NOTTINGHAM TRENT UNIVERSITY

DBA PROGRAMME

DOCUMENT FIVE

A THESIS

UNDERSTANDING STRATEGY IN RUSSIAN BUSINESSES

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AUGUST 2015

CONTENTS

ABSTRACT

This document describes research undertaken to investigate strategic decision-making in Russian firms, and the nature of the competitive strategies adopted by Russian managers. Since published research in this area is sparse, a theory building approach has been used rather than one concentrating on hypothesis testing.

The research has followed grounded theory methodology, using unstructured and semi structured interviews with Russian managers as the primary source of data. Since the Russian business landscape and Russian national culture have some unique characteristics, in order to set the research findings in context, interviews were also conducted with British managers working in similar industries to their Russian counterparts.

The data were analysed using a free coding scheme which was generated and refined as individual interview transcripts were analysed. The intention behind this methodology was to allow theory to emerge from the data, rather than be forced into a preconceived theoretical framework.

The findings indicate that there are significant characteristics of Russian strategic management practice which differ markedly from those found in British firms. In particular, Russian managers frequently adopt strategies which are designed to manipulate the competitive nature of their markets as opposed to the strategies which predominate in mature market based economies which tend to be designed to react to market conditions rather than change them.

These differences chiefly arise from aspects of the Russian business environment which, despite 20 years of transition, continues to be dominated by large enterprises, often under the control of oligarchs and members of the powerful political ruling elite. However, aspects of Russian national culture also predispose managers to adopt manipulative strategies, and may well account for the prevalence of corruption which is seen by many as endemic in Russia.

The document concludes by proposing a typology of Russian businesses, and by postulating that companies which work in countries exhibiting the same hypo-capitalist economic and cultural characteristics as Russia are likely to be predisposed to adopt competitive strategies which are mainly manipulative in nature.

ACKNOWLEDGEMENTS

GLOSSARY

Blat	The exchange of favours (or corrupt payments) to obtain goods or services in short supply
Gosplan	The Soviet economic planning Ministry
Guanxi	Chinese equivalent of blat
FSB, KGB, NKVD, Cheka, Ochrana	State security bodies in the Soviet union. KGB Replaced by FSB after the fall of the Soviet system. The Ochrana was the pre-revolutionary secret police body.
Hypo-capitalist economy	"Less than capitalist" economy: Term devised by Hunter (1999) to describe Soviet style command economies in transition, dominated by SOEs and ex SOEs, and suffering a democratic & judicial deficit
Komsomol	Russian Communist Party youth league
Mature market based economy (MMBE)	A mature economy with widely spread ownership of companies, a mix of large companies and SMEs, and with fully functioning democratic and judicial systems
Nomenklatura	ruling elite in the Soviet era (perhaps the forerunner of siloviki)
Oligarch	New owners of many ex-SOEs -normally extremely rich
Otkat	"Top slicing" a government contract - one form of corruption
Siloviki	"Powerful people" - members or closely associated with the ruling elite
Sistema	The unofficial but de-facto system of governance in Russian society
SME	Small or medium-sized enterprise
SOE	state-owned enterprise
Ex-SOE	privatised former state-owned enterprise
Strategy as practice	The study of strategic management which concentrates on the day-to-day actions of managers, imputing strategic intent from strategic action
SUM	State University of Management, Moscow
TSU	Tyumen State University
UWBS	University of Wolverhampton business school

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

This document brings together the overall body of work which has been undertaken to date as part of my DBA studies. Previous documents submitted as part of the programme have, as their primary objective, the demonstration of competence in critical thinking and the execution of realist and interpretivist research. By contrast, this document is intended to describe the execution of a coherent piece of research which demonstrably leads to new knowledge and understanding.

However, although documents 1 to 4 primarily demonstrated research competencies, they were practical pieces of research in their own right which also were linked to the central theme of my DBA studies and, as such, are linked to the main themes of this document.

So although this thesis is a standalone piece of work, because of this interlinking with previous documents, some of the ideas and themes which were developed earlier reappear here. This is a consequence of the underlying thematic structure of the DBA itself, and not conscious self plagiarisation on my part. When an argument about, for example, an appropriate methodology or an approach to research validity has been developed in a prior document, and the same argument is to be applied to this work, it would be almost perverse not to include aspects of the original argument here. Where *substantial* passages discussing such ideas or themes which have been developed in previous documents are included here they are referenced using the style "Document Three (2010)"

1.2 THE TOPIC OF THIS RESEARCH AND ITS ORIGINS

The American science fiction author and research biologist, Isaac Asimov, when discussing the origins of research is quoted as saying:

> *"The most exciting phrase to hear [......] the one that heralds new discoveries is not 'Eureka!' but 'That's funny ...'"*
>   *(Hurley, Dennett et al. 2011 p.1)*

In my case, the "Asimov moment" occurred during my first visit to Siberia in the early 1990s. Talking to managers of construction companies in the Tyumen region I was struck by their almost total lack of any understanding of the concept of competition. Discussions concerning how competitors might react to certain business strategies were often met by a blank stare in 1993.

I suppose that one could have anticipated that, after 70 years of communist rule, managers in Russian businesses would not yet have relearned the rules of working in a market economy, but more than 10 years later, after the market economy had been thoroughly embedded in Russian life, I would still finish conversations about business issues pondering

on questions about why personal relationships seem to be so much more central to the conduct of Russian business than would be the case in the UK, and how much of the attitude of managers was due to their peculiar business environment or the unique Russian national culture.

These, then, were the conundrums which inspired my interest in strategic management in Russian businesses.

During the course of the DBA programme, the nature of the research described in this thesis has evolved, but the subject of the research - *Understanding Strategy in Russian Businesses* - has remained constant throughout the programme.

1.2 AIMS OF DOCUMENT FIVE

The NTU stated aims for this part of the DBA programme are:

> To research a major topic or issue at doctoral level.
> To develop professional, managerial or organisational practice through research, analysis and development.
> To develop novel and creative approaches to issues and topics, and, [demonstrated via document six],
> To encourage double loop critical reflection that challenges assumptions and values as well as techniques and methods.

As the penultimate document to be submitted as part of the DBA, this thesis draws on ideas developed in previous documents, but it does not repeat at length any of the logical arguments which were developed to justify the original conceptual framework or methodology. Rather, although it builds on the outcomes of documents one to four, the primary emphasis in this document is on the *main findings* of the research themes which have run through all of the documents, and *my interpretation* of them.

In accordance with the NTU stated outcomes for document five, therefore, the aims of this thesis are to develop novel and creative frameworks to aid the understanding of strategy in Russian businesses and to identify the issues which might require managers to modify practice in the light of the findings.

1.3 DOCUMENT FIVE OBJECTIVES

In document one I reviewed my personal areas of interest, issues surrounding the practicality of undertaking research in Russia, and considered the barriers which I might encounter in gaining access to suitable respondents. After some reflection, at the conclusion of document one the theme of the research was expressed in the following statement:

"The aims of this research are to investigate the business strategies adopted by different categories of Russian managers. It will seek to identify the most important determinants influencing managers of companies in their choice of competitive strategies and to investigate the links between their (resource based) strategic capabilities and the competitive strategies which they adopt. The research will investigate the processes by which strategies are devised and adopted in Russian companies and will seek to gain insights into differences between strategies adopted by companies in developed markets and those in transition economies."

This is a broad statement of the research aims, but could be seen as being rather imprecise as a definition of a research question. From the literature review which was undertaken as part of document two I concluded that the main factors influencing the development and practice of strategic management in Russia are:

- The characteristics of the Russian economy and markets.
- The characteristics of the company in terms of its size, ownership, history and age, strategic orientation (internally or externally focused), the industry in which it works, the specificity of its assets and its predominant competitive strategic stance.
- The characteristics of the decision-making manager in terms of age, seniority, educational background and entrepreneurial outlook.
- The effects of national cultural characteristics on strategic decision-making.

The existing literature is virtually silent on the subject of strategic management in a Russian context but extrapolation from the existing body of literature concerning western experience suggests that these characteristics may have significant effects on the development of competitive strategies in Russia, and so gives rise to some specific questions which can be investigated by research into Russian firms and the managers working within them, namely:

- Is there a difference in the attitudes towards strategy exhibited by managers in more recently formed SMEs as opposed to those in larger companies and in privatised former state-owned companies?
- What are the most important socio-economic and political determinants of strategy in Russian companies?
- How important are resource based issues in determining competitive strategy in Russian companies?
- Are there differences between strategic management processes obtaining in Russian SMEs and privatised former state-owned firms and what insights can be gained when comparing these processes with Western strategic management practice?

And, tying these questions together:

- Is there a model which plausibly combines the economic, cultural and behavioural aspects of strategic management in Russian businesses?

These were the issues which I hoped to investigate throughout the course of the DBA programme with the object of better understanding strategic management in Russian companies. I developed a series of propositions in document two (summarised in the next chapter) which could be investigated quantitatively, but, given the difficulties of undertaking quantitative research in Russia and the rather inconclusive findings of document four, document five concentrates on an inductive theory building approach using grounded theory methodology. Consequently, the pre-established hypothesis testing approach using the document two propositions was not considered appropriate for document five (although the original propositions are reviewed in chapter 5, section 5.3 "Bringing the threads together", table 5.1)

The specific objectives of this thesis are therefore:

- To summarise and update the relevant literature review from document two.
- To investigate and describe strategic management processes in Russian firms.
- To investigate and describe competitive strategy and relationship with customers in Russian companies.
- To investigate and describe the strategies which Russian managers adopt to cope with the complex business environment and government agencies.
- To develop a conceptual models which explains the differences.

and

- To draw conclusions about how these findings on might affect practising managers from different cultural and economic backgrounds when faced with the complex Russian business /cultural environment.

1.4 ISSUES OF ONTOLOGY, METHODOLOGY AND THE EXECUTION OF THE RESEARCH

For reasons which will be explained in chapter three, but primarily because of a dearth of existing relevant research in the field, I concluded that inductive research (theory building) was the most appropriate ontological approach to the research described in this document, and that the most appropriate methodology was grounded theory. This has had some important consequences for the structuring of the research process. In some senses the way in which the DBA is structured contravenes the central tenets of grounded theory in that document two, the literature review, sits before documents three, four and five in the overall DBA degree structure.

This could have been problematical because one of the assessment criteria of document two concerns the ability to create a conceptual model, whilst a true grounded theory approach discourages researchers from immersing themselves in existing literature to obviate the chance of the data being forced into a preconceived model. For a true grounded theory approach the conceptual models developed from the research are

supposed to emerge from the data. This is in marked contrast to a hypothesis testing approach which positively requires a pre-established conceptual model.

In my case, though, the problem was not so acute. Undertaking field research in Russia can be difficult and costly but I was fortunate in that I was able to combine the task of interviewing Russian managers with work commitments which involved liaison with Russian universities in Siberia and Moscow. The timing of my visits to Russia, though, was outside my control and I completed the first tranche of interviews before I had completed the literature review (document two), and so I can truthfully claim that I immersed myself in the data collection before forming preconceived literature derived hypotheses.

The combination of work commitments and undertaking fieldwork for this research also created a significant problem at a later stage when an institutional upheaval at work meant that I had to review and radically modify my intended research strategy. This is more fully described in the introduction to document four, but meant that because my employer, UWBS, decided unilaterally to sever links with Tyumen State University (TSU), the institutional support from TSU was no longer available, and I had to rely on personal contacts and friendship for the facilities and support which I needed for the final stages of the research. I am truly moved by the generosity shown by my Russian friends and colleagues in providing this help and support.

1.5 THE STRUCTURE OF THE THESIS

1.5.1 LITERATURE REVIEW

From a practical point of view, as far as this thesis is concerned, in order for this document to be readable[1] as a standalone piece of work, the literature review which follows as chapter 2 is needed to set the research into context, and consequently sets out, in summary, the main theoretical background to the research. However, it is intentionally relatively brief because the full detail of my initial literature review is to be found in document two.

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[1] **A note on style:**

Readers will note that for the most part this thesis is written in the first person and, wherever possible, using the active voice. This is a conscious choice. The research described in this work is interpretive, and so I have chosen to use "I" whenever the text speaks about my own actions, decisions and the choices I made when interpreting the findings - primarily because the first person form implies ownership of those actions and decisions.

On occasion though, when the identity and opinions of a interviewee are involved, or when an existing theory is being discussed, it seems to me to be more appropriate to use the more formal third person and passive voice convention.

The more informal style reflects my personal preference, and I hope leads to a more readable piece of work. Consequently it is the default voice even though some conventions for academic work call for a more formal written style.

1.5.2 METHODOLOGY

Chapter 3 discusses the research strategy and justifies the methodology chosen. It describes the operational aspects involved in undertaking the research and the measures taken to assure the validity of the findings. Since the research is based on grounded theory methodology and relies on an interpretive approach to derive the models and associated theories, the authenticity of the research is also considered.

1.5.3 FINDINGS AND DISCUSSION

The subsequent chapters 4 and 5 detail the research findings and the ways in which the findings lead to the derivation of conceptual models and theory. These two chapters develop the ideas and concepts of the existing literature whilst incorporating different and often newer academic work in order to contextualise and explain the findings of the research and their relevance from a practitioner standpoint.

1.5.4 CONCLUSIONS AND REFLECTIONS

The final chapter identifies the most important findings of the research and considers the significance of the research findings for both practitioners and educators. The limitations of the research are discussed along with the opportunities for extending the research in the future.

So, in summary, this thesis builds upon some of the concepts and research from precursor documents, but in order to develop novel and creative approaches to the issues covered by the research, the emphasis in this work is firmly on the main findings and interpretation of the substantive research undertaken for this document.

CHAPTER 2: A THEORETICAL BACKGROUND TO THE STUDY

2.1 INTRODUCTION

One of the basic tenets of grounded theory is that theory should be derived from the research findings without any prior influence due to the "theoryladen" status of the researcher. Consequently the a priori derivation of conceptual frameworks, propositions or hypotheses is an anathema to grounded theory purists. However, because of the timing of my visits to Tyumen as part of the British Council funded dual degree developments with which I was involved, I undertook the first six interviews in Russia before I had completed document two, and consequently I can claim, hand on heart, that the research commenced before I had become too "theory laden".

2.2 A SUMMARY OF THE LITERATURE REVIEW UNDERTAKEN FOR DOCUMENTS TWO

Document two explored and discussed the existing underlying academic theories which may explain the characteristics of strategic decision making in Russian businesses, and, having now completed the research, I have come to the conclusion that much of my original evaluation of the literature remains valid. To be prudent, in the course of completing this thesis I have carried out a second scan of the literature, but in the period between my original literature review and completing the research there have been few relevant significant publications in the field of strategic management in Russia.

Following the trails initiated by the research findings, though, has opened up some perspectives in the areas of Russian culture, and in particular concerning the political and economic aspects of corruption in Russia. Following these trails has led me into academic disciplines not normally much associated with strategy - Russian history, and Russian political science. However, I maintain that attempts to contextualise the research would be incomplete without taking account of these fields of study.

2.2.1 COMPETITIVE STRATEGY

In document two I reviewed the academic theories surrounding competitive strategy which considers the actions that managers take in order to create or enhance the competitive advantage of their organization. There are two mainstream schools of thought in this field;

- **the market positioning school**, which seeks to explain the strategies which managers adopt in terms of whether they achieve competitive advantage by having low prices or by differentiating their products and services so that consumers are prepared to pay higher prices for the perceived higher value - and
- **the resource-based school**, which seeks to explain how firm's resources provide a competitive advantage, and how managers create competitive advantage by growing and enhancing those specific resources which provide the advantage.

In terms of the market positioning school I reviewed the works of Porter (1980, 1985), along with those authors who I felt had added substantially to the academic debate in that area, (Dess, Davis 1984, Bowman 1992, Bowman 1992:2, Bowman, Ambrosini 1998).

In terms of the resource-based school, I reviewed the works of Barney (1991, 2002), Kay (1994) and Prahalad and Hamel (1990, 1994). The works of Bowman and Ambrosini (1998) and Bowman and Faulkner (1997) were revisited for their attempts to reconcile the market positioning and resource-based views of competitive strategy. (This list of sources is by no means exhaustive; please see document two for further detail of the critical evaluation of these works.)

The research by Dess and Davis (1984) and Bowman and Ambrosini (1998) cited above indicates that managers rarely adopt a binary, "all or nothing" stance in terms of competitive strategy   (i.e. by adopting exclusively differentiation based or cost-based strategies; rather some form of hybrid strategy seems to be the norm) or indeed in their views on the relative importance of market-based or resource-based strategies.   As a consequence, I concluded in document two that the traditional market positioning/resource-based theoretical perspectives are rendered more meaningful if thought of in the context of the internal or external orientation in management thinking within the company. This is illustrated in the following table:

TABLE 2.1 EXTERNAL VERSUS INTERNAL STRATEGIC ORIENTATION

	Companies with External Orientation (O)	*Companies with Internal Orientation (I)*
Emphasis on	Markets over resources	Resources over markets
Orientation	Opportunity driven (external potential)	Strength driven (internal potential)
The starting point	Market demand & industry structure	Resource-base & activity system
Strategic fit engineered through	Adaption to environment	Adaption of environment
Strategic focus	Attaining advantageous position	Attaining distinctive resource
Strategic moves	External positioning	Building resource-base
Tactical moves	Acquiring necessary resources	External positioning
Competitive weapons	Bargaining power and mobility barriers	Superior resources and imitation barriers

(De Wit, Meyer, 2005, p.127)

However, both the market positioning and resource-based schools have their roots in economic analysis, largely undertaken in a mature market-based economic environment, and it is apparent that the peculiarities of the Russian economy (and to some extent Russian history and culture) have a marked effect on management thinking within Russian firms.

As a consequence I concluded that these traditional schools of thought, taken on their own, do not adequately explain strategic management in a Russian context.

