu	Pajakkala Pekka Riihimäki Markku	Perälä Anna-Leena Riihimäki Markku Nippala Eero	1.1 1.2	
P2 Vision of Network	VTT	Kähkönen Kalle Riihimäki Markku	Perälä Anna-Leena Kähkönen kalle	2.1 2.2	
P3 Competence of Human Resource	HAMK GSOM	Niittymaki Seppo Minina Vera	Niittymäki seppo Krupskaja Anastasia Dmitrienko Elena	3.1 3.2	
P4 Internal Development	HAMK HSE	Niittymäki/Tenhunen Filinov/Bek Filinov	Settles Alex Vladimirova Nina Filinov Nikolay	4.1 4.2 4.3	
P5 Customer Orientation and Marketing	HAMK HSE	Niittymaki Seppo Tretyak Olga	Weck Marina Popov Nikita Rozhkov Aleksander Buzulukova Ekaterina	5.1 5.2 5.3 5.4	
P6 Measuring Network Performance	TUT HSE	Tolonen Teuvo Lönnqvist Antti	Popov Nikita Gotheva Nadezhda Lönnqvist Antti Niittymäki Seppo	6.1 6.2 6.3	
ALL	Management Group	Professors and directors			

Figure 5. Research organization and researchers.

3.   Research approach and methods

Finding a common approach for this research has been educational process for both partners: traditionally the Russian approach is quantitative and the Finnish qualitative. We have selected a constructive approach (*Figure 6*) and qualitative methods so far.
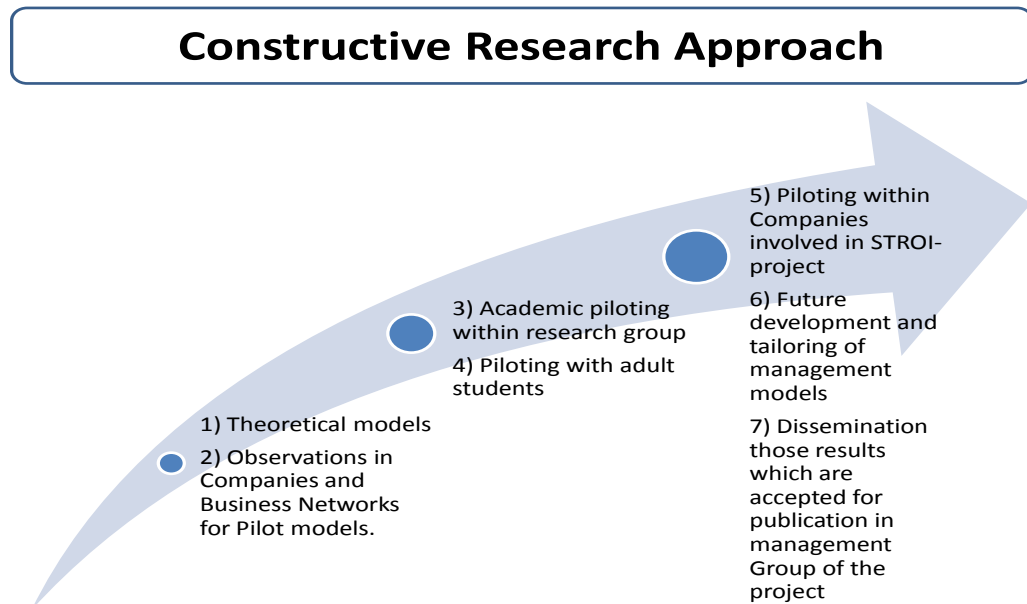
Figure 6. Application of Constructive Research Approach. Item 1) and connection to the theories have been introduced in the previous stage of this research project: Profiling Business Networks Oriented to Russia (Niittymäki et al. 2007, in total 65 pages).

With a constructive research approach we would like to combine qualitative and quantitative methods with business practices and use triangulation as a common approach (*Figure 7*)

Triangulation (Denzin 1988) may be achieved in four different forms:
1. Multi-method, as qualitative and quantitative methods are used.
2. Multi-investigator, as there are 21 researchers from 5 different universities in two different countries.
3. Multiple data sets, as there will be about 10 different data sets.
4. Also multiple theory triangulations are possible due to the numerous theories in place in different business organizations in Finland and Russia (*Figure 7*).

Figure 7. Common approach for the STROI Network research project.

The aim for the next year is to combine at least two different approaches in order to achieve multi-method, multi-investigator, multiple data set or multiple theory triangulation in many perspectives. Any sort of triangulation will give extra reliability for the results, but it will also need more effort from the researchers and companies involved. On the other hand researchers learn more and companies will get more relevant and reliable information for their future use and decision making.

Experience of project researchers in this project from different cultures suggests, decision making and the attitude towards the learning organization concept demonstrate considerable differences across national borders. Consequently we have to expect differences in decision making styles as well as management and leadership approaches between Russian and Finnish managers. These differences have to be identified. It is not sufficient to know that these issues are different: In order to come up with explanations for the existing difficulties for Finnish companies in Russia, it is also necessary to understand what exactly is different and to what extent. Therefore, a quantitative approach is also needed to a certain extent. This issue has been clarified more detailed by professors Settles (2009), 31 and Filinov (2009), 39 in this publication Part 2: Academic articles.

4. Results

In this chapter the main results of each author will be summarized briefly.

BUSINESS SECTOR (P1)

Selection of Network Business Sector

Eero Nippala states that VTT has developed a model within the STROI Network and other projects with a constructive approach by utilizing a model developed for Finnish market. New information items and sources have been found out in order to forecast demand in Moscow and St. Petersburg areas.

A construction and property market forecasting model will be developed concerning the cities of Moscow and St. Petersburg, based on for example regional GDP development, salary changes, building construction changes and changes of inhabitants in those regions. In Finland the construction forecast model is being used by VTT. Companies in Finland apply this model widely for different materials and services in the construction sector. The Finnish model will be modified for Russian circumstances. The model will use the same technology that VTT has developed in Finland.

The model will produce demand forecasts for construction sector material use in new buildings. The model also produces basic information for construction and property market sector future service demand. This information will be needed in companies' strategy and business plans. The numeric model needs information also about the following aspects:
– Political atmosphere
– Economic situation
– Demand and competition of different products
– Decision-making and clients
– Technology development
– Environmental atmosphere
– Social atmosphere.

By combining numeric data and socioeconomic information of the region, companies and business networks have basic information about the total demand for building products. This information will be needed when company or business network strategy is planned.

VISION OF NETWORK (P2)

Vision Process of Business Network

Markku Riihimäki states that it is of importance to create a vision for the build-up network.

A strategic business network needs a strong vision. The vision must concentrate on the desired future of the business, not its present state.
All network activities should be connected in the network's vision. They are the way to ensure the realization of the desired future.

A democratic creating process for the vision is recommended when a strategic business network has many actors in the process. The Model for Network Vision is usable in strategic business networks where there are a number of equal and specific partners. The Vision process takes into account all aspects and the hearing of all participants. At the same time it activates the network's companies and helps their commitment to the courted results. An open vision process makes discussion on the planning and building more open. Companies' own creativity and new innovations are also possible through better in the process.
Figure 8)

This Model can be applied when new strategic business networks are just being planned.

Vision process

1. Recognizing the start point – base for need-based vision
2. Forming the visioning group – parties and targets
3. Customer profiles – prioritizing, grouping
4. Clarifying the competition benefit similar to the needs
5. Crystallizing the differentiating vision to the network and its end product
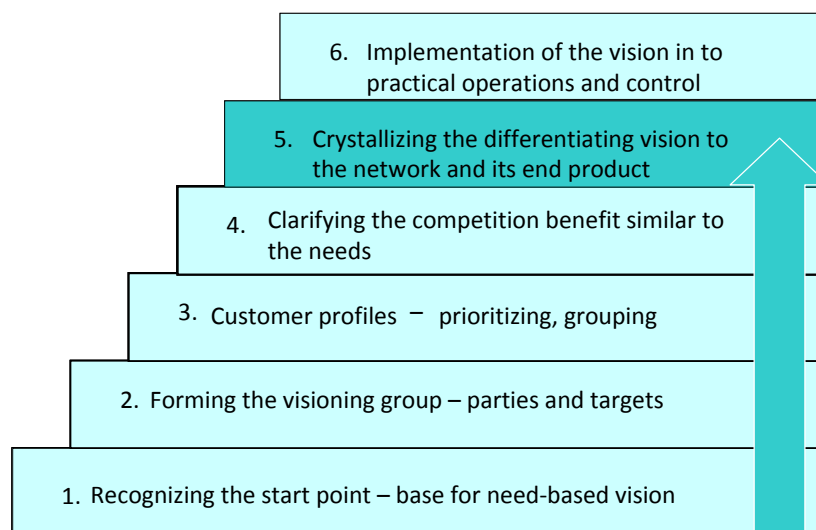6. Implementation of the vision in to practical operations and control

Figure 8. Vision process for equal companies in business networks (VTT).

Vision of Business Network

Kalle Kähkönen states that it is of importance to understand that different networks play different roles in different situations. Business networks, their topological modeling and related visual representations already have a long history as modeling and communication vehicles (*Figure 9*).
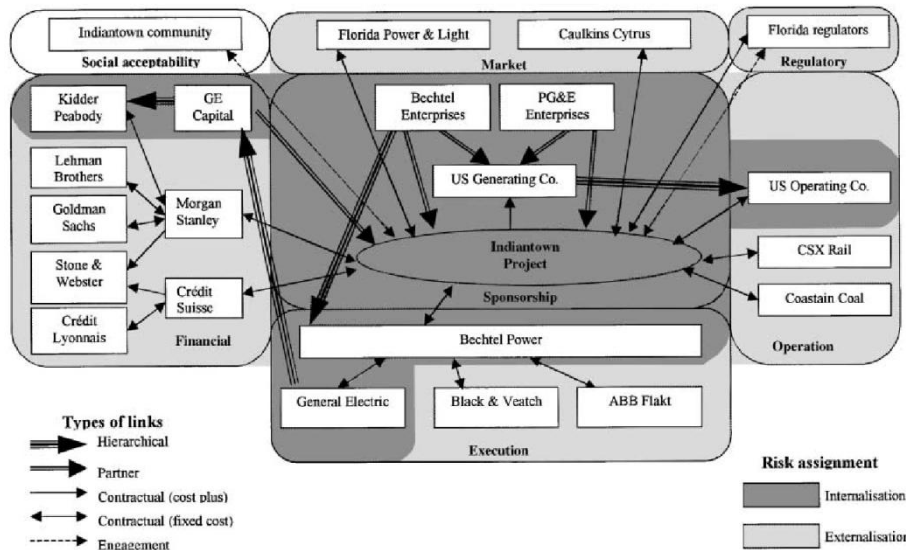
Figure 9. Example of organisational network. Large scale energy sector investment project.

It is our vision that the concept of "network" and a variety of applications originating from it shall play a significant role as tools for a wide variety of managerial decisions. There will be a growing number of technological solutions to represent the results of data analysis in the form of networks. These can be proven to be very valuable tools for managing complex product and activity break downs, emails and documents. Moreover, the analysis of relations of the data in focus can result in useful insights and improvements for present work life.

Legal Position of and Types of Business Networks

Soili Nystén-Haarala is presenting a new proactive approach on contracting (*Figure 11*). Contracting goes hand in hand with business and should be adjusted in the equivalent business model. For instance, contracting which is designed for the sale of goods does not work in the lifecycle and service business. A contract is a sound base for all sorts of business networks, whether these are supply chains, hub and spoke (main contractor) types or peer to peer networks (*Figure 10*).

Supply-chain
(Process oriented)

Hub and Spoke
(Main contractor)

Peer-to-peer
(Project oriented)
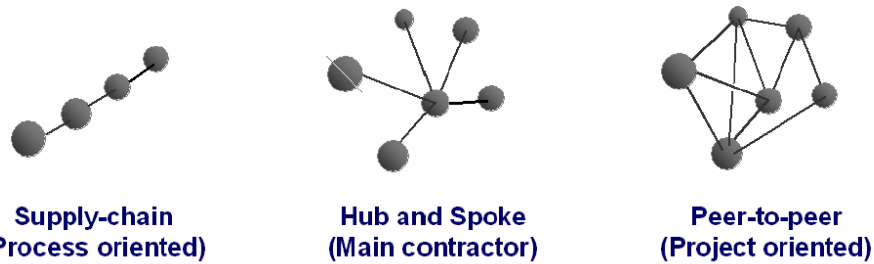
Figure 10. Topologies of Business Networks (VTT).

Contracting and Business Processes
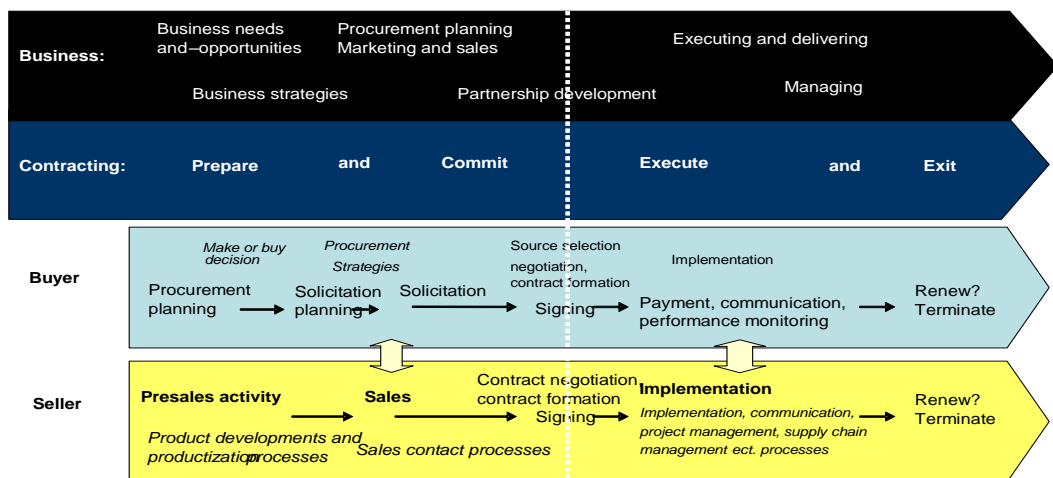
Figure 11. Contracting and Business Processes. Source: The CCC Project Final Report 2008 (Nystén-Haarala et al).

COMPETENCE OF HUMAN RESOURCES (P3)

Typical Mistakes for Finns in Russian Business

Natalia Luoma-Keturi is writing about typical Finnish mistakes in Russian business. This article summarizes the empirical results of her study. According to the study typical mistakes of Finns can be divided into the following four main categories:

– Preparation for Russian business
  - Understanding of juridical procedures, local norms, practices and requirements as well as Finnish companies' own strategies, goals and marketing plans before starting the business.
– Organization of Russian trade

- Unclear communication, lack of coordination and the inadequate design of an affiliate in Russia. Structure of export organization, responsibilities, "who is who" and task definitions were obscure.
  - Partnership
    - "Finns are continuously searching for new business partners, they don't hold on to whom they have. They can suddenly end up the relationship after many years of cooperation without any explanation."

  - Cultural sensitivity.
    - "Finns typically consider themselves as representatives of more advanced culture than Russia. Russians, on the other hand, get annoyed when they are being "taught". This is remarkable in everyday interaction."

In general, Finnish people, companies and products are well appreciated in Russia; the products are traditionally regarded to be of good quality and the people friendly. In the closer interaction, however, some drawbacks appear as described above.

Competence of Resources in Finnish Companies Operating in Russia

Vera Minina, Anastasia Krupskaja, Elena Dmitrienko state that Elenkov conducted a study for Russia based on the Hofstede approach. The researchers compared Finns and Russians according to an earlier model (*Figure 12*).
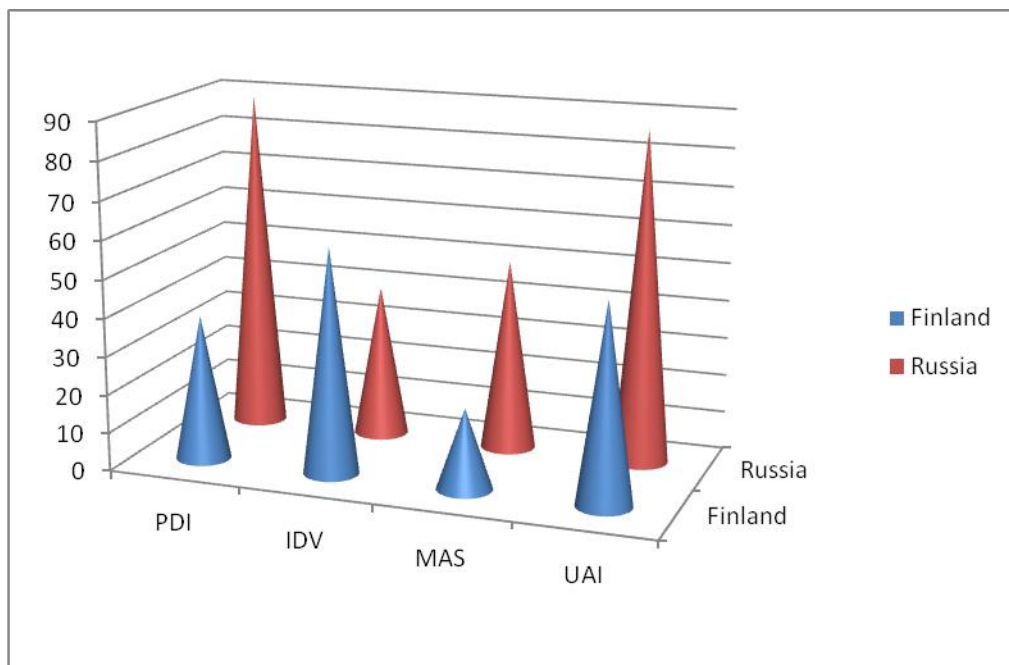

Figure 12. PDI (Power distance), Individualism (IDV), Masculinity (MAS) and Avoiding uncertainty (UAI) in Finland and in Russia.

Based on the Hofstede approach, S. Shekshnya considers 7 qualities of relations between employees and the company in Russia:
- Very often employees agree to the inequality of power distribution in the organization;
- Typically Russian companies are strongly hierarchical with power concentrated in the hands of top management;
- Generally employees strongly depend on the leader's will;
- There are communicative barriers between the departments of the organization;
- Personnel loyalty and commitment are highly evaluated;
- Bureaucratization and formalization are regarded as the ways of protecting employees from the chief's will;
- There is an unclear decision-making process.

The following statements could be made on the basis of the interviews:
- Differences in national cultures influence developing Finnish HRM practices in Russia. There are two ways to work: either focus and copy Russian practices or, what is more preferable, develop standard corporate HRM practices in Russia with some improvements.
- There is the very important management practice of **development discussions (also called appraisals)**, which are nearly always carried out in Finland, but there are some challenges to implement them in Russia.
- Comment: In most of the Finnish companies there was a **bonus** system leading to a bonus of 10–20 % of the annual salary, provided that targets were met. Clear targets were set in development discussions and the bonus is paid only in case the targets are met. In some companies qualitative (training etc.) targets were set, but the bonus was paid only according to "metrics". Usually the targets were set in order to achieve the strategic objectives of the company. Companies were a bit reluctant to tell about their bonus system features.
- The most important features for employees who work in an international company include social and communicative skills and competences concerning self-determination and goal setting. In this case by social skills respondents mean understanding people, openness and an easy-going style. For communicative skills the crucial points are language knowledge and presentation skills.
- Respondents noticed a lack of practical-oriented professional skills and decision-making competence.
- The most important features for key employees are not only social and communicative skills and self-determination but also a high level of mobility. Key employees should not be afraid of taking on more responsibilities.
- Key employees have very different criteria: In one company key employees are identified as high-potential employees, in another as high performers. In a third company the Hay system is implemented and the key employees have the highest grades. For one company key employees are described by special features at any level of organization.
- The practice of financial evaluation of key employees' input is not developed, but there is a common practice of evaluation of satisfaction, expectations, challenges etc.

INTERNAL DEVELOPMENT (P4)

Learning Organization

Alex Settles states that the learning organization in Russian company culture has unique features that are related to the specific Russian practices related to the method of management, responsibility sharing, and limitation of liabilities resulting from action and inaction. The research project will examine the strengths and weaknesses of Russian business culture and draw on learning organization theories to identify the particular features of Russian business culture that limit or encourage the creation of a learning organization. A section of the report will examine the culture of decision making and control mechanisms in a Russian company and the need within the Russian business environment to have strong control mechanisms. Drawing on interviews with Russian company officers, the compatibility of learning organization practices with Russian company culture will be assessed. It is expected that there will be significant cultural differences between a well-managed Russian company model and a company that has embraced a learning organization framework. A crucial component of the learning organization model that may not fit into typically Russian company culture is the concept of empowerment of employees to improve the organization through learning. The balance between control and empowerment will be examined and Russian specific features explained.

The survey was pre-tested during a visit by Filinov and Vladimirova to a company in mid-November. The survey proved to be very long to administer and revisions are underway. An unexpected result occurred when the company did not disclose the written answers to the survey. If this practice continues with other Finnish companies, revision of the methods may be necessary. The general impression of the first set of Finnish interviews was that this particular Finnish company was not open to our research project, though this company was one of the companies that are participants in the project.

Strategic Process of Business Networked Companies

Nina Vladimirova is suggesting that the network model used in Finland is difficult to copy in Russia because of some factors. E.g. one company named small businesses and private subcontractors as their main partners in Finland. But in Russia it is impossible to find these in the current conditions. So the company is constrained by hiring more staff for doing this work. Another significant issue is that the government plays a great role in setting network relations. All the people interviewed pointed out that the main goal of the company in Russia is to enter the market of the environmental services field faster than their competitors. But there are some difficulties in this strategy. First of all, city government as one of the main network participants should be willing to make changes, especially in the economic and investment area. But it is hard to realize this in Russia at this time. Personal relations are more important and they are needed to find the key persons in government to start a partnership and create a network.

Answering a question about the success factors for a business network most respondents said that it is very important to have a reliable brand, trust (related to the brand) and price. It should be beneficial for both the company and its network partners.

Analyzing the strategy issue, we made the conclusion that the presented information was not enough to provide relevant answers for our questions. All the interviewed companies have a strategy and the people interviewed could describe it in some common words. But we have not got any information about strategy implementation and adaptation for the Russian market.

Decision Making

Nikolay Filinov assumes that one of the substantial elements creating difficulties for Finnish companies when entering Russian markets and establishing partnerships with Russian authorities, suppliers, consumers etc. (i.e., networking) is the difference in approaches to decision-making (DM) in Finland and Russia.

Differences in dominant DM styles influence the applicability and effectiveness of managerial procedures along with the differences in the economic situation, technical infrastructure and social environment. Selecting DM specific features as a focus is however justified by at least two considerations. First, differences in the social, technical and economic environments in which a Finnish company operates in its domestic market and in Russia are relevant for our analysis to the extent to which they affect its operations, and this influence occurs through the decisions taken by the Finnish company and its Russian counterparts. So, the dominant DM style and patterns mediate the influence of all other factors. Second, DM is perceived as a highly personal act. Consequently, if a manager feels uncomfortable with the way it is carried out, this affects mutual trust, creates stress and tensions and thus inhibits the process of DM and deteriorates the quality of the decisions made in the most direct way.

This approach involves, however, differentiating between the characteristics (style) of management and the characteristics (style) of decision-making. If we go into further detail, it takes us to the much broader and more sophisticated problem of the contents of management functions. It appears evident that decision-making is only one of them, and consequently the style of management and the style of decision-making relate to each other as a part and a whole. The style of decision-making should be regarded as an element of management style in line with other such elements, like communication style. Moreover, all these elements are highly interdependent and may cause problems if there is insufficient fit among them. In spite of this, in numerous publications the notions of decision-making style and management style are sometimes either used interchangeably or decision-making style as that of especially important and especially explicit function is regarded as a proxy for the style of management. A manager's DM style is not necessarily equivalent to the style of management as far as it pertains to only one (although important) side of the manager's activity.

The literature and the authors' own research suggest that DM features demonstrate considerable differences across national borders. Consequently we have to expect

differences in dominant DM styles between Russian and Finnish managers. These differences have to be identified, as it is not sufficient to know that they are different: In order to come up with explanations for the existing difficulties of Finnish companies in Russia, it is necessary to understand what exactly is different and to what extent.

The results obtained through pilot interviews with a number of employees of a case company are mixed. On one hand, the questions proved to be understandable for managers. On the other, the interview was found to be too time consuming. The interviews held so far create the impression that the level of subordinates' involvement in DM at the company is moderate. Few cases show a level of employee participation less than that recommended by normative theories. The development of employees' potential through involvement in the DM process is not regarded as a priority. But all these conclusions need to be re-tested with a wider data base. It was very disappointing to know that one company did not agree to work with quantitative tools and thus we are limited in our use of research instruments.

CUSTOMER PERSPECTIVE AND MARKETING (P5)

Building Trust in Counterweight to Risks in Inter-Organizational Relations

Marina Weck says that the acquired data allow illustrating only intermediate results. The diagrams below show the probability of identified risks involved in inter-organizational relationships and their negative effect on trust between partners as well as the conditions associated with positive changes in trust (see Diagrams 1, 2 and 3).
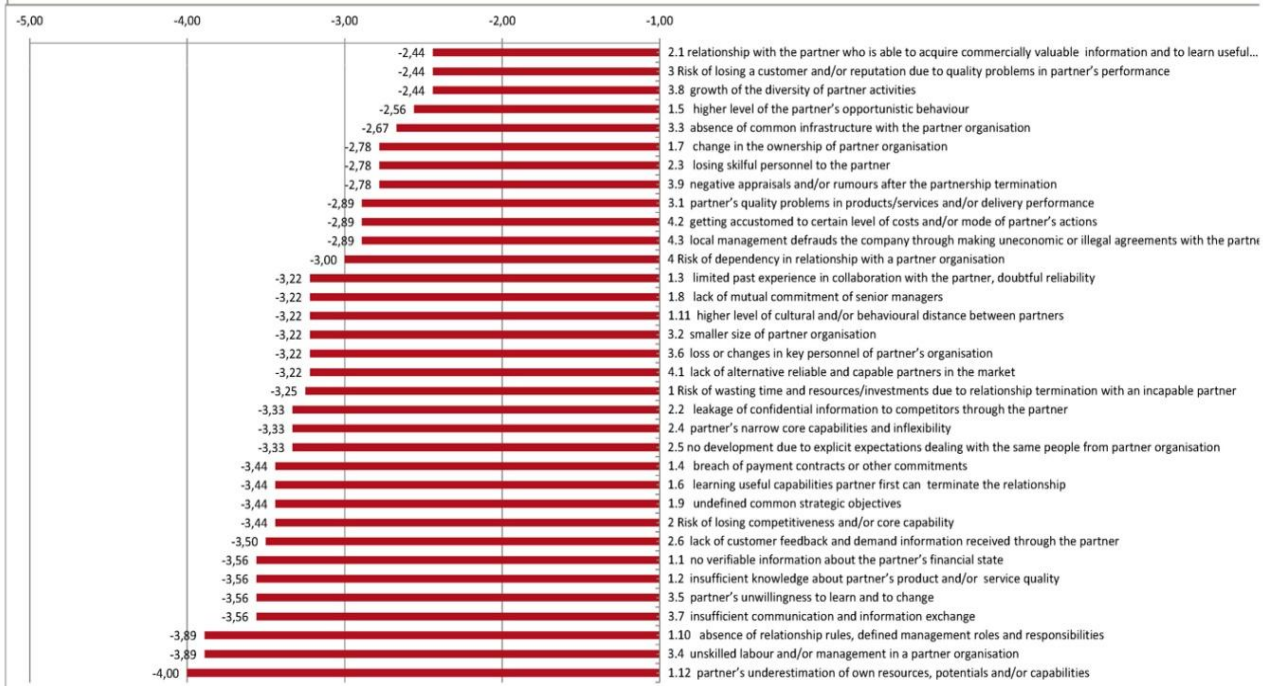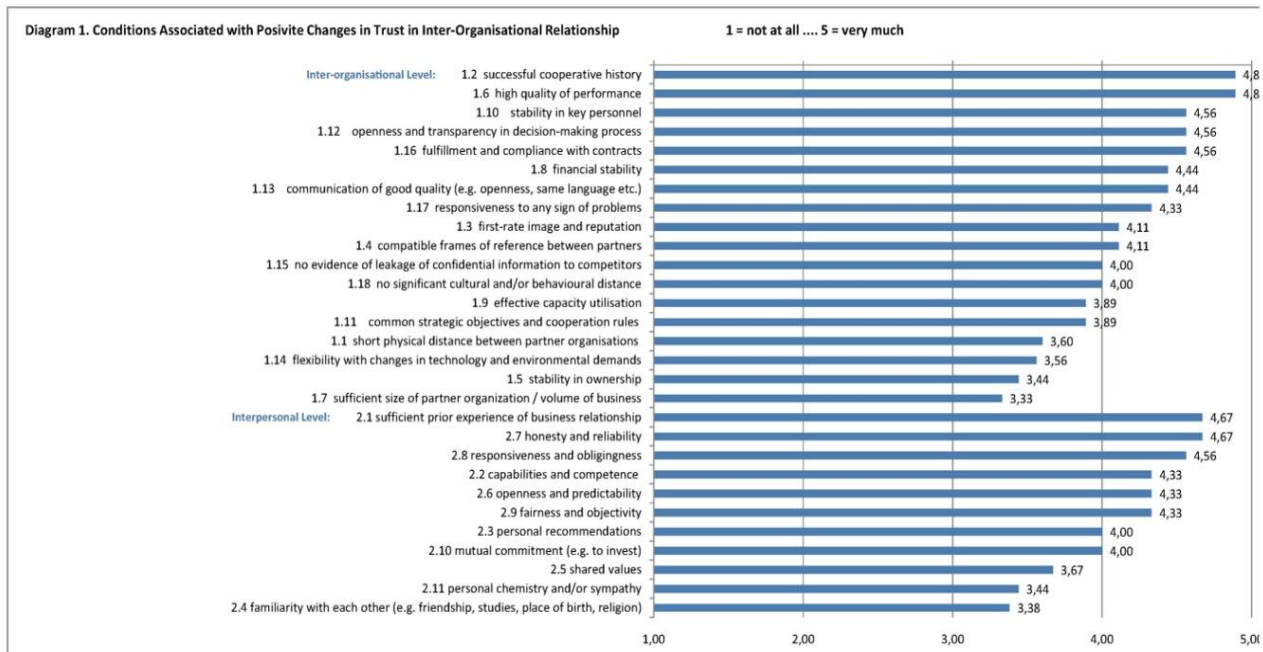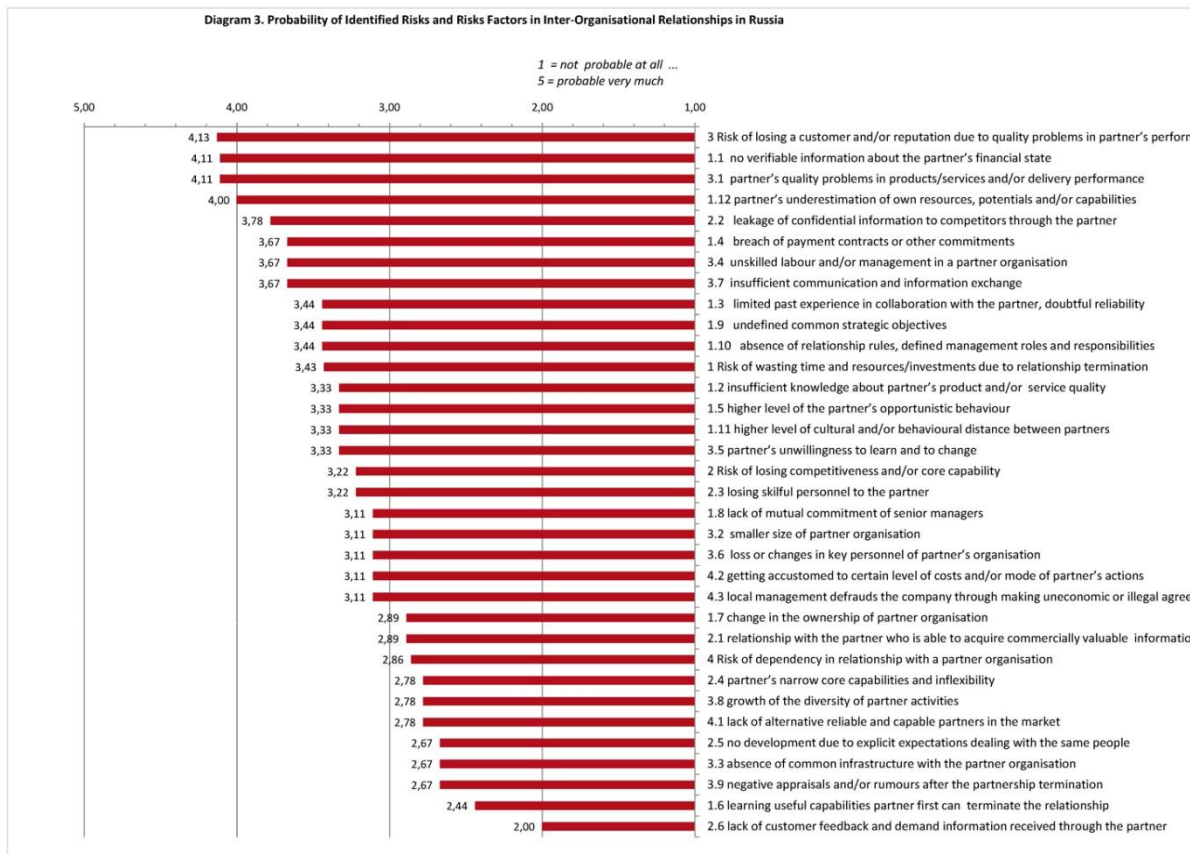
Diagram 1. Conditions Associated with Posivite Changes in Trust in Inter-Organisational Relationship 1 = not at all .... 5 = very much

Inter-organisational Level:	Value
1.2 successful cooperative history	4,8
1.6 high quality of performance	4,8
1.10 stability in key personnel	4,56
1.12 openness and transparency in decision-making process	4,56
1.16 fulfillment and compliance with contracts	4,56
1.8 financial stability	4,44
1.13 communication of good quality (e.g. openness, same language etc.)	4,44
1.17 responsiveness to any sign of problems	4,33
1.3 first-rate image and reputation	4,11
1.4 compatible frames of reference between partners	4,11
1.15 no evidence of leakage of confidential information to competitors	4,00
1.18 no significant cultural and/or behavioural distance	4,00
1.9 effective capacity utilisation	3,89
1.11 common strategic objectives and cooperation rules	3,89
1.1 short physical distance between partner organisations	3,60
1.14 flexibility with changes in technology and environmental demands	3,56
1.5 stability in ownership	3,44
1.7 sufficient size of partner organization / volume of business	3,33
Interpersonal Level: 2.1 sufficient prior experience of business relationship	4,67
2.7 honesty and reliability	4,67
2.8 responsiveness and obligingness	4,56
2.2 capabilities and competence	4,33
2.6 openness and predictability	4,33
2.9 fairness and objectivity	4,33
2.3 personal recommendations	4,00
2.10 mutual commitment (e.g. to invest)	4,00
2.5 shared values	3,67
2.11 personal chemistry and/or sympathy	3,44
2.4 familiarity with each other (e.g. friendship, studies, place of birth, religion)	3,38

Scale: 1,00 2,00 3,00 4,00 5,00

Value	Item
-2,44	2.1 relationship with the partner who is able to acquire commercially valuable information and to learn useful...
-2,44	3 Risk of losing a customer and/or reputation due to quality problems in partner's performance
-2,44	3.8 growth of the diversity of partner activities
-2,56	1.5 higher level of the partner's opportunistic behaviour
-2,67	3.3 absence of common infrastructure with the partner organisation
-2,78	1.7 change in the ownership of partner organisation
-2,78	2.3 losing skilful personnel to the partner
-2,78	3.9 negative appraisals and/or rumours after the partnership termination
-2,89	3.1 partner's quality problems in products/services and/or delivery performance
-2,89	4.2 getting accustomed to certain level of costs and/or mode of partner's actions
-2,89	4.3 local management defrauds the company through making uneconomic or illegal agreements with the partne
-3,00	4 Risk of dependency in relationship with a partner organisation
-3,22	1.3 limited past experience in collaboration with the partner, doubtful reliability
-3,22	1.8 lack of mutual commitment of senior managers
-3,22	1.11 higher level of cultural and/or behavioural distance between partners
-3,22	3.2 smaller size of partner organisation
-3,22	3.6 loss or changes in key personnel of partner's organisation
-3,22	4.1 lack of alternative reliable and capable partners in the market
-3,25	1 Risk of wasting time and resources/investments due to relationship termination with an incapable partner
-3,33	2.2 leakage of confidential information to competitors through the partner
-3,33	2.4 partner's narrow core capabilities and inflexibility
-3,33	2.5 no development due to explicit expectations dealing with the same people from partner organisation
-3,44	1.4 breach of payment contracts or other commitments
-3,44	1.6 learning useful capabilities partner first can terminate the relationship
-3,44	1.9 undefined common strategic objectives
-3,44	2 Risk of losing competitiveness and/or core capability
-3,50	2.6 lack of customer feedback and demand information received through the partner
-3,56	1.1 no verifiable information about the partner's financial state
-3,56	1.2 insufficient knowledge about partner's product and/or service quality
-3,56	3.5 partner's unwillingness to learn and to change
-3,56	3.7 insufficient communication and information exchange
-3,89	1.10 absence of relationship rules, defined management roles and responsibilities
-3,89	3.4 unskilled labour and/or management in a partner organisation
-4,00	1.12 partner's underestimation of own resources, potentials and/or capabilities

Scale: -5,00 -4,00 -3,00 -2,00 -1,00

Diagram 2. The Negative Effect of Risks and Risk Factors on Trust in Inter-organisational Relationship 1 = not at all .... 5 = very much

Diagram 3. Probability of Identified Risks and Risks Factors in Inter-Organisational Relationships in Russia

1 = not probable at all …
5 = probable very much

Value	Risk / Risk Factor
4,13	3 Risk of losing a customer and/or reputation due to quality problems in partner's perform
4,11	1.1 no verifiable information about the partner's financial state
4,11	3.1 partner's quality problems in products/services and/or delivery performance
4,00	1.12 partner's underestimation of own resources, potentials and/or capabilities
3,78	2.2 leakage of confidential information to competitors through the partner
3,67	1.4 breach of payment contracts or other commitments
3,67	3.4 unskilled labour and/or management in a partner organisation
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3,44	1.3 limited past experience in collaboration with the partner, doubtful reliability
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3,11	3.2 smaller size of partner organisation
3,11	3.6 loss or changes in key personnel of partner's organisation
3,11	4.2 getting accustomed to certain level of costs and/or mode of partner's actions
3,11	4.3 local management defrauds the company through making uneconomic or illegal agree
2,89	1.7 change in the ownership of partner organisation
2,89	2.1 relationship with the partner who is able to acquire commercially valuable informatio
2,86	4 Risk of dependency in relationship with a partner organisation
2,78	2.4 partner's narrow core capabilities and inflexibility
2,78	3.8 growth of the diversity of partner activities
2,78	4.1 lack of alternative reliable and capable partners in the market
2,67	2.5 no development due to explicit expectations dealing with the same people
2,67	3.3 absence of common infrastructure with the partner organisation
2,67	3.9 negative appraisals and/or rumours after the partnership termination
2,44	1.6 learning useful capabilities partner first can terminate the relationship
2,00	2.6 lack of customer feedback and demand information received through the partner

Dominant Firms in Business Networks and the Current Financial Crisis

Olga Tretyak states that the market situation in the Russian construction market has changed significantly. Many projects were stopped, workers fired, prices and costs went down, as customers withdrew from buying and banks from lending money.

When a crisis appears, value chains become leaner and are under threat of dissolution, if partners like suppliers or distributors get out of business. Those who survive demonstrate high levels of flexibility and coordination: e.g., in the Russia of the 1990s firms introduced barter exchange, trade platforms and mutual debt repayments so as to keep going together. What's more, they were more capable in finding new market segments and adapting to the needs of alternative customers.

Flexibility and coordination don't emerge by themselves. First, it is the value chain's dominant firm's responsibility to lead in introducing coordination between the channel members and with suppliers, and to support them, if necessary. Second, dominant firms should revise their vision of final customers and get ready to the shrinking of their existing end customer portfolios. Our final recommendation is to learn how to serve business customers (e.g., large industrial companies) with incomplete construction projects under way and government organizations, which may be willing to stimulate construction by financing projects of new public facilities.

Customer Orientation from the Network Perspective

Alexander Rozkov writes about marketing and the customer perspective in the integral management and leadership model for Finnish – Russian business networks operating in Russia. He states that the intensity of communication with the final consumer may be different depending on the structure of the network, for example the demand/supply chain and "hub and spoke" network types.

It is important to define the stages of building relations with a customer at the network level and the instruments used for coordination within the network, and then to identify the list of factors that influence this relationship. Considering long-term relations with a customer from a B2B network perspective it is also essential to define whether it is possible to regard this particular customer as a network member. It is also important to adapt existing customer orientation scales to the network context (*Figure 13*)

Customer orientation within the network
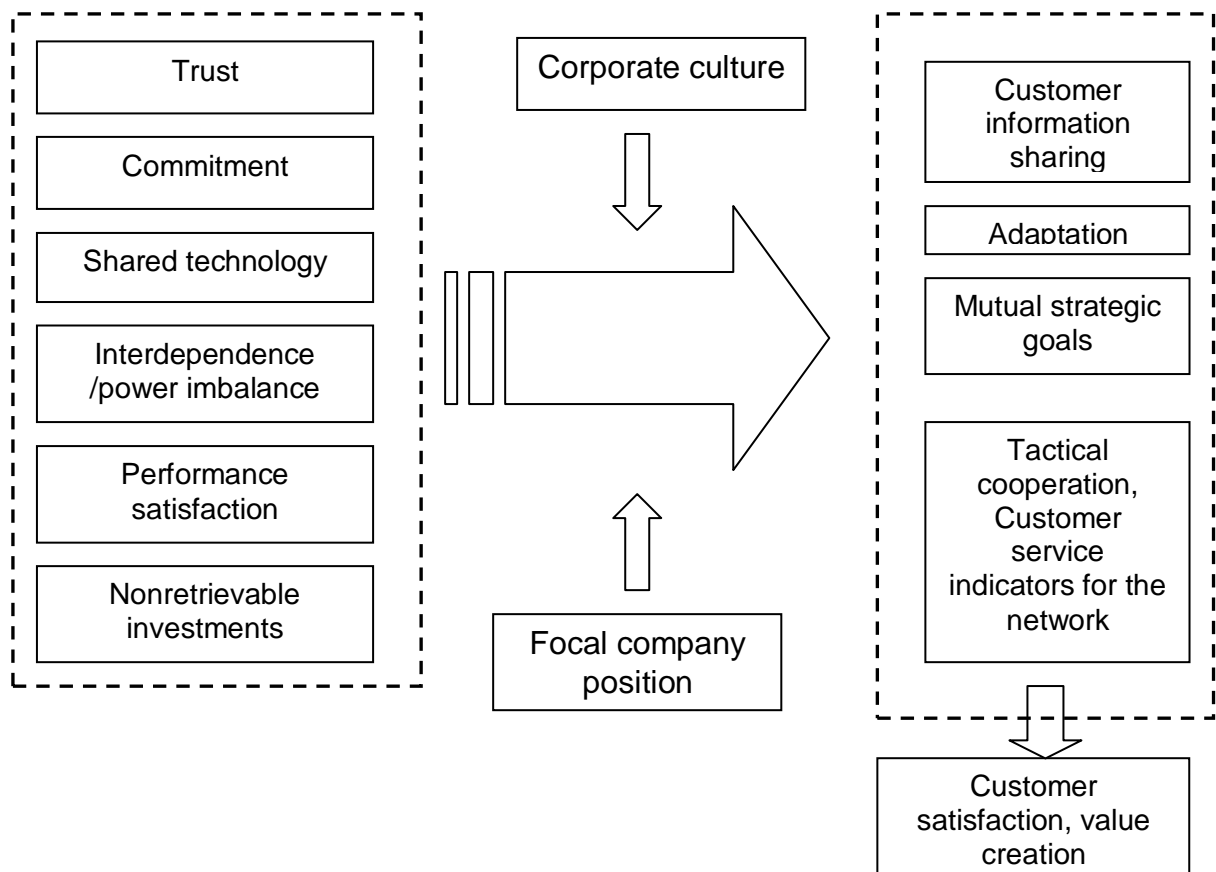
Figure 13. Network customer relationship model (CRM).

Creation of Relationship Networks in the New Market

Ekaterina Buzulukova says that the Russian market differs from stable European markets. The main differences are concerned with the institutional environment, business relationships, peculiarities in human resource management and customer specificity. Every foreign company faces very specific relationships while operating in Russia, such as the key role of the managing director, specific personnel relationships, the necessity of building relationships with the municipality, imperfect laws, frequent breaches of the law etc.

Research has revealed two significant issues. First, the main success factors concern building reliable and long term relationships with customers, where mutual trust, honesty, responsibility, good recommendations, the readiness to solve complex problems and personnel development are prevailing. Second, the main problem of a company entering a new market is to find a reliable partner and build mutually beneficial relationships with it. This is the key factor of success in market penetration. The main findings of the research are concerned with the importance of developing reliable, trusting and honest relationships with customers and the necessity of finding a reliable local partner in the new market in order to succeed. The further analysis of other companies' market entrance strategies and key success factors will allow summarizing the findings and making practical verification.

PERFORMANCE MEASUREMENT & STRATEGY IMPLEMENTATION (P6)

Evaluating Performance of Formal Business Networks

Nikita Popov provides a literature review and some preliminary conclusions:
From the point of view of individual network members, the benefits and costs of their participation in the network can be measured. But in networks the efforts to increase individual performance can be constrained by the need to support collaboration within the network (considerations like trust and fairness). Thus, there should be a balance between relationship quality and individual performance. Performance can be measured at the level of the business network as a whole. The literature review provides several frameworks for various types of networks (Supply chains, Distribution networks, Virtual nets, Strategic nets). Various indicators were proposed, such as the degree of real time problem solving and the amount of innovative problem solving and collaborative problem solving; total cost and total delivery time; the loyal and expanding customer base of the network members. It will be further tested which indicators really suit the realities of the construction sector in Finland and Russia.

Cultural differences can drive Russian managers out of the method that would be more suitable to their Finnish partners, due to differences in tradition between the countries. There is evidence that tradition influences the perceived causality between different indicators, and thus, the way performance measures are chosen, interpreted and synthesized into a measurement system. In Russia there may be a trend among

managers of being stuck on using ready-made fashionable tools. The consequences may include the balance between processes and financial indicators, as well as between relationship quality and individual performance.

Performance Measurement Practices: a Preliminary Analysis

Nadezha Gotheva, Antti Lönnqvist and Teuvo Tolonen are presenting that in the following stages of the STROI project different paths of moving from the current status area (bottom left-hand corner in *Figure 14*) towards more advanced network measurement and management approaches are developed. For example, the following issues will be studied in the next phases of the project:
- Which are the important (network-level) success factors of a construction industry network operating in Russia?
- How can these be measured?
- How can a network-level measurement system be implemented in practice (what are the barriers)?
- What are the actual benefits of a network measurement system?
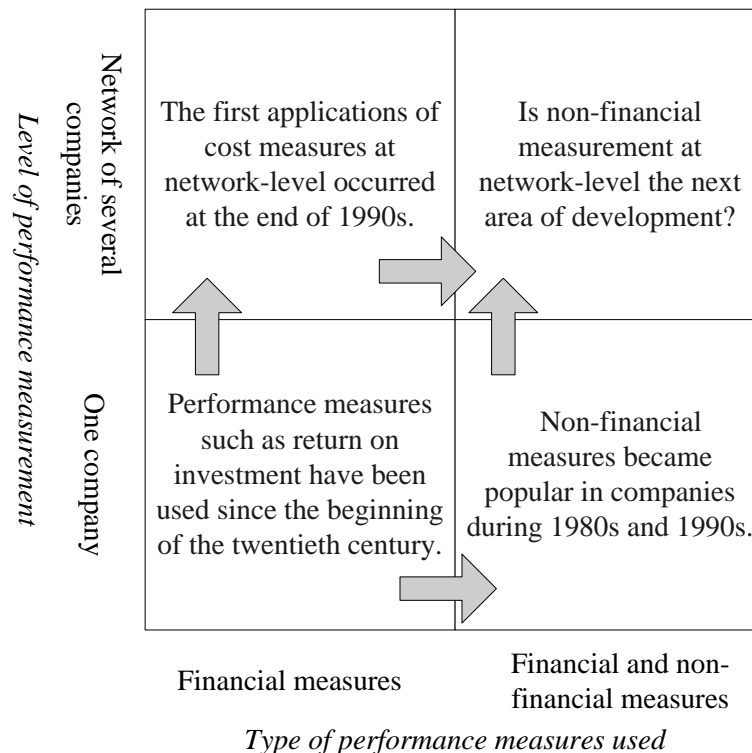
Figure 14. The development trends in performance measurement (Kulmala and Lönnqvist, 2006).

The present paper lays the foundation for further discussion on how to measure the performance of construction sector companies at the network level. This paper is intended as a conceptual basis for developing more pragmatic measurement tools in the following parts of the research project. We acknowledge that in the practical managerial environment – especially in Russian markets – there are many limitations

which should be taken into account. Thus, the practical measurement tools are likely to be much more simplistic than what the theoretical models suggest. The following Chapter will present one possible pragmatic approach for applying network measurement thinking into practice.

Strategy and Performance Measurement in Business Networked Companies

Seppo Niittymaki states that Performance Measurement Indicators (PMI) have been divided into 6 categories according to the original perspectives (P1-P6) of this research work (*Figure 15*).
P1: Selection of Business Sector
P2: Building Vision for a Business Network
P3: Competence of Human Resources
P4: Internal Development of Business Network or Networked Company
P5: Customer Orientation and Marketing
P6: Measuring Performance in the Sense of Planning and Implementing Strategy.

These perspectives and variables described below were identified in Finnish companies representing actual multinational hub-spoke type business networks (*Figure 10. Topologies of Business Networks (VTT).*) or in other words MNCs (Multinational Companies).

In Finland strategic planning and strategy implementation may be carried out with this type of model by setting targets for each dimension. This model has 24 different variables. Many issues will affect target setting: results from the previous year, the country in question, the political, economic, sociological, technological and environmental situation and their expected development in future etc. Variables to be monitored are selected in such a way that these are the key success factors.

A model for Strategic Planning and Strategy Implementation in Business Networks.
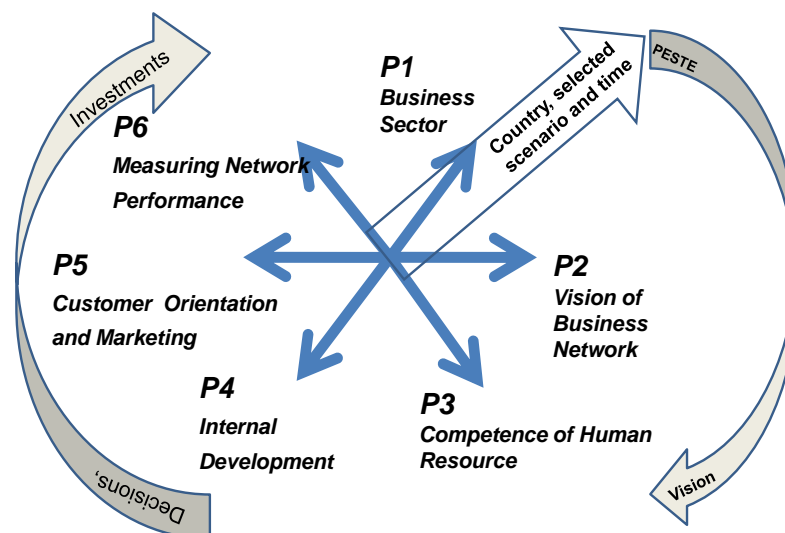
Figure 15. A model for Strategic Planning and Strategy Implementation in Business Networked Companies and SBUs (Strategic Business Units).

One selection of the most common variables observed to be planned and measured in Finland is presented in *Table 1*. E.g., the target amount of production, market share, average price/margin cost are related to the selection of business sector (Perspective 1, P1). All perspectives (P1–P6) should have some indicators which are key factors for company and network success.

Table 1. Performance Measurement Indicators (PMI) Divided According to Perspectives P1–P6.

P1: Business Sector	**1. Target amount of production**
	2. Market share target, achieved in %
	3. Average price/margin cost
P2 :Vision of Business Network	**4. Development of sales prices/unit**
	5. Number of new customers
	6. Share of deliveries on time
	7. Successful deliveries and certified production process (%)
	8. Average time of delivery
	9. Network meetings (implemented/target, %)
P3: Competence of Human Resources	**10. Kept staff 95% (Staff turnover < 5%)**
	11. Skill profiles and training (5% of time on average) agreed in appraisals
	12. Personal targets and bonus criteria agreed in appraisals
	13. Successor plan for key persons
P4: Internal Functions / Processes	**14. Integrated purchases/all purchases- (%)**
	15. Accident trend (actual/target, %)
	16. Productivity trend e.g. EBIT/employee/year, target 20 000 €
P5: Customer Orientation and Marketing	**17. Customer satisfaction B2B (actual/target index)**
	18. Recognition among B2B potential clients in area
	19. Share of key customers in turnover, ideal 80%
	20. Percentage of CRM use in all projects
P6: Measuring Performance	**21. EBIT-achievement-%, target e.g. 6% (EBIT=profit/turnover x 100%)**
	22. ROCE-achievement, target 35% ROCE= (EBIT+interest paid) /(Total assets - non-interest bearing depts) x 100%.
	23. Performance/capacity of network
	24. Annual growth of turnover

Setting targets will depend on the factors mentioned above. However, after these factors and conditions of decisions have been defined, it will be much easier to follow up on the progress of a company or SBU, if unpredicted events occur (*Figure 16*).
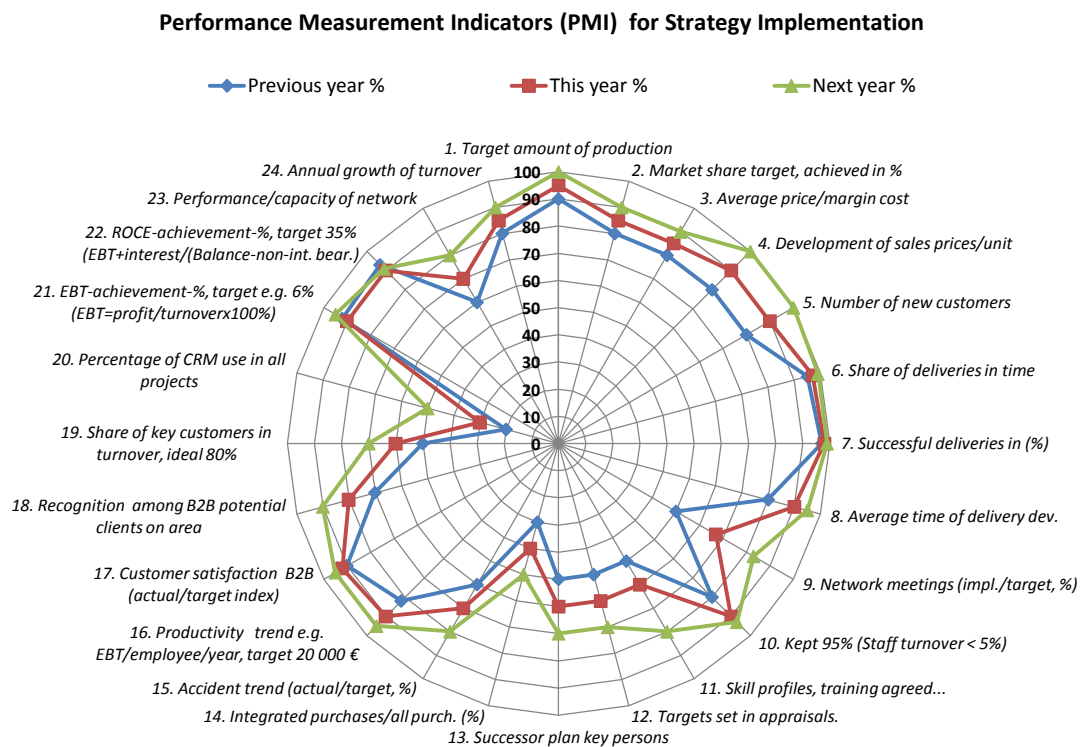
Figure 16. Performance Measurement Indicators (PMI) of a Business Networked Company or Strategic Business Unit (SBU) for Strategy Implementation.

Comparison of different business units can be done by comparing the units with the average value of different business units
Figure 17).
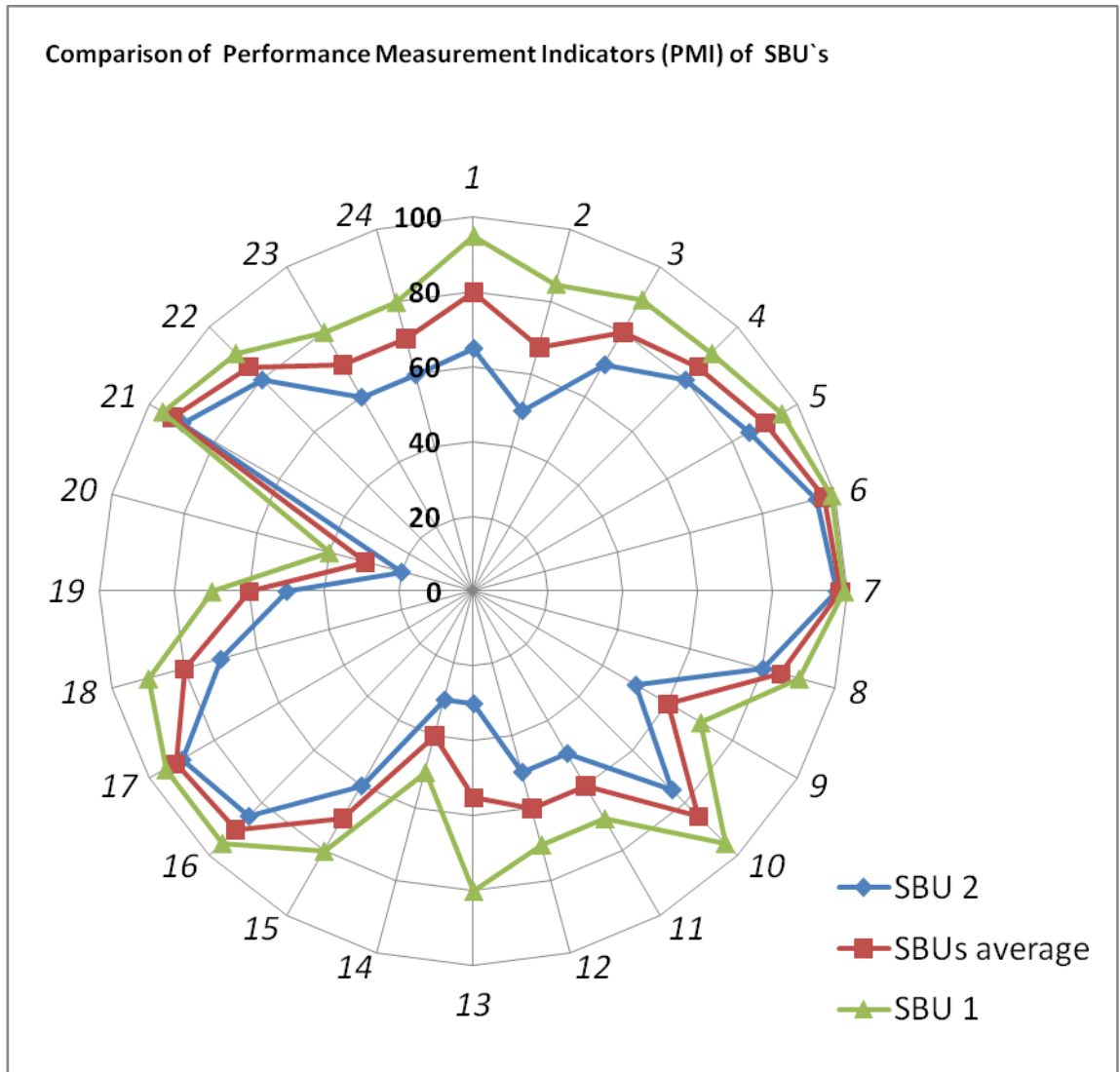
Figure 17. Comparison of Performance Measurement Indicators (PMI) within a Business Networked Company`s Strategic Business Units (SBU).

5. Conclusions and future objectives

During research activities it became obvious that Finnish companies and business networks have some difficulties in planning and implementing their strategies in Russia, not only due to the present financial crisis. Finnish companies and business networks seem to rely on matrix type organizations. The learning organization is quite well-known in Finnish organizations at the management level. In Russia management traditions and practices are different compared to Finland: the authoritarian management and leadership style is prevailing, staff development discussions (appraisals) are not well understood and applied etc. Therefore common research and both qualitative and quantitative approaches will be needed in order to find ideal practical management solutions and leadership styles for Finnish - Russian business networked companies.

Table of Figures

Tables

STROI-NETWORK

- BUSINESS NETWORKS IN RUSSIA

INTERMEDIATE REPORT 2008

PART 2: ACADEMIC ARTICLES

Finland   *HAMK:* *Niittymäki Seppo, Tenhunen Lauri and Weck Marina*
                TUT: *Lönnqvist Antti, Tolonen Teuvo and Gotcheva Nadezhda*
                VTT: *Kähkönen Kalle, Nippala Eero, Perälä Anna-Leena and Riihimäki Markku*
                JoY: *Nysten-Haarala Soili*

Russia   *GSOM:* *Minina Vera, Dmitrienko Elena and Krupskaja Anastasia*
                HSE: *Filinov Nikolay, Tretyak Olga, Settles Alex, Buzulukova Ekaterina, Popov Nikita, Rozhkov Alexander and Vladimirova Nina*

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МЕНЕДЖМЕНТ

Contents

1. Selection of network business sector (P1)

1.1 Selection of network business sector (Nippala, Perälä, Riihimäki)

Introduction

VTT Technical Research Centre of Finland (VTT) has developed a forecast model in order to forecast demand for different building materials and components for about 30 years for the Finnish market. This has been quite successful activity and is working well in Finland. In Russia the situation is different. There are no similar statistics available in Russia as in Finland and therefore a new approach is needed in order to predict demand in the building sector with a reasonable level of accuracy.

Methods

VTT has developed the VERA model within the STROI Network project with a constructive approach by utilizing the model developed for the Finnish market. New information items and sources have been found in order to forecast demand in the Moscow and St. Petersburg areas.

Forecasting model for new building construction in Russia – VERA

The structure of the model is described below (**Virhe. Viitteen lähdettä ei löytynyt.**). All building types have a certain amount (m^2) of facades, upper floors (m^2) etc. per building square meter. (See **Virhe. Viitteen lähdettä ei löytynyt.** below). If we multiply the amount of completed construction (1000 m^2) by the amount of facades (m^2 / 1000 m^2) (See **Virhe. Viitteen lähdettä ei löytynyt.**) we get as the result the area of new facades (m^2) to be completed.

This figure (see *Virhe. Viitteen lähdettä ei löytynyt.*) is the amount of new production in one year in all the facades in a certain area (Moscow region). The size of the facade market can be calculated in all interesting areas in Russia using the same method.

This method can be used for different kinds of building parts, e.g. intermediate floors, windows, base floors, etc.

The calculation method is based on a new building construction forecast. VTT has forecasted Russian new building construction since 1995. The input data for this forecast are poor and there are many difficulties in making a forecast. In Finland VTT provides a forecast based on building commencement and permissions. In Russia building commencement and permission information is not available. The forecast must be done with information about completed construction only. This means that the accuracy of the forecast is also quite poor.
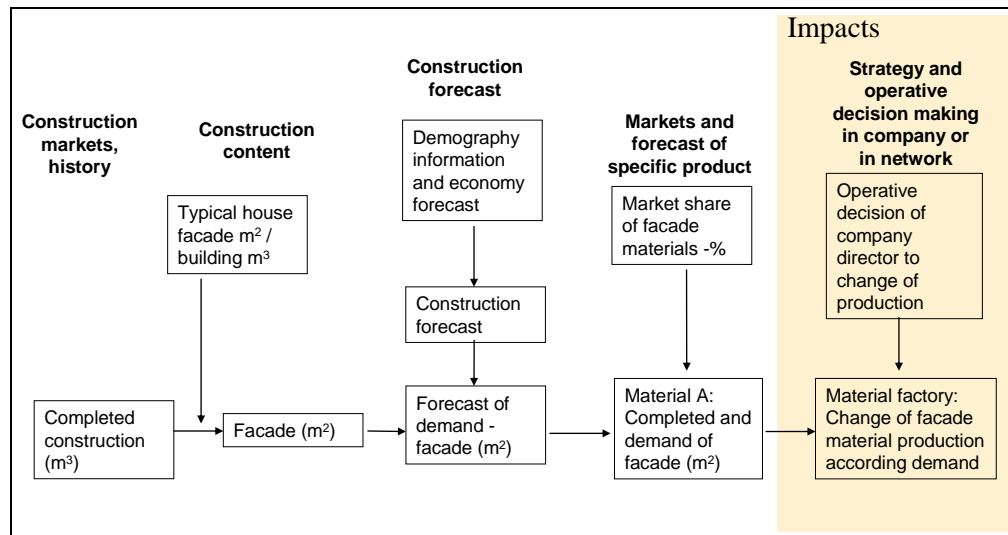
Figure 1. VERA Forecasting model for Russian new building construction – general principle. (Nippala and Ala-Kotila, 2008)
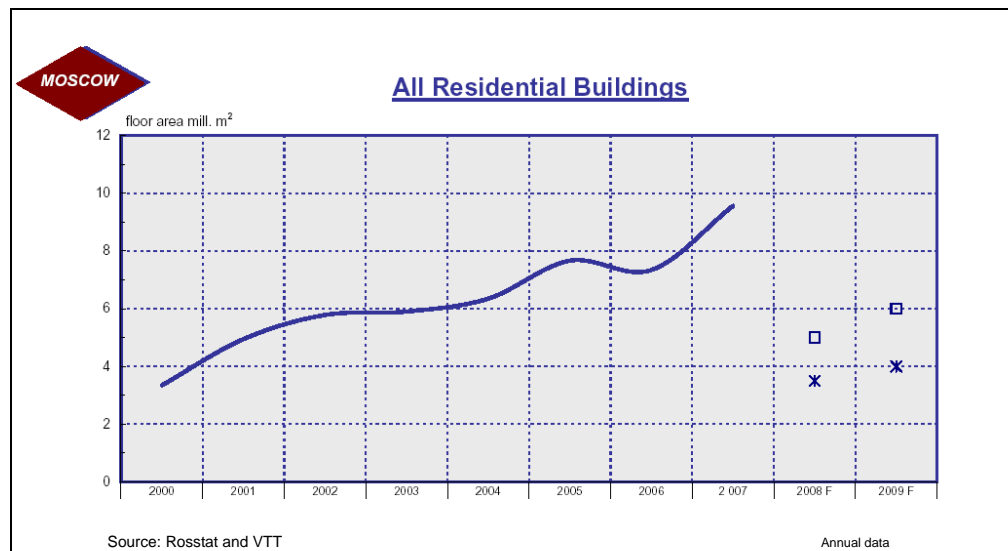

Figure 2. Example of completed construction and forecast for next 2 years. (VTT, 2008)

Table 1. Volume of structures and square meters in typical new buildings in St. Petersburg at 2008.