In my attempts to contextualise the theory, I therefore reviewed literature concerning the Russian business landscape in terms of the Russian economic environment and Russian national culture.

2.2.2 THE RUSSIAN ECONOMIC ENVIRONMENT

My review of the Russian economic environment in document two started with reflections on the characteristics of the pre-1991 Soviet economic system, and some of the changes which took place immediately post the fall of the Communist regime. I noted that although the initial reforms in Russia took place very rapidly during the early part of the Yeltsin era, the flawed process of privatisation resulted in a market economy dominated by huge ex-state-owned enterprises with relatively few SMEs in comparison with other developed market economies. Political and legislative changes did not keep up with the pace of change of ownership affecting state-owned enterprises.

By 1998, despite furious activity and fast growth in many private sector industries, slow institutional reform, structural problems with the banking system, and spiraling inflation led to a major financial crisis and the eventual revaluation of the rouble.

At that stage Hunter (1999, p.5) described the Russian market as:

> *"characterised by growing demand, but with paucity of competition, relative lack of skilled economic actors, poorly defined property rights, underdeveloped institutions (such as capital markets and rule of law), and enduring management practices which are inimical to the efficient conduct of business."*

He termed these conditions collectively as "hypo-capitalism" ("less than" capitalism or a sub optimal market mechanism) and, derived from the work of Gwartney et al (1996), he proposed a methodology for categorising economies in terms of 16 particular characteristics, as shown in the following table:

	Mature market based economy (MMBE) e.g. Western European/ Anglo-Saxon	Hypo-capitalistic economy e.g. Russia
Mechanism for command and control	markets	markets
Percentage of GDP derived from public sector	low	high
Presence of open flexible, capital markets	widespread	limited
Strength of independent banking sector	robust	very weak
Regulatory burden on business	relatively low	extremely high
Inflation volatility	low & stable	highly unpredictable: moderate to hyperinflation
Pervasiveness of political corruption	low	high
Level of Intra market competitiveness	consistently high	low and inconsistent
Transfers and subsidies as a percentage of GDP	low	high
Marginal tax rate	low	confiscatory
Probability of enforcement of contracts	fundamental	uncertain
Protection of private property	established	rare
Independence of judiciary	long-established	inconsistent
Trained management Cardre	very large	very small
Transparent corporate governance	well-established and control	rare
Relatively unrestricted trade	unrestricted	severely limited

Adapted from Hunter (1999, p.38)

This table was developed by Hunter as part of his DBA studies and was based mainly on the Yeltsin years in Russia. Political and economic developments occurring since those times have changed some of these factors quite considerably, and this is discussed at the end of this chapter.

2.2.3 THE EFFECTS OF RUSSIAN CULTURE ON STRATEGIC MANAGEMENT THINKING

There appears to be a logical connection between national cultural characteristics and the nature of competitive strategies adopted by managers. When viewed from a "strategy as practice" viewpoint (or in other words by considering the everyday practices of managers working in a Russian business) and taking account of the particularist nature of Russian society, a more holistic framework can be developed which provides a richer explanation of Russian management practice.

Using this different lens to view management practice, the importance of personal relationships and networking comes to the fore, and consequently document two includes a review of the literature concerning the effects of national cultural differences on management practice in this context. This is an extremely extensive area of study and I eventually concluded that the most relevant academic theory was proposed by Trompenaars and Hampden-Turner (1998), Hofstede (2001) and Boisot and Child (1996). (Once again this list is not exhaustive; - document two contains detailed discussion on these issues).

I concluded that the most significant cultural dimension affecting Russian management practice was that of universalism vs particularism. Trompenaars and Hampden-Turner (1998 p.8) state:

> *"The Universalist approach is roughly: "what is good and right can be defined and always applies." In particularist cultures far greater attention is given to the obligations of relationships and unique circumstances. For example, instead of assuming that the one good way must always be followed, the particularist reasoning is that friendship has special obligations and hence may come first. Less attention is given to abstract societal codes."*

The highly particularist Russian society values relationships and friendships very highly, and this influences the sorts of strategies adopted by Russian companies and the actions undertaken by individual Russian managers. This is seen primarily in the adoption of network strategies.

Networking is recognised as being important in western societies; - western companies collaborate primarily in order to gain some form of competitive advantage, which may be in terms of "speed to market", reduced component costs, or perhaps by reaping the benefits of specialisation; i.e. "sticking to the knitting" allowing companies to adopt a new technologies earlier than their rivals by gaining the technology from an outside network partner. (Child, Faulkner 1998)

Similarly, Kay (1994) cites examples of networks which intrinsically provide significant strengths for their participants in terms of their competitive advantage, whilst another reasons identified for the apparent gain in competitive advantage by adopting network strategies is that network partners learn from each other, and hence improve their individual competitive capabilities.(Prahalad, Hamel 1994)

However the Russian emphasis on personal relationships is seen primarily in the importance of networks of personal contacts used to facilitate business transactions in environments where conventional market forces are either inadequate or non-existent, and has its roots in traditional Russian society. Similar characteristics apply to the Chinese phenomenon of

"guanxi" which Boisot and Child (1996) view as being the normal prerequisite for undertaking business within China. It is claimed that firms which succeed in China are those with the widest guanxi networks, and Boisot and Child have termed this reliance on guanxi "network capitalism".

In the case of Russia there would seem to be additional important underlying reasons for the importance of network strategies which seemingly have their roots in tradition and culture. Popova and Sørensen, (quoted in Kuznetsov, Kuznetsova 2005 p.28) state that:

> *"In Russia, the tradition of relying on informal networks as an element of business arrangements has a long history. It emerged as a reaction to the rigidities of the official Soviet production system with its emphasis on technological determinism leaving very little space for the human factor.*
>
> *To compensate for this, certain structural, cultural and ideological norms came into existence to provide an informal hierarchy cementing together suppliers and buyers, creditors and debtors. As a result the Soviet production system relied on informal arrangements and networks almost as much as on the formal ones"*

Kuznetsov and Kuznetsova (2005 p.28) themselves identify further reasons for the importance of networking in Russia. They state that:

> *"The proliferation of informal networks affects the character of market relations. On the one hand, they imply long-term relations with suppliers and customers that create zones of trust within the general environment of distrust that help to reduce transaction costs. On the other hand, by their nature, networks, in particular informal ones, seek to maintain exclusiveness. In the Russian context, networking does not mean getting better knowledge of business partners and their needs but rather pursues the goal of conspiring against outsiders and avoiding legal control over financial and other transactions."*

Network strategies in Russia are evident in "blat" in business relationships, but also in phenomena such as nepotism in employment. To some extent the cultural underpinnings may also explain differences in attitudes towards the rule of law, and, in particular, attitudes to corruption.

2.2.4 INSIGHTS INTO THE NATURE OF COMPETITIVE STRATEGY IN RUSSIA

Taking into account the traditional MMBE (mature market-based economy) /Hypo-capitalist dichotomy, the free-market view of competitive strategy vs network theory and the consideration of the impact of national cultural differences, gave rise to my own insight that competitive strategies can be seen as manipulative or reactive:

- *Manipulative* strategies are those where the firm attempts to manipulate the market in which it is working, and is widely practised by the larger ex-state-owned industries in Russia.

whereas

- *Reactive* strategies are those where the firm attempts to react to the conditions of the market in which it operates (and are the strategies generally described in mainstream western academic theory concerning competitive strategy).

2.2.5 DIFFERENCES BETWEEN RUSSIAN BUSINESSES AND THOSE OPERATING IN MMBES

Having completed my initial review of the literature I concluded that the main issues influencing the practice of strategic management in Russia were likely to be:

- The characteristics of the Russian economy and markets.
- The characteristics of the individual company in question (in terms of its size, ownership, history and age, strategic orientation (internally or externally focused), the industry in which it works, the specificity of its assets and its predominant competitive strategic stance).
- The characteristics of the decision-making manager in terms of age, seniority, educational background and entrepreneurial outlook.
- The effects of national cultural characteristics on strategic decision-making.

The existing literature suggests that these characteristics may have a marked effect on the development of competitive strategies in Russia, and at the conclusion of document two I went on to derive a model which I felt could describe the differences between Russian businesses and Anglo-Saxon/Western European companies. At that stage (prior to the commencement of phase 2 of this research) I believed that the three main strategic management dimensions were:

- The strategic orientation of companies.
- The competitive strategies adopted by the company.
- The approach to the market,

and my views at that stage are summarised below:

THE STRATEGIC ORIENTATION OF COMPANIES

When developing competitive strategies some companies are more influenced by market conditions and attempt to attain competitive advantage by achieving a specific market position (Porter 2004) and these companies are likely to be more led by external market conditions. They will be outwardly orientated in their strategic thinking. (**O**). Other companies will believe that their competitive advantage is derived from their resource base (Barney 1991) and their strategic thinking is likely to be inwardly orientated. (**I**). (De Wit, Meyer 2005).

THE TYPE OF COMPETITIVE STRATEGY ADOPTED BY THE COMPANY

When trying to attract new customers some companies will attempt to offer the lowest prices. (**P**). Other companies may choose to offer highly differentiated products or services. (**D**). These first two types of company are relying on market positioning strategies (Porter 2004), whilst the third group of companies may choose to use strategies relying on personal relationships and mutual obligations to create a network which "locks in" customers and seeks to exclude new competitors (Boisot, Child 1996). In the terminology I used in this document, these companies are adopting a so-called network strategy. (**N**) .

THE APPROACH TO THE MARKET - POWER ORIENTATION OF COMPANIES

When faced by competitive forces and the competitive environment, some companies will attempt to manipulate the environment, reducing competitive forces by corrupt practices or network exclusion strategies. These companies are adopting manipulative strategies. (**M**).

Other companies may accept the competitive environment as it stands and attempt to react to it by offering prices or levels of differentiation appropriate to what they perceive their chosen market requires. These companies are following reactive strategies. (**R**)

I felt that it was possible to categorise strategies as shown in the following table 2.3, which gives examples of the sorts of strategies which might be adopted in each of the quadrants identified:

TABLE 2.3 An initial categorisation of competitive strategies

	Reactive strategies:	**Manipulative strategies:**
Internally orientated strategies	• *core competence development* • *lean manufacturing implementation*	• *production co-operatives (reducing competition by having fewer suppliers i.e. increasing countervailing supplier power)* • *Mergers and Acquisitions to reduce competition* • *predatory/Mafia behaviour (reducing competition by threatening or eliminating other players)* • *changing market characteristics by corruption of officials responsible for oversight of competition*
Externally orientated strategies	• *product/service development to achieve differentiation* • *low-cost production development to achieve cost leadership*	• *guanxi / Blat network strategies* • *bribing potential customers* • *marketing co-operatives (reducing competition by . increasing countervailing purchasing power to counteract supplier power)*

2.3 THE NATURE OF STRATEGIC MANAGEMENT IN RUSSIA

Using these dimensions to identify the strategic stance of companies, I went on to form some propositions concerning the nature of strategic management in Russian businesses which could be used as the basis of a conceptual framework. The propositions were as follows:

*In terms of inward (**I**) and outward (**O**) orientation, it could be predicted that:*

- Older ex state-owned enterprises (ex SOEs) are likely to be dominant in their markets, (P1).
- Large Russian companies are more likely to be operating in oligopolistic markets, (P2).
- Managers working in oligopolistic business landscapes are likely to be more concerned with resource-based strategies than market positioning strategies, whilst managers working in more competitive environments are likely to be more concerned with market positioning strategies, (P3).

In terms of age and education of managers, it could be predicted that:

- Younger managers (say less than 40 years old) who never worked in the Soviet business environment are more likely to be outwardly orientated and favour reactive competitive strategies, (P4).
- Older managers with seniority built in the Soviet business environment are more likely to be traditional resource managers and hence inwardly orientated, (P5).
- Older managers having spent their formative years in the Soviet business environment are more likely to favour network strategies and manipulative competitive strategies, (P6).

*In terms of the adoption of network strategies (**N**) and manipulative competitive strategies (**M**), it could be predicted that:*

Companies operating in particularist cultures will be more likely to concentrate on network strategies, (P7).
- Particularist cultures will be more accepting of manipulative competitive strategies, (P8).
- Network strategies will be important to Russian companies, (P9).
- Manipulative strategies will be important to larger Russian companies, (P10).

A logical development of these propositions led to three further second order propositions.

- Russian managers in large firms and ex SOEs will be more inwardly orientated than small firms, (P11).
- Russian managers in large firms and ex SOEs are likely to attempt to use manipulative competitive strategies, P(12).

In contrast, Russian managers in SMEs and managers in younger companies working in non-oligopolistic markets are likely to have a different strategic orientation, and it could be predicted that:

- Russian managers in these companies will be more outwardly orientated, (P13).

I concluded by reviewing the literature which explores strategic typologies (Grachev, Izyumov 2003, Miles, Snow et al. 1978). I felt that when the research had been completed it would be useful to develop taxonomy of Russian businesses in terms of their preferred competitive strategies, strategic orientation and their approach to the market. The existing typologies proposed by Grachev and Izyumov (2003) and Miles et al.(1978) can be summarised as follows:

TABLE 2.4 : A COMPARISON OF STRATEGIC TYPOLOGIES AND ASSOCIATED ORGANIZATIONAL CHARACTERISTICS IN RUSSIAN COMPANIES

Strategic Type (after Grachev and Izyumov)	Strategic Type (after Miles et al)	Basis of competitive strategy	Strategic orientation	Approach to market Reaction/ manipulation	Typically represented by
Bureaucrat	Defender	N	I	M	Large, oligopolistic companies, ex SOEs, companies in strategically important sectors
Predator	_	N	O	M	Some larger ex SOEs with history of predatory management, smaller SMEs with "black market" roots
Competitive entrepreneur	Analyser/ prospector	P/D/N	O	R/M	SMEs, medium-size companies engaged in globally competitive industries
_	Reactor	P	I	R	Ex-SOEs in declining industries

1. Basis of competitive strategy: D= differentiation, P= competing on low price, N= network strategy
2. Strategic orientation: I= internally orientated (i.e. driven by company's resources), O= outwardly orientated (i.e. driven by external environment)
3. Approach to market: R= reacts to external environment, M= attempts to manipulate market.

This initial typology springs from an attempt to integrate the ideas of Grachev and Izyumov (2003) and Miles et al. (1978) in a Russian context.

2.4 LITERATURE REVIEW UPDATED

Document two has proved, retrospectively, to be quite comprehensive in its coverage of relevant literature, but the interpretation of the findings in chapter 4 and my attempt to contextualise them in chapter 5 have involved following trails into academic areas not covered in much depth in my initial literature review (in particular Russian history and the Russian political system).

I found it necessary and interesting to review the most recent works on the nature of the Russian state, and the pervasiveness of corruption and "informal practices" in Russia to ensure that theoretical underpinnings of this work are current. These are both rather arcane fields of study, but there are some key authorities in the context of this research, notably Puffer and McCarthy, Ledeneva, Dawisha and Fey, all of whom have published widely as observers of, and researchers in Russia.

I had reviewed the work of Puffer and McCarthy in document two, and I was aware of the work of Fey, (although his work generally has had more of a leaning towards human resource management issues than competitive strategy), but Ledeneva's work on the political developments in Russia (1998, 2009, 2013) was new to me, and has been very useful in providing triangulating evidence supporting the significance of, for example, blat and corruption. Similarly Kleiner (2012) also provides insights into the nature of corruption in Russia which has proved useful in interpreting the research findings, and Dawisha's (2014) work on the corrupt nature of Putin's sistema has helped set the context which explains the power of oligarchs and siloviki.

Since some of the ideas become key parts of the analysis of my findings, it is worthwhile to provide a brief overview of the two areas which I think are important; - Puffer and McCarthy's view of the development of the Russian business environment (Puffer, McCarthy 2007) and Ledeneva's and Dawisha's works on the political governance systems in Russia. (Ledeneva 2009, 2013, Dawisha 2014). These later works are quoted and contextualised in chapters 4 and 5.

Ledeneva's work provides invaluable insights into ways in which the workings of Russian society have changed during the period since the fall of the Soviet system. Her review not only concerns the workings of the so-called "sistema"; the informal and unofficial political governance and power systems which have always been crucial to the understanding of how Russian society and the economy function, but also the changing nature of the informal practices - blat and corruption - which are endemic in Russia.

The sistema has changed with the changing political scene. It was always governed by political power, and in the Soviet era this meant the party machine, the powerful ministries which controlled the economy, and the nomenklatura, - people in positions of power- who controlled them.

Today the same levels of power and control exist but they are in the hands of a *nominally* different set of people: members of the government themselves, the so-called siloviki -the powerful individuals with access to political patronage, and the oligarchs - businessmen who benefited from the privatisation of state industries during the Yeltsin days. The siloviki themselves are frequently drawn from the ranks of the former security services, and the ministries and agencies which were all-powerful in the old days. In other words the siloviki today still look like those of the Soviet and Yeltsin eras.

These siloviki and oligarchs are immensely rich and hence powerful. The most recent estimates (Dawisha 2014) show Russia as being the nation with the highest levels of wealth inequality in the world. 110 billionaires own 35% of the total wealth in Russia, a country where the median level of wealth for the entire country is $871 (approx. £550).

Dawisha characterises Putin's Russia as a kleptocracy and maintains that her research clearly indicates that despite government anticorruption campaigns introduced by President Dmitry Medvedev in 2008, the aim of the coterie which surrounds President Putin is self-enrichment at the expense of the state, and has been so since Putin's original rise to power during the Yeltsin era. (Oligarchs and siloviki seem to have realised that it is better to "toe the Putin line" rather than risk the same fate as Boris Berezovsky and Mikhail Khodorkovsky). Medvedev's anticorruption measures seem to have been more directed towards the lower levels of the sistema and non-siloviki rather than Putin's close associates, and Medvedev himself admitted in 2011 that the measures had been ineffective.