	1-family houses	Office building	Industrial building	Block of flats
Total Volume of the building m³				
Area of the base floor m²				
Total area of all floors, m²				
Total area of all facades m²				
Total area of all intermediate walls m²				
Total area of windows m²				
Total area of upper floor m²				

If we calculate all types of buildings the same way we can get e.g. the total amount of facades in new building construction (**Virhe. Viitteen lähdettä ei löytynyt.**).

The results so far, dimensions to be observed in Finland and Russia

A forecast for a certain material in a certain region of Russia can be calculated using the VERA model. In **Virhe. Viitteen lähdettä ei löytynyt.** we can see an example calculated by the model. Here we have the Moscow volume of facades (all types of upper floors) in all building types in total.
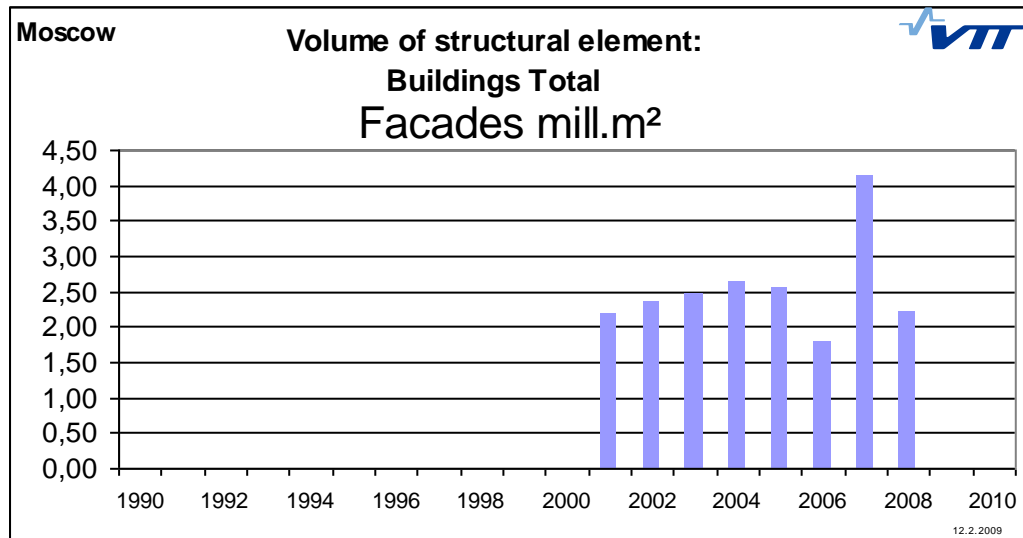
Figure 3. Example of the result presented as a graph. New building construction of all types of buildings in total. Facades square meters as time series in the Moscow.

Discussion and research plan

A construction and property market forecasting model will be developed concerning the cities of Moscow and St. Petersburg, based on regional GDP development, salary changes, building construction changes and changes in inhabitants in those regions. In Finland the construction forecast model is being used by VTT. Companies in Finland apply this model widely for different materials and services in the construction sector: The Finnish model will be further modified to fit Russian circumstances. Within the model the same technology VTT has developed earlier in Finland will be applied.

The model will produce demand forecasts for construction sector material use in new buildings. The model also produces basic information on the construction and property market sector's future service demand. This information will be needed in companies' strategies and business plans. The numeric model needs information also about the following aspects:

– Political atmosphere
– Economic situation
– Demand and competition of different products
– Decision-making and clients

- Technology development
- Environmental atmosphere
- Social atmosphere.

By combining numeric data and socioeconomic information about the region, companies and business networks will have basic information about total demand for building products in order to create company strategy.

Sources

Nippala, E. & Ala-Kotila, P. (2008) Rakennusalan liiketoimintatiedon hankinta Venäjältä. 14 pages. Unpublished.

VTT. (2008) VALUE, Forecasting Russian region new construction market. 14 pages. Unpublished.

2. Vision of Business Network (P2)

2.1 Vision of Network (Riihimäki)

Introduction

Many companies and organizations are able to thrive with an exact division of duties, detailed work instructions and clear responsibilities. Such way of action produces good results in industrial enterprises and service organizations for standard products where the outcome is "exactly" definable.

Operating in a network and network management are different. A modern network goes from authoritarian management towards collaborative management. Collaborative management works best in quite democratic networks. This fact is emphasized in international markets, when companies try to get additional market penetration.

The construction processes (urban development, construction and services) involves several actors. Vision is one effective network management tool. A network's co-operative development and implementation is a multi-level and long-time process. A strong vision provides a direction the network's enterprises can rely on. The vision will be a clear will for the network's future status.

A democratic vision-building process is a recommended alternative for a vision being drafted. The method involves the stakeholders very well. The open vision process will be a diversifying debate.

Network operation and development should be connected to a common vision. Vision criteria and its implementation should also be measured.

Methods

Vision concept

A vision is the future status of the will. A vision is an outlook about the future, which could be realized in the long term (a given time in the future). The vision is a value-based future status of the will. The vision will be such that the chances of achieving it are there, and the decision and execution of key people believe in its objectives. Many highly successful companies have a clear and powerful vision.

The task of the vision is to steer the development of the network and operational practices. The vision must be realistic, understandable, and measured action of guiding and challenging. The vision will stick to just a few main thoughts, which cannot remain status quo strengths. The vision will tell the choices which have to be made. The reasons for the vision should be recorded.

6

The strategic goals open the vision. They will tell what the vision means, what is to be changed, and into what direction the development and implementation are to be directed. The vision can be used to steer the desired kind of image and brand. (Riihimäki et al. 2001).

Vision has power. The vision binds and governs the operation, so it must be thought out. The vision is the final product of the design, and therefore the vision requires a lot of work.

Collaborative Management

Collaborative management has potential for new competitiveness. Its aim is network operation and performance improvement. Collaborative management ensures involvement in and commitment to the jointly set goals of the network.

Collaborative management supports the open flow of information and participation. A network of common purpose fleshes out the common objectives. Aims should be expressed with clarity and simply in an easily communicable format so that they can reach the whole network. (Anon. 2004)

Collaborative management improves the transparency of goals and and the network's ability to perform rapid steering movements. At the same time, the various parties are involved in constant dialogue about the objectives and their commitment to them. (Anon. 2004)

It is essential that the objectives of the vision are also key operational indicators.

Research method

The vision planning process is a natural part of business co-operation. The management's role is crucial. The companies will create guidelines and the spirit of the vision work. It is a kind of collective vision search process.

In the vision process commitment is important. A long-term vision process requires from participants and organizations a genuine commitment to co-operation, although the results can maybe be seen in the years to come. Organizations and companies have consistently committed to a long-term vision for implementation. The vision will be incorporated into all development. The vision must correspond to reality, and it has to be told honestly. The vision must have a sight of network.

The hearing of all parties is important during the vision process. This will ensure the companies' commitment to enhance the partnership and networking.

The leadership is also important in a vision process. Although the network develops the vision in broad co-operation, one of the parties should have a strong driving role. A vision therefore also fits hub company networks.

In this study the vision will be built through a democratic and participatory process. A network of interested parties will be assembled for the vision work. The basic aim is to form a group that is building a network in time for a sustainable and steering vision. Based on this research we will create a model of the vision process.

Results so far, dimensions to be observed in Finland and Russia

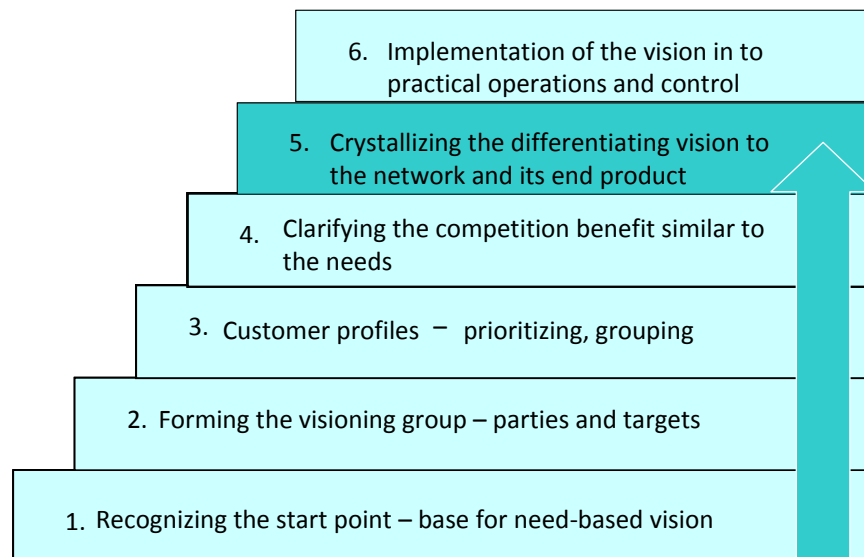The vision process is shown in Figure 4.

Figure 4. Vision process (Riihimäki & Vanhatalo 2006).

The vision process should take into account the companies' visions and strategies, as well as other objectives, in a single starting point. The starting point is also the network's strengths as well as the various parties' views of common objectives.

The vision process should start early enough. Ideas have to mature for a sufficiently long time. The views of the parties, development ideas and expectations should be collected in advance. Vision process success factors include the early-block, leadership, scheduling and sharing information. These are the key factors.

Vision building is also about making choices. That is why customers` profiles should be defined during the vision process. In collaborative management the design of vision contributes significantly more people than traditional operation. The vision process in this concept needs one company to have a so called supervisor role. The process owner or director wonders how the vision design is implemented.

One difficult problem for the strategic objectives is to set the goals which should be expressed as "We want to…". There we have the question: who are we? Even a company consists of several teams (stakeholders, owners, customers and staff). The same basic problems exist for network development.

The work of a network is characterized by the fact that everyone associated with the network's co-operation is located at their own premises. An effective network is needed, as well as networking meetings and open, transparent and efficient organization of information.

The realization of the vision of the network should be monitored by a joint management team or management forum. The goals should be monitored and reviewed regularly. The network management team or forum does not make actual decisions, but informs the parties on the differences in goals and reports the results discussions to the official decision-making persons.

Meters and their weights can vary at different stages of the network's development.

Discussion and research plan

The network needs a strong flag-bearing vision, which the network can rely on for the entire life cycle of network. The vision may not be the current state, but the future status of the will. The vision creates a strong foundation for the network.

A democratic vision-building process is recommended instead of a drafted vision. This process is suitable for the networks, which consist of several companies. The vision is a guiding factor for the network's long-term development. It is easy to commit to the common vision. The network functions can be switched on the strong vision.

Leadership is key in the network. The vision process and its implementation require a strong driver for the organization's existence. The companies undertake the implementation of the vision by joint actions. The network configuration may change over time.

A vision framework can be used when new networks are planned. By the framework a vision process can follow through as planned, and the network will get a relevant vision.

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2.2 Vision of Business Networks (Kähkönen, Tretyak)

The general importance of the concept "network" has continuously increased during the last decades for portraying the characteristics of busi-

ness arrangements and their actors. It is used not only to explain the existence of networks of companies or organizations but also to depict far more abstract connections that can have a crucial importance for the success of business operations. We may well use various types of networks for understanding the complexity of modern business environments better. The following list provides examples of the variety of approaches where "networks" are used as techniques for modeling and communicating business conditions:

Organizational networks
1. Network of actors, partners or alliance
2. Organizational network of the company
3. Network of the resource pool
4. *Product or activity oriented networks*
5. Product and product data as network
6. Network of production activities and actions (emails, transactions etc.)
7. *State of affairs networks*
8. Social networks (informal relations)
9. Demand Chain/Network Management (customer orientation, Tretyak 2008)
10. Network of commitments
11. Networks of requests and promises

.

It is of importance to understand that different networks play different roles in different situations. Business networks, their topological modeling and related visual representations have a long history already as a modeling and communication vehicle (Figure 5).

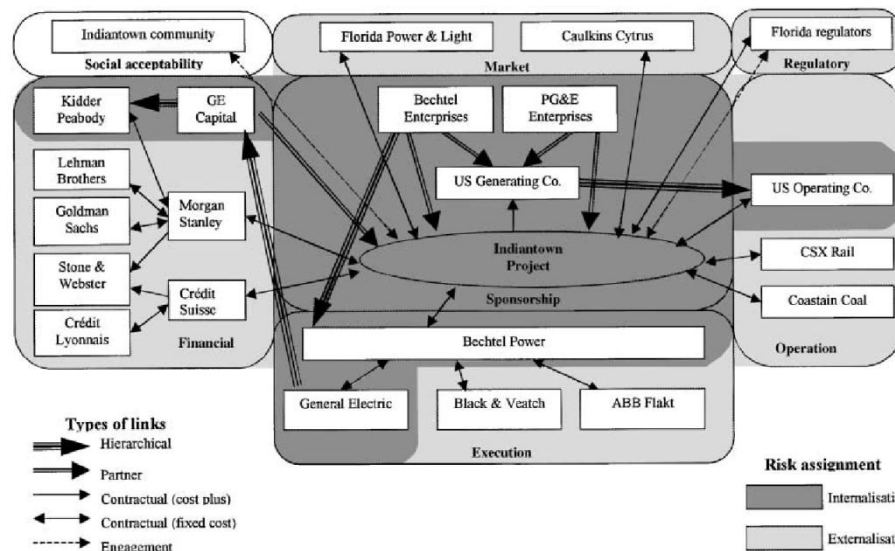
Figure 5. Example of organizational network. Large scale energy sector investment project.

It is our vision that the concept "network" and the variety of applications originating from it shall play a significant role as tools for a wide variety of managerial decisions. There will be a growing number of technological solutions to represent the results of data analysis in the form of networks

(look at the examples in the following figures, Figure 6 and Figure 7). These can be proven to be very valuable tools for managing complex product and activity break downs, emails and documents. Moreover, analysis of the relations of the data in focus can result in useful insights.

Interestingly, the network concept as an approach has resulted in the previously listed formulations *Network of commitments* and *Networks of requests and promises,* which characterize the current business conditions and expectations. The assessment and control of the commitments, requests and promises of partners is considered to be one of the most important tools in some recent management paradigms (commitments management, promise-based-management).

In Russia, as well as in other rapidly developing economies, the business conditions are very dynamic. Basically, the dynamic nature of the business conditions can be explained as the cause for numerous moving parts and relating actors such as regulators, competitors, customers, authorities, suppliers and financing organizations, just to describe shortly but not extensively some of the stakeholders involved. In such a dynamic situation, the business is highly driven by the creation and realization of requests, promises and commitments. Thus it seems appropriate that the *network of requests, promises and commitments* can meet the needs of companies operating in Russia well.
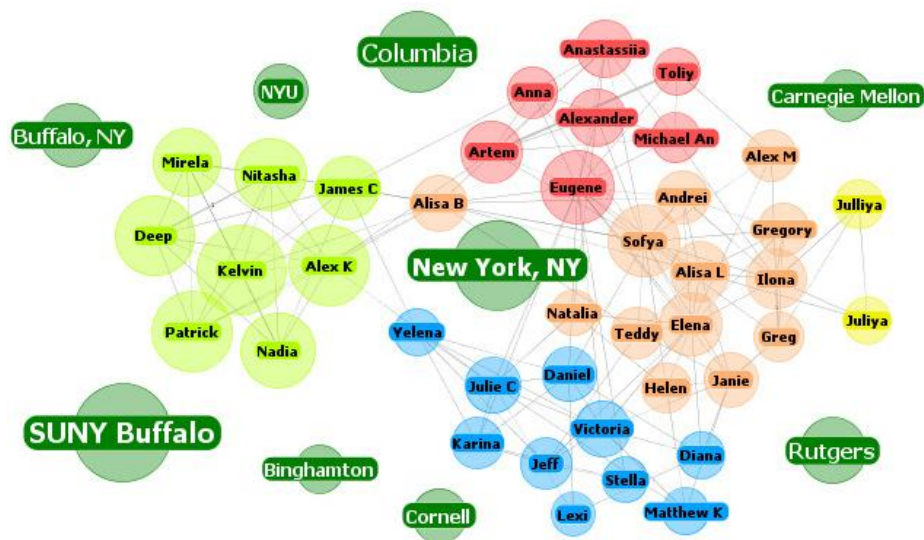

Figure 6. Example of social network created based on FaceBook data. Source www.touchgraph.com.

Figure 7. Example of the use of networks to visualize the relations of the data that arose from Google search "Russian construction". Source www.touchgraph.com

2.3 Contracts as a base for co-operation in networks (Nystén-Haarala)

In today's world, where companies outsource and network more and more, also contracts become increasingly important as tools of networking. However, contracting is still quite often seen only as "a necessary evil" and contracts as legal documents, which simply have to be signed to be able to do business. The opinions of businessmen, which Stewart Macauley presented in his famous article already in 1963, are still typical, e.g. "Contracts are a waste of time? We never had any trouble, with a man, we wouldn´t deal with him." Topical is also the attitude of Macauley's businessmen on lawyers: "Lawyers are overproductive and just get in the way of buying and selling. If business had to be done by lawyers as buyers and sellers, the economy would stop. No one would buy or sell anything; they´d just negotiate forever."

In the Contracting Capabilities Project (1.1.2006–30.4.2008) funded by the Tekes Liito Programme we still met with the same attitudes of contracts as legal documents that hinder business and lawyers as a nuisance for business. On the other hand, many companies have realized the problem and have done a lot to make contracting and cooperation between different professional groups work. However, a lot still has to be done to make the approach of the research team on contracting as a tool in enabling business understood.

Lawyers, or actually the old-fashioned education of lawyers, can be at least partly blamed for the negative attitudes on contracting and lawyers. Old attitudes are incorporated into legal studies of contract law, which view contracts through court cases. Good successful contracting has not

been understood as meaningful to study. The interest of contract law is in what has gone wrong and who is liable for the loss (Nysten-Haarala 1998). The CCC project represents a new multidisciplinary proactive approach in contracting. Proactive contracting is interested in planning, building and maintaining cooperation as well as preventing problems from arising with well governed contracts (e.g. Pohjonen (ed.) 2002; Wahlgren (ed.) 2005 and Haapio 2007).

The new proactive approach on contracting is expressed in the figure below. Contracting is the process and management of the information and materials involved in it. The process starts from the seller's side from the planning of products or the defining and productizing of services and continues through negotiations, the designing and signing of documents to managing and controlling the implementation of the contracting up to the end of the project. The vertical dashed line in the middle of the figure depicts the moment of signing the contract, which is still quite often in business - too narrowly - seen as contracting and the starting point of legal liability.

The other important message of the figure is that contracting should be managed as a process intertwined with business, not as a separate "legal process". Contracting should be adjusted in the equivalent business model. For instance contracting which is designed for the sale of goods does not work in the lifecycle and service business.

Contracting and Business Processes
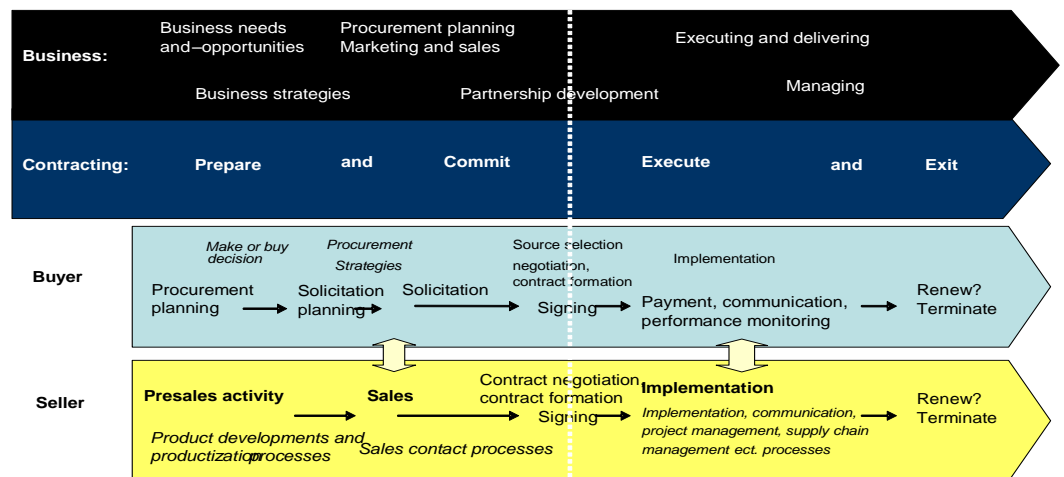
Figure 8. Description of Contracting and Business Processes. Source: The CCC Project Final Report 2008 (Nystén-Haarala et al).

The approach to contracting is the starting point for a change in attitudes. Well managed contracting which has been adjusted to the business model can be developed as a competitive advantage in today's world of networks and cooperation in business. The core of this thinking and the need for a change in attitudes was already presented in Macauley's famous article in

which one interviewed businessman said: "If you get the intent spelled out, you won´t have any trouble. People perform commitments they understand: It is worth a little extra time to make sure everyone is talking about the same thing." The quoted opinion also explains that relational capabilities in building and maintaining trust as well as communication skills are the core of contracting. Relational capabilities have to be coordinated with the capabilities connected with the contract content and process. Contracting is thus a demanding multidisciplinary process connecting professionals of different educational backgrounds and tasks in companies.

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3. Competence of human resource (P3)

3.1 Typical Finnish mistakes in the Russian Business (Luoma-Keturi)

Introduction

In this article I will present the most typical mistakes that Finnish companies tend to make in Russian trade from the Russian actors' point of view. The study was conducted in 2007–2008 and it consisted of nine theme interviews of Russian business partners or employees of Finnish companies.

There are many indicators showing the rise of the volume and significance of trade between Finland and Russia during recent years. However, there is a serious lack of qualitative information, analysis and support on the ongoing enterprise level redevelopment of trade between Finland and Russia after the collapse of the Soviet Union. I will identify some crucial aspects that should be taken into consideration when studying and developing the Finnish business sector operating in Russia in the 21st century.

The theme interviews were analyzed based loosely on the grounded theory tradition and content analysis. The main dimensions of the Russian interviewees' opinions were explored in detail and some concluding remarks and preliminary discussion were made. This research project as a whole aims to aid both Russian oriented enterprises and educational and political decision making. It also offers many paths for the further investigation of business relations between Finland and Russia.

It should be noticed that the critical views described in this article do not represent the whole thinking of the informants. Indeed, cooperation with Finns was for the main part considered fruitful by the Russian actors and the mistake perspective was predominant due to research interest.

Data

The interviews (n=9) were carried out in the St. Petersburg region. The interviewees represented the local management of Finnish affiliates, white collar employees, associates and customers. All interviewees were Russian and they had been working with or for Finnish companies of different sizes for at least one year recently in Russia, others for several years. Some of the informants had been working for other international companies as well and some had perspective to several Finnish enterprises. The sector with which most of their experiences of Finnish operations were related was construction, which is one of the most vivid domains in which Finnish companies are operating in Russia.

The main question for the interviewees was. "What are the typical mistakes made by Finns in Russian business?" There were approximately 80 separate descriptions of Finns' mistakes in the data, while each informant

brought up between 6 and 12 mistakes. The observations were categorized into four basic themes and seven combinations of these. However, the four basic themes were the most dominant and illustrative of Russians' perceptions of Finnish business mistakes. (Figure 9)

Results

As a result of the analysis, the typical mistakes of Finns were divided into the following four main categories:
1) Preparation for Russian business
2) Organization of Russian trade
3) Partnership
4) Cultural sensitivity.

It also appeared that a significant part of the mistakes mentioned were combinations of these four dimensions as illustrated in figure 1. For example a mistake made in the company's preparation stage for Russian business may relate to Russian language, culture or organization legislation. I will return to the dimensions in the discussion.
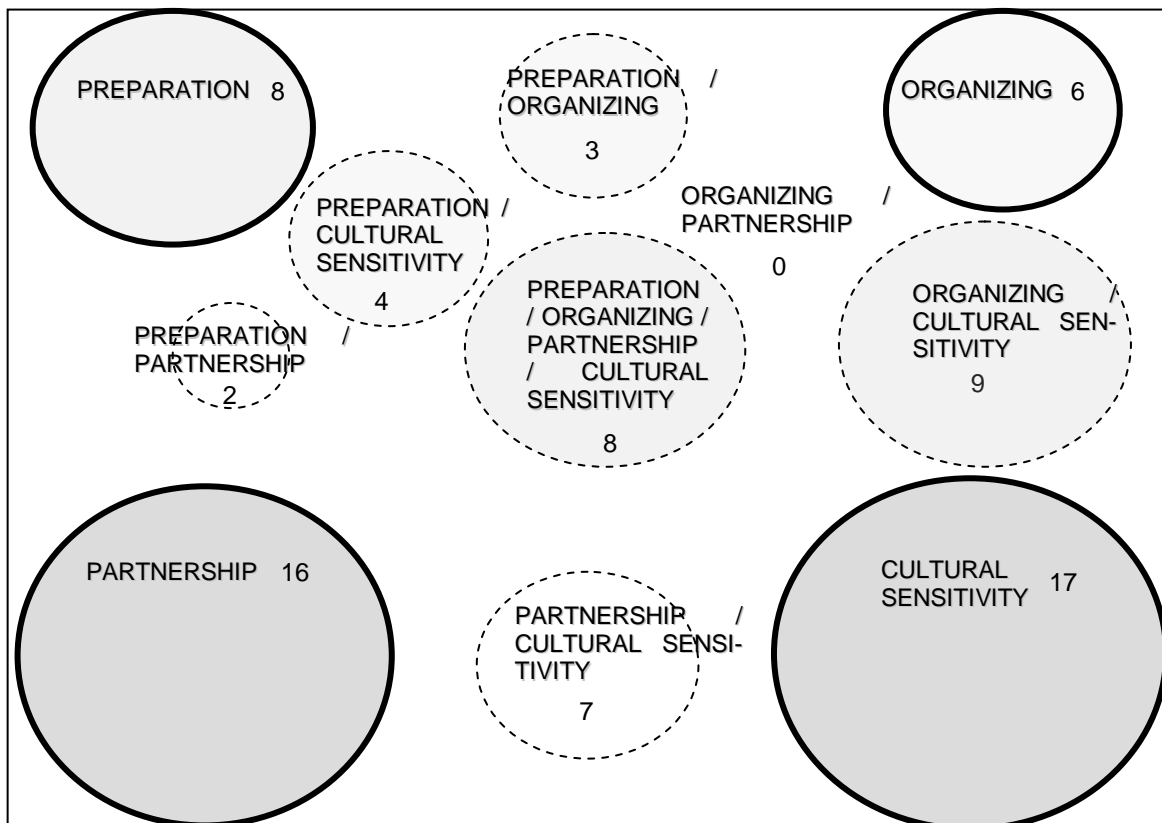
Figure 9. Categorization of mentioned mistakes.

Mistake one – Preparing

The first consistent theme that was brought up by almost all of the Russian interviewees was the overly simplified conception of the prerequisites for Russian trade held by Finns. These prerequisites for international trade include understanding juridical procedures, local norms, practices and requirements as well as the Finnish companies' own strategies, goals and marketing plans before starting the business. These aspects were more or less neglected in most Finnish companies according to the informants.

Several interviewees had noticed that Finns had not been starting the business with "the right attitude" and said, e.g., that

"Finnish have suddenly got the idea of going to Russia without any thought of what they are going to do there – not to mention how."

"They [Finns] don't understand that in Russia totally different kind of selling and marketing is needed."

In addition to the lack of business goals there is a lack of business strategy. This and many similar comments contradict strongly the widely held and promoted conception that Finns are experienced actors in Russian markets. This explanation may lead to the fact the operational responsibility lies somewhere else than with Russian experts. There is a tendency among Finnish companies to try to transfer the Finnish operating culture to Russia without adaptation to local conditions. A wider explanation takes into account the negative effects of managerial changes, fragmentation of working life and the growth of reliance on the use of technology instead of human effort during the last decade.

Mistake two – Organizing

Quite many of the mistakes described by the interviewees regarded aspects of Finnish companies' Russian export organization and its lack of flexibility. The mistakes were related to unclear communication, lack of coordination and the inadequate design of an affiliate in Russia. The structure of the export organization, responsibilities, "who is who" and task definitions were obscure.

It was emphasized by some informants that when establishing an affiliate in Russia:

"There is a great need of negotiation in all stages of the project in relation to clients, partners, Russian management (of daughter company) and employees and also Finnish management and employees in Russia."

and more directly that

"the organization, resources and the human resource management of the Russian trade were neglected in the Finnish company."

It was stated by several interviewees that Russian operations seemed to be undervalued and under resourced especially in the first stage when the profits had yet to be seen. This had prevented the building of a solid basis for business and achieving a wide clientele and business opportunities. In addition, the ways of management were described as contradictory to Russian culture and practices of working life. This was apt to arouse resistance among Russians, who had seen the following attitude among Finns: "I am the master, you are the stupid."

Mistake three – partnership

Quite frequently the interviewees described Finns as not familiar with formal business partnerships and its aspects. Some informants had had personal experiences of trying to solve problems emerging because

"Finns lack understanding of the meaning of agreements."

This comment might be explained by the fact that Finns are used to making spoken contracts and they may start the project before things are really agreed on. This does not work in Russia. Confirmations of orders are often made by e-mail in Finland, but in Russia only official contracts, proceedings and letters count for real.

Russian legislation differs from the Finnish in the sense that there are also norms regulating the agreements' characteristics, and in addition compliance to the agreements is regulated in different stages. However, even the basic principles are unknown to Finns.

Regarding another aspect of partnership, some informants claimed that Finns are trying to interact with Russians as little as possible and cut expenses to a minimum. This is reflected in the weak managing of network relations and in the dissatisfaction of Russian employees and partners. Finnish companies often appear as somewhat reserved and regard Russian partners as unreliable.

"Finns are continuously searching for new business partners, they don't hold on to whom they have. They can suddenly end up the relationship after many years of cooperation without any explanation."

This might be a sign of deeper distrust towards Russia among Finns that doesn't seem to rise only from different business concepts. Indeed, instead of creating reciprocal, multi-cultural networks there seems to be a tendency to form new borderlines and within-one-culture alliances among Finnish Russian trading companies.

"Finns connive at other Finnish companies' poor quality of work, and at the same time they are extremely critical on Russians. E.g. when I was employed in another international organization, they were critical also towards their compatriots."

"Finnish operate willingly with other Finnish in Russia and succeed, but when they try to do it with Russians they fail immediately."

Mistake 4 – Cultural sensitivity

A strong theme that also appeared was Finns' cultural insensitivity in relation to Russian markets and people, which was mentioned very often by the interviewees. As the overall analysis indicates, the cultural issues intertwine with other facts, such as the preparation stage, organization manners and partnership decisions, but they also emerge alone as common disrespect.

The informants were unanimous in that there is a serious cultural gap between Russia and Finland.

"From the experience of many Finnish organizations operating in Russia, one problem area is related to communication and cultural differences. This is the most general problem with all joint efforts. The problems that come of this are often not being taken into account before they become acute."

It was claimed by the interviewees that this is particular to Finns; such heavy cultural ballast had not been perceived with other nationalities. Russians do not comprehend why Finns are living with Soviet time stereotypical conceptions concerning, e.g., drinking habits in Russia, which leads Finns to losing their face in Russia. Disrespectful manners are accompanied by arrogant attitudes.

"Finns typically consider themselves as representatives of more advanced culture than Russia. Russians, on the other hand, get annoyed when they are being "taught". This is remarkable in everyday interaction."

This being continuously positioned into inferiority concerns all the different domains, including the Russians' own work and special expertise too. This highlights the significance of being culturally sensitive at both formal and informal levels of business operations in Russia. The cultural disrespectfulness of Finns may seriously harm their own businesses, according to the interviewees, and it is certainly not in line with Finland's role as a neutral Northern negotiator in the global system.

Discussion

In general, Finnish people, companies and products are well appreciated in Russia; the products are traditionally regarded to be of good quality and the people friendly. In closer interaction, however, some drawbacks appear. The start-up stage of Russian operations is the most critical in this respect, but when the problems are avoided and solved early, there is great potential for reciprocal business relations.

The purpose of this article was to shed light on the mistakes that Finnish companies have made in recent years in operations in Russia from the Russian perspective, in order to help Finnish companies identify these risks and to succeed in Russian markets. The basic assumption was that when Finnish companies "go Russia", it is their benefit to take Russian perspectives into account, not the other way around. Of course, all the

"soft tools", knowhow and negotiation are possible means for advancing Finnish companies' interests in the Russian reality.

The mistakes described are non-beneficial mainly for Finnish export companies from the point of view of wasting economic resources and also from the point of view of the motivation of the personnel.

The basic themes of the mistakes were identified and all of them call for further investigation, education and practice development, and they should be taken seriously by Finnish companies. The identified four themes could well be used as an additional "check list" for Finns operating in Russia.

As a whole, there seems to be quite a lot to improve in Finnish companies' practices in Russian business. More surprising, though, was that several – two thirds of all of the mentioned mistakes – were related to cultural insensitivity and lack of partnership with Russians. There seem to be real hazards related to the negative attitudes possessed by Finnish companies towards Russia.

It also seems that there is a lack of use of Russian expertise in Finnish companies. The holistic picture is that the prerequisites for Russian business are incompletely known and understood in Finnish companies. On the other hand some mistakes could also be found in any other non-trading organization. Perhaps the organizational problems that are reasonably "tame" in the homeland context become "vicious" in the context of international trade.

Therefore several paths of further investigation and development areas are suggested:
– There is not much easy-to-read up-to-date material available about international and Russian business principles for SME's especially. Russian features have not even been included in a certain international competence development project in the engineering domain in Finland, not to mention the normal curricula.
– Russian expertise is inadequately acquired especially beforehand in companies.
– There is a high "language wall" between Finland and Russia. Russian language and culture competence is a basic prerequisite for Russian trade organizations.
– There are strong, wider than business related prejudices towards Russia among Finns, which psychologically hinder the learning of Russian related facts.
– International trade is an extremely complex form of business and the complexity might have been underestimated among Finnish companies.

In the light of this analysis Finnish companies tend to solve cultural issue by forcing the Finnish perspective on Russians and neglecting negotiation with locals. So it seems that the mistake in some cases is that Finns fail to see the complexity of cultural and organizational factors intertwining with each other.

At the end of the day, Finnish companies are preferred partners in Russia. In order to maintain this advantage and favor it is worthwhile to invest in the development of Russia related expertise in all the mentioned dimensions in Finnish export companies.

3.2 Competence of human resource (Minina, Krupskaja, Dmitrienko)

The study is part of the STROI-Business Network project and it is devoted to investigating and designing a model of human resource management, which could help Finnish companies to increase the efficiency of their operations by being aware of the special aspects of HRM in the Russian-Finnish construction-oriented market.

Research Problem

Researches underline that "the choice of HRM is very important since a firm's human resources not only have a great potential to produce great benefits, but are also one of the largest costs which can be controlled and adopted. However, while the importance of choice of HRM practices is now well accepted, there is not sufficient understanding of specifically if and how this differs across countries" (Fey et all 2007: 2). We know that cultural differences affect the efficiency and effectiveness of HRM, but we know very little about how they vary from one cultural context to the other. We also know very little about the variables mediating HR practices' effects on the firm's performance in different cultural contexts. Therefore, companies coming to another country can face a lot of challenges for their HRM system implementation. The problem which we are going to test is difficulties with human resource management in Finnish companies which start business in Russia, including the management of human capital (HC) as the competitive advantage of the company.

The Object of the Research – Finnish companies involved in the Russian construction market.

The Subject of the Research – 1) the differences between HRM in the companies which operate in Finnish and Russian markets; 2) key employee profile.

The Main Goals of the Research - 1) on the basis of existing differences between HRM systems propose recommendations for improving human resource practices in Russia; 2) to develop a key employee profile for recruiting new candidates and managing current personnel.

Theoretical background

Human Resource Management (HRM) is the function within an organization that focuses on the recruitment of, management of, and providing direction for the people who work in the organization. Human Resource Management can also be performed by line managers. Human Resource Management is the organizational function that deals with issues related to people, such as compensation, hiring, performance management, organizational development, safety, wellness, and benefits.

Following C. Fey's and Hoffshtede's research we underline some urgent features of human resource management in Russia and define the differences between Finnish and Russian human resource practices based on national peculiarities.

Fey's study uncovered that different sub-systems of HRM practices are more important in different countries. For example, communication is especially important for facilitating employee motivation in Finland, a country known for its egalitarian attitude, and not as important in Russia, a country used to authoritarian leadership where employees have little chance for input.

Training is most important in Russia, a country where many people have been trained in areas other than those they are now working in due to the transition from communism to a market economy and the need for a different distribution of jobs due to the economic transition. Further, in a dynamic environment like Russia, continuous training is especially important. Thus, while training in business is important in all countries, it is essential for Russia.

We will also be guided by Hofstede's five Cultural Dimensions Theory.

From the initial results, and later additions, Hofstede developed a model that identifies four primary Dimensions to assist in differentiating cultures: Power Distance Index – PDI – that is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.
Individualism – IDV – on the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups.
Masculinity – MAS – its opposite, femininity, refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found. The assertive pole has been called 'masculine' and the modest, caring pole 'feminine'.
Uncertainty Avoidance – UAI – deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations.

Hofstede added a fifth Dimension after conducting an additional international study with a survey instrument developed with Chinese employees and managers. That Dimension, based on Confucian dynamism, is Long-Term Orientation – LTO. Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'.

Hofstede made an analysis of Finland using his 4 dimensions, and the Russian researcher Elenkov conducted a study for Russia. The results can be compared in Figure 10 below.
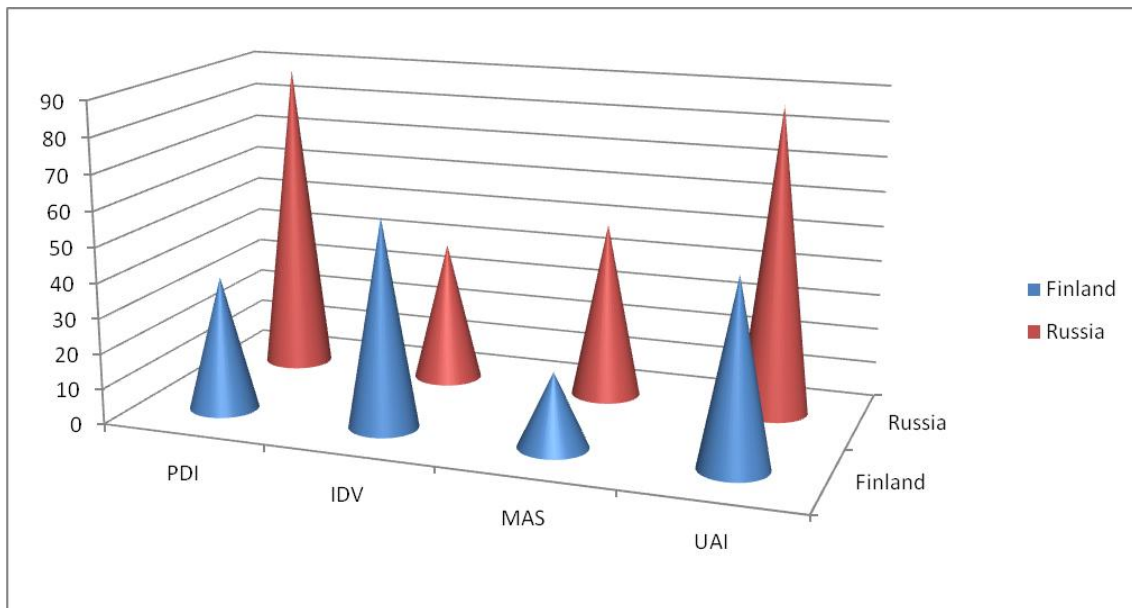
Figure 10.   PDI (Power Distance Index) Individualism (IDV), Masculinity (MAS) and Avoiding uncertainity (UAI) in Finland and in Russia.

Basing on Hofstede approach, S. Shekshnia considers 8 qualities of relations between employees and the company in Russia (Sheksnia 2003: 45-46)

– Very often employees agree to the inequality of power distribution in organizations;
– Typically Russian companies are strongly hierarchical with a power concentration in the hands of the top management;
– Generally employees strongly depend on the leader's will;
– There are communicative barriers between the departments of the organization;
– Personnel loyalty and commitment are highly valued;
– Bureaucratization and formalization are regarded as the ways of protecting employees from the chief's will;
– There is an unclear decision-making process.

Basing on previous research (Inkeles, Diamond, Kluckhohn, Strodtbeck, Hofstede, Trompenaars, Schwarts, Savig) Minina and Melnik suggested an approach to the analysis of cultural differences in current management systems (Minina, Melnik, 2008: 69–75). They combined four managerial values and five variables by T. Parsons and developed the matrix for the analysis of these differences.

Table 2.   Matrix for analysis of cultural differences in management systems.

Pattern-variable/Attitudes	Attitudes toward material and financial resources	Attitudes toward the employees	Attitudes toward the time schedule	Attitudes toward the results
Variable of estimation (affectiveness – non-affectiveness)				
Variable of individualism – collectivism				
Cognitive variable (universalism – particularism)				
Variable of ascription (achievement – ascription)				
Variable of specificity – diffusion				

Five pattern-variables show how actors make a choice between five alternatives in everyday life. The attitudes continuum shows the basic values of the management system.

The pilot study of the top- and middle managers from large and middle sized St. Petersburg's firms found some peculiarities of the Russian model of management.

Table 3.   Russian model of management features.

Pattern-variable/Attitudes	Attitudes toward material and financial resources	Attitudes toward the employees	Attitudes toward the time schedule	Attitudes toward the results
Variable of estimation (affectiveness – non-affectiveness)	*High affectiveness*	*High affectiveness*	*High affectiveness*	*Middle affectiveness*
Variable of individualism – collectivism	*High collectivism*	*Middle collectivism*	*Middle collectivism*	*High collectivism*
Cognitive variable (universalism – particularism)	*High particularism*	*Middle particularism*	*Middle particularism*	*Middle universalism -*
Variable of ascription (achievement – ascription)	*High ascription*	*Middle ascription*	*Middle ascription*	*Middle achievement*
Variable of specificity – diffusion	*Middle specificity*	*High specificity*	*Middle diffusion*	*Middle diffusion*

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As for attitudes toward the employees we can see a high level of affectiveness, which means the managers regard human resources as unlimited, and it's not so important to optimize the efforts in HR practices. The middle level of collectivism means that managers rather apply a cluster (group) than individualized approach in HRM in approximately 50 % of the cases. The middle level of particularism means that managers try to avoid common rules in HRM and find a new approach to HRM in a new situation.

These findings facilitate us to pay more attention to human resource (human capita) profiles in the firms under the pressure from different national peculiarities.

Mark A. Huselid (1995) describes the strategic role of human resources for a company's competitive advantage in the era of the knowledge economy and tough competition. We may say that after the process of investment in human resources they become human capital. So keeping in mind the goal of increasing the company value, we describe such features of human resources as education, competences, mobility, motivation, satisfaction etc. as human capital. The problem is to manage human capital (HC) as the competitive advantage of the company. Continuing to identify the resources of human capital, we need to stress the importance of key employees for competitive advantage. So to be more concrete in the case of this research we consider HC as key human resources or the resources of key employees. We suppose that the number and the positions of the key employees depend on the company: they may produce new knowledge or formalize knowledge or provide most of the main relationships with customers and suppliers. For every business the crucial point is to identify these key persons who bring additional value to the company. This means that the organization should develop the profile of HC to manage it successfully. And we suppose that the choice of HRM practices depends on the HC profile.

Methodology

We are going to use a case study research strategy which includes in-depth interviews with HR managers, a survey of key employees and document analysis (open sources and company's documents) applied to the Finnish STROI network operating in the Russian market. Six Finnish companies included in the STROI network were observed.

Following Bryman we consider the 'case' as the focus of the interest in its own rights, and the researcher aims to provide an in-depth study of it (Bryman 2001: 49). In our research we'll try to elucidate the unique features of HRM in the Finnish STROI network. In our research strategy a qualitative approach is dominative.

The questionnaire for line and HR managers is based on the following guide:
1. Principles of development relationships in the network

- Who is responsible for making arrangements in the network and maintaining relationships with network partners?
- What are the main personal characteristics for the employees who deal with network partners?
- How does the company choose new partners?
- What kind of problems does your company face dealing with network partners?
2. The differences in recruitment principles
- How does your company search for candidates?
- What is the procedure for the selection of candidates?
- Does the company form personnel reserves? What is the way of forming this reserve?
- What are the main difficulties in finding good employees in your field of business?
3. Differences in motivation management in Russia and Finland
- What is the way of choosing the motivators in the company?
- What methods of motivation are used in the company?
- Who is responsible for decisions about applying the particular motivators?
- How does the company detect the effectiveness of motivation actions?
4. Differences in personnel training
- Does the company have any educational programs for the personnel?
- Who is responsible for the planning of personnel training – who makes the decision about the necessity for this kind of planning? Who confirms the plan? Who controls the plan fulfillment?
- What kind of training do your personnel have?
- Does the company pay for personnel education?
5. Differences in the personnel development management
- What kind of adaptation principles do you use in your company?
- What is the usual way for career development in the company?
- Who takes the lead in the promotion of an employee in the company?
- Do assessment and certification take place in the company? What are the principles of these procedures and what is the output of them?
6. Definition of the key employees in the company
- Please, define the key employees who give your company a competitive advantage.
- What kind of competence, skills should the key employees have (theoretically)?
- What are the problems and limitations while managing key employees?
- What kind of HRM instruments do you use and is there human capital evaluation in your company?
- A questionnaire with closed and open questions will be used for HR-managers as well.

Results

Differences in national cultures influence the development of Finnish HRM practices in Russia. There are two ways of work: either focus and copy Russian practices or, what is more preferable, develop standard corporate HRM practices in Russia with some improvements.

There is a very important management practice, the development discussion, which is widely used in Finland, but there are some challenges in implementing it in Russia.

The most important features for employees who work in an international company include social and communicative skills and competences concerning self-determination and goal setting. In this case, by social skills respondents mean understanding people, openness and an easy-going style. For communicative skills the crucial points are language knowledge and presentation skills.

For employers in Russia there are some challenges concerning the workforce. Respondents noticed the lack of practical-oriented professional skills and decision-making competence.

The most important features for key employees are not only social and communicative skills and self-determination but also a high level of mobility. This means that the employees need to be ready to move not only vertically but also horizontally (to a different subsidiary in other region). Key employees are also not afraid of taking on more responsibilities.

On the basis of the interviews we could say that most of the companies highlight their key employees, but they have very different criteria in each case. In one company the key employees are identified as high-potential employees. In another company the key employees are high performers. In a third company Hay's system is implemented and the key employees have the highest grades. For a fourth company, the key employees are described by special features, not depending on the employees' level in the organization.

The practice of financial evaluation of key employees' input is not developed. But there is the usual practice of evaluation of satisfaction, expectations, challenges etc.

Discussion and research plan

The most important HRM functions for successful operation in Russia appear to be adaptation, training and development, and rewarding.

All trainings and development could be divided into two main directions: organizational learning and competence and skill development. For organizational learning a very crucial point is to translate organizational culture: values and basic beliefs, mission, organizational goals and management tools. For the competence and skill development of employees in Russia the focus should be on team work, sharing knowledge, decision-making, self-determination, goal setting and practical-oriented professional skills.

The managers of Finnish companies which operate in Russia have to describe all the management practices, especially development discussions, very precisely because Russian employees might have absolutely different views about them.

As Russian employees have some peculiarities concerning rewarding preferences in comparison with Finnish employees, the difference in the structure of the rewarding system should be noticed and stressed. The whole system and future financial opportunities should be transparent.

The profile of a key employee ought to be defined and on the basis of this profile HRM practices should be improved or developed. For successful management some way of evaluating key employees needs to be implemented. This could be a questionnaire or a part of the development discussion including questions about satisfaction, motivation, future development, expectations etc. There is a big doubt that Finnish companies need to implement financial criteria for the evaluation of human resources in the current stage of development.

Concerning future research, we are considering to start studying the next case not with an interview, but with an additional questionnaire (1) for HR managers about HR practices. After filling this questionnaire, the interview about challenges will be conducted. For key employees, the profile questionnaire (2) is assumed to be. It can be found on the next page.

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4. Internal development of the network (P4)

4.1 Internal development of the network and culture (Settles)

Learning organizations (LO): Russian and Finnish companies; Team work development model?

Evaluation of participation in business network; expectations regarding trust, property rights,

contract obedience, social networks etc. related to integrative social contracts theory (ISCT).

Strategic process of business networked companies; strategy planning and implementation.

– Introduction.
– Methods.
– Results so far, dimensions to be observed in Finland and Russia.
– Discussion and research plan.

Introduction

Russian companies face the significant problem of developing the conditions that support a learning organization. In western business the concept of creating a learning organization has been built on the basis of a long history of organizational change that supports learning, knowledge creation and management, and in process re-engineering to improve the quality of the organization's processes, products and services. As Garvin, Edmondson, and Francesca (2008) have recently pointed out, a business leader may think that getting their organizations "to learn is only a matter of articulating a clear vision, giving employees the right incentives, and providing lots of training." This assumption misses out on the real tools of organizational change required to build a learning organization. This is particularly important in the Russian business environment since the transitional Russian and early Soviet models of organization do not support the primary conditions for creating a learning organization. Employee training and incentives and the company's or State's demands for creating innovative solutions have become very popular in Russian business culture, but this in itself does not create learning organizations. Western (Finnish) business practices vary significantly from Russian practices and the open learning environment encouraged in Western business may come into direct conflict with Russian business practices.

In this area of research it is proposed to draw on the learning organization theory and recent studies of Western practices to develop a tool (questionnaire) to analyze Finnish and Russian company practices. The results of this research would be to understand the current situation with regards to learning organization development in Finnish and Russian firms and to create a metric that can be used by Finnish firms when they enter the Russian market to determine how to create branch offices that utilize learning organization practices, to select Russian employees that are well suited to a learning organization framework, and to judge how well Russian partners may operate within a learning organization framework. This research

fits into category P4 Internal Development to create an Agile and learning network.

A learning organization in Russian company culture has unique features that are related to the specific Russian practices related to the method of management, responsibility sharing and limitation of liabilities resulting from action and inaction. The research project will examine the strengths and weaknesses of Russian business culture and draw on learning organization theories to identify the particular features of Russian business culture that limit or encourage the creation of a learning organization. A section of the report will examine the culture of decision making and control mechanisms in a Russian company and the need within the Russian business environment to have strong control mechanisms. Drawing on interviews with Russian company officers, the compatibility of learning organization practices with Russian company culture will be assessed. It is expected that there will be significant cultural differences between a well-managed Russian company model and a company that has embraced a learning organization framework. A crucial component of the learning organization model that may not fit into typically Russian company culture is the concept of empowerment of employees to improve the organization through learning. The balance between control and empowerment will be examined and Russian specific features explained.

A learning organization is not a new concept; humans have a propensity for learning and business organizations have over time tapped into the learning ability of their employees to create new technologies, improve current processes, and to better serve their customers. The concept of a learning organization was crystallized in the work of Peter Senge in his 1994 book The Fifth Discipline: The Art and Practice of a Learning Organization. The convergence of five component technologies in the 1990s forms the basis of creating a learning organization. The integration of the technologies of systems thinking, personal mastery, mental models, building a shared vision, and team learning provide the vital dimensions to create a learning organization. The crucial components of a learning organization can be summarized as a supportive learning environment that permits questioning of current practices, the creation of concrete learning processes and practices, and firm leadership that reinforces learning and gives the space for the implementation of these five technologies of a learning organization.

A crucial building block of a learning organization is a supportive learning environment. An environment that supports learning has four distinguishing characteristics according to Garvin, Edmondson, and Francesca (2008). First, psychological safety must allow employees to apply systems thinking and personal mastery technologies and find new mental models to solve problems. To learn, employees cannot fear being belittled or marginalized when they disagree with peers or authority figures; ask naive questions; own up to mistakes or present a minority viewpoint. Instead, they must be comfortable expressing their thoughts about the work at hand. This issue is crucial in a cross-cultural situation as there are basic differences in how employees will question current practices. Secondly, an or-

ganization must be able to allow for the appreciation of differences. Learning occurs when people become aware of opposing ideas. Recognizing the value of competing functional outlooks and alternative worldviews increases energy and motivation, sparks fresh thinking, and prevents lethargy and drift. Thirdly, there must be openness to new ideas. Employees should be encouraged to take risks and explore the untested and unknown to challenge existing mental models of the organization. At the same time managers must be able to mitigate these risks without stifling creativity. Fourthly, there should be a time for reflection. All too many managers are judged by the sheer number of hours they work and the tasks they accomplish. When people are too busy or overstressed by deadlines and scheduling pressures, however, their ability to think analytically and creatively is compromised. They become less able to diagnose problems and learn from their experiences. Supportive learning environments allow time for a pause in the action and encourage thoughtful review of the organization's processes.

The concept of a learning organization has been well explored both in the management literature and through practical application. In Western firms there exist expectations for innovation and learning that are made clear in slogans such as IBM's "Think", Intel's "Leap Ahead" or 3M's "Spirit of Innovation". The implementation of learning organization strategies in Western firms can also provide guidance on the potential problems. To implement a learning organization strategy it is clear that a firm must penetrate below the top management and engage mid-level managers into the process of fostering a learning culture. In Western firms there has been significant conflict between performance based management and learning organization practices. Striking the right balance between performance (hours worked, units produced, value added) and learning and innovation is crucial to create an accountable organization that learns and innovates. Western firms have also found it difficult to assess how their teams' learning was contributing to the organization as a whole.

Methods

The methods used for the study of the internal development of the network and the culture of businesses within the Finnish business networks in Finland, Finnish offices in Russia, and Russian partners involves a survey of the attitudes of managers and employees at these network member entities. The first stage has involved mapping the network partners, identifying the population of firms to be surveyed and selecting a sample from this population. During this first phase a questionnaire that includes the internal development of the network and culture and other components of the project was developed and finalized at the end of October 2008.

Learning Organization Questions included in the Survey Instrument

1. We would like to understand the working environment within your unit (case company).

> Do your employees feel comfortable approaching their managers with their concerns, problems or disagreements? Is

there a formal process for managing this process of interaction between employees and management?

Are people in this unit eager to share information about what doesn't work as well as to share information about what does work?

2. In terms of capturing the best practices or knowledge and experience created by your employees, do you feel that your company does an adequate job of ensuring that this knowledge and experience is retained and used?

Do your managers value new ideas? Are employees rewarded for bringing forward new methods of work or new technologies?

Does your company have a formal system of knowledge capture and management?

Do your employees regularly participate in training? Is that training evaluated and is the employee productivity improvement resulting from the training measured?

Results

The survey was pre-tested during a visit by Filinov and Vladimirova to N & N in mid-November. The survey proved to be very long to administer and revisions are underway. An unexpected result occurred when N&N did not disclose the written answers to the survey. If this practice continues with other Finnish companies, a revision to the methods may be necessary. The general impression of the first set of Finnish interviews was that this particular Finnish company was not open to our research project, even though this company was one of the companies that are participating in the project.

Discussion and research plan

The research activities so far indicate that surveying network participants has been and will be crucial for the success of the research project as designed. The most important research need is to develop a sample of network members to be respondents for the survey. The second issue is that the survey instrument may be too long and too complex. Further analysis of other experiences should be integrated into a recommendation for the survey method.

The plan for December 2008 to February 2009 includes revising the survey instrument and further surveying network members, including those in Moscow. During the mid-February workshop additional meetings with companies should be held.

4.2 Strategic process of business networked companies (Vladimirova)

Introduction

The decisions of Finnish companies about network development on the Russian market are determined by different reasons. In some cases this decision is part of the company's global strategy, in others it is a forced step for increasing the company's effectiveness on the Russian market. Strategy can affect both separate business units and the general strategic direction of a company. In both cases the selection of network strategy needs to be based on a detailed analysis of market specifics: opportunities, dynamics, rivalry etc.

A company can choose different variants of foreign market entering: export, strategic alliances, daughter enterprise etc. In addition, the management can decide what resources to exchange: technology, supply chain, management or others.

The planning of a market-entry strategy of the Finnish companies raises some questions: what parameters of the environment should be considered; at what management level should strategy be developed. Moreover, the principles of strategy development in Finnish and Russian companies are different. Frequently, Russian companies, especially medium sized businesses, have no strategy at all.

Domestic companies are focused on the Russian environment. At that time it cannot be set forth in the strategy of the Finnish partners. The Russian business environment is characterized by high rates of instability in industries. Thus, the strategy should contain elements of scenario planning for the prevention of crisis situations. It is necessary to understand at what stage of strategic planning the results of scenario analysis are used, if there is any scenario condition adjustment and if it is taken into account in the company strategy.

In the construction industry, the final products mostly depend on realizing a project. Network activities also depend on the selected market segment: typical projects, individual orders, development services etc.

Another significant factor of Russian business is the strategy implementation process. Differences in Finnish and Russian companies' goal measurement can lead to misunderstanding and conflicts between partners. The tools of strategy implementation used by Finnish companies can meet serious opposition due to the different levels of hierarchy.

One of the tools of strategy implementation is the Balanced Scorecard Approach. There is no common opinion on the applicability of BSC in Russia. On the one hand, it promotes development of the managerial skills of the Russian partners. On the other, it does not always correspond to the requirements of the fast-growing Russian market.

In Russian practice BSC is considered not as a complex managerial technology, but only as a tool of strategy implementation, which will be effec-

tive under certain circumstances. That is why BSC, developed by a Finnish company, can work incorrectly and inefficiently when projected to Russian business.

The research is devoted to different aspects of the strategic process of network development, particularly to the determination of critical factors, influencing the success of the network partnership. Key points are differences between the strategic processes of Finnish and Russian companies, preventing the effective activities of partners in the same network.

The main object of the research is a survey of the influence of market specifics and network configuration on the strategic behavior of companies.

Main research tasks:

1. A review of research and literature in the field of network construction and strategic process specifics at the network level;

2. Analysis of existing specifics of strategy planning and implementation in Finnish companies: objectives of market entry, using tools of environment analysis, criteria of network model selection, strategy implementation and project management tools;

3. Determination of the specific factors of the strategic process inherent in Russian partners and influencing network effectiveness;

4. Research about the connection between network configuration and the strategic behavior of companies belonging to it.

The research is supposed to have 6 stages:

Stage 1: Review of research and literature in the field of network construction and strategic process specifics at the network level;

Stage 2: Selection of research methodology and necessary analysis aspects;

Stage 3: Empirical base definition and composition of questionnaires for data collection;

Stage 4: Research on Finnish and Russian network participants, delineation of their strategic behavior specifics;

Stage 5: Delineation of the nature of the dependence between network activity conditions and the strategic process and the development of a model (market influence and network configuration);

Stage 6: Presentation of the research results, determination of its further development.

To achieve the research goals, analysis of the following aspects is needed:
- Environmental specifics
- Network relation specifics
- Strategic process specifics of parent and network company.

Methods

The theoretical base of the research consists of surveys in the field of strategic management, international partnership, theory of transactional costs, agency cost theory, and strategy implementation models.

The practical base consists of the analysis of the companies taking part in the research; statistical data and primary analysis of construction and related industries; as well as results of the first stage of the research, reflected in «Profiling Business Network Oriented to Russia».

The first stage of the field research involved interviews in Finland at the end of October and in St. Petersburg.

Strategy specifics questions included in the Questionnaire:
Network Growth and Strategic Development (Nina Vladimirova, HSE)
4.2.1 Who or what department performs strategic planning?
4.2.2 What tools are used for long-term planning and development? Please, describe these.
4.2.3 How often do you review the company's long-term plans and goals?
4.2.4 How is the combining of plans at different level organized in your company? What organization levels are touched upon?
4.2.5 Describe the present state of performance measurement in your organization. (e.g. BSC and some non-financial measures like time to deliver or quality evaluation)
> *What is the role of measures and measurement in managing the company?*

4.2.6 Do you coordinate your activities with your network partners?
4.2.7 What are the success factors for business networks (basic factors for operations and strategy)? Name the three most important ones.
4.2.8 What things should be measured or evaluated in business networks? (E.g. costs, quality, time to deliver, competence, trust, ability to cooperate…)
4.2.9 Do you measure the profitability of relationships with suppliers? If yes, could you please outline the measurement system?
4.2.10 What methods and indicators are used for customer attraction and initial assessment?

Results

We have conducted surveys in two companies.

During the interviews it appeared that it is impossible to ask all the questions, as the interview lasted about an hour and a half. The questions in the field of strategic management appeared rather complex for the interviewed persons as they had quite a narrow area as their responsibility. Neverthe-

less, some intermediate conclusions could be made after the conducted interviews.

The questions about the background in the subject of strategic management should be changed and specified. It is difficult to make conclusions about these two companies as they belong to different sectors. That is why it is necessary to study Russian branches in more detail to make some relevant conclusions. Nevertheless, some common conclusions could be made.

The network model used in Finland is difficult to copy into Russia because of some factors. E.g., one company named small business and private subcontractors as their main partners in Finland. But in Russia it is impossible to find them in current conditions. Therefore, the company is constrained by hiring more staff for doing this work. Another significant issue is that the government plays a great role in setting network relations. All the interviewed persons pointed out that the main goal of the company in Russia is to enter the field of environmental services faster than their competitors. But there are some difficulties in this strategy. First of all, city government as one of the main network participants should be willing to make changes, especially in the economic and investment areas. But it is hard to realize this in Russia at this time. Personal relations are more important and needed to find the key person in government to start a partnership and network creation.

Answering a question about the success factors for a business network most respondents said that it is very important to have a reliable brand, trust (related to brand) and price. This would be beneficial for both the company and its network partners.

Analyzing the strategy issue, we made the conclusion that the presented information was not enough to provide relevant answers for our questions. All the interviewed companies have a strategy and the interviewed persons could describe it in some common words. But we have not got any information about strategy implementation and adaptation for the Russian market.

Discussion and research plan

In order to get relevant information, the interview questionnaire should be changed. Moreover, it is necessary to include as participants of the survey the network partners in order to get information and opinions from different parts of network.

The next stages of the research are further surveys of Finnish and Russian network participants and the delineation of their strategic behavior specifics. The exact dates depend on the possibility to hold interviews in the companies.

4.3 Decision making (Filinov)

Introduction and State of Art In Finland/Russia

We assume that one of the substantial elements creating difficulties for Finnish companies when entering Russian markets and establishing partnerships with Russian authorities, suppliers, consumers etc. (i.e. networking) is the difference in approaches to decision-making (DM) in Finland and Russia. Such differences are usually described in literature using the notions of company culture, DM procedures and patterns, and dominant DM styles. Thus, our research focuses on business culture, DM procedures and patterns, the dominant DM styles of Russian and Finnish managers/companies and their respective differences. Characteristics of the DM process include both hard (documented procedures, rules and regulations) and soft (the attitudes and preferences of managers involved in DM) features.

Differences in dominant DM styles influence the applicability and effectiveness of managerial procedures, along with the differences in economic situation, technical infrastructure and social environment. Selecting DM specific features as a focus is however justified by at least two considerations. First, differences in the social, technical and economic environment in which a Finnish company operates in its domestic market and in Russia are relevant for our analysis to the extent to which they affect its operations and this influence occurs through the decisions taken by the Finnish company and its Russian counterparts. So, the dominant DM style and patterns mediate the influence of all other factors. Second, DM is perceived as a highly personal act. Consequently, if a manager feels uncomfortable with the way it is carried out, this affects mutual trust, creates stress and tensions and thus inhibits the process of DM and deteriorates the quality of the decisions selected in the most direct way.

This approach involves, however, differentiating between characteristics (style) of management and characteristics (style) of decision-making. If we go into further detail, this takes us to the much broader and more sophisticated problem of the contents of management functions. It appears evident that decision-making is only one of them, and consequently the style of management and the style of decision-making relate to each other as a part and a whole. The style of decision-making should be regarded as an element of management style in line with such other elements as communication style. Moreover, all these are highly interdependent and problems may arise if there is insufficient fit among them. In spite of this, in numerous publications the notions of decision-making style and management style are sometimes used either interchangeably, or decision-making style as an especially important and explicit function is regarded as a proxy for the style of management. A manager's DM style is not necessarily equivalent to his style of management as far as it pertains to only one (although important) side of the manager's activity.

The literature and the authors' own research[1] suggest that DM features demonstrate considerable differences across national borders[2]. Consequently, we have to expect differences in dominant DM styles between Russian and Finnish managers. These differences have to be identified, as it is not sufficient to know that they are different. In order to come up with explanations for the existing difficulties of Finnish companies in Russia, it is necessary to understand what exactly is different and to what extent.

In sum, the suggested view of the subject of study in this research is presented in Figure 11.
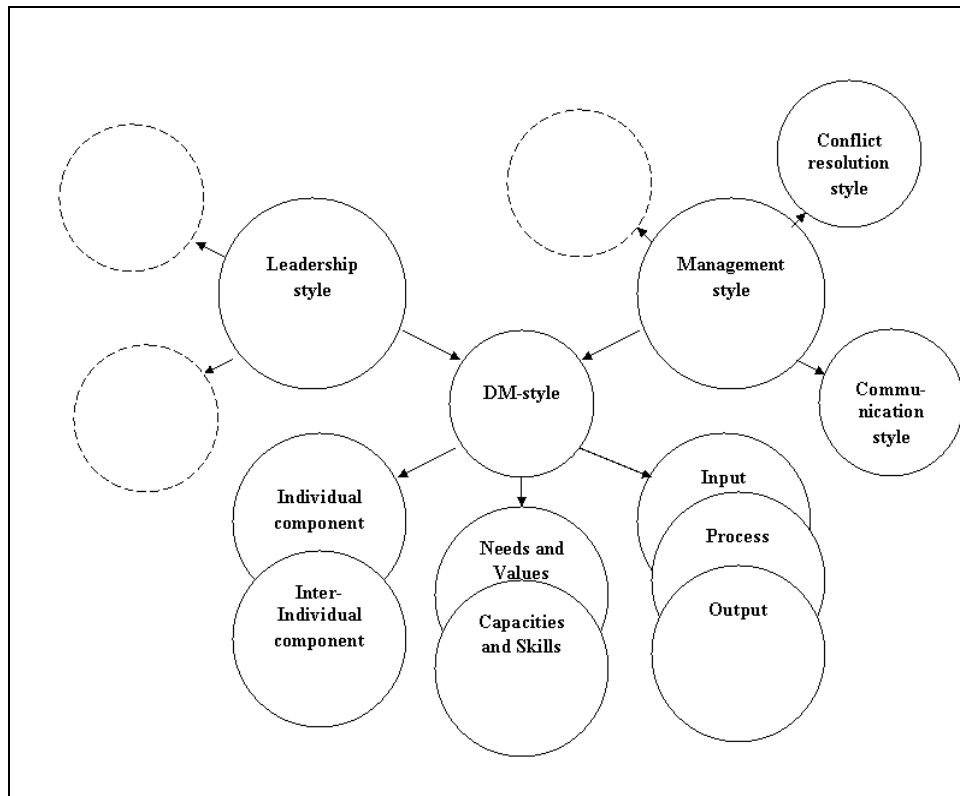
Figure 11.   Relations between different notions of "individual style" in the managerial context.