Puffer and McCarthy's views on the way that the Russian business landscape has developed embrace much of Ledeneva's work. They see the Russian business environment as a complex system in which the commercial sector is embedded in an all pervasive Russian state, and controlled by the Sistema. They view the commercial sector of the economy as consisting of three main types of businesses: siloviki controlled businesses, oligarch controlled businesses and Western-style market based businesses. Their visualisation of the business environment is illustrated in the following figure:
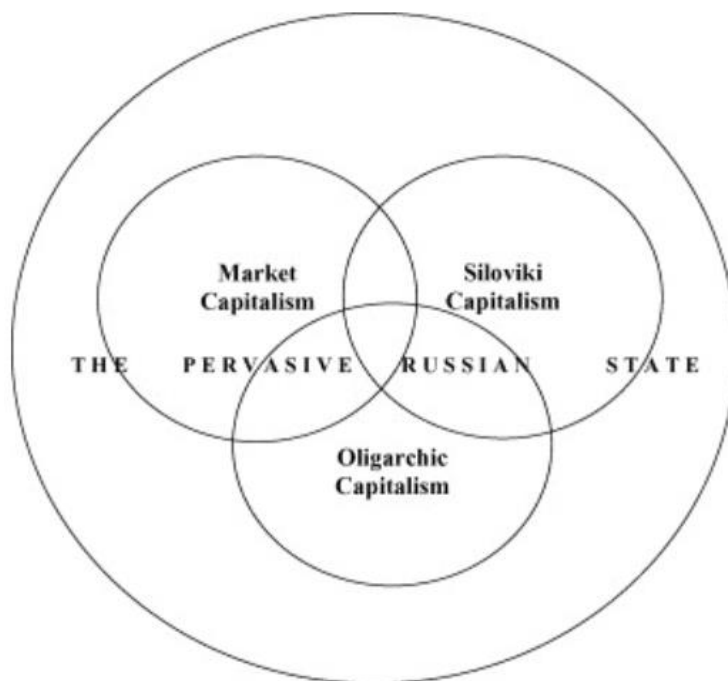
(Puffer, McCarthy 2007 p.4)

On reflection, I think this describes the situation rather well and helps visualise the highly uneven power structures and the interlinked nature of business relationships which are the key characteristics of the Russian business environment.

In the light of these later works, and using the latest data from the Economic Freedom Network (2013) it is possible to revisit Hunter's (1999) definition of hypo-capitalist business environments. Bearing in mind that in most respects the Russian economy has become more open since the Yeltsin era when Hunter was undertaking his research, the comparison between MMBEs and a Russian style Hypo-capitalist economy needs to recognise the fact that the characteristics of the Russian economic landscape have changed markedly.

Many of these economic changes have been beneficial for Russia and increased the openness of the Russian economy to the extent that the country has joined the World Trade Organisation, but other changes have had significant negative effects, most particularly those concerning the prevalence of corruption, the rapacious nature of the siloviki and oligarchs, and the emergence of powerful oligopolistic companies under the control of these siloviki and oligarchs who remain in thrall to the Kremlin. The power of Putin's sistema has become a major issue in Russian strategic management[2]. (Dawisha 2014) The revised comparison of MMBEs and Russia's hypo-capitalist economy is shown in the following table,2.5 :

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[2] The strategic importance of the small but powerful group of siloviki is demonstrated by the fact that when imposing economic sanctions to counter Russia's threatening moves in the east of Ukraine, the international community have, in many instances, only felt it necessary to target this group.

TABLE 2.5 A REVISED AND UPDATED COMPARISON OF MATURE MARKET-BASED AND RUSSIAN HYPO-CAPITALISTIC ECONOMIES

	Mature market based economy (MMBE) e.g. Western European/ Anglo-Saxon	Hypo-capitalistic economy e.g. Russia
Mechanism for command and control	markets	markets
Percentage of GDP derived from public sector	low	Reducing, but replaced by oligarch/siloviki controlled companies
Presence of open flexible, capital markets	widespread	rather limited
Strength of independent banking sector	robust	weak
Regulatory burden on business	relatively low	extremely high
Inflation volatility	low & stable	recently stable, but highly dependent on exchange rate/oil price
Pervasiveness of political corruption	low	Exceptionally high
Transfers and subsidies as a percentage of GDP	low	high but reducing
Marginal tax rate	low	Flat rate but regressive - favours the very rich
Probability of enforcement of contracts	fundamental	Uncertain - subject to judicial corruption
Protection of private property	established	Uncertain - subject to judicial corruption, and instances of expropriation
Independence of judiciary	long-established	Uncertain - subject to judicial corruption
Trained management Cardre	very large	Small -but valued and growing
Transparent corporate governance	well-established and control	opaque and rare in oligarchs and siloviki controlled companies
Relatively unrestricted trade	unrestricted	WTO members, but government manipulates the system

Adapted and revised from Hunter (1999 p.38)

Further discussion on the application of these ideas to the research findings are included in chapters 4 and 5.

CHAPTER 3: METHODOLOGY

3.1 INTRODUCTION

This chapter discusses the factors which influenced the methods which I adopted to undertake the research and technical aspects of the research methodology in terms of the analytical framework and sampling. The operational aspects of the research; the logistics of carrying out interviews in Russia and the transcription, interpretation and coding of the interviews, are described, as well as the methods which I adopted to ensure the validity and authenticity of the findings.

Some of these issues have been covered in detail in documents three and four, but are included again in summary here, in part so that this document may be read on a standalone basis, but also because the final part of my research - described in this document - has been subject to some further reflections and refinement, particularly in terms of the methods used to ensure authenticity.

3.2 RESEARCH DESIGN

This section covers the issues which influenced the choice of research methods which I have adopted, and justifies my choices. The choice of research method is largely governed by the philosophical stance on the researcher, and at the outset of the DBA programme I was a confirmed realist. A scientist by training with operations management and management consultancy as a career background, I only really felt comfortable when drawing conclusions from facts which were measurable and, for preference, quantifiable in some shape or form.

It is fairly hard for a researcher with a "hardwired" realist paradigm to adapt easily to some of the more extreme interpretive research positions, but the longer I pondered on the research topic though, the more doubts I had about the appropriateness of realist research when considering the thought processes of managers from a different cultural and linguistic background - and who had in recent years experienced a different and massively changing business landscape and economic environment. The fact that to date there has been so little research in the field also reduced my confidence in devising a-prioi propositions about the nature of strategy in Russian businesses.

All in all, there seemed to be so many different factors which could affect the strategic decision-making of Russian managers when compared to their Western European counterparts I felt that just to measure individual dimensions of their attitudes would be profoundly unsatisfactory as an aid to understanding. It seemed to me that a more holistic approach was called for. By the time I had grappled with the quantitative methodology for document four I felt confident that this more holistic approach would lead to a better understanding of the complexities of strategic management in Russian businesses.

Document two reviewed the literature surrounding the subject of business strategy in Russian firms and revealed that despite the large body of published work on the subject of strategy, to date the field of strategic management research has been largely silent on the subject of strategy in Russia and, in a wider context, the problems of strategic management in a business environment still in transition from command to free market. As already noted, not only is the Russian economic business environment different from the Anglo-Saxon/Western European business environment, but several cultural characteristics are markedly different from those of Western Europe and North America. The lack of research concerning the effect of cultural differences on strategic thinking has been noted by several authors (De Wit, Meyer 2005, Puffer, McCarthy 2011)

In these circumstances, with a dearth of existing literature, it seemed entirely appropriate to consider this research as exploratory in nature. It is primarily concerned with theory building and strengthening the fabric of understanding concerning strategic management in Russia, and, quite possibly, in countries with similar cultural characteristics and emerging political and (transitional) economic systems. This sort of exploratory research is often interpretive, but in the light of the wide range of qualitative methods to choose from, the research design -the selection of appropriate techniques for data collection and analysis - becomes a significant factor in the validity of the research in terms of its trustworthiness and authenticity.

In addition to the ontological stance of the researcher, though, there are several interlinked factors which narrow down the possible methods which can be adopted, and it seems to me that the consideration of what is actually operationally feasible may, on occasion, override philosophical preferences.

3.3 RESEARCH DESIGN CONSIDERATIONS

In the initial stages of my DBA studies I had intended to follow a positivist route, establishing a series of propositions about the nature of strategic management in Russia and concentrating in document five on confirming or refuting my initial ideas by undertaking a programme of questionnaire-based quantitative research. I intended that the conceptual framework developed in document two would be investigated, initially using the interpretive approach required for documents three, and subsequently the positivist document four would act as a pilot study for the substantive work required for the thesis, document five.

However, as my studies progressed, several factors made me question and revise the overall research design. Firstly, undertaking the research for document three made me realise that the richness of the information available from face-to-face interviews was invaluable in interpreting the way managers think about strategy. Secondly, undertaking the questionnaire based research for document four, (an exercise fraught with institutional difficulties), made me wonder about the wisdom (and feasibility) of basing document five

solely on quantitative methods which were reliant on institutional partners in Russia for much of the work - identifying samples and administering questionnaires. The institutional upheaval which, in part, gave rise to this change of direction is described in some detail in document four.

Finally, having reflected on the process and principles involved in the quantitative research described in document four, I developed a number of doubts about the usefulness and meaningfulness of quantitative research in a field which is extremely nuanced and shot through with cultural and behavioural complexity. My experiences in working on the analysis in document four led me to realise that the opportunity for misunderstanding and misinterpreting the intended meanings of the respondents was far greater when using a questionnaire based survey, when there was no opportunity to probe areas of doubt by further questioning, than would be the case with a face-to-face interview.

3.4 METHOD ADOPTED

3.4.1 ANALYSIS AND THEORY BUILDING

I finally concluded, therefore, that document five should be based on the interpretive approach which I had developed for document three; in other words, to base the methodology on grounded theory using semi structured interviews as the main data collection method.

Many of the arguments which led me to this approach are detailed in document three and my reflections on quantitative methodology are to be found in document four, but in summary I was persuaded by the arguments of Glaser and Strauss (1967) that theory is (or at least should be) grounded in the words and actions of those individuals under study, and Goulding's (2005) views concerning the iterative and interactional nature of data collection.

Having settled on qualitative research as the basis for document five, In terms of analytical technique, I felt that starting the analysis with a blank canvas and devising a coding schema by inspecting and re-inspecting the data would allow me to build theories from scratch. In other words, I was persuaded that codes are nascent theory (or at least the components of theory) and that the process of identifying the codes from the text of transcribed interviews is an integral part of theory building.

I rejected the use of data template analysis because it depends on the use of a coding scheme which is devised a-priori and therefore risks forcing the data into an existing theoretical framework rather than allowing the theory to emerge from the data. I wanted to avoid analysis which would result in the research findings being forced into a procrustean bed - primarily because the existing beds seemed to be designed for different occupants.

I was concerned about "importing my own preconceptions" to the analytical process, and although I sympathised with Glaser and Strauss's view that the research should literally ignore the existing literature on the area under study in order to ensure that the emergence

of categories will not be "contaminated", I found it harder to accept that any researcher involved in postgraduate-level research would not be familiar with a great deal of the relevant theory. And so, in effect, this research (unlike that described in document three) is based on "neo-grounded theory" since it is not being approached from a completely un-theory-laden state, but rather by an informed researcher with unformed theoretical preconceptions.

However, as Goulding points out, inductive research carried out in an iterative manner during which literature is consulted as a continuing part of the research process at least fulfils the spirit of grounded theory research methodology.

As Lansisalmi et al point out (in Cassell, Symon 2004 p.242):

> *"The researchers task is not to produce a perfect description of the area he or she wishes to understand, but to develop a theory that accounts for much of the relevant behaviour. Grounded theory developed through the constant comparative analysis where a specific coding scheme is used to ensure conceptual developments and density. With respect to data sources grounded theory often applies triangulation - namely combines different types of data collected by interviews, participative observation and analysis of documents."*

Bearing this in mind, I have included quotations from documents, press reports, the published results of other cultural, political and economic studies and illustrative anecdotes wherever it has been appropriate to reinforce the theoretical construct which has emerged from the transcribed interviews.

3.4.2 DATA GATHERING

At the outset of the research I considered several methods of gathering information for the study, including the use of case studies, focus groups, structured interviews etc. The detail and arguments related to the choice of methods are included in document three, but in summary, for mainly practical reasons involving the ability to recruit suitable respondents willing to be interviewed as part of the study, I eventually decided that the majority of the information gathering should take place through face-to-face interviews with Russian managers.

The first interviews were quite unstructured: I was anxious to explore and identify the issues concerning strategic management which were important to Russian managers, and so the conversations were wide-ranging and steered by the issues raised by the managers themselves with just a few prompts from me to ensure that current issues in strategy were included in the conversation. Later interviews were slightly more structured in that I deliberately raised themes which were identified in prior interviews in the conversation. Even so, I tried to maintain a conversational feel to the interviews rather than deliberately

asking questions. I felt that this "light touch" approach was the most appropriate when trying to uncover issues and attitudes amongst the Russian interviewees.

The interviews themselves were arranged on my behalf by colleagues from Tyumen State University (TSU) and the State University of Management (SUM) in Moscow. This enabled me to take advantage of existing institutional links between the University of Wolverhampton (UoW) and TSU, and to build on existing personal friendships and acquaintances with people in the Moscow region. Key assistance in the recruiting of interviewees came from the then rector of SUM, who was known to me socially (since he had undertaken some of his doctoral research whilst on sabbatical at UoW), and the head of the Institute for Continuing Professional Education at TSU. Both were asked to recruit a cross-section of managers from small and large companies and from a variety of industrial sectors. From a practical point of view it would have been completely impossible for me to recruit managers in Russia without this assistance.

Following the normal practice of grounded theory research, as the interview process progressed I immersed myself in the data and compiled handwritten notes consisting mainly of bullet points identifying the themes which had been discussed in each interview. As the basis of grounded theory is to elicit information from observations in an iterative manner before achieving theoretical saturation, I used these informal notes to "steer" subsequent interviews. This was in addition to the recording and subsequent transcription process which, necessarily, took place sometime after the interviews were recorded. Work colleagues who had undertaken similar qualitative research stressed to me how time-consuming the coding process could be, and after attempting to annotate the transcriptions and use post-it notes to sort and identify themes, I invested in QSR Nvivo software to speed up the coding process.

3.4.3 SAMPLING STRATEGY

Strauss and Corbin (1998) advocate the use of theoretical sampling; as themes become apparent as analysis progresses, interview candidates who are likely to throw further light on to the emergent themes are sought out. I attempted to follow this guideline as far as possible by discussing the interview findings and emerging themes with my Russian colleagues and asking them to find suitable candidates. I think that this was only partially achieved because there are other constraints on the availability of managers to be interviewed - in particular the fact that I was visiting Russia infrequently and at times which were dictated primarily by my work commitments. As a result many of the interview candidates were selected, in part, by their and my availability.

It should also be noted that it is possible that managers who are contacts of University academics will not necessarily represent those in the population as a whole. However, the arguments in favour of using such a sample are similar to those put forward by Hofstede (2002) when justifying using a sample of IBM managers to develop his theories concerning national cultural differences, namely that it would have been unfeasible to undertake the

research without taking advantage of the opportunity. One could also argue that the managers that I interviewed, because of their existing contacts with TSU and SUM, were more likely to be aware of, and informed about the issues that I was interested in discussing with them. Nevertheless, as I have already noted, sometimes research design is greatly influenced by practical issues, and in the analysis phase I have tried to take into account the nature of the sample when considering the context and the Interpretation of the findings.

3.4.4 SAMPLE SIZE

Since the object of the research was to provide an in-depth analysis of the practice of managers engaged in strategic management, and in particular the generation of competitive strategies, it is focused on explanation rather than generalisation, and such inductive, interpretive research typically relies on a relatively small sample. (Ritchie, Lewis 2003)

Ritchie and Lewis note that there are several reasons given to justify these smaller sample sizes:

- There is a point of diminishing return to a qualitative sample - as the study goes on more data does not necessarily lead to more information. This is because one occurrence of a single piece of data or a single code is all that is necessary to ensure that it becomes part of the analysis.
- Frequencies are rarely important in qualitative research as one occurrence of the data is potentially as useful as many in understanding the process behind a topic.
- Because qualitative research is very labour intensive (particularly in terms of transcribing interviews), analysing a large sample can be very time-consuming and often simply impractical.

(Ritchie, Lewis 2003)

I would add that, particularly for international studies, access to suitable interviewees may be restricted by the economics and logistics of conducting overseas research (in terms of funding visits and arranging translating and interpreting facilities) and the administrative difficulties associated with recruiting managers to participate in the study.

Although it is generally recognised that the sample sizes in qualitative research will be smaller than those for quantitative studies, there is some discussion, and uncertainty concerning how large samples should actually be. Qualitative samples must be large enough to assure that all of the perceptions or the themes which are important to the study are revealed, but at the same time must not be too large so that the data becomes repetitive and cumbersome to analyse. Mason (2010) maintains that the principles underpinning qualitative research imply that the sample size should generally follow the concept of saturation, i.e. when the collection of new data does not shed any further light on the issue under investigation. This issue of theoretical saturation is discussed in more detail in a subsequent section.

Unlike quantitative studies, where the sample size can be established as a mathematical function of the desired validity or confidence level, this qualitative concept of saturation provides no such guidelines as to what constitutes a sufficient sample size. In fact there seem to be no generally accepted or definitive rules concerning sample size, and indeed there are some strong indications of "rules of thumb" being adopted in qualitative research practice. Mason cites several guideline figures for qualitative or interpretive research samples, without them displaying much consistency:

- Ritchie and Lewis (2003 p.84) state that qualitative samples often lie under 50
- Morse indicates that a sample of 30-50 interviews is appropriate, but
- Creswell (1998, p64) suggests that 5-24 interviews will often suffice for grounded theory research
- Charmaz (2006, p114) suggests that 25 participants are adequate for smaller projects
- Bertaux (1981, p35) suggests that 15 is the smallest acceptable sample for qualitative studies.
- Green and Thorogood (2009, p124) state that "the experience of most qualitative researchers is that in interview studies little that is "new" comes out of transcripts after you have interviewed 20 or so people."