Methods

Based on literature review and attempting to select features directly related to and affecting the DM process we come up with the following list of characteristics.

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1 Filinov, N. Business Decision-Making in the Era of Intellectual Entrepreneurship, in Knowledge Café for Intellectual Entrepreneurship through Higher Education. Editors Stefan Kwiatkowski and Jan Sadlak, Warsaw, 2003 pp. 257-269

2 Brousseau, K., Driver, M., Hourihan, G., Larsson R. "The Seasoned Executive's Decision-Making Style" Harvard Business Review, February 2006: 111-121

Rowe, A.J., Mason, R.O., Dickel, K.E., Snyder, N.H. Strategic Management: A Methodological Approach, Addison-Wesley Publishing Company, 1990

Input characteristics include:
– Amount and form of information which decision-maker prefers to obtain.

Process characteristics include:
– Perceived organizational goal
– Priority given to (Result vs. Process)
– Time reference (Future vs. Present)
– Local/global focus
– Basic needs
– Dominant criterion for selecting course of action
– Attitude towards risk
– Tolerance of ambiguity
– Nature of preferred decision-making process (Structured vs. Unstructured)
– Focus in search for options (Optimal option vs. Acceptable option)
– Preference to rely upon logical analysis or practical experience
– Speed of decision-making
– Employees' involvement in DM process.

Output is characterized by:
– How the result of the DM process, the selected option, is treated: whether we stick to a single option and insist on its implementation, or alternatively, we regard our choice as a fuzzy indication of the course of action that needs to be adapted as circumstances change and new information appears.

Methods for the identification of DM features considered in the literature include direct observation as well as qualitative and quantitative questionnaires[3]. We consider the application of a DSI questionnaire developed by A.J. Rowe et al. as a quantitative tool. For the qualitative analysis we have come up with the following set of questions:

4.3.1 Consider a business decision which has to be made on a regular basis. Please, provide the following information:
a. How often is it necessary to make the decision in question?
b. Is there a formally adopted (may be written) procedure in place related to this type of decision?
c. Is it necessary to come up with decision alternatives every time you make this decision or are the options basically the same every time and there is no need to re-invent them?
d. Describe the decision-making process.
e. Do you make the decision personally or do you involve your subordinates?

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3 Adizes, I.K. The Ideal Executive: Why You Cannot Be One and What To Do About It (Russian translation) Moscow, Russia: Alpina Business Books, 2007 (Original publication – 2004)
Huitt, W.G. "Problem solving and decision making: Consideration of Individual Differences Using The Myers-Briggs Type Indicator", Journal of Psychological Type, No. 24, (1992): 33-44

f. In case you involve them, why do you do that: in order to get information they possess or in order to secure their support (buy in) for the decision made or in order to develop their potential?

g. Is information distribution among your subordinates more or less symmetrical?

h. Is a conflict possible among your subordinates arising from the decision in question?

i. Do they generally share your goals and approaches?

4.3.2 What difficulties do you experience when making decisions dealing with your business partners?

a. Is the necessary information provided on time?

b. Is it accurate enough?

c. How do you decide on the amount of information you provide to your partners?

d. Are the position and aspirations of your partners clear, stable and understandable?

e. Do they keep their promises?

The rationale behind section 4.3.1 is to get a set of examples (cases) based on which it will be possible to assess the DM process used and compare it with the one theoretically recommended for the described situation (for example, based on V. Vroom's methodology[4], or on the ideas of P. Hersey, K. Blanchard and W. Natemeyer[5]).

The rationale behind section 4.3.2. is to create a general description of DM problems related to business partners (network members).

Results so far, dimensions to be observed in Finland and Russia

The results obtained through the pilot interviews with a number of employees of a case company are mixed. On the one hand, the questions proved to be understandable for managers. On the other, the interview was found too time consuming.

The interviews held so far create the impression that the level of subordinates' involvement in DM at the case company is moderate. Few cases show a level of employee participation less than that recommended by normative theories. The development of employees' potential through involvement in the DM process is not regarded as a priority. But all these conclusions need to be re-tested with a wider data base.

It was very disappointing to know that the case company did not agree to work with quantitative tools and thus we are limited in our use of research instruments.

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4 Vroom, V.H. "Educating managers for decision making and leadership", Management Decision, 2003, Vol. 41, pp. 968-978.

5 Situational Leadership, Perception, and the Impact of Power PAUL HERSEY; KENNETH H BLANCHARD; WALTER E NATEMEYER Group & Organization Studies (pre-1986); Dec 1979; 4, 4; ABI/INFORM Global pg. 418

Discussion and research plan

The research plan includes further testing of the developed questionnaire and the possible application of two quantitative tools: the Decision Style Inventory (DSI) and the Power Perception Profile developed by Paul Hersey and Walter E. Natemeyer.

5. Customer perspective and marketing (P5)

5.1 Building Trust in Counterweight to Risks in Inter-Organizational Relations of Business Networks in Russia (Weck)

INTRODUCTION

Research Background

Nowadays the Russian market has huge potentials for business development. The radical political and economic reforms of the Russian Federation during the last decade have opened lots of opportunities for foreign private enterprises to develop businesses in the Russian marketplace. Hence, many Finnish large and medium-sized enterprises have established subsidiaries there. Each subsidiary has its own set of relationships linking together the subsidiary and local market actors, such as customers, suppliers and partners, and, thus, developing its own local market network.

Given the significant growth in the private business between Finland and Russia, building successful cross-cultural business to business partnerships became an increasingly important strategy for many Finnish large and medium-sized enterprises operating in the Russian market area. Thus, it has increased the need for a more comprehensive understanding of key success factors in inter-organizational relationships with Russian partners and of cultural differences in perceptions, values, and ways of thinking and working.

Working with Russian partners often under the conditions of uncertainty of Russia's market environment, foreign enterprises are involuntarily exposed to certain risks there. Being aware of these risks is a precondition for successful business decisions. Risks can never be entirely eliminated, but to a large extent, as literature suggests, trust plays an important role in counterbalancing risks.

Since the market institutions and infrastructure in Russia are still underdeveloped, trust in partnerships becomes even more critical there. It means that foreign enterprises operating in the Russian market have to rely extensively on trust in forming relationships with local partners. Trust is often considered as a substitute for developed market institutions (Peng and Heath, 1996).

The concept of trust is applied broadly in the international business relationships. Trust may lower transaction costs and facilitate inter-organizational relationships (Doney, Cannon and Mullen, 1998). Trust plays an important role in decisions to co-operate with partner organizations, and it is a key dimension in any business venture. The importance of trust, and the globalization of the market economy, stresses the need for understanding how trust develops and how national cultural differences

impact the trust building process. Hence, the ability to establish, maintain, and increase trust between partner organizations is one of the most important factors for success in inter-organizational relationships. Furthermore, building trust may be harder when cultures are dissimilar.

Thus, improving our understanding of the mechanisms of trust building as well as the relation between trust and risks may have significant implications for how we approach risk management, and how we cope with risks in the future in the context of the Russian market environment.

Research Objectives and Research Questions

The research aims at a deeper understanding of the trust development process along the key stages of the inter-organizational relationship and the outlining of trust-building mechanisms in counterweight to the risks involved in the inter-organizational relationships of business networks in Russia.

The research comprises the following three specific objectives (RO):

1. to identify what the risks involved in all stages of the inter-organizational relationships of business networks in the Russian marketplace are,
2. to explore what the relationship between trust and identified risks is, how the identified risks affect trust between partner organizations, and conversely how trust affects the perception of the identified risks, and
3. to determine what the conditions and activities necessary to build trust with Russian partner organizations are.

An overview of the research concept is presented in Figure 12.
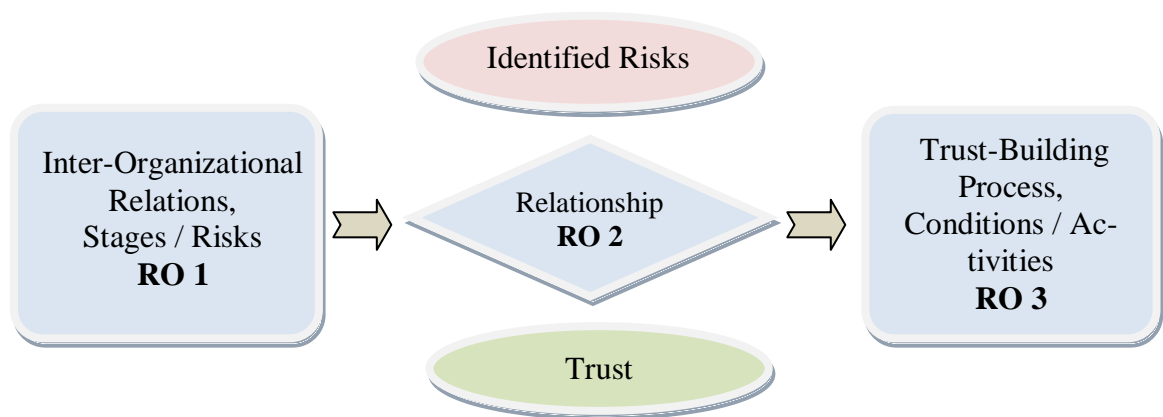
Figure 12.   The overall research concept.

THEORETICAL DISCUSSION

Inter-Organizational Relations of Business Networks

There has been increasing attention on inter-organizational co-operation in the literature since the 1960s, and a number of scientists have advocated that an organization should have links with others in order to cope with environmental uncertainty (e.g. Kaufman, 1966; Van de Ven, 1976; Provan, 1982).

Among a broad variety of definitions of organizational networks the following one has been proposed in the literature, introduced by Borgatti and Foster (2003: 992), which characterizes the network shortly as *"a set of actors connected by a set of ties"* where actors are *"persons, teams, organizations, concepts, etc"*. Thus, organizational networks consist of the *'actors'* or *'nodes'* which are organizations and the *'ties'* which are connections between these organizations or *'inter-organizational relationships'* (IORs).

The theoretical discussions on networks comprise the theories of social networks which consider the social relations of actors (c.f. Granovetter, 1973; Burt, 1992; Wasserman and Faust, 1994) and of network theories in organization studies which examine organizational networks (c.f. Uzzi, 1997; Oliver and Ebers, 1998). The social and organizational networks are inter-connected. According to Uzzi (1997) organizational networks may partly include multiple social networks that facilitate interactions, and conversely social networks may contain organizational networks (c.f. Van Nuenen, 2007).

In respect to network theory the approaches to the explanatory mechanism could be separated into structuralist and connectionist or relational approaches (Borgatti and Foster, 2003; Morgan, 2005). Whereas structuralist approaches focus on the entire network structures, the connectionist approaches consider the content and quality of network ties, focusing more extensively on the relationship between organizations than on the network as a whole. (Gössling, 2007) Thus, the connectionist approach was applied in this research.

The five stage model of inter-organizational relationship development proposed by Dwyer, Schurr and Oh (1987) is adopted in this research. This model comprises the following stages: (1) *Awareness*, (2) *Exploration*, (3) *Expansion*, (4) *Commitment*, and (5) *Dissolution*.

Trust and Risks in Inter-Organizational Relations

It is generally believed that trust between partner organizations is an essential prerequisite for successful collaboration. Much of the work on trust suggests that trust provides the conditions under which desirable outcomes such as positive attitudes, a higher level of cooperation, and superior levels of performance are likely to occur (Dirks, 2006). Trust has been identified as a critical prerequisite for building successful business relations.

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According to Morgan and Hunt (1994) trust is a key variable in relationship development. Where trust is absent, the relationship will deteriorate (Palmer, 2001). The stream of literature focuses on the creation of trust in the relationships between the partners (Håkansson, 1982; Dwyer, Schurr, and Oh, 1987; Bradach and Eccles, 1989; Moorman et al., 1993; Morgan & Hunt, 1994; Doney and Canon, 1997; Uzzi, 1997).

The concept of trust has been the focus of many scientists in multiple disciplines across the social sciences, including social psychology, economics and political science. A variety of trust definitions have been proposed over the past four decades, and the substantial importance of trust has been identified in numerous theories. However, a universal definition of such a complex phenomenon is not constructed, as it is deemed to be a very complex phenomenon (Blomqvist 1997).

Nevertheless, reviewing a variety of trust definitions two principle concepts have been emphasized: first, *reliance* (Giffin, 1967; Rotter, 1980) and second, *risk* (Deutsch, 1962; Gambetta, 1988; Kee and Knox, 1970; Lorenz, 1993; Mayer et al., 1995). In this research, the definition of Currall and Judge (1995) is adopted. Specifically, trust is defined as reliance on the partner (i.e., person, group, or firm) under a condition of risk. Following Zand (1972), reliance is volitional action by one partner that allows that partner's fate to be determined by the other partner. Risk is considered as the experience of a partner's potentially negative outcomes, i.e., injury or loss (e.g. March and Shapira, 1987; Sitkin and Pablo, 1992), from the untrustworthiness of the other partner. Risk is a precondition for the existence of trust, and the trusting party must be aware of the risk (Mayer et al., 1995; Sitkin and Pablo, 1992).

Trust may be based upon interpersonal relationships, but can emerge at the inter-organizational level (Jeffries and Reed, 2000; Zaheer et al., 1998). According to Parkhe (1998), trust is not only a psychological phenomenon, it also consists of sociological and economic components.
"Trust is psychological because it occurs within managers, sociological because it occurs between managers, and economic because each partner firm's tangible and intangible interests are at stake." (Parkhe, 1998, 237)

Inter-organizational trust can be ensured by the partners' trust in institutions that facilitate their relationship. (Shapiro, 1987; Gulati, 1995; Gargiulo and Benassi, 2000). It can emerge as a consequence of repeated market transactions between the partners (Ring and Van de Ven, 1992; Zucker, 1986) and as a legacy of the partners' past collaboration (Granovetter, 1985; Coleman, 1988). Trust can have more than one meaning, depending on the relationship stage.

Trust is a multidimensional concept with respect to the questions of *what* we trust (Mayer et al., 1995) and *why* we trust (Williamson, 1993; Lewicki and Bunker, 1995; Shapiro, 1987; Ring and Van de Ven, 1992). Trust may play multiple roles, as outcomes, antecedent, and mediator (Rousseau et al., 1998).

Based on a comprehensive literature review, the perceived risk is a necessary antecedent for trust to be operative, and an outcome of trust building is a reduction in the perceived risk of the partner relationship. A cooperative relationship inherently involves risks, due to the unpredictable intentions and behavior of the other partner.

There is widespread referring in the trust and risk perception literature to the notion that while trust is generally hard to establish, it is relatively easy to lose, and that once lost it will take a long time (if ever) to become re-established (Barber, 1983; Burt & Knez, 1996; Dasgupta, 1988; Rempel, Holmes & Zanna, 1985). 'Trust comes on foot but leaves on horseback'. (Calman, 2002)

Much literature exists on risk too. However, the understanding of the risk concept differs among the sciences and scientists. As a result, no overall definition for risk has been introduced in the scientific and specialized literature. However, in practice, risk is mostly considered as a danger not an opportunity for positive outcomes, and the following definition is an example of that, where risk is defined as
"... the possibility of physical or social or financial harm/detriment/loss due to a hazard within a particular time frame. "Hazard" refers to a situation, event or substance that can become harmful for people, nature or human-made facilities." (Rohrmann & Renn 2000, 14.)

Typically, traditional definitions of risk have focused on the probability of risk occurrence and its consequences or losses. Thus, risk can be discussed objectively in terms of its factual dimensions such as probability and consequences. Nevertheless, risk can also be seen subjectively in terms of the socio-cultural dimension which emphasizes the differences in individuals' risk perceptions.

The subjective approach is the focus of social scientists' attention, who have rejected the idea of *'objective'* risk, arguing that risk is inherently subjective (Krimsky & Golding 1992; Slovic 1992) and defining risk as a social construct, meaning different things to different people, which cannot be measured independently of peoples' minds and cultures (Slovic & Gregory 1999).

METHODOLOGY

In order to gain a much richer understanding of building trust between the organizations of business networks, the connectionist approach is applied in this research. (Borgatti and Foster, 2003; Morgan, 2005) Thus, the focus is on the inter-organizational relationships of dyads which are the smallest structural units of networks and not on the entire networks.

The qualitative methodological approach is applied in the course of this research. In addition, semi-structured interviews are chosen as the primary source for data collection to provide more qualitative insights into the research questions and ensure a high response rate and data reliability in all three stages of the empirical research. Hagan (2000, 174) defines an inter-

view as a face-to-face situation in which the researcher orally solicits responses from subjects.

The use of qualitative methods is appropriate when the aim is to study complex processes (Eisenhardt, 1989 and Yin, 1994). However, the descriptive character of the qualitative research methods places certain constrains on the research results. Thus, the insights reached from the interviews with a limited number of respondents within a non-representative sample of case enterprises cannot be generalized to the emerging theory. The results should only be viewed as an attempt at deep understanding of the relationship between trust and risks and the trust development process.
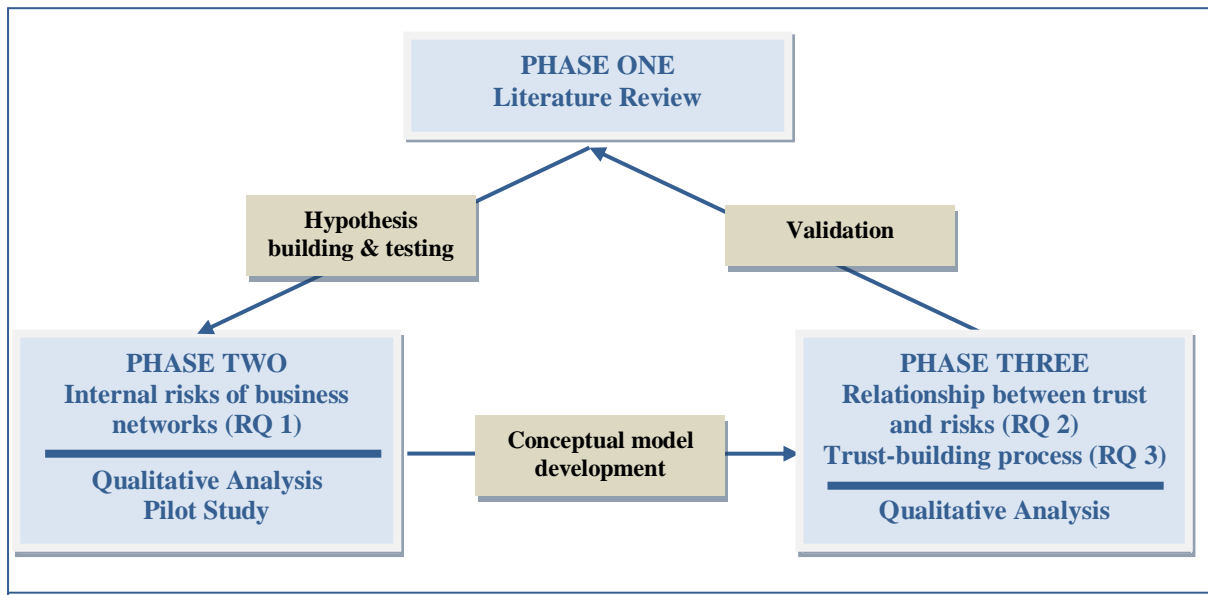
Figure 13.   The overview of research structure

The research structure is designed according to the research questions introduced above, and therefore, it is divided into three phases (see Figure 13): 1) literate review, 2) internal risks of business networks, 3) relationship between trust and risk and the trust-building process.

Thus, the empirical part of the research consists of two phases (see Figure 13). In the Phase Two, the semi-structured interviews with an 'expert group' will allow us to reach a better understanding, descriptions, and interpretations in regard to risk factors in inter-organizational relations at different stages of the business networks' evolution in the Russian market. Interviewing the experts in the field at this stage will also comprise a pilot study, which will revise the questions and establish an appropriate data collection protocol for the next stage of the empirical research.

The questionnaire with closed and open-ended questions were used in Phase Three to guide and focus the individual interviews with a relatively large number of respondents from the networked companies operating in the Russian market. The questionnaire was divided into two sections corresponding to the second and third research questions. Thus, the questions of the first section of the questionnaire are concerned with the study of the

relationship between risk and trust, whereas the questions of the second section focus on the trust development process in the inter-organizational relations of business networks in Russia.

The questionnaire was written in the English language. Nevertheless, all interviews were conducted in the language most comfortable to participants, i.e., interviews with Finns were held in the Finnish language, whereas interviews with Russians were in the Russian language. Interviews lasted for approx. 90 min each. The responses were tape-recorded with permission from the respondents, transcribed verbatim, and then translated into English.

The sampling of respondents for the empirical research (Phase Two) was made on the basis of specific groups representing experts, consultants and senior managers mainly of Finnish large enterprises from different industries operating in the Russian market. The total number of interviewees was ten. The length of the interviews was scheduled to be one to two hours.

The case enterprises selected for the empirical investigation fit well with the purpose of studying the trust development process in Phase Three of the research. The total number of the enterprises involved in the research project is fifteen. The sample of respondents was based on the following criteria: representativeness of different management levels (senior and middle managers) of Finnish networked enterprises operating in the Russian market.

The interviews took place at the premises of the case enterprises in November 2008 in St. Petersburg. Interviews will continue in January and February 2009.

RESEARCH FINDINGS

As the empirical research is not fully completed, the acquired data allow illustrating only intermediate results. The diagrams below show the probability of the identified risks involved in inter-organizational relationships and their negative effect on trust between partners, as well as the conditions associated with positive changes in trust (see Diagrams 1, 2 and 3).

Diagram 1. Conditions Associated with Posivite Changes in Trust in Inter-Organisational Relationship 1 = not at all .... 5 = very much

Inter-organisational Level:

Condition	Value
1.2 successful cooperative history	4,8
1.6 high quality of performance	4,8
1.10 stability in key personnel	4,56
1.12 openness and transparency in decision-making process	4,56
1.16 fulfillment and compliance with contracts	4,56
1.8 financial stability	4,44
1.13 communication of good quality (e.g. openness, same language etc.)	4,44
1.17 responsiveness to any sign of problems	4,33
1.3 first-rate image and reputation	4,11
1.4 compatible frames of reference between partners	4,11
1.15 no evidence of leakage of confidential information to competitors	4,00
1.18 no significant cultural and/or behavioural distance	4,00
1.9 effective capacity utilisation	3,89
1.11 common strategic objectives and cooperation rules	3,89
1.1 short physical distance between partner organisations	3,60
1.14 flexibility with changes in technology and environmental demands	3,56
1.5 stability in ownership	3,44
1.7 sufficient size of partner organization / volume of business	3,33

Interpersonal Level:

Condition	Value
2.1 sufficient prior experience of business relationship	4,67
2.7 honesty and reliability	4,67
2.8 responsiveness and obligingness	4,56
2.2 capabilities and competence	4,33
2.6 openness and predictability	4,33
2.9 fairness and objectivity	4,33
2.3 personal recommendations	4,00
2.10 mutual commitment (e.g. to invest)	4,00
2.5 shared values	3,67
2.11 personal chemistry and/or sympathy	3,44
2.4 familiarity with each other (e.g. friendship, studies, place of birth, religion)	3,38

Value	Risk / Risk Factor
-2,44	2.1 relationship with the partner who is able to acquire commercially valuable information and to learn useful...
-2,44	3 Risk of losing a customer and/or reputation due to quality problems in partner's performance
-2,44	3.8 growth of the diversity of partner activities
-2,56	1.5 higher level of the partner's opportunistic behaviour
-2,67	3.3 absence of common infrastructure with the partner organisation
-2,78	1.7 change in the ownership of partner organisation
-2,78	2.3 losing skilful personnel to the partner
-2,78	3.9 negative appraisals and/or rumours after the partnership termination
-2,89	3.1 partner's quality problems in products/services and/or delivery performance
-2,89	4.2 getting accustomed to certain level of costs and/or mode of partner's actions
-2,89	4.3 local management defrauds the company through making uneconomic or illegal agreements with the partne
-3,00	4 Risk of dependency in relationship with a partner organisation
-3,22	1.3 limited past experience in collaboration with the partner, doubtful reliability
-3,22	1.8 lack of mutual commitment of senior managers
-3,22	1.11 higher level of cultural and/or behavioural distance between partners
-3,22	3.2 smaller size of partner organisation
-3,22	3.6 loss or changes in key personnel of partner's organisation
-3,22	4.1 lack of alternative reliable and capable partners in the market
-3,25	1 Risk of wasting time and resources/investments due to relationship termination with an incapable partner
-3,33	2.2 leakage of confidential information to competitors through the partner
-3,33	2.4 partner's narrow core capabilities and inflexibility
-3,33	2.5 no development due to explicit expectations dealing with the same people from partner organisation
-3,44	1.4 breach of payment contracts or other commitments
-3,44	1.6 learning useful capabilities partner first can terminate the relationship
-3,44	1.9 undefined common strategic objectives
-3,44	2 Risk of losing competitiveness and/or core capability
-3,50	2.6 lack of customer feedback and demand information received through the partner
-3,56	1.1 no verifiable information about the partner's financial state
-3,56	1.2 insufficient knowledge about partner's product and/or service quality
-3,56	3.5 partner's unwillingness to learn and to change
-3,56	3.7 insufficient communication and information exchange
-3,89	1.10 absence of relationship rules, defined management roles and responsibilities
-3,89	3.4 unskilled labour and/or management in a partner organisation
-4,00	1.12 partner's underestimation of own resources, potentials and/or capabilities

Diagram 2. The Negative Effect of Risks and Risk Factors on Trust in Inter-organisational Relationship 1 = not at all .... 5 = very much

Diagram 3. Probability of Identified Risks and Risks Factors in Inter-Organisational Relationships in Russia

1 = not probable at all ...
5 = probable very much

5,00   4,00   3,00   2,00   1,00

Value	Risk / Risk factor
4,13	3 Risk of losing a customer and/or reputation due to quality problems in partner's perform
4,11	1.1 no verifiable information about the partner's financial state
4,11	3.1 partner's quality problems in products/services and/or delivery performance
4,00	1.12 partner's underestimation of own resources, potentials and/or capabilities
3,78	2.2 leakage of confidential information to competitors through the partner
3,67	1.4 breach of payment contracts or other commitments
3,67	3.4 unskilled labour and/or management in a partner organisation
3,67	3.7 insufficient communication and information exchange
3,44	1.3 limited past experience in collaboration with the partner, doubtful reliability
3,44	1.9 undefined common strategic objectives
3,44	1.10 absence of relationship rules, defined management roles and responsibilities
3,43	1 Risk of wasting time and resources/investments due to relationship termination
3,33	1.2 insufficient knowledge about partner's product and/or service quality
3,33	1.5 higher level of the partner's opportunistic behaviour
3,33	1.11 higher level of cultural and/or behavioural distance between partners
3,33	3.5 partner's unwillingness to learn and to change
3,22	2 Risk of losing competitiveness and/or core capability
3,22	2.3 losing skilful personnel to the partner
3,11	1.8 lack of mutual commitment of senior managers
3,11	3.2 smaller size of partner organisation
3,11	3.6 loss or changes in key personnel of partner's organisation
3,11	4.2 getting accustomed to certain level of costs and/or mode of partner's actions
3,11	4.3 local management defrauds the company through making uneconomic or illegal agree
2,89	1.7 change in the ownership of partner organisation
2,89	2.1 relationship with the partner who is able to acquire commercially valuable informatio
2,86	4 Risk of dependency in relationship with a partner organisation
2,78	2.4 partner's narrow core capabilities and inflexibility
2,78	3.8 growth of the diversity of partner activities
2,78	4.1 lack of alternative reliable and capable partners in the market
2,67	2.5 no development due to explicit expectations dealing with the same people
2,67	3.3 absence of common infrastructure with the partner organisation
2,67	3.9 negative appraisals and/or rumours after the partnership termination
2,44	1.6 learning useful capabilities partner first can terminate the relationship
2,00	2.6 lack of customer feedback and demand information received through the partner

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5.2 Market dominant firms, network coordination and economic crises (Tretyak, Popov)

Abstract

Firms exist to generate profit by acquiring resources and selling goods. They employ customer orientation techniques, tactics and strategy to establish and maintain their leading position, and never fully abandon the market domination philosophy. Those who actually dominate are in a position to coordinate the whole value chain they participate in, and they usually tend to do so. When a crisis comes, coordination and flexibility become even more important. It is the task of market dominant firms to install new chain coordination mechanisms so as to not allow their partners to go out of business. The paper outlines survival tactics that dominant firms might employ to keep their value chain partners floating in the Russian market, based on the practices of 1990s Russia.

Market Orientation and Market Domination in the Vertical Channels

Recent large marketing conferences have welcomed fresh approaches to marketing science. This may be a sign of the limitations of existing scientific knowledge, a search for new solutions for present-day challenges, an attempt to overcome the current contextual limits or an acknowledgement of the limitations of the current level of development, but every time it catalyses a whole new strand of research in marketing. Besides this, it lays ground for the search of new paradigms in marketing (cf. Vargo, Lush, 2004; Lush, Vargo, 2006a; 2006b; Jüttner, Christopher, Baker, 2007).

Marketing science inquires into how suppliers and customers exchange goods and services, and into the mechanisms that coordinate market demand and supply. Marketing theorists acknowledge that exchange and coordination occur in fact at the level of value chains or networks and are based on relationships (cf. Håkansson, Snehota, 1995). The studies on sequentially dependent firms and firm chains lead to the emergence of the Supply Chain Management (SCM) concept as a management model, rapidly gaining strategic priority status for interacting market players. SCM recognition had grown by the 1990s, despite the concept being developed in the early 1980s (Oliver, Webber, 1982). Despite these declared ambitions to deliver superior value, both the studies of existing supply chains and the analysis of the theoretical foundations of SCM prove that SCM

implementation's prevailing traits are a cost-minimization imperative and the sequences of relationships originating from the producer towards customers and suppliers that aim at maintaining its dominance. What is more, some academics and practitioners are straightforward when they speak about the missing role of marketing and the modest degree of customer orientation within the coordination mechanism created with SCM (Min, Mentzer, 2000; Stock, 2001).

In response, Demand Chain Management (DCM) emerges as an effort to explain the coordination between demand and supply and to integrate marketing into the supply chain. DCM's starting point is not the supplier/producer and its activities to promote its goods and services through the supply chain, but certain customer demands, which are to be satisfied through a chain of relationships (Heikkilä, 2002). This kind of integration seems to be valid for today's marketplace, where customers take advantage of real-time access to their accounts, are able to co-create and make changes to the configuration of products and services adapted to their individual use, and can also make individual requirements for service. However, even the most recent DCM conceptualizations (cf. Jüttner, Christopher, Baker, 2007) are founded on the old transaction approach to marketing with its concept of market segments. What is even more important, these conceptualizations take for granted the overarching role of customers and tempt to forget the existence of producer markets, market driving strategies and producers' rent-seeking behavior.

Marketing researchers have come to forget about the cases of market-dominant firms and their intention to dominate, albeit the importance of power and dependence is acknowledged, at least, in buyer-supplier relationships (cf. Bensaou, Anderson, 1999). Numerous theoretical and empirical papers on customer orientation established a consensus that the main goal of marketing is creating superior value for customers (cf. Jaworski, Kohli, 1993; Kohli, Jaworski, 1990), while even earlier relationship marketing theorists had come to conclude that the best strategy is to develop mutually beneficial relationships with them (cf. Gummesson, 1987). Both streams emphasize the importance of 'win-win' strategies. A service-dominant view of marketing has also come to emphasize the active role of customers in value creation (Vargo, Lush, 2004). Still, this view is limited, and may even seem artificial from a practitioner's perspective. Managers acknowledge the importance of customers if and only if customers dominate.

We argue that enthusiasm about customer orientation resulted in a divide between marketing theory and marketing practice, at least in respect to producer-driven markets and economies. Not all managers treat customers as partners who are active in value creation, and they have rationale for that way of thinking.

The customer orientation of the whole chain may depend on the dominant firm's position in this chain, relative to where the customer is. The closer to the customers the dominant firm's position in the value chain is, the more it is stimulated to make concessions to them. Examples are modern

retail chains and trade centers that seem to sell anything and everything at a single place. But more subtly, it is at this firm's discretion if customer orientation is to be introduced through the chain. A trivial example is that competing for customers by lowering prices, retailers often attempt to transfer cost pressures to their suppliers by constantly exerting pressure and disciplining logistics. Again, although there are notable exceptions, managers tend to think either in 'zero sum' or in 'winner takes all' terms.

Perspectives on market orientation vs. market domination provoke several questions. Why are some firms dominating the markets? Who and why is the holder of the mechanisms to control the whole chain? And how are these mechanisms functioning? Why is a retailer, such as IKEA, in a position to control the whole value chain in some cases (Lusch, Vargo, O'Brien, 2007), while Ford, BMW or other famous car manufacturers are actually controlling their value chains in some other cases? And what methods do they use for guiding the flow of goods or services? We review several approaches to market domination from economics; some of them are supported by theorists from other disciplines, including critical sociology and strategic management.

Revisiting the Concepts and Sources of Market Domination

The first approach is purely neoclassic: monopolies dominate their markets; they may exist due to resource scarcity, scale effects or various other reasons. Monopolies may limit their production volume and create deficit to appropriate a part of consumer surplus from consumers. A monopoly is no exception. The 20th century has shown that even whole economies of deficit can exist (Kornai, 1980). Besides, this approach can be extended by switching attention from a monopoly to entry and exit barriers and the market power of the industry players relative to suppliers and competitors (Porter, 1980).

The second approach can be termed Schumpeterian in that it comes from Schumpeter's (1934) seminal work on entrepreneurship and economic development. This strand emphasizes that domination can be gained and secured by creating a new market and preserving the rights to serve it.

The third approach is having some license to dominate, some exclusive right to regulate market entry that neoclassical economics would assume the exclusive right of the government. The fact that market entry can be regulated, and that some economic agents other than the government can do it, provides for specific reasons for market domination by maintaining regulatory power (Djankov et al., 2002). Such a dominant position can belong to businesses, private persons, bureaucrats, criminals and many other groups (cf. Gambetta, 1993).

Such practices can be local and subtle, and may include third parties, such as those who regulate market entry, including physical entry to the market space. For example, in 1990s Russia some wholesale markets required customers to buy entry tickets, thus regulating the number of customers and subtly appropriated a part of the suppliers' potential gains.

When there is not enough space for all, various practices and strategies emerge. Retail chains introduce 'entry tickets' for suppliers in the form of one-time payments and exercise price pressure to the extent that governments in some developed countries decide to regulate these practices (Barrey, 2006, p. 147). More subtle practices include initiating Efficient Consumer Response programs (thus increasing consumer demand, own sales and perceived attractiveness to suppliers), forcing suppliers to take part in these programs and transferring to them the costs of adaptation to changing consumer preferences (Corsten, Kumar, 2005). The case of Japanese autogiants demonstrates how multitier supply systems can be employed to transfer to first-tier suppliers the practices of exercising power and to dispose of associated costs (Benton, Maloni, 2005). Cross-firm collaboration tools and network orchestration strategies are coordination mechanisms that can be employed to decrease the cost of maintaining a dominant position.

Market Dominant Firms and Economic Crises

Market dominant firms are those who lead and coordinate the whole value chain and who constantly shape and reshape coordination mechanisms. But no firm is an island: even the largest firms cannot survive alone. What should such firms do when a crisis has come? We will review only the case of reducing demand, albeit we should note that rising costs are also a common issue. We aim at delivering practical recommendations, survival strategies that could be helpful for Finnish construction companies in the Russian construction market of 2008-2009 that is shrinking due to the bubble crash.

The crisis lead to liquidity problems: there is not enough money to buy overpriced flats, houses and facilities, as well as overpriced construction materials. The banks neither lend to those who buy flats, nor to those who sell. As a result, some customers leave the market, some others switch to cheaper options. Developers stop buying land, construction companies stop building and fire workers, construction materials producers introduce cost minimization strategies under cost pressure. Business services are waived out of the market: even the leanest supply chains become leaner. Customers who stay in the market become the most important source of financing, and everybody competes to attract them.

In general, governments tend to support their national economies in crises. Currently they buy out millions of flats to feed the construction firms, lend to national banks to support mortgage loans and speed up public use facilities construction by spending money from reserves to support the industry and prevent massive lay-offs and letdowns. Much of the lacking coordination is thus restored through this kind of support, but this is not enough. The special cases are foreign-owned firms, including Finnish companies. Chances are that they will be discriminated against in comparison to domestic firms in that they will not be supported by the Russian government. Hence, such companies have to learn how to serve those market segments that are shrinking more slowly and those that are more stable, although less profitable. In turn, they can adopt some tactics that Russian firms can use in order to support the value chains they participate in.

In the 1990s, the market in Russia was still emerging. Since Soviet times, firms were used to supply problems and are not used to serving customers better. When the crisis came, a large number of value chains that existed for years vanished in just a few months. The economy-wide centralized supply was abandoned, although nothing existed to replace it. Moreover, everybody seemed to run out of money since the pace of inflation was very fast. Firms employed all possible means, including salary and payment delays, selling facilities and reorganizing production in the hope of earning more money. However, the most adaptive firms systematically relied on a set of practices that allowed them to facilitate the chain of market exchanges from raw materials to end users, and thus to allow their suppliers and middlemen to stay in business. These practices are conceptually simple: firms should agree on the new means of exchange and try to make mutual concessions to maintain the exchange inside the supply chain. This includes introducing barter exchanges throughout the chain (and even when paying salaries), establishing trade platforms that give access to a larger variety of means of exchange, and making pledges to support partners instead of distancing from everyone. The mechanisms do not emerge from nowhere: it is the dominant firm's responsibility to introduce and enforce them in due time.

Conclusions

So as to conclude the discussion, we build four propositions for market dominant firms to act in crises, with special relevance to the Russian market:

1. Dominant firms should support their value chain partners in order to keep going themselves.

2. Dominant firms should learn and employ flexibility-enhancing coordination mechanisms throughout the value chain to support their value chain partners.

3. Dominant firms should learn to monitor and influence consumer behavior and understand their final customer portfolio to guide their distributors.

4. Dominant firms should learn how to serve new market segments in order to increase flexibility and minimize hedge risks.

One more recommendation can be to learn how to serve business customers (e.g. large industrial companies) with incomplete construction projects under way and government organizations which may be willing to stimulate construction by financing projects of new public facilities.

We feel it necessary to remind that network coordination mechanisms often emerge and are sustained due to market-driving dominant firms that employ these mechanisms to establish and maintain their dominant position in their value chain. Thus, any inquiry into chain or network level coordination should first consider the market domination issues and the

strategies of market dominant firms. The survival of the whole value chain depends on the decisions of these firms' managers.

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5.3 Customer perspective (Rozhkov)

This report represents marketing and customer perspective in the integral management and leadership model for Finnish – Russian business networks operating in Russia.

Research objectives

Customer perspective and marketing
– Customer Relationship Management (CRM) in B2B (Business to Business) networks: theoretical presentation.
– Managing of customer relationships in B2B business: practical examples from Russia.
– Building a management model of customer relationships in B2B business in Russia.
– Customer perspective in Russian business culture: inner and outer customer relationships in a company network.
– Success factors & key performance indicators (KPI) of CRM.

Basing on the objectives listed, we can outline the primary goals:

–   it is important to define the stages of customer relationship develop-ment at the network level as well as the set instruments and mechan-isms used for coordination within the network
–   it is important to find out if it is possible to regard a customer as a network member from a B2B relationship perspective.

Network perspective

Nowadays market competition often takes place not among individual/ in-dependent companies, but between business networks or company value chains (Day 1994, Hunt 1997). Such network-level competition implies that network participants have to coordinate their activities in order to sa-tisfy the needs of the target market, because the success of the whole net-work depends on its capability to understand and serve a certain market (Elg 2002). The interaction process is rather complicated, including differ-ent relationship factors such as commitment, trust, mutual goals, adapta-tion, structural bonds and others (Anderson et al., 1987; Dwyer et al., 1987; Jackson, 1985; Mummalaneni, 1987, Wilson, 2000). All these fac-tors and their interdependence are rather well known, while some impor-tant factors that seem to define network structure and value distribution are not researched in marketing. Examples include market domination and power imbalance.

Customer perspective

Customer orientation, retention, relationship management and integration are the buzzwords of the past decade. Researches suggest different ap-proaches to customer orientation definition. These definitions vary from efficient communication and customer data analysis through the organiza-tion (Kohli and Jaworski,1990) to the formulation of strategies and tactics, inter-functional coordination (Shapiro, 1988) and organizational culture (Narver and Slater, 1990) that create superior value for the customer. Apart from the definition itself, there are plenty of instruments in this par-ticular area, for example customer orientation scales (Saxe and Weitz, 1982), CRM, customer portfolio etc. These instruments enable single companies to evaluate their customer orientation level, assess customer profitability and future value. The main drawback of the instruments men-tioned above in this particular context is that they are suitable only for a dual relationship perspective both for B2B and B2C markets. Except for these qualitative definitions, there are some instruments that provide quan-titative estimates of customer orientation.

Customer orientation scales

There are quite a number of scales used for defining the level of customer orientation for a particular firm (Nwankwo, 1995; *Saxe&Weitz, 1982; Da-niel&Darby, 1996*). These scales seem to be very practical when a compa-ny wants to capture the present situation with customer orientation. Basi-cally, CO scales contain several blocks dealing with business processes, corporate culture, communication channels available etc. But there are al-so several significant drawbacks that can be outlined after analysing the scales listed above.

- these estimations of customer orientation are based on the individual perceptions of the company's employees
- there is no connection between the areas observed and company performance or finance output
- the customer is not regarded as a source of information, the formal feedback channel is taken into account.

Customer orientation in network perspective

Now it is important to define the main differences between dual and network customer relations. In fact, the structure of relations between a customer and a company participating in the network is much more complicated than in a dual, and can be influenced by the network structure, power imbalance, labor division, company position in the network and finally by the actions of other network members.

A business network consists of members (nodes) and its ability to act as a whole is defined by the level of coordination among the members. As was mentioned before, one of the factors that define the degree of customer orientation is the level of customer data collection and analysis. This implies that the customer orientation of the network is defined by its ability to deliver customer information, feedback and statistics along the supply chain. So the supply chain is transforming into a demand chain (for ex. Jüttner et al., 2007).

The intensity of communication with the final consumer may be different depending on the structure of the network (for example demand/supply chain and "hub and spoke" network types). In this way, the need for intra-network coordination to improve customer orientation may vary from the coordination of dual customer relations with the rest of the network ("hub and spoke") to effective information transfer from the customer down the value chain (demand/supply chain).

Based on the framework above it is possible to state the main research questions of the proposed research.

First, it is important to define the stages of building relations with a customer at the network level and the instruments used for coordination within the network.

Secondly, it is necessary to identify the factors that influence this relationship. Considering long-term relations with a customer from a B2B network perspective, it is also essential to define whether it is possible to regard this particular customer as a network member. It is also important to adapt existing customer orientation scales to the network context.

After this it is possible to continue to the construction of a network customer relationship model (Figure 14).
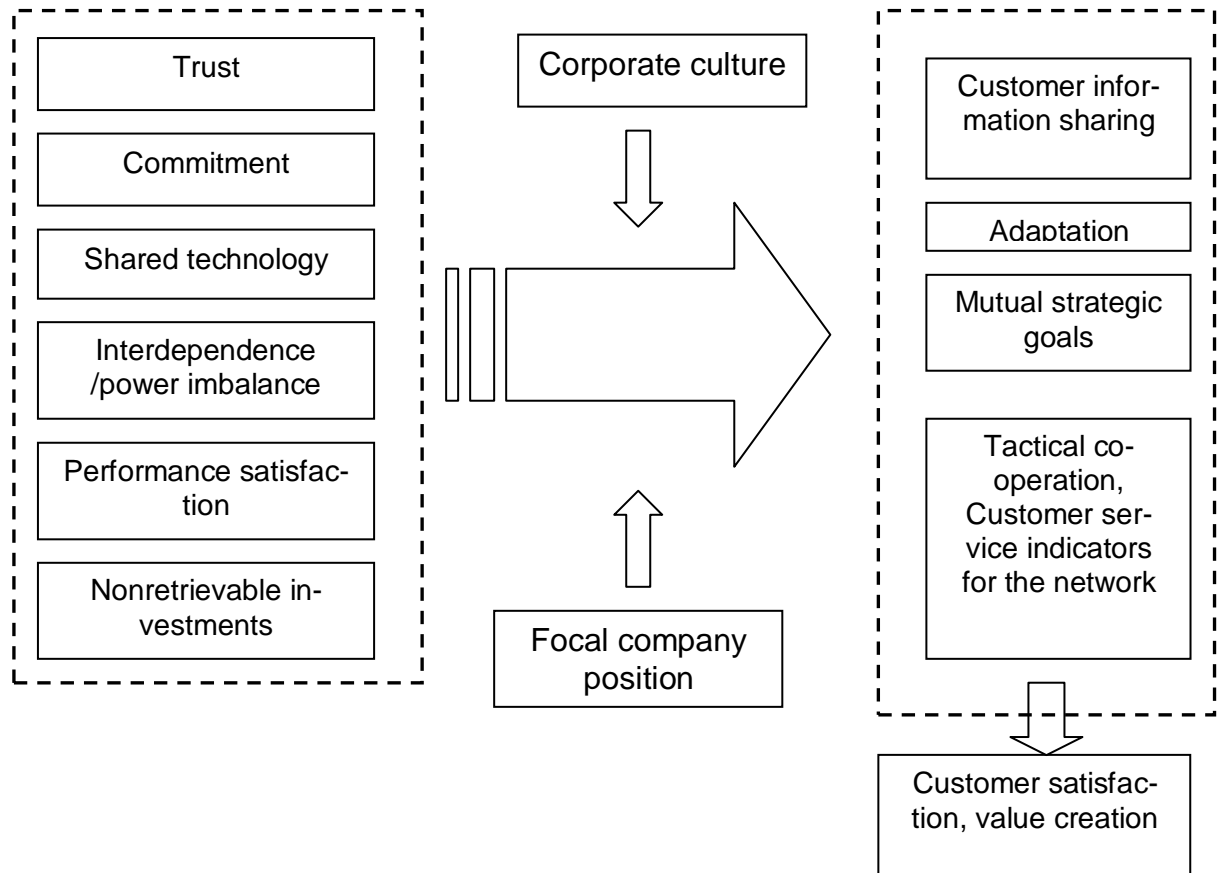
Customer orientation within the network

| Trust | Corporate culture | Customer infor-mation sharing |

Figure 14. Network customer relationship model (CRM).

Methodology

A qualitative approach is proposed As the main research methodology, in-cluding in-depth interviews and a case method (Gummesson 2007, Dooley 2002).

The following questionnaire is proposed.
(Interviewee's role in the company: person responsible for customer man-agement)

5.3.1 Do you coordinate you activities with your network partners?

5.3.2 What functional areas are coordinated, what business processes (BP) are involved in this interaction? What indicators are used to measure this process?

5.3.3 What communication channels do you use when dealing with your partners, especially IT solutions?

5.3.4 Do your suppliers and/or network partners know about your cus-tomers' requirements for products?

5.3.5 Do you get info on your partners' customers?

5.3.6 Are you ready to change some action or business process if it's needed by your customers?

5.3.7 Are you able to influence your partner's policy to provide better customer service?

5.3.8 Do you use any particular indicators to monitor customer handling inside the "network"?

5.3.9 What methods and indicators are used for customer attraction and initial assessment?

5.3.10 What are the main goals of CRM in your company? What organizational levels are chosen for their implementation? Do you have some particular strategic settings in this area?

5.3.11 How is customer feedback collected and used? What is the role of interpersonal relations in CRM?

5.3.12 Are there any IT solutions used for customer communication or collaboration, data collection and analysis? What kind of data is collected?

Results so far

The survey was pre-tested during a visit to company N. On the basis of the data provided we can conclude that the survey needs improvement in terms of stating the questions to be easily understood by the managers interviewed.

The main results expected are:
– A customer orientation (CO) model for networks
– Upgrades to standard CO instruments for networking application (customer portfolios, scales etc.)

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5.4 Creation of relationship networks in the new market (Buzulukova)

This part of the research is devoted to research the process of creating and developing networks in the new market. The purpose is to reveal peculiarities of this process in the Russian market. In this work we will try to create a visualization of real Finnish networks, to analyze the process of their creation, to reveal the stages of network development, to show Russian market differences in the process of network development, distinguish difficulties in market entrance, find methods for the search of partners, determine the features of saving reliable relationships and find key factors of success. For the success of the whole network, it must be adapted to customer needs. The object of research are four Finnish networks working in Russia.

Introduction

The present market is a field of functioning companies united in networks. A network can help companies specialize in their core competences. Mutual aid is becoming the only instrument for the struggle in global competition. Mutually beneficial relationships are forming sustainable competitive advantages, which can hardly be copied by competitors. Networks and existing relationships can also help companies to enter into new markets and strengthen their position in them. Joint entrance into the market can greatly reduce risks, cut down expenses and offer complex solutions for consumer needs.

The Russian market differs from stable European markets. The main differences concern the institutional environment, the way of doing business, higher risks and customer specificity. But in spite of these facts it remains an attractive market for international investors. To overcome all these complexities, companies try to create networks in this new market. The preferred model is to develop relationships with partners from the home country. But this is not always possible and they then have the acute problem of searching for new partners and deciding between local and foreign companies.

Theoretical background

As can be seen now, there is increased interest in the problem of relationship marketing. A number of articles, researches and conferences try to determine boundaries, reveal specific features, and define and measure the effectiveness of network relationships. There are different ways to define

the phenomena (Thorelli, 1986; Granovetter, 1985; Forsgren, M. & Johanson, J., 1992; Hakansson, 1992; Miles et al., 1992;). All approaches agreed about the independent character of participants but a question then arises when we are talking about boundaries. There are two main approaches to definitions of a network. The first approach is to talk about the open character of business networks. It has been argued that "any business network boundary is arbitrary and depends on perspective" (Anderson et al., 1994, p.4). The second one considers networks as closed systems of firms and their relationships (F. Webster, 1992; Lambert and Cooper, 2000). In this approach, individual network partners can be part of others networks. Boundaries are defined according to the production of a final product. In our work we will use the second approach, because we need a limited number of companies in order to trace the process of network development. This does not exclude involving new companies in the network.

The purpose of this work is to develop a model of creating networks and forming reliable and advantageous relationships in the Russian market by foreign companies. The process of creating networks is not very well investigated, but of course there are some works in which this question is considered (Chaston, 1995; Hakansson, H. and Snehota, I. 1995). In our work we will stress the main distinguishing features of this process in Russia. After that we will try to develop the model of network lifecycle and describe each phase of this process: creation-operation-evolution-dissolution. This model will then be compared with existing models of network development (Butler, Hansen, 1991; Khanna, Gulati, Nohria, 1998; Pihkala T., Varamaki E., Vesalainen J.1999).

After all this, questions concerning Russian differences will be considered, as well as the way of choosing the right partners and important factors for saving reliable relationships. Another point we would like to stress is to describe the strategy and stages of market penetration and find out common features in successful entrance. In conclusion we will illustrate difficulties in the marketing performance of Finnish companies in the Russian market.

Research Objectives

The overall aim of the research is to investigate the process of creating and developing relationship networks in the new market, to describe a model of market penetration and to prove the necessity of relationship marketing principles in building reliable partnership while entering a new market. This investigation can also help foreign companies to enter and overcome difficulties in the Russian market.

The following objectives are set for reaching the overall aim:
1. To show different ways of market penetration
2. Emphasize possible difficulties while working in the Russian market
3. Outline key factors for success
4. Demonstrate the leading role of RM in these success factors.

The research consists of six parts. The first part is devoted to analyzing present network structure. Therefore, general information about companies and their Russian operations will be collected. The second part describes the process of creating networks in the Finnish and Russian markets, in order to understand the motives and roles of companies within the network development process. The differences of developing relationships in the Finnish and Russian market will be explored. The third part concerns the entrance strategies of Finnish companies in the Russian market. There the motives of entering the Russian market, the existing barriers as well as the cultural and business differences in transactions and the ways of interacting with Russian partners will be disclosed. The forth part refers to the practical method of searching for new reliable partners. Therefore, trustworthy source of information, the right criteria for the choices as well as estimations of importance and rating of information will be detected.

In the fifth part, the network will be described as a crucial factor for forming a sustainable competitive advantage. The aim of this part is to prove that successful relationships within networks affect the companies' performance, financial achievements, and personnel performance positively. The last part relates to the measuring of customer satisfaction and the level of coincidence of reality and assumptions.

The research parts described above are in short as follows:

Part 1.   Network description
Part 2.   Relationship development in Finland and Russia
Part 3.   Entrance strategy into Russia; existing market entrance problems.
Part 4.   Model for searching for reliable partners and saving reliable relationships
Part 5.   The network is a crucial factor for forming sustainable competitive advantage
Part 6.   The network is a crucial factor to improve customer performance

Research Design and methodology

The project is still in progress. Only two companies have been investigated. Therefore the preliminary findings concern parts 1, 3, and 6. In order to achieve the research objectives further, several companies will be investigated as well as their ways of market entrance, key factors of success and business difficulties in the Russian market. The research object are European companies, which have been operating for some period of time in the Russian market.

Sample in 2008: Two European companies from the construction field working in the Russian market were chosen according to the aims of the joint research. Method: qualitative investigation – 11 face-to-face interviews for top and middle level managers for 40–60 minutes each.

Research Results

The First Case

The Swedish construction and property development group works in the B2B and B2C markets. Its net sales in 2007 were 6.3 billion EUR, and the number of employees was 22000. The company efforts to create environments for work, living and communication, develops and builds residential and commercial properties, industrial facilities and public buildings, roads, civil-engineering structures and other types of infrastructure. Their main goal is to be the leading company in the development of future environments for working, living and communication.

Market entrance steps:
1972　First contracts in Russia (industrial building construction), export operations
1988　Merger of 2 big European companies
1996　Acquisition of Finnish Company, had been working in Russia since 1972
2005　Local company in Russia, St. Petersburg, first own land plot, residential construction
2008　Three house-building projects. Active development and expansion in St. Petersburg region.

Key success factors: active support of parent company, honesty, respect, trust, corporate culture, wide experience in Baltic countries, complex decisions, project co-ordination, services that extend throughout the value chain, financial stability and additional financial services, Scandinavian quality, management, personnel development.

Difficulties in performance: legislation, accounting reports, approvals of project, bribes, general director additional low liabilities, paper work, special personnel motivation, additional construction liability, difficulties in land legalization, partner distrust, twisted legislation, bureaucracy, co-ordination in utility allocation, long contract agreement, immigration laws, construction performance requirements, failure to comply with rules.

The Second Case

Company supplies metal-based components, systems and integrated systems to the construction and mechanical engineering industries. It has operations in 26 countries and employs 15 000 people. Net sales in 2007 total EUR 3.9 billion. Their main goal is to be the leading supplier of metal-based solutions in Europe to customers, to be the most desired solutions supplier.

Market entrance steps:
1970　First contracts in Russia, representative office, export operations
2004　Renewal of business in Russia. Representative office and dealers. Successive entrance with a new product into the Russian B2B market. Rapid sales growth

2004 – 2005 Acquisition of Russian production companies. Joint ventures in St. Petersburg. Acquisition of a Russian partner.
2006 Production unit in the Moscow region. Acquisition of a Russian partner.
2007 Closing some production units in St. Petersburg, because of high competition
2008 Now: 2160 employees, 2 production units, 15 representative offices.

<u>Key success factors:</u> local production, complex product, quality, technology, quickness, conveniences, experience, trust, image, decency, responsibility, solving all kinds of problems.
<u>Difficulties in performance:</u> bureaucracy, construction codes, business relationships, failure to comply with rules, aspiration to lower prices from Russian partners, double tenders, bribes, kickbacks, existing relationships in construction, construction performance requirements, supervisions, theft, paper work, long contract agreement

Conclusions

The research has revealed two significant issues. First, the main success factors concern building reliable and long term relationships with customers, where mutual trust, honesty, responsibility, good recommendations, the readiness to solve complex problems and personnel development prevai. Second, the main problem of a company entering a new market is to find a reliable partner and build mutually beneficial relationships with it. This is the key factor for success in market penetration.

The research has theoretical and practical importance. From a theoretical point of view this study attempts to prove the leading role of relationship marketing in modern life. From a practical point of view it demonstrates different market entrance strategies, emphasizes key success factors in the Russian market and reveals difficulties in companies' performance. All these discoveries could help foreign companies to enter and operate in the Russian market.

The Russian market differs from stable European markets. The main differences concern the institutional environment, business relationships, peculiarities in human resource management and customer specificity. Every foreign company faces very specific relationships while operating in Russia such as the key role of the managing director, specific personnel relationships, the necessity of building relationships with the municipality, imperfect laws, frequent breaches of the law etc.

The main findings are concerned with the importance of developing reliable, trusting and honest relationships with customers and the necessity of finding a reliable local partner in the new market in order to succeed. Further analysis of other companies' market entrance strategies and key success factors will allow summarizing the findings and making practical verification.

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6. PERFORMANCE MEASUREMENT (P6)

6.1 Evaluating Performance of Formal Business Networks (Popov)

Introduction – Literature Review

"Comparative research on the effectiveness of organizational networks is virtually nonexistent", (Provan, Milward, 1995, p. 7) Provan and Milward stated 13 years ago in their "Preliminary theory of interorganizational network effectiveness". Considerable theoretical progress has been made in strategic networks theory since their groundbreaking article, though the evaluation of network effectiveness remains, at best, problematic (Sydow, Windeler, 1998; Provan, Milward, 2001; Möller, Törrönen, 2003; Borgström, 2005), in spite of abounding reciprocal alliances, virtual corporations, strategic partnerships and the like. It is quite obvious that a priori performance criteria can be assigned neither to a supply chain, nor to other unique boundaryless entities. And the measurability of the performance of a *formal business network* remains doubtful, while being quite the present-day problem for SME managers, corporate executives, consultants and public policy agents.

In this paper we will provide a literature review of the state-of-the-art in measuring the performance of various types of interorganizational systems called 'business nets', in line with the terminology in (Möller, Rajala, Svahn, 2005; Möller, Rajala, 2007). Specifically, strategic business nets are formal networks with a fixed number of formally registered participants at any point in time, having specified shared goals or a development strategy for the whole net. We will briefly outline the general performance management perspective and new developments, identify what can be measured in networks and review the concepts that were proposed for several types of business nets.

Introducing the network-level measures

Performance management is a relatively new stream of the management discipline. It evolved into a separate perspective during the 1990s, and is still emerging. In spite of the fact that several performance management systems have existed for centuries (e.g., the French 'tableau de bord' (cf. Bourguignon, Malleret, Nørreklit, 2004)), while several are on the tip of every businessman's tongue (e.g., the Balanced Scorecard (Norton, Kaplan, 1992; 2001)), there are more questions than answers. It is especially true when stakeholders' perspectives are concerned, and somebody attempts to answer questions like 'effectiveness for whom?' or 'how effective is this organization for me?' We will limit ourselves in this article by pursuing the manager's perspective, which is the most common one. What's more, we don't distinguish it from the shareholder's perspective.

Managers always rely on certain indicators: they fix achievements, reveal problems and set targets in numbers. Thus, for them, what cannot be

measured cannot be managed. This philosophy is helpful to explain the basic role of accounting in performance measurement and management. For example, some writers claim that the existence of sophisticated accounting systems largely explains why large hierarchies substituted market coordination mechanisms: while hierarchies were growing, they remained under effective manager control because managers were still able to make reasonable decisions, systematically deriving necessary information from accounting systems (cf. Chandler, Daems, 1979).

Business people rely on the information they have in their hands. In case information about something is unavailable (e.g., there are no reliable data on customer and employee satisfaction and loyalty, employee skills and innovation capabilities, time-to-deliver, etc.), managers can't identify problems and set targets, and thus they tend to forget about the issue. Indeed, it is hardly even possible to understand a business process without measuring some of its properties.

Various types of measurement and evaluation correspond to various needs. We can think of operational measures for everyday monitoring or monthly functional level evaluation, or strategic indicators that are presented for the yearly meeting of the board of directors. Moreover, various roles and functions (e.g., monitoring or controlling) are tied to specific contexts. To simplify things, later in this article we will consider neither performance management processes, nor roles, needs, context, etc. We'll only review, step-by-step, what kinds of strategic and operational level *measures* for the periodic monitoring of progress in performance were proposed in the literature for various types of relationships and networks, and make some conclusions about a system of such measures.

Performance measurement systems evolved over time with firms' organizational structures. Indicators were developed to include intercompany arrangements, alliance relationships and chains. New practical measurement issues brought new challenges for theory: what is the performance of a group of firms?

It is necessary to show that the notion of the performance or effectiveness of a network of actors is possible to define. The business nets, which have shared goals, could potentially be treated as formal organizations, so the rate of their success in achieving their goals, as well as the cost of the resources involved, could potentially be measured and compared to the benefits and costs of alternative intra/interorganizational arrangements / other business nets. Thus, we can assume that the effects of participation in the network can be measured for an individual participating firm, or a collection of participants. This aspect can be treated as a static one of the network performance. Moreover, the network is itself an interaction domain for its participants and the specific distribution of outcomes (relational rents) is defined and redefined by the relative positions of the firms in the network. These processes of networking form the factors of network effectiveness, and can be treated as its dynamic aspect.

Two propositions/hypotheses can be derived from this framework, and both are discussed in the literature. First, since there is a system of shared goals in place, we suggest that the collective (but subjective) view of the performance of the whole network can be thought of as a 'network insight', resulting from interactions of the individual views of its members' managers, or individual 'network pictures' (cf. Mouzas, Henneberg, Naudé, 2004; Henneberg, Mouzas, Naudé, 2004). At least in the UK, individual pictures seem to merge into a common picture through permanent discussions and interactions, and especially due to common meetings that are important relationship management tools (Leek, Turnbull, Naudé, 2002). International evidence from buyer-seller dyads also suggests that buyers' and sellers' perceptual gaps tend to decrease as relationships endure, but suppliers are still very often more optimistic about the quality of the dyad relationship than their buyers are (Barnes, Naudé, Michell, 2006). If this holds true, then the common view on the overall network performance should be correlated with the general support of the network by its members (they choose to participate if they consider the network to be effective). This makes it possible to test the network's effectiveness by comparing the resources committed intentionally by participants to the network activities and the best alternative ways to use them. And it is also possible to analyze and compare existing and actually used net-level performance evaluation systems, as well as to propose new systems.

Second, subject to long-term participation in activities of the business net, the benefits and costs of participating become revealed to participants through the process of networking *during the time of participation*; participants can gradually reap more and more benefits, subject to tighter integration (cf. Chaston, 1995; Sprenger, 2001; Varamäki, Vesalainen, 2003). If this holds true, then the so-called 'soft' benefits of learning from network partners, of access to wider information etc. turn into business opportunities (e.g., profits) during the network's life cycle. Hence, the performance of a business net for any individual participant can be represented as a vector of measurable outcomes vs. measurable inputs, and thus evaluated.

Various methods exist to synthesize individual measures into a single system. One simple way is to go from a single indicator (EVA, ROE, IRR, etc.) into detail by hierarchical step by step disaggregation. For example, BCG partners proposed a system to disaggregate ROE via human and capital resources, as well as suppliers and customers (Strack, Reiner, 2002). Another method is to go from several perspectives and establish causal links between the key indicators. A popular example of this method is the Balanced Scorecard (Kaplan, Norton, 2001).

The hierarchy-type systems have several obvious advantages over causal links-type systems: the system is integrated and the influence of any single measure (thus, its relative importance) can be identified. It is more convenient for managers. Alas, we assume it impossible to construct a hierarchical type system for the business net as a whole, although it may be possible to suggest such a system from the individual participant's view. We hope to explore this issue in detail in further versions of this paper, but

currently we will limit ourselves to the causal-links method of measure synthesis.

Measuring relationship quality

Relationship quality measures: Concepts of balancing individual performance and the quality of relationships. From measuring relationship quality to measuring network performance: beneficial transactions map.

Net-level performance measurement for b2b networks:
Classifying business nets, Supply chains, Distribution networks
Virtual nets, (ECOLEAD; largely based on SCM considerations and Strategic nets.

Net-level performance measurement for complex networks
This section is currently under construction, and is not yet ready to be presented for discussion. It reviews measures and systems recommended for or used in four types of networks:
1. Regional networks and cluster initiatives (cf. Sölvell, Lindquist, Ketels, 2003).
2. Clusters (cf. Andersen, Bjerre, Hansson, 2006).
3. Policy-implanted nets (such as UNIDO's Network Evaluation Tool (UNIDO, 2001)).
4. Non-profit nets (such as performance indicators for Networks of Excellence (cf. European Commission, 2003).

Conclusions and perspectives
– What can be measured?
– What cannot be measured?
– Composition of the measurement system.

It may be that cultural differences in Russia will drive Russian managers out of the method that would be more suitable to their Finnish partners, due to differences in ideology between the countries. There is evidence that ideology influences the perceived causality between different indicators, and thus, the way how the performance measures are chosen, synthesized into a measurement system and further used. For example in France, due to cultural peculiarities and managerial traditions, financial indicators are less used compared to process indicators, and performance-based payment is unpopular. Both facts account for the French 'inertia' and hostility towards 'North-American management tools' (cf. Bourguignon, Malleret, Nørreklit, 2004). In Russia where upon the first implementation of performance evaluation tools managers tend to overrate their value (since they are new for them even if they are already obsolete), there may be an opposite trend of being stuck to using fashionable tools. The consequences may include the balance between process and financial indicators, as well as between relationship quality and individual performance. Both issues remain unexplored to date.

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6.2 Performance measurement practices: a preliminary analysis (Gotcheva, Lönnqvist, Tolonen)

Introduction

Performance measurement can be defined as "the process of quantifying effectiveness and efficiency of actions" (Neely *et al.*, 1995). It is a managerial tool which can be used for many purposes. In addition to proving information about the status and development of the business, it can be a useful tool for guiding the employees' work and learning about operations.