In a study of 560 Ph.D. studies using qualitative methodology Mason (2010) found that the distribution of sample sizes was bimodal, described by a pattern with modes at 20 and 30 samples. For those studies using grounded theory methodology, the mode was 25 and the mean 32 interviews (the mean was skewed by a very small number of studies using very large samples).

Mason's study suggests that in many instances, sample sizes in qualitative research are chosen as convenient numbers (10, 20, 30, or 40 etc interviews) without the researcher having developed any logically consistent reasons for choosing that sample size. He maintains that this is contrary to the principles of qualitative research where the sample size should be governed by the point at which theoretical saturation is achieved. (At this stage it needs to be remembered that figures quoted above are total reported sample sizes, not the number of interviews which had been undertaken at the point at which saturation was achieved.)

3.4.5 THE SAMPLE USED IN THIS STUDY

The data collected for this research are mainly obtained from interviews with Russian managers working in the Moscow region, Tyumen city and the wider Tyumen oblast in Western Siberia. The aim of the research was to investigate the strategic management practices of Russian managers, rather than undertaking a formal comparative study between British and Russian managers in terms of their attitudes to competitive strategy.

However, the results of the study cannot be understood without setting them in context with the views and behaviours of Anglo-Saxon counterpart managers as a reference point

(primarily because to date competitive strategy has been almost exclusively researched in an Anglo-Saxon/Western European context).

In order to provide the contextual background, therefore, after the Russian interviews had been completed I also undertook a series of in-depth unstructured interviews with British based managers working in the same industries as their Russian interviewee counterparts and subjected them to the same analytical process.

In all, I conducted 31 interviews with a sample made up of 23 Russian managers, two expatriate Americans living in Moscow[3] and six British managers. The interviews were carried out in five distinct tranches carried out during separate visits to the Russian Fedaration and one tranche of interviews undertaken in the UK.

Russian Interviews took place in Tyumen city and Moscow, but some of the managers were based in other regions of the Russian Federation (St Petersburg and Kursk), and other cities within the Tyumen oblast. The sequence and location of the interviews were as follows:

TABLE 3.1 THE SEQUENCE AND DISTRIBUTION OF INTERVIEWS

Tranche	Location	Number of interviewees	Comments
1st	Tyumen	4	Individually transcribed and analysed interviews (undertaken at TSU).
2nd	Moscow	5	Individually transcribed and analysed interviews (undertaken at SUM).
3rd	Tyumen	4	Group interview/focus group (later individually transcribed and analysed)
4th	Tyumen	6	Individually transcribed and analysed interviews (undertaken at TSU and other Tyumen city locations).
5th	Moscow	3	Individually transcribed and analysed interviews undertaken in central Moscow
6th	UK	7	6 individually transcribed and analysed interviews with British managers + one Russian consultant based in the UK and Ekaterinburg.

The characteristics of the sample in terms of the size and type of organisations employing the interviewees are described in the following tables:

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[3] The two expatriate Americans were personal friends living in Moscow who had significant in-depth understanding of the Russian economy and business landscape. One of them was the chief operating officer of a leading American bank in Moscow and the other had been one of the OECD's experts on the Russian economy (with a Ph.D. in the Soviet intellectual property system), seconded from the US Dept of commerce and based at the organisation's Paris headquarters until his secondment finished. He subsequently moved to Moscow for a few years in order to complete a book.

TABLE 3.2 *THE SIZE OF COMPANIES EMPLOYING THE INTERVIEWEES*

Company Size	Russian interviewees	British/US interviewees
Micro	2	2
Small	6	3
Medium	5	1
Large	6	1
NGO	1	1
Academic institutions/ government	3	
Total	23	8

From this table it can be seen that the Russian managers interviewed in this research tended to be employed by larger organisations when compared to their British counterparts and this is to be expected since, as noted in document two (2009), smaller businesses are rather underrepresented in the Russian business environment when compared to Western European economies. The non-Russian interviewees were purposely selected on the basis of their comparable industry experience rather than company size or ownership characteristics.

The industry background of the interviewees is shown in the following table:

TABLE 3.3 *INDUSTRIES IN WHICH THE INTERVIEWEES WERE EMPLOYED*

Industry Sector	Russian interviewees	British/US interviewees
Banking	1	1
Consulting/Business Services	5	3
IT & Communication Systems	4	
Construction	1	2
Manufacturing & Distribution	3	1
Transport	1	
Wholesale Distribution	1	
Retail	1	
Health & Personal Services	1	
NGO	1	1
Government Adviser	1	
Academic institutions	3	
Total	23	8

The spread of industries is generally appropriate given the make-up of the Russian economy - with the proviso that some sectors are underrepresented. Specifically, oil and gas, raw material extraction and large-scale heavy industry are sectors still dominated by oligarch owned or siloviki managed ex-state-owned industries where research access to decision-making strategic managers is practically impossible to achieve.

The overall sample size of 31 interviewees is close to the upper mode (30) of the bimodal distribution identified by Mason (2010) for all interpretive research, and exceeds the mode for grounded theory research studies (25), (although to some extent this is a post hoc justification of the sample size used in this study because the most important factors in determining the sample size in my case were the costs and practical arrangements required to undertake the interviews in Russia).

However, although costs and logistics were the main determinants of sample size, in practice I was confident that saturation had been achieved relatively early in the study and consequently the final sample size appears appropriate, and lay within the normal range of grounded theory sample sizes.

In addition to conducting interviews with the formal sample which is reported in this research, I also had several informal conversations with academic colleagues both in the UK and Russia, and some conversations with working managers and postgraduate students in the course of my normal work. Whilst I did not record or transcribe these conversations, I have no doubt that they have had some influence on my overall interpretation of the ongoing research. I think that this is a normal situation, and may ultimately lead to greater confidence in the authenticity of the research - by providing a degree of educative authentication.

Details of interviewees making up the sample of are to be found in table A1 in Appendix 1[4]

3.4.6 THEORETICAL SATURATION

One of the important features of grounded theory research is that the data are gathered through iterative sampling. Strauss and Corbin (1998) recommend that the selection of the sample and conduct of interviews be guided by the development of the concepts as they emerge, so that once additional data does not appear to be adding to the particular concept which is emerging, "theoretical saturation" has been reached and the theory has been developed sufficiently to be considered "ready".

In other words:

- no new or relevant data seem to emerge regarding a category,
- the category is well developed in terms of its properties and dimensions,

and

- the relationships among categories are well established and validated.

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[4] NB: The names of interviewees contained in table A1 in earlier drafts of this document have been redacted or replaced by initials in this publicly accessible version in order to maintain the anonymity of interviewees

The context in which themes are uncovered as part of the interpretive process is evidently important and is attracting attention in the fields of interpretive research and public sector strategy evaluation (Pawson, Tilley 1997).

Dick, (in Cassell, Symon 2004 p.206), maintains that in attempting to identify a specific theme it may also be important to be able to demonstrate that theme is found in discussions with respondents from several different organisational and personal contexts (for example age, seniority, role, industry type and so on).

One could also argue, of course, that in certain studies, the fact that a theme is found in only one particular group rather than several different groups may be equally significant. For example the fact that a younger manager, or one working for a smaller company may express more entrepreneurial attitudes may be significant in its own right by suggesting that entrepreneurialism maybe more common in certain age groups and types of business. These sorts of contextual issues are considered in the discussion of the findings in the next chapter.

Clearly, the point at which theoretical saturation has been reached depends to a certain extent on the judgement of the researcher. Mason (2010) points out that whilst one researcher might point out that a particular theme or category is saturated very quickly, another researcher may explore the context of that theme in more detail to gain insights into meanings or origins.

This is one of the issues which could potentially lead to questions about the authenticity of research, and whilst there do not seem to be any definitive guidelines as to the number of interviews required to achieve theoretical saturation, there have been several studies which investigate the typical numbers involved and which discuss the issues and criteria that influence the saturation decision on the part of the researcher. For example, having undertaken a review of 100 grounded theory-based pieces of research, Thomson (2011) found that "saturation normally occurs between 10 and 30 interviews."

So, although not precisely quantified, there is some consensus in the idea that saturation can be reached fairly early on, with some researchers claiming that saturation has been reached with as few as six interviews enabling the development of meaningful themes and useful interpretations.

 Although saturation might occur, for example, after the tenth interview, it is good practice to test the level of saturation by conducting a few more interviews. Also these extra interviews act as a form of validation of the patterns, concepts, categories, properties, and dimensions that the researcher has developed from the previous interviews."

(In practice, all new interviews and conversations will inevitably present new viewpoints and insights to some extent, but I think a key feature of grounded theory is that the judgement about the point at which theoretical saturation is achieved is a personal one on the part of

the researcher, and notwithstanding Thomson's review of grounded theory practice, the assessment of theoretical saturation relies on an holistic view of the research findings; primarily by living with and wallowing in the data. There must, of course, remain a doubt, though, that with small sample sizes and theoretical saturation dependent on a personal judgement on the part of the researcher, that the data could be incomplete - that the next interview could contain a "killer fact" or vital insight. In this respect interpretive research requires that the researcher not only has to interpret the meaning of the various discourses which represent the raw data, but also the point at which that interpretation is complete.)

3.4.7 ANALYSIS OF THE DATA

Grounded theory methodology involves an iterative process whereby interview results are coded and interpreted as a continuing process as the research progresses rather than waiting until all interviews have been completed before analysing the results with an a-priori developed coding scheme. In this instance, the results of coding the first five Russian interviews were reported in document three and the analysis is continued in this document with the addition of the later Russian interviews and those conducted with British managers.

I adopted an open coding scheme and used Nvivo software to analyse the transcriptions and identify the initial nodes (emergent themes). This first pass through the interview transcripts identified 55 significant ideas and practices, and in addition, identified the issues which proved to be problematic for their businesses.

As part of this initial analysis I felt that it would be useful to review the statistics produced by Nvivo which show the number of documents, passages and paragraphs which were coded to the various nodes. The statistics were manipulated in an attempt to determine the importance of the various themes. However, having gone through the exercise to determine the significance of themes using the frequency of coding of individual themes and the amount of text coded, I concluded that because really significant themes or ideas may be mentioned only once, the exercise was not particularly meaningful. This issue is also identified by Ritchie and Lewis (2003) in their views on sample sizes in interpretive research.

A second pass through the initial data identified the overarching themes which were emerging from the interviews and enabled the links between the various nodes to be established. The results of this first stage of the analysis are summarised in Table 4.1 in findings, and appendix 2 contains the detailed node tables.

The first five interviews determined the general direction of the subsequent elements of the research by identifying the most significant themes which were emerging. The discourse which occurred in the subsequent interviews probed and elaborated on these emergent themes until *significant* variations and insights ceased to be evident in the conversations. At this point I judged that theoretical saturation had occurred. In the subsequent chapters

which report findings and discuss their implications I have attempted to use triangulating evidence to support the judgement about theoretical saturation having been reached.

3.5 OPERATIONAL ARRANGEMENTS

3.5.1 INTERVIEWS

Interviews took place in Tyumen on University premises at the Regional Institute for International Cooperation (RIIC) and in workplaces, cafes and bars in Tyumen city. During my second visit, one of the interview sessions was conducted more like a focus group because TSU colleagues had assembled a group of managers willing to be interviewed. However subsequent review and transcription of the recording was exceptionally difficult, firstly because it was occasionally impossible to determine who had actually made a particular statement or comment, and secondly because the conversation was largely in Russian and the interpreter sometimes used consecutive translation which made it difficult to use follow-up probing techniques. In addition, when it came to NVivo coding, for technical reasons it was necessary to repeat the coding of the group conversation separately for each participant which proved cumbersome. Subsequent interviews were undertaken on a one-to-one basis which was much easier to transcribe and code.

Interviews in Moscow took place at the State University of Management campus and in cafes on the Arbat near my Moscow base. With the exception of two social encounters (which were not recorded), all of the Moscow interviews were one-to-one and recorded for later transcription. The one-to-one interviews were about 35 to 40 minutes in duration, (although several minutes of each were generally taken up with introductions and icebreaking conversation). When transcribed, the interviews from the focus group-like session held in Tyumen proved to be rather shorter, with the whole meeting lasting approximately 1 hour 15 minutes.

3.5.2 RECORDING AND TRANSCRIPTION

Nearly all the interviews were recorded and transcribed for later analysis and coding. The only exceptions were those which took place in a social setting where it would have been inappropriate to use the recorder. In these instances notes were made soon after the social event as possible. Although it was a very time-consuming exercise, I transcribed all the interviews rather than using a professional transcription service. This is primarily because many of the interviewees had strong accents and even with translators present at the majority of the interviews, it was frequently necessary to listen to a particular passage two or three times in order to make sense of what was being said after the event. Sometimes, even with repeated listening it was still impossible to transcribe a passage without some doubts or queries, and in these instances, the passage was occasionally omitted or a note concerning the doubt in meaning was appended. This detailed clarification would simply not have been possible with a commercial transcription service.

3.5.3 INTERPRETING AND TRANSLATING

The majority of the interviewees spoke English, but many were not confident enough to conduct the entire interview in English, and so in all cases of interviews with non-Anglophone managers I arranged for an interpreter to be present. I was fortunate enough to be able to call on the services of colleagues at the state University of management in Moscow and TSU in Tyumen to act as interpreters. In TSU two colleagues were involved in the interviews. One was a member of the English faculty who had spent time in the UK, had facilitated many English courses for Russian managers and had acted as one of the course administrators for the English-language MBA programme delivered at TSU. The other was a business graduate student at TSU who had spent one year of his undergraduate business degree studying in the UK. As a result, both the Tyumen interpreters were completely familiar with the specialist vocabulary and terminology used in the study. Similarly, the interpreter at SUM, was a part-time doctoral student in a management discipline and so was equally conversant with the interview topic.

The interpreters in Tyumen favoured a simultaneous interpreting style (where the interpreter attempts to provide an English version of the conversation on the phrase by phrase basis as the conversation is taking place). The SUM interpreter however was more comfortable using a consecutive style (where the interpreter waits until the speaker has finished a statement before providing its English translation.) From a purely practical point of view I much preferred the simultaneous approach which made interjections and probing for clarification much easier. In addition, it made me much more confident that the English version represented a truer version of what the Russian interviewee had intended because there was less opportunity for the interpreter to forget parts of the Russian version prior to delivering the English version.

3.6 CRITERIA FOR JUDGING THE VALIDITY OF THE RESEARCH

From the outset of my DBA research I have been at pains to ensure that my research methods and the application of analytical frameworks would be able to withstand the close scrutiny which is the essence of the peer review process. Consequently, both for documents three and four I have looked carefully at the published work on research quality criteria in an attempt to identify the criteria which I felt were most appropriate for the type of research which I was undertaking for those documents. In document five, since it is the main document subject to external scrutiny, I have reviewed the quality criteria which could be applied and selected those which I think are the most important in convincing the reader of the research that the findings and conclusions are valid and credible.

The criteria for assuring the quality of the interpretive research undertaken in document three were described there in some detail. (Document three (2010) Similarly, document four contains detail of the procedural approach which I adopted to assure the quality of quantitative research, and in particular the ways in which inferential statistical methods

could be used to validate the generalisability of the research findings. (Document four (2013)

The challenges for assuring the validity of the research in document five are broadly similar to those for document three, namely to ensure that the research is trustworthy and authentic, and that the models and frameworks developed from the findings of the research have value in explaining phenomena in a wider context than just the population investigated in this specific research. I have been anxious therefore to ensure that the model which I had developed can be seen as robust, and I have used Krugman's (2012) description as the standard by which the model can be judged:

> *"[…..] And one more point: what we learn from this story is that a model may be created to answer one question, or defend a particular position, but if it's a good model it can be used in multiple settings, The point is that a helpful […] model is not a propaganda slogan, to be discarded whenever the party line changes. It is, instead, a structure that can be used to improve your understanding in many contexts.*

The development of the model is described in chapter 5, and covers not only the explanation of the research findings detailed in chapter 4, but also some wider aspects of strategic management.

In Document three I adopted Maxwell's (2002) approach to quality in which he suggests a set of criteria against which the acceptability of the research may be judged. These were:

- Descriptive validity; which refers to the *factual accuracy* of the account as reported by the researcher.

- Interpretive validity; which judges the extent to which the qualitative researcher accurately portrays the *meanings* given by the participants to what is being studied.

- Theoretical validity; which refers to the degree to which a theoretical explanation developed to explain the data actually fits the data.

- Generalisability; which refers to the extent to which the research findings may be extended to groups other than those which have been the direct subject of the research. This is divided into two parts, internal generalisability and external generalisability. In this instance internal generalisability refers to the extent to which the findings could be applied to other Russian managers, whilst external generalisability would be concerned with wider populations - for example all managers working in particularist societies.

In that work I described how I had attempted to meet these criteria as follows:

3.6.1 DESCRIPTIVE VALIDITY

The descriptive validity measure is probably the criterion most easily satisfied. All of the interviews were recorded using a digital voice recorder and were transcribed by me. Wherever any doubt existed as to the meaning of what was being said in an interview I took the opportunity to probe the meaning there and then. The transcriptions and the digital audio files are available for reference.

3.6.2 INTERPRETIVE VALIDITY

I was anxious to make sure that my interpretation of the ideas and themes captured in the interviews was valid. Conventionally, interviewers are encouraged to confirm with interviewees after the event that the interpretation is valid in terms of what they interviewee had intended as meaning. In practice, this is not really feasible when interviews are carried out abroad, since there is commonly no time to reflect on what they interviewee meant by a particular reply or statement.

However some triangulation evidence was sought by conducting conversations and interviews with knowledgeable third parties and experts in some aspects of Russian business, notably banking, industrial relations and human resource management. I was also able to discuss with the Russian interpreters whether or not I had correctly understood the sense of the conversation. This was particularly useful for understanding the Russian cultural context.

Furthermore it did occur to me, as an insight whilst I was transcribing the interviews, that although the literature stresses the importance of validation by reference to the original interviewee or by triangulation, in many instances the normal probing that one has undertaken as part of an *unstructured* interview means that there are only a few instances when the validity is in doubt -most doubts should have been eliminated by the process of probing for clarification.

3.6.3 THEORETICAL VALIDITY

The research process is iterative from its outset, and from the outset I have made efforts to discuss findings with peers both in the UK and in Russia. I have also attempted to find triangulating evidence and sought academic underpinning material as a concurrent activity.

3.6.4 GENERALISABILITY

Internal generalisability is not easy to demonstrate in any form of interpretive research, although the fact that common themes emerged amongst the unrelated managers interviewed as part of the process of reaching theoretical saturation does tend to point towards the research findings being applicable to the wider body of Russian managers. There were few notable areas of dissent amongst the managers whom I interviewed, whether from small or large companies or Moscow or the provinces.

Nevertheless, external generalisability remains an issue. I have been at some pains to avoid falling into a fallacy of composition by claiming more for the research than can legitimately

be deduced from the research findings, and having concluded the research described in document three, I noted that:

"It seems clear at this stage that external generalisability cannot be satisfactorily and completely established. Further international research will be required in order to extend the findings to other national groups of managers with any degree of confidence. Nonetheless, the conclusions drawn from the research are plausible and consistent with other strands of research in the fields of cultural studies and strategic management, and so it can be safely claimed that the research provides some positive direction for future studies."

The following table summarises the measures which I took in document three to ensure validity.

TABLE 3.4 DOCUMENT THREE RESEARCH VALIDITY - INTERPRETIVE RESEARCH

Aspect of validity	Measures taken
Descriptive validity	Recording of interviews, transcription of recordings carried out personally, contemporaneous clarification by probing during interviews, consultation with bilingual subject aware interpreters (present & available for all interviews)
Interpretive validity	Confirmation of correct interpretation of data by discussion with bilingual & subject aware interpreters
Theoretical validity	Discussion with UK peers & Russian academic colleagues
Generalisability	Discussion with initial interviewees & second phase interviewees (from subsequent research phase)

(Document_three 2010)

3.6.5 THE CRITERIA WHICH APPLY TO THE PROCESS OF INTERPRETING THE DATA
The final criterion which needs to be addressed in any interpretive research concerns the trustworthiness of the interpretation of the research. As Bowen (2009) notes, qualitative research has been criticized [by quantitative researchers with a positivist ontological outlook] as lacking scientific rigour, as being merely a collection of anecdotes and personal impressions, and for being strongly subject to researcher bias.

Schwandt (2007 p.12) states that:

> *"The central principles of the philosophy of interpretivism stand in sharp contrast to what is, more or less, a standard epistemological account of establishing the objectivity and truthfulness of claims that we make about the world. [According to] that account, a claim is considered objective and true to the extent that it is free of any*

biasing influence of context or background beliefs, and accurately mirrors the way in which the world really is"

However, he makes the point strongly that interpretation is not simply an individual cognitive act but a social and political practice, and is an omnipresent feature of all human attempts to understand and evaluate observations and evidence. As a consequence, the researcher cannot help but always be situated relative to social circumstances - a web of beliefs, practices and standpoints - that he or she has learned as ways of living in, and understanding the world. In other words, all interpretation depends on the cultural grounded-ness and personal experience of the researcher him/herself.

This issue of perceptions and interpretation being culturally grounded has become a very important consideration for me during the course of this research, and has already been alluded to in some depth in both documents three and four. The central principle of much sociological research is that it is only possible to know the meaning of an act or statement within the context of the discourse or world view from which it originates.

The importance of this aspect of interpretive research has led me to consider whether the traditional criteria for assessing research (as discussed in the previous section) are sufficiently rigorous, particularly in instances where, like mine, researcher and subjects come from different cultural backgrounds and with very different experiences of their native business environment. To reassure myself on this point I have attempted to ensure that the interpretation of the interviews which I undertook can be considered by the reader as credible and truthful.

The most prolific authors on this topic, Lincoln and Guba (2007), put forward two sets of criteria, one of which, *Trustworthiness*, mirrors the conventional realist paradigms: internal validity, external validity, theoretical validity, reliability and objectivity.

The issue of generalisability is not considered by Lincoln and Guba presumably because of the inherent conceptual difficulty of generalising interpretive findings. They assert that for interpretive research:

> *" [….]the nature of "truth" statements demands that inquirers abandon the assumption that enduring, context-free truth statements - generalisations - can and should be sought. Rather, [……] it asserts that all human behaviour is time and context bound; this boundedness suggests that the inquiry is incapable of producing nomothetic knowledge but instead only idiographic "working hypotheses" that relate to a given and specific context. **Applications may be possible in another context, but they require a detailed comparison of the receiving context with the thick description [of the original context]**" (my emphasis)*

(Lincoln, Guba 2007 p.17)

They suggest that there are four elements which go to make up the criteria of trustworthiness. These are: credibility as an analogue to internal validity, transferability as an analogue to external validity, dependability as an analogue to reliability, and confirmability as an analogue to objectivity. Their proposed requirements to achieve these criteria include:

- For Credibility:

  Prolonged and persistent observation, triangulation, peer discussion and debriefing, negative case analysis and continuous informal testing of information by soliciting reaction of respondents to the researcher's conclusions.

- For Transferability:

  Thick [rich] descriptive data - narrative developed about the context so that judgements about the degree of fit or similarity may be made by others who may wish to apply all or part of the findings elsewhere.

- For Dependability and Confirmability:

  An external audit requiring an audit trail and the carrying out of an audit by a competent external disinterested auditor.

In addition to these trustworthiness criteria which mirror conventional positivist criteria, Lincoln and Guba propose a second set of criteria - Authenticity - which addresses some of the problems of interpretive research that are not adequately or properly covered by the trustworthiness criteria. These are primarily the problems which arise from research which involves multiple value structures, social pluralism and the like. Lincoln and Guba believe that these additional criteria are required for these more complex forms of research because the conventional criteria refer only to methodology and ignore the importance of context. In my own research, the problems of context loom large, so I have tried to consider these criteria along with those which deal with more conventional research validity issues.

The criteria which contribute to the overall authenticity measure are:

- Fairness
- Ontological authentication
- Educative authentication

The measures which concern themselves with bringing the results of research into some form of effective practical outcome are:

- Catalytic authentication
- Tactical authenticity

The final two criteria have little relevance to this research, but I have considered issues of fairness (ways in which interviewees and respondents are treated ethically, and with respect as stakeholders), ontological authentication (most obviously in the reflection required to increase my appreciation of the complexities of cultural impacts which were, at the outset of this research, appreciated relatively poorly), and educative authentication (developing an increased understanding of how different opinions, judgments and actions are evoked, by discussing these areas with other research stakeholders - colleagues in Tyumen, Russian managers in informal social surroundings, academic colleagues and English managers.)

In order to demonstrate that these criteria for trustworthiness and authenticity have been applied in a rigorous manner, Bowen (2009) advocates maintenance by the researcher of an audit trail which documents chronologically and systematically what they did, how they did it, and how they arrived at their interpretations. Carried out in this way, he maintains that audit trails are an effective trustworthiness technique which helps researchers to establish the dependability and confirmability of their research outcomes, and also helps readers of research reports to assess the research process and the emergent theory.

In case of the research described in this document, the whole of the research process is covered by such an audit trail because the DBA programme itself records all of the items which Bowen recommends for inclusion as an audit trail, and the documentation is comprehensive, sequential and academically assessed at each stage.

It is true to say that definitive criteria to be adopted for interpretive research should be considered to be still a work in progress, but I have chosen to adopt the criteria which have seemed to me to be the most important to ensure the "believability" of my research. As with the issue of sample size, to an extent this process has developed over the course of my study, and consequently this area represents a reflective, post hoc justification of my research activity. Nonetheless, the foregoing discussion does accurately describe my concern for, and attempts to realise valid (and interesting) research outcomes.

3.6.6 MY RESEARCH QUALITY CRITERIA SUMMARISED

When developing quality criteria for the quantitative research which forms the basis of Document four I concluded that the generic criteria for assessing the quality of research which has been developed by the Southwest Educational Development Laboratory (SEDL) (National Center for the Dissemination of Disability Research (NCDDR) 2005) would be useful as a form of check list, and despite the fact that I used this check list when undertaking the positivist quantitative research described in document four, I think that this comprehensive check list is generic in nature and remains applicable for document five as well.

NCDDR (2005) maintains that quality research most commonly refers to the scientific process encompassing all aspects of study design; in particular, it pertains to the judgment regarding the match between the methods and questions, selection of subjects,

measurement of outcomes, and protection against systematic bias, non-systematic bias, and inferential error. Despite the interpretive nature of this research, I feel that this check list is still broadly applicable.   In summary the authors conclude that good research should:

- Pose a significant, important question that can be investigated empirically and that contributes to the knowledge base
- Test questions that are linked to relevant theory
- Apply methods that best address the research questions of interest
- Base research on clear chains of inferential reasoning supported and justified by a complete coverage of the relevant literature
- Provide the necessary information to reproduce or replicate the study
- Ensure the study design, methods, and procedures are sufficiently transparent and ensure an independent, balanced, and objective approach to the research
- Provide sufficient description of the sample, the intervention, and any comparison groups
- Use appropriate and reliable conceptualization and measurement of variables
- Evaluate alternative explanations for any findings
- Assess the possible impact of systematic bias
- Submit research to a peer-review process
- Adhere to quality standards for reporting (i.e., clear, cogent, complete)

In reflecting on the research for document five I have attempted to use the above criteria, modified to include Maxwell's views on interpretive research, Lincoln and Guba's views on trustworthiness and authenticity and Krugman's views on model building in order to compile a comprehensive research quality checklist.

The criteria for assuring the validity of the research in this study and the measures which I have undertaken to meet the criteria listed above are summarised and reviewed in Table 5.3 in Chapter 5.

CHAPTER 4: FINDINGS

4.1 INTRODUCTION

The findings detailed in this chapter build on the work which was described in document three and which marked the first phase of the grounded theory research described in this document. At the completion of the first phase 55 themes had emerged from which I had identified seven overarching themes. However, by the time I had completed the transcription and analysis of all of the interviews including the British managers, and considered the triangulating evidence which I then sought, the "shape" of the findings had changed somewhat. Instead of seven main themes, the findings divided themselves naturally into three main areas.

4.2 STAGES OF RESEARCH

The first phase of the research, reported in document three, involved the analysis of the transcripts of the first six (of 31) interviews, but since it forms part of the overall research and was a precursor to phase two, the findings are included here. The second phase elicited much more detail concerning the actual beliefs, practices and behaviour of the managers and therefore produced a good deal of "rich" or "thick" data. This has been used to validate the initial coding, and since the outcomes of the coding process itself represents nascent theory, the additional themes and detail from phase two have enabled a more complete model to be conceptualised.

Of the overarching themes which emerged from the initial Russian phase of the research, four (the process of strategic management, issues concerning the age of managers, aspects of the Russian business environment affecting the company, and existing corporate strategies; other than competitive strategies) had reached theoretical saturation at that point and no further significant comments or issues were noted in the textual analysis of the remaining interviews with Russian respondents. However, some relevant points - often contradictory to the prevailing Russian view - were made by the British managers interviewed. These specific British views are identified in the following narrative.

The initial discussion of findings for those Russian themes which did not alter materially after the first phase of the research (and were contained in document three) are shown in the following section, with additions and comments where differing British views require clarification.

However, phase 2 of the research revealed some significant information concerning the importance of network strategies, corruption and informal practices, - so much so that the two themes need to be considered in more depth and through the lens of strategic intent and the intended strategic action. This was an attempt to link outcomes with processes in the context of the Russian business environment and national cultural characteristics.

4.3 ANALYSIS OF THE INTERVIEW TRANSCRIPTS

The following section summarises my attempts to interpret and understand the origins and significance of the main themes which were identified during the coding process. The coding itself is only a means to an end in interpreting the interviews - helping to produce an account which does as much justice as possible to the richness of the data within the constraints of this document. Even so, the codes themselves represent nascent theory building blocks and so deciding on the codes to be applied and subsequently how the codes link together to form concepts and theories has been undertaken with a lot of care and reflection, and has proved to be the most time-consuming aspect of the research. It took a long time to conduct and transcribe the interviews, but at least as much time again has been spent on reflection and theory building.

King (2004) (inCassell, Symon 2004) recommends the inclusion of short quotes to aid the specific points of interpretation and discussion as well as a more extensive passage giving a flavour of the original transcripts, and I have tried, wherever possible in this chapter, to include appropriate quotations and to demonstrate the link to the academic underpinning of the conclusions which I reach. (Much of the academic discussion and theoretical development is covered in depth in document two, and as a consequence some, at least, of the discussion of academic underpinning is rather brief in this document.)

The brief quotations are selected from the passages coded in NVivo, and a report showing all of the coding of one sample transcript is included in appendix 1 of document three.

For ethical reasons I have chosen to preserve the anonymity of the interviewees and so they are referred to by their first names, or in the case of the British interviewees, initials only (and also so that they are readily distinguishable from Russian interviewees). In one particular instance, where some of the revelations from the conversation were particularly frank on the topic of corruption, I have changed even the first name to ensure anonymity. In line with NTU ethical guidelines, any material identifying individual respondents will be destroyed in five years, and if released to a third party beforehand, any identifying details will be redacted. As an additional measure to ensure anonymity, the locations of companies and any other details which might allow the identification of any interviewee making self-incriminating remarks have also been omitted or redacted.

4.4 FIRST PHASE OF THE RESEARCH

After I had conducted the first tranche of seven interviews in Tyumen and Moscow, using Nvivo I coded and analysed the first six of the transcripts. The results of this first coding pass were the basis for the research described in document three and allowed me to identify the emerging themes (with greater precision than would be possible by using the handwritten memos and post it notes) for subsequent interviews and the later stages of analysis. A description of the mechanics of this coding process, including screenshots of the software in use, is to be found in document three.

In this first coding pass I identified 55 themes (nodes in Nvivo terminology) and these are listed in appendix 2 as Table A2 which lists the titles and descriptions of all 55 nodes.

Nvivo produces comprehensive coding statistics which detail the numbers of documents coded, and the numbers of paragraphs contained in each of the passages which have been coded to a particular node. The coding statistics are shown in document 3.

My hardwired positivist alter ego took control for a while, and I attempted to rate the nodes in terms of their significance by manipulating the coding statistics. The data was imported into Excel so that it could be manipulated to derive some more meaningful measure of importance. This was not entirely successful as a method of assessing the significance of particular nodes since it takes no account of the importance of the statement being made in the context of the overall conversation or the emphasis on that particular idea which was intended by the interviewee. In the end I concluded that, in isolation, it was not useful as a method of assigning importance to various conceptual themes. (And so I have not pursued it at all in this document)

Instead of pursuing measures of significance, I concentrated on identifying links between the nodes and interpreting the importance and significance of ideas and more holistic manner, taking account of the rest of the interview to set things in context. In order to identify the links between the themes I carried out a second pass through the transcripts, and at the completion of document three I had identified seven substantive themes which recurred in discussions with the Russian managers interviewed in the first phase. These overarching themes were each covering several sub themes which describe the day-to-day activities and nature of strategic management in Russian businesses concerned.

The themes are described in Table 4.1 below:

TABLE 4.1: OVERARCHING THEMES FROM DOCUMENT THREE

Main Theme	Sub theme
1. **The process of strategic management**	1.1 strategies emerge rather than planned 1.2 strategising is intuitive, not formal 1.3 an increasing awareness of the importance of strategy 1.4 strategising is confined to a few people 1.5 large companies are internally orientated
2. **The importance of network strategies and networking practice**	2.1 business depends on social networking 2.2 relationship with local government is important for business 2.3 relationship with local government can prevent or impede business
3. **The impact of corruption**	3.1 corruption involving government bodies 3.2 corruption involving buyer-supplier relationships
4. **The source of the company's competitive advantage, and its current competitive strategies**	4.1 differentiation through quality of service 4.2 differentiation through branding 4.3 differentiation through quick response 4.4 competitive advantage from low price 4.5 competitive advantage from superior resources 4.6 small businesses more customer orientated 4.7 older, larger Russian businesses uncompetitive 4.8 larger Russian businesses' strategy is to dominate markets & suppress competition 4.9 Moscow much more competitive than provinces
5. **Issues concerning the age of managers**	Younger managers are seen as more entrepreneurial (No significant subgroups)
6. **Aspects of the Russian business environment affecting the company**	Russian economy is business unfriendly (No significant subgroups)
7. **Existing corporate strategies (other than competitive strategies)**	No significant subgroups
8. **Outliers and significant miscellaneous comments.**	No significant subgroups

(Document_three 2010)

NB. These are the themes which emerged in phase 1 of the research as a result of coding the first tranche of six interviews and before the remaining Russian interviews and those with counterpart British managers had been undertaken. This stage of the research constituted

the part which was reported in document three, and was concluded well before the point at which I judged that theoretical saturation had been achieved. The second stage of the research, reported here in the following section, involved the analysis and interpretation of the remaining tranche of 25 interviews - including those with British managers.