Traditionally, performance measurement has been a managerial tool used within companies. Companies have measured their financial and non-

financial performance variables, and examined how the targets of operations have been reached. However, during recent years performance measurement research has focused its attention on measuring network performance in addition to company performance (see Figure 15).
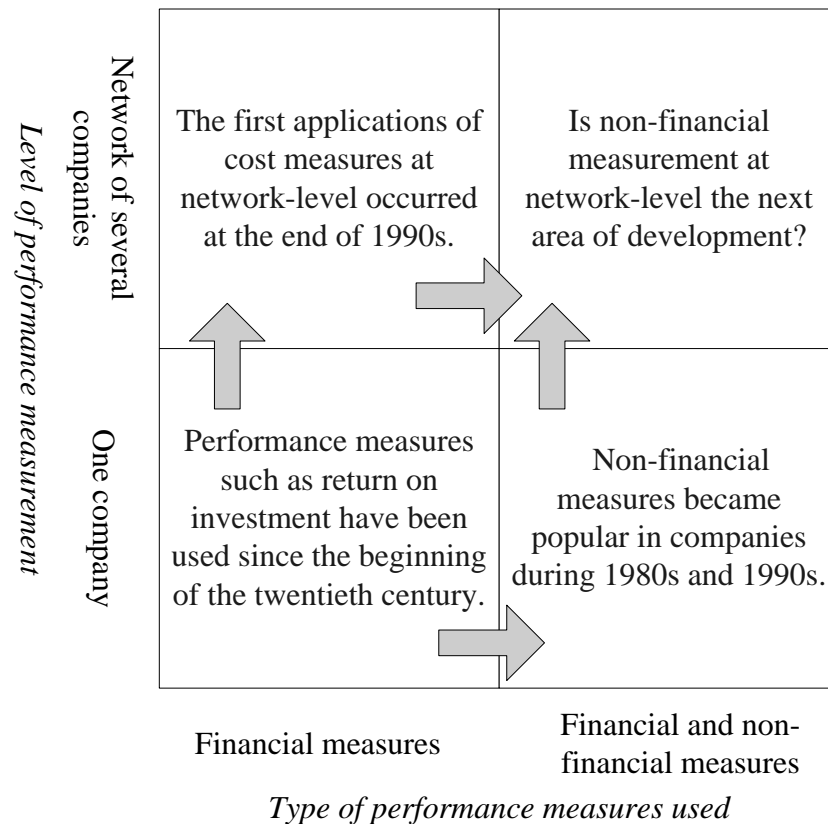

Figure 15.   The development trends in performance measurement (Kulmala and Lönnqvist, 2006).

The idea in network-level measurement systems is the following: The performance of the product, service or the process determined from the end customer's perspective is jointly delivered by the actions of all the network companies. Thus, the management and measurement of operations and processes should also be carried out at network level. How would this whole production system otherwise be managed? When performance is (sub)optimized at the single company's level, it may cause problems for the whole network's performance.

In the literature, there are many models for measuring network performance. Still, the practice of network measurement is not very common. An example of a network level measurement can be illustrated by the measurement of delivery time. Delivery time can be an important factor determining the competitiveness of a company. From the customer's perspective it is important to know the whole delivery time starting from the initial order to final delivery. This may include a lot of production phase deliveries by subcontractors and partners. Thus, if a network wants to manage the whole end-to-end delivery time, the whole process should be measured. However, if there are problems in the delivery time (e.g., when

compared to a competitor) more precise information should be obtained. If the delivery times of individual production phases would be measured and shared within the network this information could be used in seeking bottle necks and in planning more effective and efficient ways of operating.

Companies which operate in the construction sector are chosen in this project for several reasons. In their recent action case study Nudurupati et al. (2007: 667) argue that "very few studies were reported on performance measurement in businesses operating in construction industry". Love and Holt (2000) state that many construction sector companies rely predominantly on traditional financial performance measures such as profitability, return on investment (ROI), the utilization rate of resources, and the like. In general, in the construction industry the supply chain is complex with different actors seeking to achieve their goals while often operating under dissimilar time plans. These actors interact continuously in a dynamic and complex environment. These factors make the issue of network-level performance measurement in the construction industry a challenging yet promising research endeavor.

The Finnish construction industry is seeking new avenues for profit and growth. A tempting market in terms of volume, growth potential and customers' ability to pay is located in Russia. Although the Russian market is near the operating environment, it differs significantly from the Finnish one. For the Finnish construction companies networking has been utilized as an important means for entering and succeeding in the Russian markets.

At this moment it seems that a typical way of operating in the construction sector is the so-called hub company model, i.e., there is a clear lead company managing a large supply chain (a vertical network) that is providing the product for the end customer. However, in this paper we make the assumption that networking – active participation in business networks and the development of activities at network level (not from the point of view of a single lead company) – is a good way to improve the performance of a Finnish company operating in the Russian construction sector. If this is the case, we can question whether the performance of the network-level activities should be managed and measured. In other words, this research examines whether the companies' network management and measurement models could be developed into the direction proposed by the theoretically oriented network management literature, i.e., to better take into account the whole network's performance and interests.

Different models and usages for measuring networks

The performance measurement systems have evolved due to the changing nature of the markets and the changing business environment. Hausman (2003) suggested that in terms of dimensions, performance measures have shifted from mono-dimensional to multi-dimensional; while in terms of organizational boundary they have moved from a single enterprise towards a cross-enterprise perspective.

Some of the most popular performance measurement models and frameworks in the literature are the Balanced Scorecard (BSC; Kaplan and Nor-

ton, 1996), the Integrated Performance Measurement System (IMPS; Bititci, Carrie and McDevitt, 1997), the Performance Prism (Neely, Adams and Kennerley, 2002), and the Quantitative Models for Performance Measurement Systems (QMPMS; Suwignjo *et al.*, 2000). There is, however, a lack of a cohesive body of knowledge in the field of corporate performance measurement, which is mostly influenced by the BSC concept (Marr and Schiuma, 2003). This concept recognizes that the balance of performances could be seen from four perspectives: financial, customer, internal business and innovation and learning (Kaplan and Norton, 1996). Still, as Marr and Schiuma (2003) argue, the BSC research is predominantly case-based and it seems that there is a lack of large-scale empirical testing of the concept. Furthermore, although balance among these measures is encouraged, an appropriate balance is undefined (Antić and Sekulić, 2006). In general, a limitation of these traditional theoretical models is that they measure performance at the level of a single enterprise. The changing business context puts emphasis on collaborative networks rather than on single companies. More and more, companies need to be able to measure their performance at the level of the networks to which they belong.

Leseure *et al.* (2001) propose that performance can be measured at the level of organizational networks. They introduce the concept of *meta-performance*, i.e., network-level performance. Meta-performance is a two-dimensional construct which includes (1) the concept of performance per se and (2) the concept of equity within a network. The authors claim that the benefits should be fairly distributed for a network to perform effectively. In an exploratory case study the authors illustrate the importance of performance measures applied at the level of organizational networks.

Another research endeavor to capture the measurement of performance at the network level is that of Bullinger *et al.* (2002). They suggested a *hybrid measurement approach* which links the Supply Chain Operations Reference (SCOR) to an adapted balance scorecard. While the SCOR metrics focus on controlling material and product flows by measuring logistics performance, the network scorecard enables logistics networks' business objectives to be controlled by measuring management performance. In other words, this approach integrates the bottom-up and top-down measures in a holistic instrument. The generic character of the two methods used (balanced scorecards and the SCOR methodology) is a weakness of this approach though.

It should be noted that these widely used PM models and frameworks have been developed and elaborated within the western market conditions. The implication is that Finnish companies which operate in Russia may face unexplored difficulties in establishing a network-level PM system due to the different business practices and approaches for 'getting things done' in Russia compared to Finland.

Research approach and methods

The research explores the performance measurement systems of a sample of Finnish construction sector companies operating in Russia. To examine the current status of the performance measurement systems in these enterprises, as well as the managerial needs and attitudes towards performance measurement at the network level, interviews with managers were conducted within 10 companies. The interview questions were the following:

Performance measurement in organizations

1) Describe the present state of performance measurement in your organization (e.g., are you using some certain measure like Balanced Scorecard and are you also using some non-financial measures like time to deliver or quality evaluation)
2) What is the role of measures in company management?
3) Does your company pay any bonus based on performance? If yes, then
4) On what performance criteria are bonuses based?
5) How much may these bonuses be (%) compared to the annual salary without bonuses?

Performance measurement in networks

6) What are the success factors for business networks (basic factors, operations and strategy)? Name the three most important. How could the performance of a network be measured and evaluated? What kind of measures could be used in a network?
7) What things should be measured or evaluated in business networks? (e.g., costs, quality, time to deliver, competence, trust, ability to cooperate…)
8) What factors in practice complicate measuring the network? (e.g., related to the Russian business environment)
9) What kind of factors should be considered in setting bonus targets in order to improve business network performance?

Current status of and need for performance measurement in the Finnish construction sector companies operating in Russian markets

In the following paragraphs the results of the interviews with 10 project companies are summarized in accordance with the interview questions. First, the managers' more general views on performance measurement in organizations are presented, and then the managers' needs and attitudes toward network measurement issues are outlined. Table 4 summarizes the preliminary results from the interviews conducted so far. On the basis of these findings more pragmatic measurement tools will be developed and tuned to meet the needs of the companies.

Table 4. A summary of the preliminary findings from the interviews with managers from the project companies.

Interview question	Measures
Performance measurement in organizations	
1) Describe the present state of performance measurement in your organization (e.g., are you using some certain measure like Balanced Scorecard and are you also using some non-financial measures like time to deliver or quality evaluation)	"BSC type of measurement tool is being used. Salaries/net sales are also measured to monitor productivity"; Empties/hour "We are using IMS – Integrated Management System. There are some grey areas, e.g the problem of accidents reduction is understood in different ways in Finland and in Russia." "We don't use BSC. We use e.g. turnover per salesperson, we started to measure punctuality of deliveries, which is collected from our IT programme. The IT system we use summarises all sales and deliveries, including actual and planned dates. This information is then used to understand the bottlenecks." The sales managers write memos for all orders to measure customer satisfaction. "We count reclamations and we find the reasons; we watch the punctuality of supplies, how fast we collect money from customers…We also calculate financial ratios, e.g. ROCE and ROA. I also very much like to use the ratio of Payroll to Value added." *Summary*: BSC, IMS, turnover per sales person, ROCE, ROA.
2) What is the role of measures in company management?	"Role of measurement proved to be crucial as it is also an excellent production planning system and creates also base for invoicing. Each empty is recorded to system from each car in real time manually by driver. Each car can be followed from supervisor's desk; all cars are equipped with computer and GPS." *Summary*: The role of measures is crucial.
3) Does your company pay any bonus based on performance? If yes, then	"Payment for drivers is limited by the constraints of labour condition contracts in Finland. If company is paying amount based bonus to a worker, minimum amount is 30% of salary. Therefore careful consideration is needed, when amount based bonuses are discussed about". Bonuses can be individual or group based. "Our bonus system is for white collar workers. Workers are not included." The bonuses can give about two months of extra salary for employees. *Summary*: Most companies pay bonuses but not for all employees.
4) On which performance cri-	"Accomplishment of personal targets compared to the plan. The evaluation process is informal, it is based on discussions.

terion are bonuses based?	The informal evaluation memos and reports are loaded to the information system".
	"Workers get money for the activity or deal agreed with site managers".
	"There are 3 items A, B and C, which may give an employee extra salary: A is based on return on capital employed and is paid annually (for example, ROCE =19,0-20,9% then 1% out net profit of an outlet); B is based on reaching objectives related material circulation and it may be 1-3% out of outlet net profit; and C is based on personal or team objectives."
	Summary: Accomplishments (reaching given objectives), initiative.
5) How much may these bonuses be (%) compared to the annual salary without bonuses?	Bonus can be 1-2 months of salary.

Performance measurement in networks	
6) What are the success factors for business networks (basic factors, operations and strategy)? Name the three most important. How could the performance of network be measured and evaluated? What kind of measures could be used in a network?	Price Trust and the company brand Reliability, Flexibility; Customer awareness; Quality of services *Summary*: Both financial and non-financial factors were identified.
7) What things should be measured or evaluated in business networks? (e.g., costs, quality, time to deliver, competence, trust, ability to cooperate)	"We ask to discuss with our partners. We have also feedback from customers' meetings taking place twice a year" *Summary*: Ability to cooperate, costs, quality, time to deliver, competence, trust should be measured.
8) What factors in practice complicate measuring the network? (e.g., related to Russian business environment)	-
9) What kind of factors should be considered in setting bonus targets in order to improve business network performance?	-

Analysis

The first interview findings carried out in the STROI project suggest that the companies interviewed do not generally have very sophisticated mea-

surement systems in use (see Figure 16), especially when comparing the practices to the theoretical ideal. There are some advanced exceptions such as the large hub companies, which seem to be fairly effective in managing their vertical networks using the more traditional supply chain management approach. However, generally the measurement focuses on financial issues supplemented with some non-financial measures. In addition, there are some measures that are related to stakeholders such as customers and suppliers, but they are utilized from a company perspective, not from the network's perspective. In addition, the existence of a (strategic) network is not always clear. Regarding the companies' views on performance measurement in networks, the results from the interviews indicate it is still an unexplored area. Some companies, especially those which do not have a formal structure and separated functions yet, reported that they do not measure anything in their network but tend to define a clear direction for their work. Still, this direction is set from the perspective of a single company, not the network.

Essentially, two important issues were identified through the first interviews conducted: a) Lack of balanced approach (financial/non-financial measures); b) Lack of network level performance measurement approach. So there are many open questions such as who would take the lead in developing network measures. On the other hand, the theoretical state-of-the-art network measurement models seem a bit too conceptual for practical implementation.

In the following stages of the STROI project the different paths of moving from the current status area (bottom left-hand corner in Fig. 2) towards more advanced network measurement and management approaches are developed. For example, the following issues will be studied in the next phases of the project:
– Which are the important (network-level) success factors for a construction industry network operating in Russia?
– How can these be measured?
– How can a network-level measurement system be implemented in practice (what are the barriers)?
– What are the actual benefits of a network measurement system?
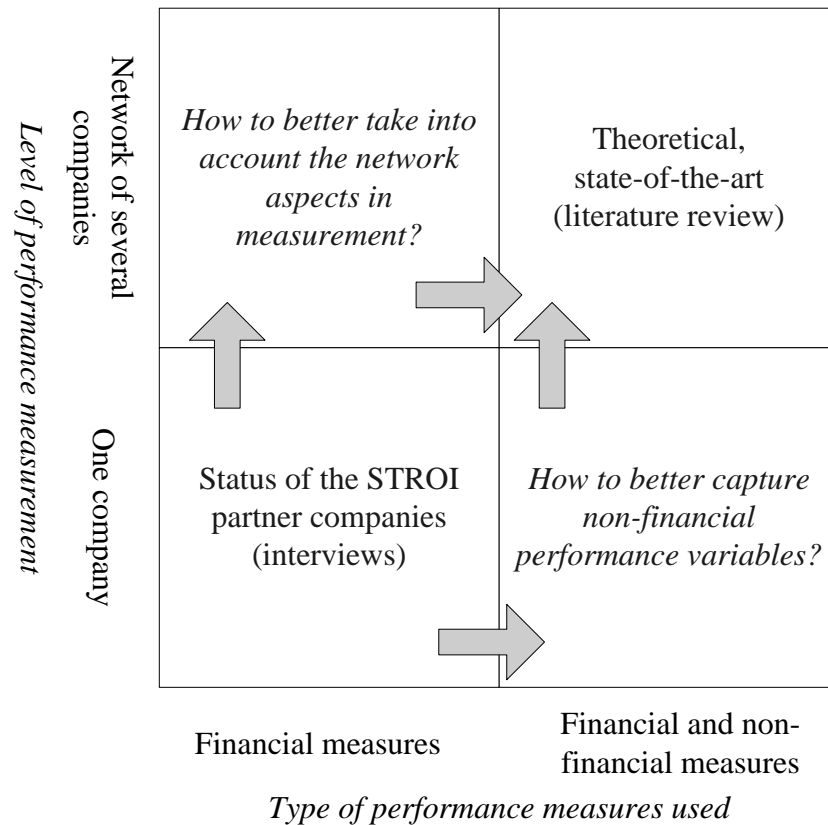
Figure 16.   Research approach and the status of the project companies.

Conclusions

The present paper provides some understanding about the current status and practical limitations in network performance measurement. On this basis, implications for companies and suggestions for further research are drawn. To better take into account the network aspects of measurement, activities such as coordination, cooperation and collaboration attitudes can be measured, which will enable adequate performance measurement techniques to be developed. Furthermore, provided the differences in the ways of action in Finland and Russia, we suggest that companies move in small steps towards network-level performance management and measurement. To better capture the nuances of these differences in ways of action, as well as to identify the attitudes toward cooperation and collaboration in the network, we propose that the Achieving Styles/Connective Leadership Model (Lipman-Blumen, 2000) could be used. The Model is a US behavioral conceptualization of the underlying, pragmatic leadership behaviors that individuals use to achieve personal and organizational goals. It provides quantitative tools for measuring the achieving styles. The Model and the inventories based upon it have been tested by 35 years of empirical research and consulting, resulting in an international database of more than 22 000 cases. Leadership is critical in designing and utilizing effective performance measurement and management systems. In particular, we consider measuring the extent to which local managers both in Russia and Finland can be considered connective leaders as suitable for improving the

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performance of construction sector companies operating in Russian markets. Jung *et al.* (2006: 631) point out that "the construction industry struggles with fragmentation and inaccuracies among information and communication flows". The Connective Leadership Model addresses the issue of developing leaders who can integrate diverse groups who work interdependently or in networks. We suggest that the research approach, illustrated in Figure 2, can be enriched by information obtained about the achieving styles of local managers and other key actors in the network.

The present paper lays the foundation for further discussion on how to measure the performance of construction sector companies at the network level. This paper is intended as a conceptual basis for developing more pragmatic measurement tools in the following parts of the research project. We acknowledge that in the practical managerial environment – especially in Russian markets – there are many limitations which should be taken into account. Thus, the practical measurement tools are likely be much more simplistic than what the theoretical models suggest. The following Chapter will present one possible pragmatic approach for applying network measurement thinking into practice.

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6.3 Strategy implementation and performance measurement (Niittymäki)

Introduction

The reasons described above in chapter 6.2 and probably some other economic reasons have led to the situation that all leading building and metal companies are working like large networks, which are managed according to lead or hub-company conditions.

 Usually, the hub-company has responsibility towards customers. An excellent reason to call this type of main contractor or main supplier a network of companies is that the amount of money paid via the hub-company to the network or suppliers is usually 50–70 % of the total turnover of the hub-company[6] (Figure 17).

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[6] Niittymaki et al (2007), 33: Hub-company is usually main contractor in construction sector.
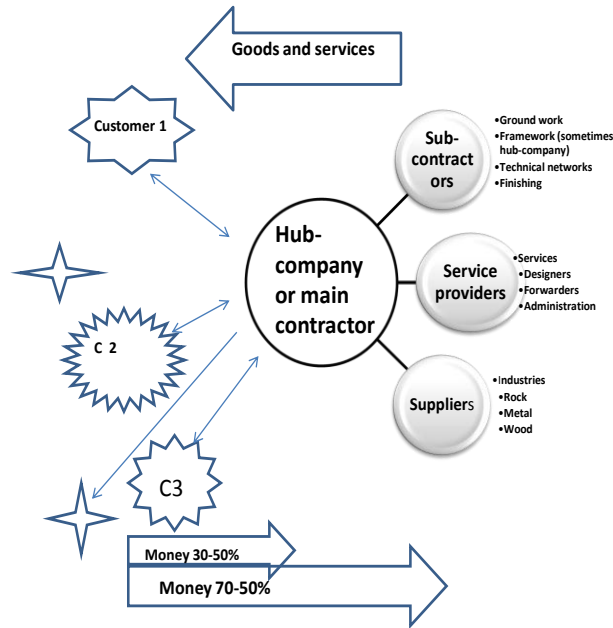
Figure 17.
Description for flow of goods, services and money in a developed business network (customers, hub-company, subcontractors, service providers and suppliers). Hub-companies may be well known construction companies or metal industries, which are also multinational companies (MNC). Source: Annual reports of companies and interviews.

As described above in the literature (chapters 6.1 and 6.2), there are many models for measuring network performance. Still, the practice of network measurement is not very common, if **activities of multinational companies (MNC), advanced construction companies or metal industries are not considered as a network**. Actually these companies are huge hub-networks co-operating with each other at global and local levels every day and night!

Therefore the **hub-network approach** has been taken as the basis for measuring performance in business networks. MNC`s and their supplier networks and subcontractors show how business networks can be measured. Success with customers has proven that this is an efficient way also for other companies, which are just planning their networks and international activities.

As described before, large construction companies and metal industries and their strategic business units (SBU) act like large business networks: they buy and bargain within and outside the company, SBUs have internal and external customers and so on. The difference between an "actual business network of independent companies" and the SBUs of Multinational Companies (MNC) is not very large in practice. Measuring actual business network performance was found only in rare cases as all companies concentrate in their own performance measurement. Therefore performance measurement indicators (PMI) consist of the ones obtained from large MNCs for their internal and external purposes of performance measure-

ment. The following chapters are based on the interviews and practices detected is 5 MNCs and in two smaller companies. (Questionnaires in Chapter 7).

Methods

At a previous stage of this project a theoretical model for profiling business networks was developed. The theories involved are presented in chapter 4. (Niittymäki et al 2007). The theories are related to 12 dimensions of skill profile and are presented in the references. A constructive research approach (Kasanen et al 1991, Olkkonen 1994) has been applied (Figure 18). A theoretical model has been developed and observations in companies have been carried out (Phases 1 and 2).

Academic piloting has started within a Finnish research group and adult students in Finland as well as within the Russian part of the research group (Phases 3 and 4). First attempts to pilot the model within Finnish companies have been started with two companies (Phase 5). Future development and dissemination of the results will continue within the STROI project next year (Phases 5, 6 and 7). A weak market test should be available in 2009 or 2010.

Constructive Research Approach

5) Piloting within Companies involved in STROI-project

3) Academic piloting within research group

4) Piloting with adult students

6) Future development and tailoring of management models

1) Theoretical models

2) Observations in Companies and Business Networks for Pilot models.

7) Dissemination those results which are accepted for publication in management Group of the project
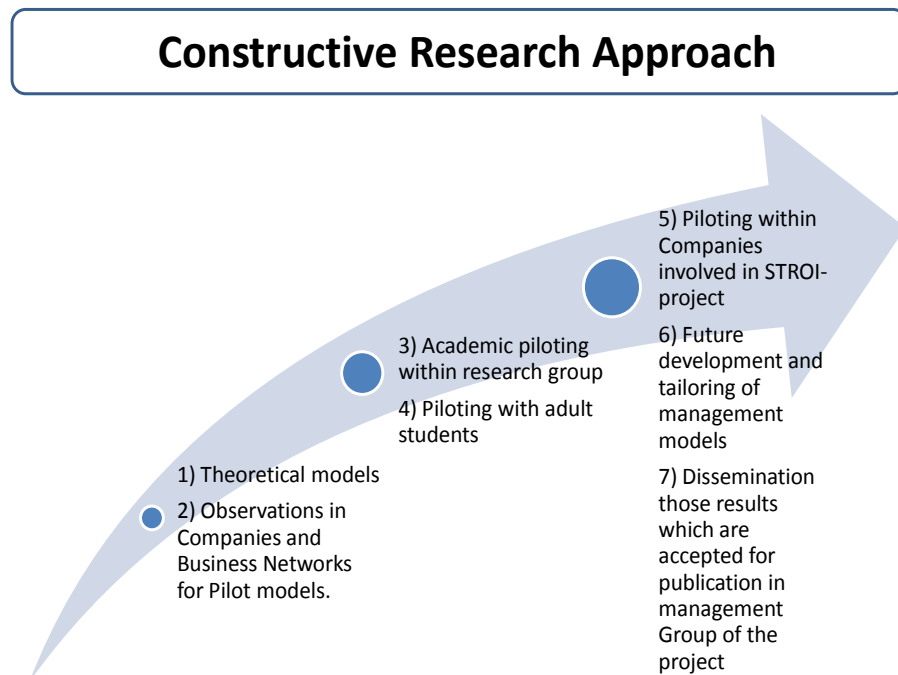
Figure 18.   Application of Constructive Research Approach. Item 1) and connection to theories have been introduced in a previous stage of this research project: Profiling Business Networks Oriented to Russia (Niittymäki et al. 2007, in total 65 pages).

Results: Perspectives and performance measurement indicators

The strategy definition and implementation tool presented here has six dimensions, which are not totally independent (Figure 19). The analysis described in chapters 1 and 2 in this publication will give a sound base for selecting the business sector or vision for a company or a business network. Utilizing PESTE-analysis (Meristö 1991), selecting the forecasted scenario as the basis for vision in a selected country may give a good base for strategic decisions. Decisions are made concerning investments in all dimensions from one (P1) to six (P6) and also for the production spaces and equipment required.
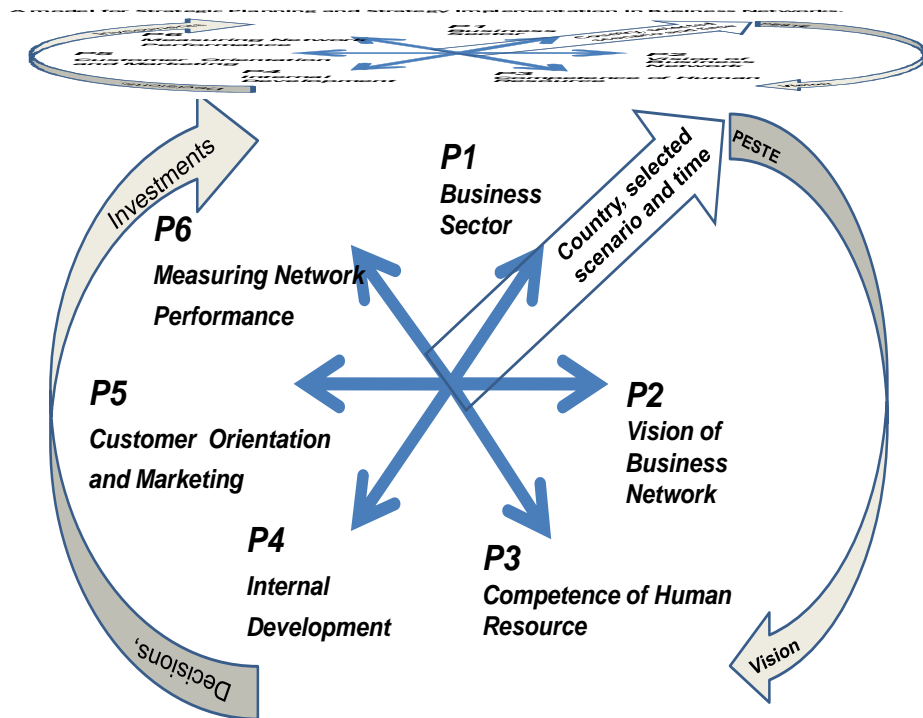

Figure 19.   A model for Strategic Planning and Strategy Implementation in Business Networked Companies and SBUs (Strategic Business Unit).

The Performance Measurement Indicators (PMI) have been divided into 6 categories according to the original perspectives (P1-P6) of this research work:
– P1: Selection of Business Sector
– P2: Building Vision for a Business Network
– P3: Competence of Human Resource
– P4: Internal Development of Networked Companies
– P5: Customer Orientation and Marketing
– P6: Measuring Performance and Strategy Implementation

In total about 62 different performance measurement indicators (PMI) were detected. In many cases their actual meaning is the same, but company products, tradition and various reasons bring up different terminology for similar matters. Out of the financial indicators (key figures) only turnover, EBT, EBIT and ROCE are counted in this respect.

For the **selection of business sector** (P1) the following indicators were found crucial:
– Target amount of production or turnover and market size
– Aim of production division
– Relation of standard products and special products
– Relation of own production to competitive contracts
– Market, share, region and segment where profitability can be sustained
– Average price/margin cost

Building Vision for Business Network (P2) was usually considered **a** very important issue. However, there were only a few companies which actually did something practical for this matter. Some companies found this issue dangerous, if it is limiting competition among suppliers, and if it is hindering using the benefits of economy of scale within the business network. However, the following indicators were detected:
– Development of sales prices/unit
– Number of new customers found with network assistance
– Share of deliveries in time within business network in question
– New solutions for construction and engineering products
– Completely successful deliveries in %
– Average time of within network
– Network meetings with suppliers implemented, target 2 to 12 / year
– Network meetings with customers, from 1 to 12 times a year

Competence of Human Resource (P3) was found very important especially in Russia. Keeping trained persons with the company was found difficult during 2006 and early 2008, when the economic boom was existing. The following indicators were found:
– Staff turnover (% of workers changing company within a year)
– Core value index compared to company average
– Universal ranking among students in the discipline as "ideal employer"
– Upgrading skill profiles annually
– Competence charting annually
– Training and development needs are agreed upon during appraisals
– Targets and bonuses are evaluated and set in appraisals
– Appraisal (development) discussions are taking place in general
– How many % of employees consider appraisals beneficial
– Successor plan for key persons in %
– Absence due to illness, development of %

Internal Development of Business Network or Networked Company (P4) includes many things, which are also understood as strategic management issues. Many of these were not defined in figures or in % of

implementation, even though they could have been defined in this way. The following indicators were found:
– Integrated purchases/all purchases (%)
– Internal purchases (%)
– Purchases according to standard procedure (%)
– Accident trend (actual/target), safety index
– Accident frequency / million working hours
– Improved productivity, e.g., EB(I)T per employee in a year
– Value added (=sales-purchases) / payroll including social security cost
– Share of loss making jobs
– Positive cash flow
– Forecasting accuracy
– Number of bin empties/hour
– Quality defined and certified according to ISO standards
– Environmental standards are defined
– Health and safety standards are defined and implemented
– Risk management is defined and implemented
– Management responsibilities have been defined
– Internal audits have been defined
– Control of documentation and ICT is defined
– Average salary for workers per hour

Customer Orientation and Marketing (P5) was found to be one of the most challenging issues to measure within the field related to the building and environmental sector. On the other hand, a great effort will be allocated for finding the best ways to measure customer satisfaction and their feelings about the deal they have made.
– Customer satisfaction in B2B, actual/target index, increasing trend
– Customer feedback in B2C, "do you recommend to other customers"
– Recognition among potential B2B customers in area
– Recognition among consumers
– Brand procedures are defined
– Share of key customers in turnover
– Best life cycle solutions in business
– Active product and service development
– Percentage of CRM use in all projects
– Sales procedures are defined: sales target, reporting, price setting
– Critical terms of agreements are defined as well as sales allocation

Measuring Network Performance (P6) exists throughout the entire business process in a company or business network.
The following performance measurement indicators were found:
– Profit in terms of money and % of turnover after depreciation
– EBT in terms of money and in % (Earnings Before Interest and Tax)
– EBIT in terms of money and % (Earnings before Interest and Tax)
– ROCE-% (Return on Capital Employed) and comparison to earlier
– Annual growth of turnover in %
– Performance/capacity of network to find bottlenecks of production.

On the basis of these findings and by using the constructive research approach (Figure 19) a tool has been developed for planning strategy and the

implementation of strategy in a business networked company. The **Se-lected Performance Measurement Indicators (PMI)** are presented below (Table 5). The perspectives have been agreed within the research plan of the STROI Network earlier. There was also a limitation to concentrate only on B2B (Business to Business) networks; the found business to consumer network dimensions have been left out from this table.

Table 5. Performance Measurement Indicators (PMI) Divided According to Perspectives P1–P6.

P1: Business Sector	1. Target amount of production
	2. Market share target, achieved in %
	3. Average price/margin cost
P2 :Vision of Business Network	4. Development of sales prices/unit
	5. Number of new customers
	6. Share of deliveries in time
	7. Successful deliveries and certified production process (%)
	8. Average time of delivery
	9. Network meetings (implemented/target, %)
P3: Competence of human resource	10. Kept staff 95% (Staff turnover < 5%)
	11. Skill profiles and training (5% of time on average) agreed in appraisals
	12. Personal targets and bonus criteria agreed in appraisals
	13. Successor plan for key persons
P4: Internal functions / processes	14. Integrated purchases/all purchases (%)
	15. Accident trend (actual/target, %)
	16. Productivity trend, e.g., EBIT[7]/employee/year, target 20 000 €
P5: Customer orientation and marketing	17. Customer satisfaction B2B[8] (actual/target index)
	18. Recognition among B2B potential clients in area
	19. Share of key customers in turnover, ideal 80%
	20. Percentage of CRM[9] use in all projects
P6: Measuring performance	21. EBIT-achievement-%, target e.g. 6% (EBIT=profit/turnover x 100%)
	22. ROCE-achievement, target 35% ROCE= (EBIT+interest paid) /(Total assets - non-interest bearing depts) x 100%.
	23. Performance/capacity of network
	24. Annual growth of turnover

[7] EBIT is Earnings Before Interest and Tax
[8] B2B means a Business to Business relation
[9] CRM is Customer Relationship Management system.

Variables in the table can be combined for two types of presentations:
1. Annual Development of Performance Measurement Indicators PMI of a Company Strategic Business Unit (Figure 20)
2. Comparison of Company Strategic Business Units (Figure 21).

Performance Measurement Indicators (PMI) of a business networked company or SBU

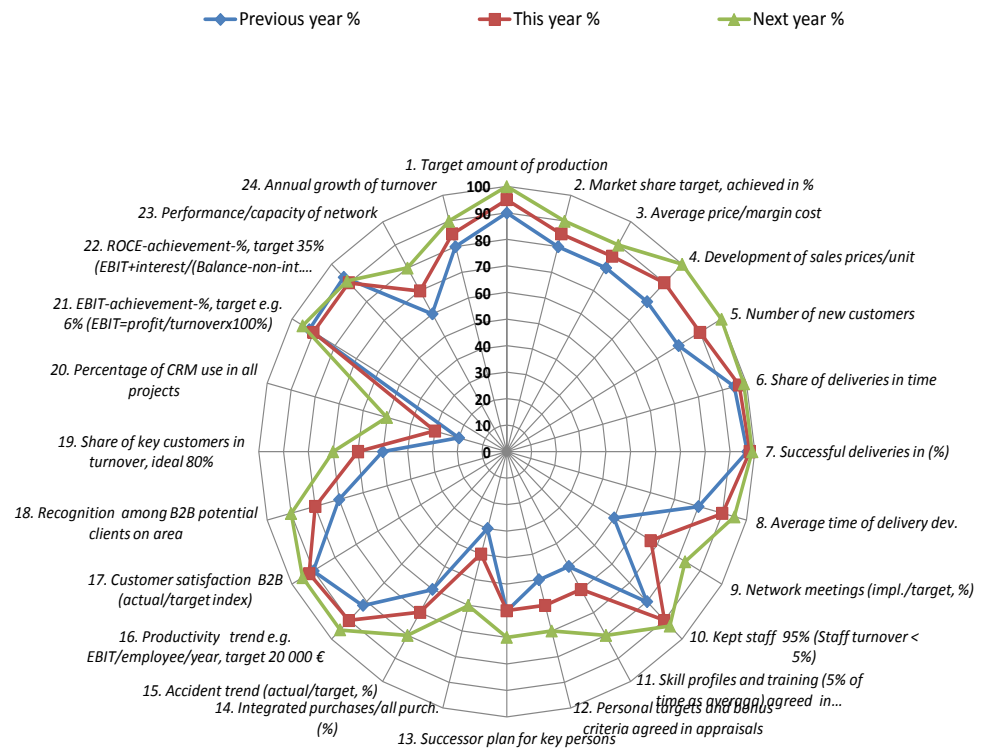◆ Previous year %   ■ This year %   ▲ Next year %

Figure 20.   Performance Measurement Indicators (PMI) of a Business Networked Company or Strategic Business Unit (SBU).

Figure 20 shows that the company or strategic business unit (SBU) has developed well within 3 years. According to the example figure, network meetings (dimension 9) and integrated purchases have developed extremely well (dimension 14). The accident trend is also approaching the minimum target (dimension 15).

A mutual comparison of strategic business units (SBU) or companies (Figure 21) shows that there are remarkable differences in the performance of different SBUs (Figure 21). The average PMIs (red line) of SBUs are quite low compared to the best performing unit (SBU 1, green line). SBU 2 has a lot to do in order to achieve, e.g., the target market share, as only 50 % of the target has been achieved (see dimension 2 in Figure 21).
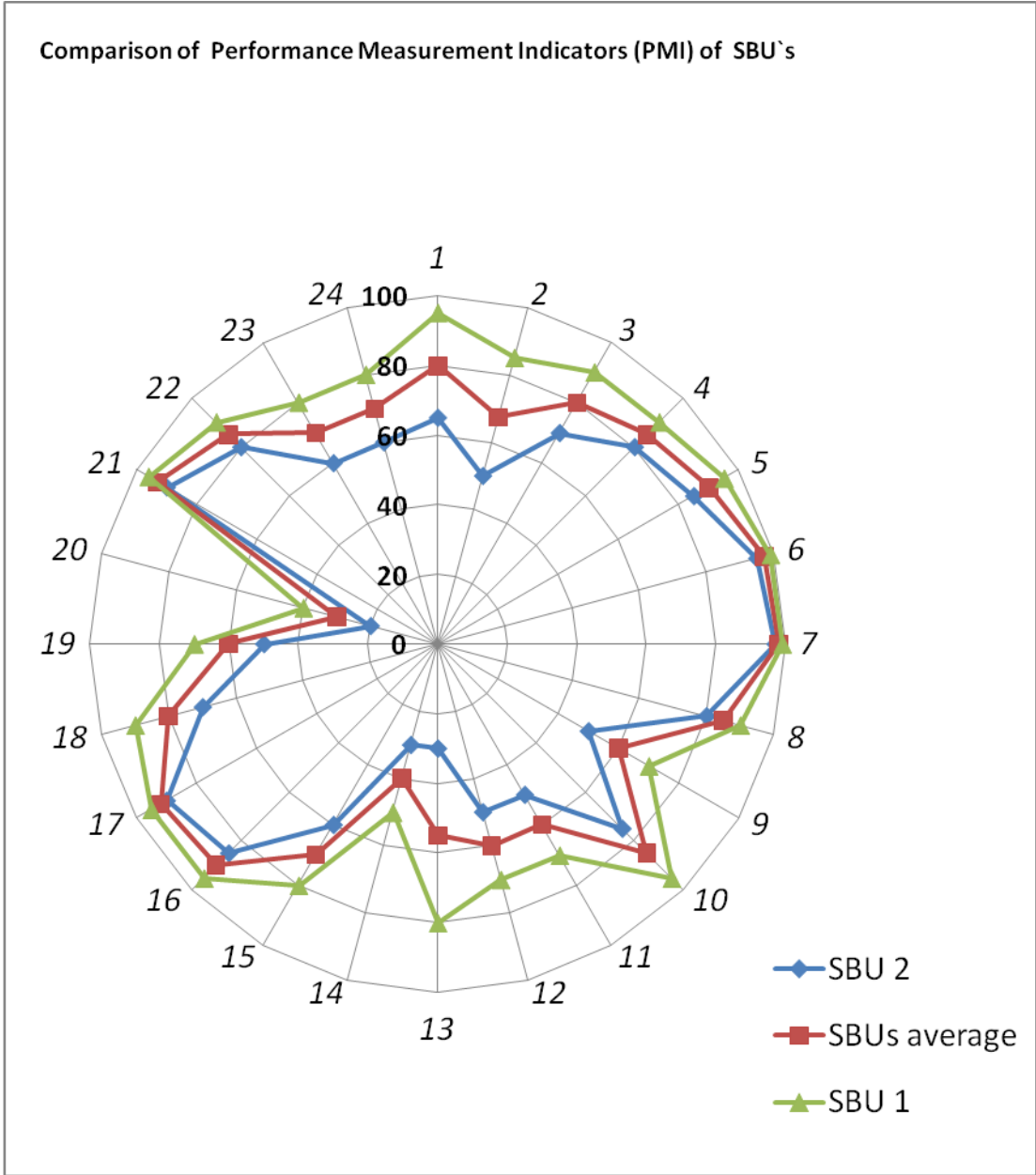
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Figure 21.   Comparison of Performance Measurement Indicators PMI
within a Business Networked Company`s Strategic Business
Units (SBU)

Discussion

Companies and the Strategic Business Units (SBUs) of companies have to be business networked in order succeed in today's hectic business life: the best possible technology and quality must be available in a very short time of delivery. On the other hand, solutions must be competitive and economical in the long run. Therefore, business networked companies have to manage and lead their business units so that the co-operation is beneficial for whole business network.

This chapter has shown one way to plan and implement strategy in a way that managers, staff and suppliers understand what is needed in order to meet their own and the business network's targets. Commitment to the company and network will increase, when the targets of the company SBUs are set and controlled in a way that the whole business network will benefit from the good performance of each network member. The supplier perspective should not be neglected, as this additional commitment seems to give the best Return on Capital Employed (Figure 22)
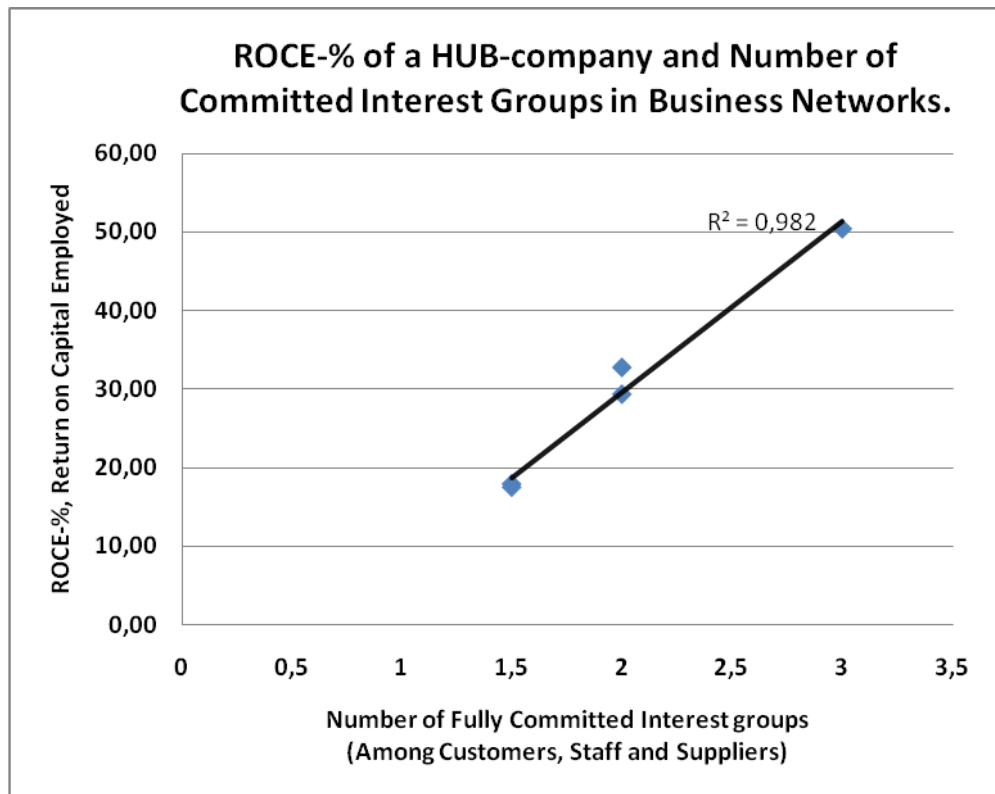

*Figure 22.   Relation of Return on Capital Employed in (ROCE) and the number of full commitments to interest groups within the business network in 2007. Commitment to customers is relevant for all case companies. Staff commitment is considered to be only 50 % if bonuses are not agreed upon during appraisals. Full commitment to all interest groups including customers, staff and suppliers will a score of 3. Note: **the result may be accidental** as there are only 5 industrial case companies and the graph is based on 2007 figures; however it may have some truth in it as networked companies can reduce the capital employed in their balance sheet.*

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7. INTERVIEW QUESTIONS AND REPORTING TEMPLATE

All interviews need to be recorded and carried out in the mother tongue of the person interviewed. In case this is not possible, the English language should be used. A memorandum (later on memo) should be worked out by the interviewer immediately after the interview and, if necessary, the memo should be checked by both parties of the interview. The memo should then be translated into English (US).

Memos will be copied to NVivo 7 as MEMOs.

Part 1:   General Information and Background Questions, P1–P2

The interviewer should become acquainted with the company before the interview. General information should be filled into a form before the interview and only checked with the interviewee (P1, P2).

All memos covering the interviews should include the following general information
_____

1. Network related to CASE nr 1-16, please circle HUB-company: 1. Lassila&Tikanoja Oyj (L&T), 2. KPM-Engineering Oy (KPM), 3. NCC Oyj (NCC), 4. Stora Enso Oyj/Puumerkki Oy (PM) 5. CRAMO Oyj, 6. Forssan Metallityöt Oy (FM), 7. FiCoTe Oy, 8. Rautaruukki Oyj (Ruukki), (9. Kone Oyj, 10. Lemcon Oyj) 11. GTT Oy, 12. KoneCranes Heavy Lifting Oy (Konecranes), 13. Peab-Seicon Oy, 14. Kehittämiskeskus Oy Häme, (15. YIT Oyj), 16. Huhtamäki Oyj, 17. Finndomo 18. , Metsäliitto 19._____.
Please mention the website of the unit:
www._____

2. Time of interview (e.g. June 18, 2008 from 18.00 to 19:05)
_____

3. Place of interview (e.g. St. Petersburg, GSOM 3, Volkhovskiy per.)
_____

4. Persons present (e.g. Interviewer: Nikita Popov, SU HSE; Pekka Entelä NCC)
_____

5. Position and tasks of the person to be interviewed (e.g. Director of NCC, Russian operations, finding out new projects in Russia, managing design work etc.)
_____

6. Personal features of the person interviewed: work experience in years, experience within the present company, work experience related to Russia.
_____

7. Main perspective(s) of the interview:

	Yes	No
P 1: Business sector, total demand forecasting	__	__
P 2: Vision building for business network	__	__
P 3: Competence of human resource (HRM)	__	__
P 4: Internal development, growth and strategic management	__	__
P 5: Customer orientation, marketing and risk management	__	__
P 6: Measuring company and network performance	__	__

P 1: Business Sector for a Networked Company (Anna-Leena Perälä, Markku Riihimäki and Eero Nippala, VTT/TAMK)

1.1 Company business in Russia (overall):
   a. What was the whole turnover of the company and the turnover in Russian markets in 2007 (RUB/EUR)?
   b. What was the average growth of business in over the last years?
   c. What tas the size of the staff in the whole company and the staff in Russia in 2007 (persons)?
   d. Describe your company group structure.
   e. What are your company's main business targets for business in Russia?

P 2: Vision of Business Network (Kalle Kähkönen, Anna-Leena Perälä and Markku Riihimäki VTT)

2.1 Information about company's business network in Russia:

   a. What is your company's and network's main product or service for business in Russia (End product: building, wooden houses or products, service business)? Other, what?
   b. What is your company's role in that business network?
   c. Describe the main parties of the network. (Customers, contracts, field of production,..)
   d. Who are clients of the network, who will buy the end products or services?
   e. Which are the market regions of the network in question?
   f. What are the main business targets of the business network in Russia? Are there any common targets?

Part 2:   Research Questions (action research type questions), P3–P6

The interviewer will ask those questions which consider the interviewee's position or knowledge area.
_____

P 3: Competence of Human Resource (Professor Vera Minina, Anastasia Krups kaja, Elena Dmitrienko, GSOM and Seppo Niittymaki, HAMK)

3.1 Principles of development relationships in the network
   a. Who is responsible for making arrangements in the network and maintaining relationships with network partners?
   b. What are the main personal characteristics for the employees who deal with network partners?
   c. How does the company choose new partners?
   d. What kind of problems does your company face dealing with network partners?

3.2 Differences in recruitment principles
  a. How does your company search for candidates?
  b. What is the procedure for the selection of candidates?
  c. Does the company form personnel reserves? What is the way of the forming this reserve?
  d. What are the main difficulties in finding good employees in your field of business?

3.3 Differences in motivation management in Russia and Finland
  a. What is the way of choosing the motivators in the company?
  b. What methods of motivation are used in the company?
  c. Do you use development discussions (appraisals) and how often? What kind of things are agreed upon in the development discussions?
  d. Who is responsible for decisions about applying the particular motivators?
  e. How does the company detect the effectiveness of motivation actions?

3.4 Differences in personnel training
  a. Does the company provide any educational programs for the personnel?
  a. Who is responsible for the planning of personnel training - who makes the decision about the necessity of this kind of planning? Who confirms the plan? Who controls the plan fulfillment?
  b. What kind of training do your personnel have?
  c. Does the company pay for personnel education?

3.5 Differences in personnel development management
  a. What kind of adaptation principles do you use in your company?
  b. What is the usual way for career development in the company?
  c. Who takes the lead in the promotion of an employee in the company?
  d. Do the assessment and certification take place in the company?
  e. What are the principles of these procedures and what is the output of them?

3.6 Definition of the key employees in the company
  a. Please, define the key employees who give your company competitive advantage.
  b. What kind of competence and skills should the key employees have (theoretically)?
  c. What are the problems and limitations while managing key employees?

P 4:   Internal Development of Networked Company

4.1 Learning Organization (Professor Alex Settles, HSE)

4.1.1 We would like to understand the working environment within your unit (company).
  a. Do your employees feel comfortable approaching their managers with their concerns, problems or disagreements?
  b. Is there a formal process for managing this process of interaction between employees and management?

    c.   Are people in this unit eager to share information about what doesn't work as well as to share information about what does work?

4.1.2 In terms of capturing best the practices or knowledge and experience created by your employees, do you feel that your company does an adequate job of ensuring that this knowledge and experience is retained and used?
    a.   Do your managers value new ideas?
    b.   Are employees rewarded for bringing forward new methods of work or new technologies?
    c.   Does your company have a formal system of knowledge capture and management?

4.1.3 Do your employees regularly participate in training?
    a.   Is that training evaluated and is the employee productivity improvement resulting from training measured?

4.2 Network Growth and Strategic Development (Nina Vladimirova, HSE)

4.2.11 Who or what department performs strategic planning?
4.2.12 What tools are used for long-term planning and development? Please, describe these.
4.2.13 How often do you review the company's long-term plans and goals?
4.2.14 Does your company have an official document where the company's development programs and projects have been described?
4.2.15 Do you use Balanced Scorecard (BSC) for measuring company performance? Could you describe any difficulties when using BSC?
4.2.16 How is combining different level plans organized in your company? What organization levels are touched upon?

4.3 Decision-Making Process in a Networked Company (Professor Nikolay Filinov, HSE)

4.3.1 Consider a business decision which has to be made on a regular basis. Please, provide the following information:
    a.   How often is it necessary to make the decision in question?
    b.   Is there a formally adopted (may be written) procedure in place related to this type of decision?
    c.   Is it necessary to come up with decision alternatives every time you make this decision, or are the options basically the same every time and there is no need to re-invent them?
    d.   Describe the decision-making process.
    e.   Do you make the decision personally or do you involve your subordinates?
    f.   In case you involve them, why do you do that: in order to get information they possess or in order to secure their support (buy in) for the decision made or in order to develop their potential?
    g.   Is information distribution among your subordinates more or less symmetrical?

      h.   Is a conflict possible among your subordinates arising from the decision in question?

      i.   Do they generally share your goals and approaches?

4.3.2   What difficulties do you experience when making decisions dealing with your business partners?
   a. Is the necessary information provided on time?
   b. Is it accurate enough?
   c. How do you decide on the amount of information you provide to your partners?
   d. Are the position and aspirations of your partners clear, stable and understandable?
   e. Do they keep their promises?

P 5: Customer orientation and marketing

5.1 Building Trust in Counterweight to Risks in Inter-Organisational Relations (Marina Weck, HAMK)

5.1.1   At which stages (1. Awareness, 2. Exploration, 3. Expansion, 4. Commitment and 5. Dissolution)* of relationships with your partner organizations in Russia do you perceive the relational risks? (The proposed list of relational risks will be attached)

5.1.2   To what extent do you perceive that the relational risks are probable at different stages* of relationships with your partner organizations in Russia?

5.1.3   To what extent do you believe that the relational risks do negatively affect trust in your partner organizations and their management?

5.1.4   At which stage(s)* of relationships do you believe the proposed preconditions for trust are necessary? (The proposed list of preconditions for trust will be attached)

5.1.5   To what extent do you consider that the proposed trust preconditions are associated with positive changes in trust in your partner organizations and their management in Russia?

5.1.6   Do you feel that the first stage* of an inter-organizational relationship is more risky than the fourth?

5.1.7   Do you believe that trust is needed more at the first stage* of an inter-organizational relationship than at the fourth?

5.1.8   Who do you trust most, people or organizations?

5.1.9   What are the actions you exercise (or that should be exercised) in order to build and maintain a higher level of trust at different stages of the relationships with your partner organizations in Russia? Whose concerns are the trust-building actions? (1. Senior managers/leaders and/or 2. key personnel)

5.2 Supplier Relationship Management (Professor Olga Tretyak, Nikita Popov, HSE and Seppo Niittymäki, HAMK)

The interviewee's role in the company: person responsible for purchasing (e.g., purchasing director)

5.2.1 Please, could you briefly outline the production process in your company? (Russian branch)

5.2.2 Please, could you rate the importance of key competitive advantages for your product or service? (Price levels for products compared to competitors, quality of the products, reliability of the delivery process, other, please specify).

5.2.3 Which factor is the most important when choosing a new supplier or evaluating an existing supplier? (Price levels for products compared to competitors, quality of the products, reliability of the delivery process, other factors, please specify).

5.2.4 Do you use a formal evaluation system for suppliers? If yes, could you please outline how it works?

5.2.5 Do you measure the profitability of relationships with suppliers? If yes, could you please outline the measurement system?

5.2.6 Who participates in the evaluation of relationships with suppliers?

5.2.7 Do you use any of the following factors when evaluating relationships? (Attractiveness of relationship, strength of relationship, growth rate of supplier's market, competitive position, net price, cost to serve the relationship, interest commonality with supplier, relationship value or other factors like security of delivery times...)

5.2.8 Please, could you briefly outline the organization of supply management in your company? (Russian branch of your company? Issues to discuss: people involved and their responsibilities, decisions made by the people involved, who are responsible for initiating/terminating relationships with suppliers).

5.2.9 Does the General Manager personally influence the relationships between your company and any of its suppliers? If yes, in what respect? Does s/he influence indirectly/interfere directly?

5.2.10 Does your company have an IT platform for information exchange with your suppliers or for electronic buying? If yes, could you please outline how it works?

5.3 Customer Relationship management (Professor Olga Tretyak, Alexander Rozkov, HSE)

The interviewee's role in the company: person responsible for customer management

5.3.13 Do you coordinate your activities with your network partners?

5.3.14 What functional areas are coordinated, what business processes (BP) are involved in this interaction? What indicators are used to measure this process?

5.3.15 What communication channels do you use when dealing with your partners, especially IT solutions?

5.3.16 Do your suppliers and/or network partners know about your customers' requirements for products?

5.3.17 Do you get info on your partners' customers?

5.3.18 Are you ready to change some action or business process if it's needed by your customers?

5.3.19 Are you able to influence your partner's policy to provide better customer service?

5.3.20 Do you use any particular indicators to monitor customer handling inside the "network"?

5.3.21 What methods and indicators are used for customer attraction and initial assessment?

5.3.22 What are the main goals of CRM in your company? What organizational levels are chosen for their implementation? Do you have some particular strategic settings in this area?

5.3.23 How is customer feedback collected and used? What is the role of interpersonal relations in CRM?

5.3.24 Are there any IT solutions used for customer communication or collaboration, data collection and analysis? What kind of data is collected?

5.4 Relationship Building in Russian Market (Professor Olga Tretyak and Ekaterina Buzulukova, HSE)

5.4.1 Please describe the stages in relationship development between your company and its partners in Finland. (First contacts, joining other partners, relationship strengthening… current situation). (network development)

5.4.2 What are the peculiarities of the stages in relationship development in Russia?

5.4.3 Please justify why you decided to enter the Russian market. How did you do that (list steps)?

5.4.4 How are you estimating the perspectives of building stable network relationships in Russia? How can you estimate the perspectives of Russian partners joining to your network?

5.4.5 Which factors have you take into account while entering and working in Russia?

5.4.6 What are the criteria for the right choice in the search for a new partner? Please estimate their importance (e.g., willingness to compromise, cultural similarity, readiness to work hard, readiness to invest in relationships, management support, fulfillment of first engagements, favorable reports, flexibility, favorable conditions of agreement)

5.4.7 What factors from your point of view are crucial for a network relationship's stability?

5.4.8 How do you estimate customer satisfaction from your collaboration?

5.4.9 Where can you see favorable and negative influences of relationship networks on your company performance?

5.4.10 Please describe the stages in relationship development between your company and its partners in Finland. (Example: First contacts, joining other partners, relationships strengthening etc.).

5.4.11 What are the peculiarities of each stage in Russia?

5.4.12 What are main problems for entering the Russian market?

5.4.13 What difficulties do you perceive in searching for reliable business partners in Russia?

P6: Measuring network performance (Seppo Niittymäki, HAMK, Antti Lönnqvist, and professor Teuvo Tolonen, TUT)

6.1 Performance measurement in organization

6.1.1   Describe the present state of performance measurement in your organization. (e.g., BSC and some non-financial measures like time to deliver or quality evaluation)

6.1.2   What is the role of measures and measurement in managing the company?

6.1.3   Does your company pay any bonus based on performance? If yes, then

6.1.4   On what performance criteria are bonuses based?

6.1.5   How much may these bonuses be (%) compared to the annual salary without bonuses?

6.1.6   What are the present threats and risks within company?

6.1.7   What is the most important thing that should be done now in order to improve the situation?

6.2 Performance measurement in business networks

6.2.1   What are the success factors for business networks (basic factors for operations and strategy)? Name the three most important.

6.2.2   How could the performance of a network be measured and evaluated? What kind of measures could be used in a network?

6.2.3   What things should be measured or evaluated in business networks? (E.g., costs, quality, time to deliver, competence, trust, ability to cooperate…)

6.2.4   What factors complicate measuring the business network related to Russia?

6.2.5   What kind of factors should be considered in setting bonus targets in order to improve business network performance?

6.2.6   What are the present threats and risks within the business network considered?

6.2.7   What is most important thing that should be done now in order to improve the situation?

Part 3: Interviews Questions and Answers

Please write below the answers received from the interviewee according to the question numbers. In case you have used different or additional questions, please write also these questions below.

8. Annex

8.1 Proposed questionnaire for HRM

Common background information

*We would like to invite you to take part in this survey. Its aim is to study features of management and leadership in construction oriented companies which operate in the Russian market. Your generalized opinion will be considered in developing recommendations for the management and leadership practices of companies and their business networks. Your responses **will not be identified with you personally**. There is no need to specify personal data. We ask you to familiarize yourself closely with the questionnaire and, if possible, answer all questions. The quality of the recommendations which are prepared by the research group will depend on the accuracy and sincerity of your answers.*

Personal details

---

1. Your gender _____
2. Your age_____
3. Your marital status_____

In how many companies have you worked during you professional career _____

Your work

---

4. Your post (profession, trade)_____
5. General work experience _____
6. Work experience in this profession_____
7. Work experience in the current company _____
8. How many subordinates do you have, if any _____

3.1 Human Capital in Finnish construction oriented companies in Russia

9. What is the highest EDUCATIONAL QUALIFICATION that you have?

PhD ☐   Master's degree ☐   Bachelor's degree ☐   other: please state_____

10. If you were trained in additional programs, please specify which

_____
_____
_____
_____

11. Do you have enough knowledge to perform your official duties (functions)?
- Quite enough
- More like enough than not enough

- More like not enough than enough
- Obviously not enough
- It is difficult to answer

12. What difficulties do you face when performing your work tasks?
- Not enough qualifications exist, continuously resulting in bad quality results
- Not enough knowledge exists for organizing the process, so I cannot deliver in time
- Problems in communication with colleagues
- Problems in relationships with managers
- Other: please specify_____
- I face no difficulties

13. To what extent do your professional knowledge and skills fit your work: _____% of work time.

14. Why do your knowledge and skills not fit your work
1._____
_____2._____
_____3._____
_____

15. How many days have you spent in training, being educated or improving your qualifications in the last 5 years? _____days

16. In what way did you improve your qualifications:
_____
_____
_____

17. If you would improve your professional skills independently, how much time and money would you be willing to invest for this purpose: _____days/year _____Rbl.

18. What skills are necessary in your opinion for successful performance in your work? (choose no more than three (3) answers)
☐ Communication skills
☐ Stress management
☐ Analytical thinking
☐ Leadership
☐ Ability to understand yourself and colleagues
☐ Ability to propose new ideas
☐ Ability to develop and carry out current ideas and projects
☐ Other: please specify _____

19. What skills do you have in your opinion? (choose no more than three (3) answers)
☐ Communication skills
☐ Stress management
☐ Analytical thinking
☐ Leadership
☐ Ability to understand yourself and colleagues
☐ Ability to propose many ideas

☐ Ability to develop and realize current ideas
☐ Other: please specify_____

20. What should the management do for the development of employees' skills in your opi-
nion?_____
_____
_____
_____
_____
_____

Innovation climate in your organization
Please, assess the next sentences on a scale from 1 to 5

	1-disagree			5- agree	
21. The development of our own ideas for or-ganizational development in our company is encouraged	1	2	3	4	5
22. The top management encourage my new ideas	1	2	3	4	5
23. Employees who put forward innovative ideas are often encouraged for their initia-tive.	1	2	3	4	5
24. Project managers have the right to make decisions without agreeing and approval.	1	2	3	4	5
25. It is always possible to receive money for starting a new project.	1	2	3	4	5
26. Employees offering innovative projects re-ceive additional encouragement and pay-ment for their effort and ideas besides tra-ditional compensation.	1	2	3	4	5
27. An employee who puts forward a good idea is allowed to have time for its devel-opment.	1	2	3	4	5
28. Employees in our company have a huge desire to generate new ideas and do not limit themselves to the limits of the de-partments and functions.	1	2	3	4	5

Your values

---

29. What is most important in your work? (choose no more than three answers)

☐ Good financial compensation
☐ Social recognition.
☐ Maintaining interesting work
☐ Good relations with colleagues
☐ Opportunity to introduce new ideas to carry out new projects
☐ Contributing to a common cause
☐ Opportunity to transfer experience and knowledge to colleagues
☐ Receiving new experience, self-development
☐ Other: please specify _____

30. What is least important for you in your work? (choose no more than three answers)

☐ Good financial compensation
☐ Social recognition.
☐ Maintaining interesting work
☐ Good relations with colleagues
☐ Opportunity to introduce new ideas in order to carry out new projects
☐ Contributing to a common cause
☐ Opportunity to transfer experience and knowledge to colleagues
☐ Receiving new experience, self-development
☐ Other: please specify _____

31. What makes you work better, more effectively, more qualitatively? (choose no more than three answers)

☐ Good compensation.
☐ Opportunity for professional development
☐ Opportunity for career advancement
☐ Social recognition
☐ Opportunity to carry out new projects
☐ Opportunity to contribute to a common cause
☐ Other: please specify _____

8.2 General Information and Background Questions (addition to Part 1 questions)

2. Information about Company's Network and Russian Operations

1. Data	Whole Company	Russian Operations
Turnover of your company in 2007		
Number of workers (personnel)		
Average growth rate of business in the last year		
Estimated growth rate for the next five years		

2. What are the main goals of doing business in Russia (or starting business in Russia)?
_____
_____

3. What kind of operations do you have in Russia?
_____
_____

4. In which regions do you have operations in Russia?
_____
_____

5. What is your company's main product in Russia (End product: building, wooden houses or products, service business)? Other, please specify?
_____
_____

2. Suppliers or subcontractors

6. Name five suppliers and the percentage of total buying volume (=_____M€) from the suppliers (%)

	Name	Percent of total sales volume	How long have you done business with them (number of years)
Supplier 1			
Supplier 2			
Supplier 3			
Supplier 4			
Supplier 5			

7. Sales trends
a) What has been the average sales trend over the last 5 years to these suppliers? (or for the length of the relationship if less).
b) What are your expectations regarding sales to these suppliers for the next five years?

1. Rapid decrease   2. Slow decrease   3. Unchanged   4. Slow increase   5. Rapid increase

	a) Sales trend for the last 5 years (N of trend)	b) Prognosis for the next 5 years (N of trend)
Supplier 1		
Supplier 2		
Supplier 3		
Supplier 4		
Supplier 5		

8. Please estimate the relationship atmosphere with your suppliers by choosing the level of agreement with the statements below:

	Disagree strongly	Disagree slightly	Unsure	Agree slightly	Agree strongly
We are more important to our suppliers than they are to us					
We feel dependence on the suppliers					
Our goals are basically compatible with the goals of our suppliers					
Our supplier gets more profit from our sales than we do					

3. Customers

9. Name the main customers and the percentage of total sales volume (=_____M€) to these customers (%)

	Name	Percent of total sales volume	How long have you done business with them (number of years)
Customer 1			
Customer 2			
Customer 3			
Customer 4			
Customer 5			

10. Sales trends
a) What has been the average sales trend over the last 5 years to these customers? (or for the length of the relationship if less)
b) What are your expectations regarding sales to these customers for the next five years?

1. Rapid decrease   2. Slow decrease   3. Unchanged   4. Slow increase   5. Rapid increase

	a) Sales trend for the last 5 years (N of trend)	b) Prognosis for the next 5 years (N of trend)
Customer 1		
Customer 2		
Customer 3		
Customer 4		
Customer 5		

11. Please estimate the relationship atmosphere with your customers by choosing the level of agreement with the statements below:

	Disagree strongly	Disagree slightly	Unsure	Agree slightly	Agree strongly
If necessary we would go quite far in making concessions for our clients					
We feel dependent on the customers					
Adaptation is more frequently made by us then by the customers					
Unsatisfactory performance (e.g. late deliveries, delayed payments) has caused problems in our relationships					
The customers put cooperation with us before their short term profit					

4. Third Parties

12. Which of the following third parties have a significant effect on your company?
 (From 1 - not at all to 5 – very much)

	1	2	3	4	5
Banks:					
Architecture department:					
Government agencies:					
Consultants:					
Tax revision:					
Fire revision:					
Local community:					
Other (specify):					

13. What is the importance of saving reliable relationships between your company and:
(From 1 - not at all, to 5 – very much)

	1	2	3	4	5
Suppliers' suppliers:					
Suppliers:					
Intermediary:					
Customers:					
Third parties:					