4.5 SECOND PHASE OF THE RESEARCH

After I had completed transcribing and coding the remaining interviews with all the managers (including the British managers) I reached the point where no new themes were being identified and I was confident that theoretical saturation had been achieved. At this point, although no new substantive themes had been identified, several more sub themes had emerged and a great deal of detail concerning the day-to-day activities of the managers had been collected. This is the rich (thick) data which provides the "strategy in action" perspective and hopefully contributes to the trustworthiness of the research.

Following the same process as I used for the research in document three, I consolidated the newly discovered themes, and, as is evident from table A3 in appendix 3 which details the codes which were identified in the first stage of the research and those which were identified in the final stage of the coding process, the additional themes could be classified under the existing main themes which I had identified during the initial phase of the research. Whilst not claiming that theoretical saturation had been achieved after analysis of the first five interviews, it is clear that, to some extent, the "shape" of the findings was already emerging from the data at the conclusion of the first phase (which is consistent with the findings described in Mason's study (2010). However, although the overarching themes remained important, the emphasis and importance of the themes are significantly changed by the analysis of the new, later data.

When analysed in a more holistic way than I had adopted in document three (re-reading all of the old nodes along with those which emerged during the second phase of the research), I found it necessary to regroup the themes.

The revised groupings, shown in Table 4.2 below were:

- The practice of strategic management and factors affecting strategic management in Russia.
- Competitive strategies and relationships with customers.
- Coping with the Russian business environment and local and national government agencies.

Overarching Themes Having Reached Theoretical Saturation	Main Themes identified in Document Three	Sub themes: Individual node titles when all coding was complete
The practice of strategic management and factors affecting strategic management in Russia .		
	Existing corporate strategies (other than competitive strategies)	
		diversification strategy
		regional expansion
	Issues concerning the age of managers	
		characteristics of older managers
		large companies unappealing for young entrepreneurial managers
		Younger managers
		attitudes to corruption - young managers
		UK companies often value older managers
		young managers more entrepreneurial
	Outliers and significant miscellaneous comments	
		cash flow not a problem
		difficulty finding qualified staff
		importance of social approbation
	The process of strategic management	
		big companies internally orientated
		big companies have centralised strategy management
		emergent strategies predominate
		hierarchical command management style

Overarching Themes Having Reached Theoretical Saturation	Main Themes identified in Document Three	Sub themes: Individual node titles when all coding was complete
		impact of Russian culture on management
		instability of business environment
		intuitive strategic management
		Russian companies' growing awareness
		strategic plan exists, but changed as circumstances demand
		strategising confined to trusted few
		risk averse attitude
Competitive strategies and relationships with customers.		
	The source of the company's competitive advantage and its current competitive strategies	
		big companies try to dominate market
		competitive advantage - differentiation
		competitive advantage from quality
		competitive advantage from store location
		competitive advantage good resources
		competitive advantage - quick response
		competitive advantage through innovation
		competitive advantage-low price
		cooperative -low price strategy
		customer orientation
		difference between Moscow & provinces

Overarching Themes Having Reached Theoretical Saturation	Main Themes identified in Document Three	Sub themes: Individual node titles when all coding was complete
		good reputation
		good service
		importance of tacit knowledge
		important to build a brand
		lack of competition
		market less demanding than EU market
		older, larger Russian companies uncompetitive
		luxury goods market very demanding - Twin Peaks
		younger generation demanding world-class goods
		service & high-tech sectors more competitive
		SMEs successful in service sector & high-tech
		resource-based competitive advantage
	The importance of network strategies and networking practice	
		good relationship with Administration avoids problems
		good relationship with Administration less important for small businesses
		importance of friends - social groups
		importance of networking
		importance of local contacts to penetrate markets
		importance of networking to UK companies
		manipulating the market
		network strategies less important for UK companies
		networking practice
		networking to reduce the competition

Overarching Themes Having Reached Theoretical Saturation	Main Themes identified in Document Three	Sub themes: Individual node titles when all coding was complete
		importance of relationships with UK local authorities etc
		influence with local administration
		networking with important gatekeepers
Coping with the Russian business environment and local & national government agencies		
	Aspects of the Russian business environment affecting the company	
		external factors affecting the business
		impact of bureaucracy
		influence of the Komsomol
		Mafia like activity
		political power influences business environment
	The impact of corruption	
		cartel activity
		companies discuss and agree prices
		corruption dealing with customers
		corruption is pervasive
		corruption is unacceptable to UK companies
		criminality
		impact of corruption - local Administration
		The nature of corruption
		bribery via third parties
		business gifts
		corruption is embedded in Russian culture
		examples of attempted corruption uk
		unacceptability of business gifts uk
		what constitutes corruption uk

In document three I used a systematic and mechanistic mode of analysis, analysing each of the main and subsidiary themes in order and attempting to assess significance by statistics and node counting. However at the end of the first phase - document three, I concluded that assessing significance by statistical methods was not really useful, and so in this document I have chosen a more discursive style in order to reflect the complex inter-relationship between some of the themes which emerged from the textual analysis.

So that the themes are analysed in a coherent manner, linked where necessary and supported by triangulation where appropriate, I have tried to interpret the findings and to create theories based on the three main overarching themes which emerged from this regrouping exercise.

The following section, then, describes and analyses the interview findings.

4.6 THE FACTORS AFFECTING THE PRACTICE OF STRATEGIC MANAGEMENT IN RUSSIA

This is rather a wide-ranging first section, covering not only the practice of strategic management in Russia but also the apparent structural differences between large and small companies, the age of managers and some of the comments and anecdotes which provide context for ensuing themes.

4.6.1 THE STRATEGIC MANAGEMENT PROCESS

All the respondents spent some time discussing the process of strategising in Russia. The managers were clearly aware that Western received wisdom is that companies need to undertake strategic planning, and coming from a country where, historically, all aspects of the economy were subject to state planning, they accepted that, theoretically at least, strategic planning is the norm.

The most significant subtheme to emerge was that in Russian companies, strategising was largely an informal process as a result of which strategies emerged over a period of time (a form of entrepreneurial learning), and the process was often intuitive rather than analytical. In this respect, Russian managers appear to behave very much like SME managers in the UK. (McKeown 2007)

Interviewees stressed that amongst smaller businesses at least, emergent and intuitive strategising predominates largely due to the fact that the instability of the Russian business environment makes planning difficult and consequently strategising becomes an ad hoc process. This theme is typified by the following three quotes from Valentina, Maxim and Stanislav:

> *Valentina: "............ I have noticed that after the soviet union there was a period of stability, but now you can't plan for more than one or two years. And for this what kind of strategy can we speak of. We can't imagine for example. For me 10*

years ago I spoke to a Finnish businessman, and he had his organiser, and I asked him what he would be doing any year, and he opened his organiser and showed me that in a year he would be there and there and there. But for Russian it's impossible - we can't imagine that because we don't just know what sort of President we've got or what sort of country we will have. We went to sleep in the Soviet Union and woke in Russia. For this reason it is very difficult to plan."

Maxim: "...well actually, the partners they meet once a month. But they do not discuss only strategical questions, but also technical information and so on. Strategical questions arise from time to time according to the situation so it isn't planned, it depends on what's happening."

Paul: "Is it you that makes the strategy or is it other people as well?"
Stanislav: "no no, of course when I think about strategy, the future purpose of that, I make on my own. I don't like to read books, I don't like to search the Internet, it's inside of me, some sort of intuition. I feel that the market changes, some political situation also changes and I try to, to run. Because if you don't run you will die."

Although there is strong evidence indicating the prevalence of emergent and intuitive strategising in Russia, it was evident that there is an increasing awareness of the importance of strategic management amongst larger Russian companies, as typified by this exchange on the subject of the Russian automotive industry:

Elena: "yes, and as they are huge they could use it [market power], they have the power, but this power is not absolute as it used to be. It is not absolute because we have some foreign companies, as it is in the car industry for example. Autovaz for example, not only Autovaz, but some three or five companies Russian companies, they had absolute power in the car market and now they do not have. They are powerful but not absolute, and they are losing their power because they do not know how to cope with the situation. How to cope with this competition. And they have to think of it, despite the fact that they are huge, they have to think about the market."
Paul: "[.] ......If your instructions come from Moscow, then maybe you don't worry too much about competition. So if you're making a Lada 2107 in Togliatti and nobody says you have to compete with Volga in Nizhny Novgorod then you don't need to compete, so why would you need to change the model?"
Elena: "it used to be so, yes."
Paul: "but what do the managers think now who are working in Lada. How do they think about strategy now because their situation has changed hasn't it?"
Elena: "of course, of course. And I must say that they are thinking about their strategy and they are making researches and [using] consulting companies,

Russian consulting companies, they are researching for Autovaz how to make a strategy appropriate for competitiveness."

This increasing awareness can almost certainly be attributed to the increasing liberalisation of the Russian economy which is introducing hitherto unknown levels of competition, but large companies have traditionally been internally orientated, as indicated by this quote:

Elena:"......I think it must be just as you say to think about some inner situation in the company, but I think till this time we were just huge companies. They thought about their national market opportunity, and if they had 100%, they didn't know what to do because everything is okay, everything is ours, and what to do? And this is a crisis for them - it is critical"

The final subtheme which has emerged concerns the involvement of managers in the strategising process. It seems clear among smaller companies that the process is confined to few managers, and is a hierarchical activity rather than a participative one. There is a strong feeling amongst all the interviewees that strategising is the preserve of senior managers, and relatively few of them. The following quotes characterise the view held by most interviewees:

Paul [talking about strategy]: so it's mostly you -but you listen to what your team managers have to say.
Stanislav: yes it's mostly me and I listen to what they have to say. But really I listen to them, have my alone in thinking and then come to a decision. So if there will be some problems it will only be my mistake.
Paul: when the company grows a little bit more, is that the way you still want it - that strategy will be your responsibility? Because you are the general director of the company and it is your responsibility.
Stanislav: yes because I want to be with the company and if it is for example 10,000 people I also will stay in the company because if you go a little bit out there will be some manager who will want to take this company from you. You put in some good manager and he thinks oh it is a very good profit, I will take it by myself.

Paul: who makes the decisions in your company? is it only you or do you sometimes consult your employees about the future of the business. Is that always you that makes that decision?
Alexander: no it's not always me, because I can't make a really good decision every time......
Paul: so who do you trust, who do you think is a good adviser? Out of your friends, your employees who do you listen to most?? Your wife?

Alexander: no, she can't make a good decision every time. In Russian [we say] "if you have a problem ask a woman and do the opposite"
Paul: if I said that at home my wife would kill me.
Alexander: if I have a really hard decision sometimes I ask my father. I can't say that every time they make a really good thing but it's better to ask him.
Paul: does your father have his own business or what does he do?

Alexander: he was a director of a collective farm so he had to manage between 800 and thousand people.

It seems to me that this rather hierarchical process, confined to a small group, is entirely consistent with a society which scores highly in terms of the cultural dimension of power distance (Hofstede 2001), and that it would be unusual to expect consultative models of strategising in a society which has traditionally been controlled by a small elite ruling class.

However, another interpretation could be that the managers who raise this topic during interviews might well have been recounting their experience in Russian SMEs, where this type of strategic management might be expected to dominate. This hierarchical form of strategic management is also found in British SMEs as the following exchange with two directors of a British construction consultancy firm demonstrates:

GN: We report to the board of eight people.
PMB: are they family mostly?
GN: yes, but they do not do strategy, they let us run the business as long as we show a profit they are happy. The strategy has traditionally been agreed between Steve and myself. And then we very often involve our works director who then gives his opinion
PMB: so it is in fact confined to 3 people.
GN/SB: yes

In the case of the British managers quoted above it is most likely that the fact that strategising is confined to a few trusted individuals reflects the fact that the interviewees were directors of a small family business rather than being a consequence of a national cultural characteristics.

However, this view that strategy is confined to a small cadre was also expressed by Roy, the managing director of one of the larger companies interviewed:

PMB:….well that's the question isn't it? How do you get the other people involved in strategic decision-making? Or do you do it all?
RT: no, as a chap says this morning, it's not my decision it's your decision so I have to act as an autocrat and you look around and you say Willie Walsh is an autocrat isn't he. So I'm afraid I do actually believe I have to be an autocrat, but I do encourage my people to get involved and do things.

> *PMB: so what the Russian said, and I think this is the case with companies in the UK as well, so this is where they're pretty much the same, they said that thinking about the strategies is confined to very few people in the company and I think that's the case in this country as well*
>
> *RT : I agree. One of the things that I think we do reasonably well is that I listen to people. Rather than saying no and jumping down their throats I will let them carry on and develop the thoughts, and sometimes there are some kernels of information there which you can use*

4.6.2 STRATEGIC MANAGEMENT IN LARGE RUSSIAN BUSINESSES

In general terms, although this research did not identify significant differences between the process of strategic management in Russia and that to be found in the UK, it should not really be concluded that because strategic management processes are very similar in the SME sector of both countries, the processes are identical throughout Russian industry.

Although I interviewed some managers from larger state-owned/oligarch owned organisations, in the main these managers were relatively junior and freely admitted that strategic decision-making was "above their pay grade". For example, Dmitri, the Tyumen-based manager of a large National bank was quite clear that strategic decisions were taken centrally at a high level:

> *Paul: You could have one branch and let everybody queue and wait and have very very low interest rates. Or you could have slightly higher interest rates and many branches, so you could offer people very good service. And somewhere you have to make your mind up. Who makes that decision?*
>
> *Dmitry: the head offices in Moscow, and we have special instructions.*

And later in the same conversation:

> *Paul: So, I'm still not sure, I can't make my mind up, who is responsible for competitive strategy - how you, what it is that you do to get new customers, and how you decide what to do? You say that's decided partly in Moscow, and partly here,*
>
> *Dmitry: its head office - we have to put reasons and our recommendations and we put it forward [to] the head office*
>
> *Paul: so it's sort of local and sort of Moscow, a bit of a mix?*
>
> *Dmitry: the final decision is Moscow*

The centralised nature of decision-making and influence exerted by "important people" is implied in this exchange:

> *Paul: [in conversation with a Tyumen-based focus group] ….. I've talked to a steel stockholder from near Moscow, and I've talked to a steel stockholder from St Petersburg, and they said it's not the same [as in the UK]. [They said] " There's*

one big supplier that we both buy steel from in Magnetogorsk and we don't have many many competitors. There is only two or three steel stockholders selling our sort of steel in St Petersburg]. And that's very different because in England they advertise a lot, they provide services to their customers and they are very very very competitive, and it's not the same here in Russia. That set me thinking, I wonder what it is that makes people decide how to compete. Is it because there are many competitors, or is it because head office tell me I have to compete in a particular way or is it because there is a law that says I must conduct my business like this. How the hell do people make strategy in Russia. It's not the same as in England you know. And we need to understand that.

Dmitry: It's not a very good example of steel

Paul: why, tell me why

Dmitry: the question is who uses the steel in production in Russia.

Paul: big companies?

Dmitry: yes, - big companies - you're right,

It was clear from the context of this conversation that Dmitry's view was that strategic decisions in Russia are often governed by the interests of the siloviki or oligarchs; in this case the powerful stakeholders in the steel consuming companies. The major users of steel are, of course the automotive industry, the defence industry white goods and construction, all dominated in Russia by oligarchs or state interest.

It seems quite likely that with Russia's history of operating with a planned economy, these large silovicki/oligarch controlled companies will have recognisably different strategic management practices driven by the arcane needs of the powerful (but sometimes shady) stakeholders; the Kremlin, siloviki and oligarchs. This view is certainly supported by Puffer and McCarthy (2007) and Ledeneva (2013).

I was anticipating that these large businesses would have planning systems which looked much more like latter-day Gosplan organisations, but access to the most senior strategic managers in this sector who would be able to comment from first-hand experience was not available, so definitive findings are not really possible in this context. Nevertheless, the comments by Elena (quoted earlier) do indicate that these larger companies have more formal planning systems which are reacting to current market changes:

Paul: "but what do the managers think now who are working in Lada. How do they think about strategy now because their situation has changed hasn't it?"

Elena: "of course, of course. And I must say that they are thinking about their strategy and they are making researches and [using] consulting companies, Russian consulting companies, they are researching for Autovaz how to make a strategy appropriate for competitiveness."

(Maybe this change comes a little late for some - after my interviews took place Autovaz became insolvent and its Russian shareholders and French joint-venture partners have been subject to considerable Kremlin "strong-arming". (Reed 2012).)

4.6.3 ISSUES CONCERNING THE AGE OF MANAGERS

This theme, when raised in conversation, did not elicit strong reactions amongst the managers interviewed. It seems as though younger companies value more youthful managers because they are perceived to be more entrepreneurial and less set in their ways:

> *Andrei: okay, if we speak about the new generation of managers, not those who reaped the benefits of privatisation. There are young managers, for example in banking and investment-millionaires-not millionaires-billionaires with their fortunes reaching 3 1/2 billion dollars. And they are from 30 to 35. I could give you the names.*
> *Paul: but why are they billionaires? Is it a profit and loss thing or is it balance-sheet thing? But how many Russian billionaires [.....] have started a business and it has grown and grown and become first-class?*
> *Andrei: this is the issue that interests me. I read quite a lot about it and I can tell you some stories if you want. Young millionaires-those in their early 30s-for example if you walk round Moscow you will see these yellow kiosks selling mobile phones. The guy was selling clothes in Luznikir?? market by himself, dressing in women's dresses to sell his goods. And now the revenue of his company last year it reached $5 billion and he has about 5000 of these outlets. All over the former Soviet Union.*

But there is a tendency to value younger managers for their educational background as well as their alleged entrepreneurialism:

> *Ludmilla:[.....].. When young people rule the company or become the top managers of different businesses, young people could get good education, they're quite different people. For example I told you about the banker of a foreign branch in Tyumen. He belongs to a new generation of young business people and they have another ways, maybe in this case something will change in the country.*

 This is evident even in older ex-state-owned enterprises as this extract suggests:

> *Elena:[..]........and speaking about age I would like to say, now in Russia we have a very hard situation with managers because companies they have a sort of fashion that it is fashionable to have young managers - 28 and in top management, 30 for a general director, it's normal.*

> *Paul: is this in recently formed companies, newer companies? Or is this in the older companies as well?*
>
> *Elena: in older companies as well,*
>
> *Paul: I think that's quite surprising really because I would have thought perhaps that in the privatised companies, the older companies that are not state-owned anymore, that they would still have the same general director that they might have had before who will be taking on new people, but top managers I would have thought would be quite senior in age still. Is that not true then?*
>
> *Elena: it is true for some companies, yes it is true, but for new companies it is absolutely true that managers will be younger.*
>
> *.*

British managers did not seem to share the Russian enthusiasm for youthful managers to the same extent, as illustrated by this exchange with the directors of a small but progressive UK construction industry company:

> *PMB: I think it's a Russian thing: there is a feeling in Russian companies that younger managers are valuable to them and I think this is a reaction to the old-fashioned Russian business structure you know. I think they think that younger managers are more entrepreneurial and so on. Do you think that view exists in the UK?*
>
> *SB: I think it depends on what industry it is to be honest.*
>
> *GN: we have always been a young company in the beginning, but the people that we are dealing with, and I made managing director in my mid-20s, and I found it very difficult to gain respect amongst the older managers. Because most of the companies are dominated by middle-aged, older managers....... Michael has the same problem, the guy you met earlier, he started with us doing an apprenticeship here and he is going on the next course soon, and in three or four years he's going to make technical director. We have already discussed his future here. But he has some difficulty with older people because they look at him and say you're young aren't you.*
>
> *PMB: so in that respect it's probably the reverse then in the UK and by the sounds of things there isn't necessarily a preference, maybe there is a bit of resistance perhaps*
>
> *SB: The financial industry is full of young highflyers, or was, so I think as far as the construction industry is concerned there are a number of older wiser people still in the industry.*

No significant subthemes emerged from the analysis of the Russian phase 2 interviews, and since the age of managers seems to have a minor impact on the process of strategising, it can probably be discounted as a significant issue in terms of Russian strategic management at this stage.

4.6.4 ASPIRATIONS FOR THE FUTURE

When the conversations turned to the strategies which the companies would be following in the next five years, some of the managers felt that their best opportunities were in regional expansion strategies, as typified by this quote from Dmitry, director of the Internet and cable TV company in Tyumen:

> *Paul*: *"where would you like the company to be in five years time, what would it look like?"*
> *Dmitry: "a big regional company"*
> *Paul: "doing the same thing but in more than the Tyumen region?"*
> *Dmitry:* *"yes....[....]..We have towns in the Tyumen region, for example Surgut,- it's a very rich town."*

Some, like Alexander, general director of the steel stockholding company in *******, felt that diversification was the most appropriate strategy:

> *Paul:* *"what would you like the company to be like in 5 years? What will it be doing?"*
> *Alexander: "same sort of company bit with approximately 10 more types of business - 10 directions of business which will have a lot of opportunities in *******. And we will be able to choose the most profitable kind of business and move in that direction. This is a plan for three years because to plan for five years is rather difficult."*

In many respects these longer-term aspirations mirror those identified in Hunter's (1999) study of Russian business strategy. However whilst it is interesting to note that this study replicates Hunter's (2003) findings, diversification and regional development should be considered more as corporate strategies and consequently not really relevant to the study of competitive strategies and the strategising processes.

In my judgement, the themes identified in discussions with the Russian managers were really no different from those which might have occurred in similar discussions with British managers, and there were no further significant comments referring to these themes in the interviews undertaken as the second phase of the research.

4.6.5 MISCELLANEOUS COMMENTS

Some of the outliers and miscellaneous comments which I recorded provide insights in their own right. For example I interviewed three steel stockholder companies and in my interviews I assumed that they would be subject to the same sorts of business influences as those with which I am very familiar in the UK. The following quote from Alexander, the manager of a steel stockholding company in ******* illustrates this:

> *Paul*: *" if you asked somebody from England - a steel stockholder - I assume that when I talked to Maxim it would be the same - it's about making sure that customers pay, and that the cash flow is good. If you ever ask an English company, number one will be cash flow. And number two will be government bureaucracy. And here it sounds to be government bureaucracy number one and cash flow doesn't seem to be a problem. Is that really true?"*
>
> *Alexander*: *"…[…] ..But it [cash flow] is not actually a big problem. This is a problem but it isn't big. We have to compete with companies who have made an IPOR and they have cheap money actually, but relations with banks and our customers they find they can run a different kind of model."*

This quotation illustrates one of the problem which King (2004) (in Cassell, Symon 2004 p.13) identifies when undertaking interpretive research; namely that of applying an inappropriate frame of reference when interpreting an interview response. King stresses the importance of:

> *"The need for the researcher to consciously set aside his or her presuppositions about the phenomenon under investigation - a process sometimes referred to as "bracketing". This of course means that the researcher must reflect on the presuppositions he or she holds, and remain alert to how they may colour every stage of the research process."*

In this case I had assumed that conditions in the Russian market for steel stockholders would be equivalent to that found in the UK where cash flow is indeed a major issue. However with a virtually unreconstructed market, dominated by a few massive steel mills, which have traditionally (during the Soviet era) provided almost unlimited inter-enterprise credit, cash flow management does not assume the same importance as it does in the UK.

A second illustration of a traditional Russian value (this time correctly interpreted by me) arose in a conversation with Dmitry, the financial director of an intranet and cable TV company in the Tyumen region. Dmitry raised the idea that it may be important for companies to seek social approbation to improve their marketing image.

> *Dmitry:* *you know, in my lifetime [I've been] very interested in this social partnership between business and local authority, it was [inaudible], it's a joint stock company, Russian and American Amoco, and I know that they had some act between the authorities and company to provide some social services for some citizens for example. And after that I see, I saw it between TNK BP and authorities…*

This idea of company seeking social approbation was also initially proposed as a source of competitive advantage in Russia by Hunter (2003), but his subsequent research (as part of his DBA thesis) found little evidence of the importance of this factor.

Other comments in this general area tended to mimic the sorts of grumbles that one hears frequently when talking to SME managers in the UK. (Difficulties of finding appropriately trained staff etc.)

4.7 COMPETITIVE STRATEGIES AND RELATIONSHIPS WITH CUSTOMERS

My interviews with Russian managers all commenced with discussions concerning how their company was able to gain new customers at the expense of their competitors - in other words, a discussion of their perceived competitive advantage. The initial responses were often quite conventional in that the companies were overtly trying to offer either cheaper products or services or, more frequently, claiming to compete by offering a better, quicker or otherwise superior service. These conversations were not dissimilar to those which I might have had with managers of similar companies in the UK.

However as conversations progressed, and in particular in later interviews, the discussions turned to the subject of networking strategies, blat, gifts and payments and "unconventional practices" - a less emotive term used by Russian academics for corruption.

This section, then, commences by discussing competitive advantage, and then moves on to discuss network strategies and practices used in Russia to develop personal relationships and in particular the development of the personal relationships and personal "indebtedness" required to manipulate markets.

4.7.1 THE SOURCE OF THE COMPANY'S COMPETITIVE ADVANTAGE
Competitive strategies are concerned with increasing the company's competitive advantage, and strangely, like many British managers, the Russian managers who I interviewed did not seem to have spent much time reflecting on the source of their company's competitive advantage.

When asked to identify the source of their company's competitive advantage (in terms of conventional Western thinking), two significant themes emerged:

Firstly, competitive advantage is often seen as being gained by having superior resources, either physical, e.g. plant and equipment, or managerial - having a superior management team.

Valentina, for example, attributes her company's competitive advantage to, in part, its superior plant, equipment and operators:

> *Valentina: "...at first we had some difference from Russian companies because for example 10 years ago we had the construction business in this form but is only developed in Russia and Russian companies had no, for example, modern machines, modern excavators, modern tractors-or if they had, they had no operators. But we have both and now we have well-qualified [operators]."*

> *Paul:* "*you say that you've got lots of new equipment and skills-is that very important to the success of your company?*
> *Valentina:* "*to be sure*"

Dmitry, director of a cable TV and Internet company in the Tyumen region, however, was more inclined to think that the key resource in his high-tech company is the quality of the management team:

> *Paul: "why are you successful at the moment, why have you grown quickly? And done so well? Is it just because it was the first?"*
> *Dmitry: "no"*
> *Paul: "so why do people choose your company? What's the magic ingredient?"*
> *Dmitry: "it's a really difficult question. I don't know."*
> *Paul: "Why is your company successful?"*
> *Dmitry: "it is successful because we've got good management, our director is very good"*

Secondly, however, competitive advantage is gained by low prices resulting from superior relationships with suppliers (a networking explanation). For example, Maxim, director of a steel stockholding company stressed the importance of forging relationships to achieve purchasing power:

> *Maxim: "Because companies that worked previously in this regional market were not working with producers of the steel, but with wholesalers - other stock companies, because they couldn't afford huge bulk purchases, they could afford only small, and the producer doesn't work with small quantities. And that's why the company became part of the holding company so we could buy at the same price as the holding company and could work with the producers directly. So this was a competitive advantage."*

Overall, in terms of conventional competitive strategy, and the perceived roots of their competitive advantage, there seems to be little difference between the views and attitudes of the Russian and British managers. They clearly understand the capabilities of their main competitors, and, when they thought about it, they come to similar conclusions about the basis of their company's competitive advantage. In this respect most of the managers seem to be in the "resource-based" camp when considering the roots of competitive advantage (Barney 1991).

These findings appear to be very similar to those which can be drawn from the qualitative research described in document four, which, although it had some shortcomings in terms of the sampling strategy that I was compelled to adopt (described in detail in that document) does provide an overview of the views of the Russian managers with respect to competitive strategy.

4.7.2 CURRENT COMPETITIVE STRATEGIES TO ACHIEVE COMPETITIVE ADVANTAGE

Managers representing the newer, smaller companies seem to be more market orientated than the older companies or those, like steel stockholders, operating in less developed markets. They seem to be much more aware of their competitive advantage and what they needed to do in order to maintain their competitive position. They were also aware of the shortcomings of their main competitors.

Some chose to compete by differentiation, typically by providing a better or quicker service, as typified by these quotations from Valentina, manager in a construction company founded by a Finnish expatriate:

> *Valentina: ...you know that Russian people like very much foreign things, and this is the reason they knew that-after the ruin of the Soviet Union-they knew that Soviet work wasn't good, and Finnish, it was good. Because the quality. And now I can say that our quality is[good]. Our prices are higher, but at first we had a lot of constant customers in spite of our prices they would come always to us because they knew that our price and our quality is the same[as Finnish companies].*

Those choosing to compete by differentiation often chose to compete on speed and convenience of service, as described by Alexander, owner manager of a project management company:

> *Alexander: "very often our customers are having a short time, and they would like for [need] me to make my job in this short time".*

This is not significantly different from the competitive stance chosen by Western managers, and described by Stalk and Schulman (1992).

Those choosing to compete by differentiation often chose to offer very high quality products at premium prices in just the same way as their Western counterparts would. For example, Irina, owner manager of a chain of jewellery stores in the Tyumen oblast describes a competitive strategy which would be familiar to premium jewellery stores in the UK:

> *Irina: it's very difficult because if people have enough money they travel a lot, and they often buy something abroad, and we've got people who sometimes buy things abroad - in Austria - and their rings get broken and they come here to have them repaired..... we tell them to take them to where they bought them![probably a joke]. We sell the same things that people can buy abroad, and we have almost the same price because we would like to tell them that they can buy everything in Tyumen. It's not necessary to go abroad to buy it.*
> *Paul and Ludmilla accompany Irina to one of her shops (in her Mercedes S class coupe). The shop is on the main street in Tyumen, but has no window display, just a very exclusive entrance into a very luxuriously appointed shop with expensive*

beautifully displayed jewellery. It would not be out of place on the Avenue George V in Paris

At the other end of the competitive spectrum, other companies choose to compete by having low prices as typified by these remarks from Dmitry, regional manager in Tyumen for a large National bank

> **Paul:**   *But why do customers want to come to your bank, why do you get new customers? What is it that you do in order to get new customers? You must be doing it right because you've got so many customers*
> **Dmitry:** *low interest rates*

and from Stanislav, an importer and supplier of bathroom fittings in *******:

> **Paul:** *"Stanislav, answer me a question,- how do you compete, why do customers come to your company?*
> **Stanislav:** *"ah, okay, nowadays is low prices - $50 for a toilet - it's a very low price, and now we are working in this sector of the market."*

And subsequently:

> **Stanislav:** *[talking about the poor quality of imported taps from China] "it's no good, you are right, and also my goods are not very good, but we think a lot about this problem, and we made a lot of service stations - we have about four service stations in *******, and if you have a problem with your equipment you can come and we will fix it. So our main idea to help customers who don't have a lot of money, who cannot buy Grohe [the leading German manufacturer] which costs here in Russia about €300 - but not many people here in Russia can afford that."*

This second response by Stanislav indicates the these newer, more entrepreneurial Russian managers act very much like their Western counterparts (as described by Bowman (1991)) in recognising that a particular combination of price and service level marks out their chosen competitive strategy in the marketplace in which they choose to compete.

Like their counterparts British managers, Russian managers seem to be well aware of how their competitors operate and what their shortcomings are. In several cases managers stressed the poor quality of service offered by their Russian competitors. For example, Valentina recounted the following anecdote:

> **Valentina:** *"For example when we began we have a lot of work and one day we needed a subcontractor and we had found a Russian subcontractor and we told him about how works and you need to start tomorrow from seven o'clock and you need to work Saturday and Sunday and he told us no no, never never -only from nine to five, and for this reason they have no work and we have lots."*

A recurrent theme was that the larger, older Russian companies were less competitive and that bigger companies attempt to use their dominant positions to suppress competition. For example, Stanislav pointed out:

> *"[.]…..Because maybe after two five years here in Russia there will be maybe five or 10 big companies in this field. And other companies will die. Because these 10 companies will have a lot of money, some government help, and they will kill every small company."*

Although Russian companies identify the need to compete either by having better products and services or lower prices, I gained the impression in most interviews that price competition was seen by many companies was the first line of attack, and this view is supported by the findings reported in the WEF global competitiveness report (Schwab 2013) which uses a survey of executive opinion to rate various aspects of national economic performance. In this case the survey utilises a semantic scale to rate the National basis of competitive advantage, and the findings indicate that Russian companies are much more inclined to the low cost/natural resource end of the continuum, as indicated by the following table:

TABLE 4.2: NATURE OF COMPETITIVE ADVANTAGE

	Russian companies	British companies
Score (1 = low cost or natural resources, 7 = unique products or services)	2.7	6
International ranking (out of 144)	125th	6th

Extracted from: WEF global competitiveness report (Schwab 2013 p.505)

So although Russian managers understand their competitive position and profess to adopt strategies which mirror those adopted by British companies, in practice I believe that the Russian managers rely rather more heavily on resource-based cost advantages than do their British counterparts.

However, despite the fact that the interview answers directly relating to competitive strategies do not really show marked differences between British and Russian interviewees, there are clearly significant differences in the importance of network strategies in the UK and Russia, and networking practices.

4.8 THE IMPORTANCE OF NETWORK STRATEGIES AND NETWORKING PRACTICE

Although personal networking is considered as a normal business practice in the UK, it is considered in a qualitatively different way in Russia. The importance of network strategies emerged as an important theme amongst all the Russian managers interviewed, and in phase 2 of the research it was one of the two areas which were expanded upon greatly

during the second tranche of interviews. In phase 1 - the initial research - two important subthemes emerged, namely, the importance of maintaining networks as a source of business and the importance of maintaining good relationships with local authorities both for gaining new business and facilitating the normal day-to-day conduct of business. These supply chain networks and the facilitation of good relationships with local authorities relied on blat, the generic Russian term for providing mutual favours and consequently building up mutual indebtedness.

As phase 2 of the research progressed it became clear that rather than consider networking as two important themes, it was in fact much more complex than that, and that the range of informal practices involved in creating and maintaining these informal networks was at the heart of Russian business culture. Several of these business practices were often indistinguishable from what Western researchers would consider as corrupt practices but are perceived by managers in Russia as being critical for the development of blat.

The following sections, then, investigate networking practice in Russia and analyse the extent to which Russian managers use these informal practices to manipulate the markets in which they operate - and tolerate the ensuing corruption.

4.8.1 CONVENTIONAL NETWORKING STRATEGIES

Puffer and McCarthy (2007) consider that because of the breakup of the Soviet planned economy and the dismantling of its institutions during privatisation, managerial decision-making has also become decentralized. Despite the increasing political stability and the growth of market mechanisms, there is still an imperfect system of transmitting and codifying market knowledge and consequently the country still relies, to some extent, on a "clan organisational form of capitalism". This is normally characterised by a dependence on networks and personal relationships to undertake transactions which can be trusted.(Boisot, Child 1996).

Practically all of the Russian managers interviewed identified networking strategies as being extremely important to their business, but British managers also are aware of the importance of networking. Both groups recognise that building trust in the business relationships is important, and only the emphasis on reciprocity is different with the Russian managers placing a greater emphasis on this strategy.

In Russia, networks are important since they provide a group of people who can be trusted and who will or may provide mutual business opportunities in turn. The following quotes from the managers interviewed support this interpretation:

> **Maxim:** *"but the situation is strange because all of the members of the holding company they know each other as well, and the principle of opening a new company or taking a company in two, is not a theoretical one, but because they know this person and they have worked together."*

> *Valentina:* *"yes we have the same clients - just now we have Yugoslavians and we have co-operated for nine years and six years. A lot of;-most of, our clients are constant.*
>
> *Alexander:* *"[we have] not a big quantity of new clients because my usual customers can say to his friend, for example, we are all of us friends, we are talking every day, every Saturday drinking beer, you for example you said I have a program, I have to make this and this and this, but I can do it myself, or I can say I can't do it but I know someone who can.*
>
> *Paul:* *do you make a distinction between work friends and your own family friends*
>
> *Alexander:* *".......It doesn't matter to me if it's a friend from job from home, I can go to a cafe or to restaurant with my friends from job, business partners or my family it doesn't matter. Sometimes we go to a restaurant with a big crowd from job, from family and from university friends."*
>
> *Paul:* *"you've got quite good prices but very good contact with customers. So is that your strategy?"*
>
> *Stanislav:* *"this is our strategy. To every people who come to us, to our company will find service and good relationships - a cup of coffee, and maybe a cigarette and this way, we found a lot of clients. But of course I have some communications with Moscow government. Mayor Luzkov - they of course give us some big orders, and some big builders. And that's why."*

The quotation from Alexander, owner/manager of a project management company in Tyumen also indicates that Russian business culture can be categorised as rather diffuse according to Trompenaars and Hampden-Turner's (1998) specific-diffuse cultural dimension. (This dimension seeks to distinguish between cultures in which a person's business role is specific to their business occupation and contained in their role at work, or whether their business role "spills out" into their personal and everyday lives.)

In general terms there seems to be little difference between the attitudes of Russian and British managers in terms of the importance of maintaining good personal relationships, although some British managers seem to consider networking strategies to be only one of several important components in business transactions and may therefore consider networking rather less important than do their Russian counterparts. This exchange, with Roy, the managing director of one of the largest UK steel profilers and stockholders expresses the view that price and quality considerations are more important than close personal relationships to UK companies:

> *PMB: "[….].. networking then, it's not a big deal for you? - [………] but it's the same in China and India, you don't get business unless you know somebody. They call it guanxi in China.*

RT: *"in this country that doesn't apply, no. You're judged on all the other proper matters including the main one, being price. There is a degree where you have to say we have got ISO 9001, we have got ISO 14,000 before they will let you in the door, so there is that degree of having to show that you've got some substance about you. Some companies will only trade with companies who themselves have also got some degree of surety that they will be here next year and the year after, for reasons of quality. When we supply steel we have to keep our test certificates for 10 years. That test certificate would not be worth the paper it was written on if indeed the company went bust, so people need to know, like Rolls-Royce, these companies need to know that you're going to be here next year and the year after."*

However having made the point that whilst price, quality accreditation and similar reliability factors are the most important issues in establishing UK business transactions, once trust has been established, networking through recommendations is also recognised as an important source of new business development by British managers. Firstly, Roy, the managing director of the large steel stockholder again:

RT: *"a lot of our work comes from recommendation as well, which is another interesting one as well. People who have worked with us can trust us, but when someone wants a new supplier, then we get a lot of work through word-of-mouth."*

Similarly, GN, the managing director of a British construction services company:

Paul: *"the importance of networking. Now I think that's quite important in the UK, but I think it's like, essential, in Russia...."*
GN: *"also Europe to be honest.... the old saying it's not what you know, it's who you know. I don't do business with companies, I do business with people. I've been 18 years in this company, in this industry, I'm very very known in the industry and.... you build up a relationship, you go out for coffee, drinks, you meet at exhibitions.... I just worked an exhibition in January in Munich, and it is a "must go" you need to be seen there, and this is very important in the UK, but also in Europe - customer relationship management and networking."*

The attitudes of both Russian and British managers to the importance of network strategies and personal relationships were investigated in document four.

The results of that research (which sought to investigate Russian and British attitudes to competitive strategies qualitatively) tend to confirm that both groups consider relationships important, with Russian managers indicating that their business relationships tended to be longer lasting. This is illustrated by the responses to two particular statements namely:

- In our market/industry, personal relationships are very important for business , and
- We have long-lasting business relationships with our customers

The responses shown in the following two charts from document four illustrate that whilst both groups value personal relationships, Russian relationships are seen as somewhat longer lasting.

FIGURE4.1: IMPORTANCE OF PERSONAL RELATIONSHIPS IN BUSINESS
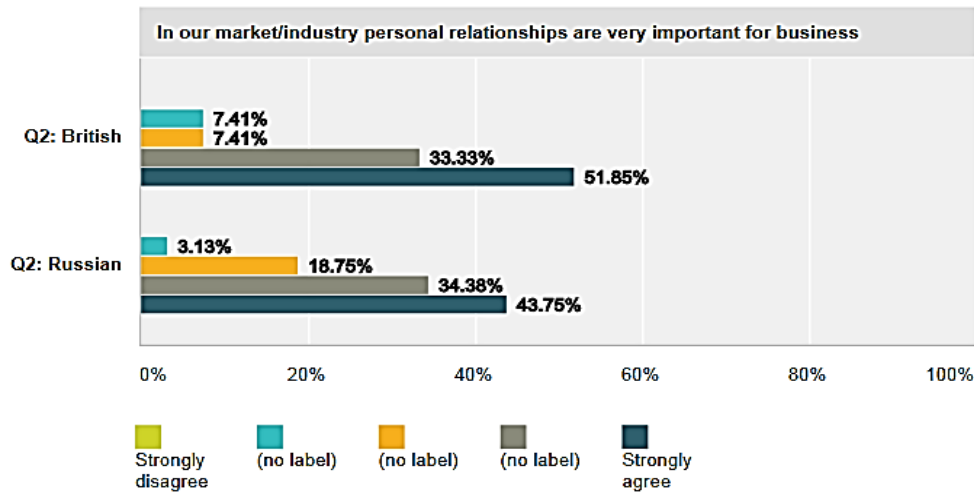
FIGURE4.2: DURATION OF PERSONAL RELATIONSHIPS IN BUSINESS
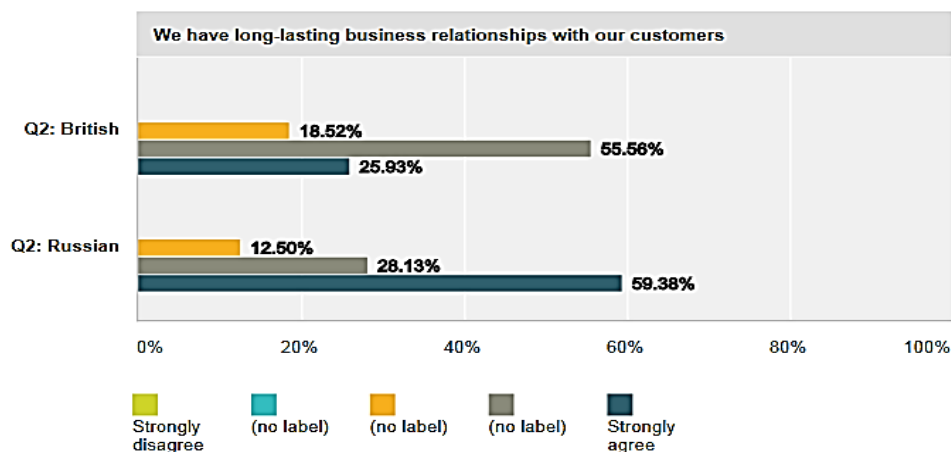
(Document_four 2014)

However, although both Russian managers and British managers recognise the importance of personal relationships, there exist real differences between the ways in which managers attempt to build up and foster their networks.

4.9 NETWORKS, BLAT AND CORRUPTION

I noted in document three that there was some overlap in terms of the interpretation of the issues of network strategies in practice and corruption, and as the phase two interviews

were analysed it became clear that not only is the overlap considerable, but this topic is probably the most significant area of the research in terms of the effects on strategic management. Consequently this has necessitated a revision of the original classifications as described in document three. In order to understand the interaction of the various themes, it has been necessary to review the theoretical literature underpinning the nature of networking, blat and the wider aspects of corruption in Russia. At the stage when the literature review was completed this topic was seen to be relevant and consequently was covered in document two, but not to the extent to which becomes apparent when analysing the findings of phase 2 of the research.

4.9.1 BLAT AND NETWORK STRATEGIES FOR ESTABLISHING BUSINESS OPPORTUNITIES

Blat has been defined by Ledeneva (2009 p.261) as "the use of personal networks for obtaining goods and services in short supply and for circumventing formal procedures." It became completely ubiquitous in the Soviet era as a means of acquiring the necessities of everyday life. Ledeneva (2009 p.261) states that:

> *"Blat can be effectively conceptualised as the know-how of the Soviet system, and the reverse side of the over controlling [Soviet] centre. On the one hand, the Soviet regime was penetrated by widely spread informal practices, depended on it [sic], and allowed them to compensate for its own rigidity. On the other hand informal practices served individual needs and facilitated some personal freedom and choice."*

In the Soviet era blat had its roots in the everyday situation of shortage of common consumer goods which gave rise to any number of Soviet era jokes:

> *A woman walks into a food store. "Do you have any meat?"*
> *"No, we don't."*
> *"What about milk?"*
> *"We only deal with meat. Across the street there is the store where they have no milk."*
> *(Mrost 2010)*

Over time cynical humour became transmuted into folklore - like this description of the "six paradoxes of socialism", which, amongst other things, emphasises the significance of blat:

- There is no unemployment but no one works [absenteeism]
- No one works but productivity goes up [Soviet reporting]
- Productivity increases but shops are empty. [Shortages of consumer goods]
- Shops are empty but fridges are full. [Blat]
- fridges are full but no one is satisfied [unfair privileges]
- no one is satisfied but everyone votes yes [cynicism]

(Ledeneva 2009 p.260)

In the post-Soviet era, however, the command economy, once characterised by these widespread shortages, has given way to a market economy red in tooth and claw, and in these circumstances - where the market for goods and services now works adequately well, blat loses its widespread relevance for enabling everyday consumption.

But a new shortage has emerged in Russia; money, and as a consequence blat is now likely to include monetary payments instead of (or as well as) assistance in "filling the fridge". As Ledeneva (2013 p.10) notes:

> *"In Soviet society, money played only a small role, and access to goods and services meant everything. Now that capital and commodity markets work and goods and services are available, it is access to money, secure investment and getting a well-paid job that have become the new terrain of personal networks. Not only have networks re-orientated themselves to serve this new type of shortage, the use of contacts has become monetised in the sense that money is not excluded from personal transactions."*

However, as she points out, blat is still important to get access to jobs, medical care, education etc, and many Russians still associate blat with an exchange of favours, the circumvention of formal rules and procedures, problem solving and access to administrative [government provided] resources.

Ledenava (2009) quotes a survey undertaken by the Russian Levada Centre which shows how blat has developed since the Soviet era. When asked how widespread is blat in your city or region, 66% of Russians stated that that was widespread or quite widespread, and only 4% that it was practically absent. When further questioned about the common use of contacts in the post-Soviet era, responses were as follows:

What did you use your contacts for in the last seven years	% (Multiple choices possible)
Medical services: local surgery, hospital or bed and operation	24
Solving probiems with the traffic police, registration of a vehicie and MOT	18
Finding a job	12
Education; Places in primary-secondary and higher education	12
Legal services and courts (2+3)	5
Army conscription	4
Everyday services at better quality or better price (3 +1)	4
Repairs of housing, garages, dachas	3
Tickets for events, theatre, concerts	2
Hobbies	1
Consumer goods	1
Foodstuffs	1
Other/incorrectly specified	3

Source:Levada centre survey, 2007 (Ledeneva 2009 p.262)

This table shows a situation which is the reverse of that which obtained during the Soviet period. Then blat was essential for securing foodstuffs, consumer goods, books, theatre tickets etc., and was more or less an omnipresent practice. The services requiring blat nowadays are the public goods which would, under the Soviet regime, have previously been provided universally (although with the favoured nomenklatura receiving the "best of the universal").

In the UK the predominant method of building long-term relationships seems to be by the establishment of mutual trust between buyers and suppliers, built up and maintained by creating buyer supplier relationships where the buyers recognise that the suppliers provide products and services which are tailored to their requirements and competitively priced, so that in the longer term this recognition creates a trust based relationship. The relationships are a byproduct of the suppliers reacting appropriately to the demands of the buyers -i.e. the suppliers are following reactive strategies.

By contrast, when manager were working in the Soviet era command economy, market-driven competitive strategies were almost completely irrelevant, and the relationship between managers operating in the industry supply chain was based largely on the ability of the various actors to take advantage of the imperfectly-functioning state-owned enterprise supply system in order to "grease the wheels" to make the machine function. This provided one form of blat (one based on facilitation rather than the supply of scarce goods).

In other words, the development of blat was based on the ability of people being able to take advantage of their own access to a particular supply chain (through their job) to provide needed products for friends or business colleagues, using informal practices and unofficial channels. Factors such as quality and price were not a consideration in making

business decisions about supplies because of the inefficiency of the Russian enterprises and the supply chain as a whole - being characterised by a network of rather few state-owned monopolistic suppliers. In these circumstances making the machine work to your advantage was more important than the much less important issues of quality or price issues.

Blat is still needed in post-Soviet business life when dealing with authorities and when using intermediaries for introduction and recommendation. Blat is also used both in the spheres of state education and in unprivatised state industry where the old ways of thinking and behaving still remain important. (Ledeneva 1998).

Since the end of the Soviet era and the introduction of market economies, then, blat has become monetised (Ledeneva 2009) and the nature of the informal practices has changed as new, market-based business systems have emerged. These changes have given rise to market-based behaviours which rely on a monetised form of blat, and the main focus of these new (post-Soviet) behaviours and informal practices is to manipulate (reduce) the competitive nature of the market in which firms are operating.

4.9.2 BLAT FOR MANIPULATING MARKETS TO REDUCE COMPETITION

Markets can be manipulated to reduce competition by two main routes; by reducing the number of players in the market and by conspiring to keep prices artificially high. Reducing the number of players itself can be achieved by creating blat-based barriers to entry, either by establishing a strong personal relationship with buyers - to effectively freeze out potential competitors, or by creating some legislative impediment for potential new entrants. This latter requires blat to be built up with legislative bodies, either locally or nationally. So these manipulative strategies can be thought of as:

- reducing the number of players in the market, by -
    - developing strong personal dependencies with buyers to freeze out competitors
    - using third-party government officials to exclude new entrants
- conspiring to keep prices artificially high

4.9.3 DEVELOPING BLAT TO REDUCE THE NUMBER OF PLAYERS

Boisot, and Child (1996) stress the importance of trust and mechanisms for transferring information as being important aspects of guanxi, the Chinese equivalent of blat, and it appears to be an analogous situation in Russia. However, these relationships based on trust are not easily established, and once they are, they are effective in reducing the threat of new entrants to the market, and in this respect, therefore, blat and guanxi can be seen as the basis for manipulative strategies. This is best illustrated by the following quotation from Andrei, a management consultant (with previous family business experience) in Moscow:

> *Andrei: "What we normally do on the eighth of March which is a woman's day in Russia and I was with the directors of the supermarkets and I bought them*

personally presents - how is the wife? how are your children? And Paul, even if my prices were higher she will purchase from us because we have a good relationship, and you can't overestimate the importance of this relationship. I've done a lot of such things."

This quotation illustrates two aspects of blat, firstly that the relationship builds trust (the aspect identified by the British managers and one of those identified by Boisot and Child) but secondly it raises the manipulative strategy of reducing the competitiveness of the market by reducing or eliminating the threat of new entrants -*"even if my prices were higher she will purchase from us because we have a good relationship*". This manipulative strategy is stressed later in the same interview:

> **Paul:** *"..what would happen if a new competitor appeared on the scene.?"*
> **Andrei:** *"there is no way a new competitor can appear because of the start-up costs, established relationship links -it's impossible. "*

The differences between the Russian attitudes revealed in this exchange and the views of UK managers are discussed later in this section.

4.9.4 CARTEL LIKE ACTIVITY TO REDUCE THE NUMBER OF PLAYERS

As well as securing customers to reduce the possibility of new entrants, there is another, closely linked, aspect of strategies designed to reduce competition which is markedly different between Russian and British managers, namely cartel like activities designed to eliminate new or smaller competitors. Collusion between larger players in markets seems to be entrenched in the Russian business environment. Amongst the largest companies - which may be oligarch owned enterprises, those enterprises like Rosneft which are still owned by the state or those which are run by "Siloviki" ("people of power" - members of the ruling elite with close links to the Kremlin and the FSB) -it is taken as a given that the Russian "Sistema" (elite-based power structures) will ensure that competition does not upset lucrative markets or harm monopolistic structures. (Shlapentokh 2003). Stanislav, owner manager of a ******-based SME summed up this widely held view:

> **Stanislav:** *[…..] ..Because maybe after two or five years here in Russia they'll be maybe five or 10 big companies in this field. And other companies will die. Because these 10 companies will have a lot of money, some government help, and they will kill every small company.*

This quote supports the contention of Kuznetsov and Kuznetsova (2005 p.28) who, when describing the object of network strategies in Russia, state:

*"On the other hand, by their nature, networks, in particular informal ones, seek to maintain exclusiveness. In the Russian context, networking does not mean getting better knowledge of business partners and their needs **but rather pursues the goal of conspiring against outsiders**."*

And the risk of tangling with the sistema was reiterated by Andrei:

Paul: *[talking about politicians exercising business power] **"…except Kordokovski, he didn't manage it did he?"***
Andrei: " *yeah but that's another matter"*
Paul: *"but in itself that's quite interesting isn't it, because on a smaller scale that must be true - you have got to keep politically on the right side of people as well don't you? You can't afford to make political enemies I guess."*
Andrei: " *exactly, that's common sense - that's the rule in Russia. Don't get involved in politics in a big way - you can run your business, have good relations with politicians, but don't try to change things - especially in this area"*

4.9.5 CARTEL LIKE ACTIVITY TO REDUCE PRICE COMPETITION
This anti-competitive cartel like behaviour is not confined to the larger companies though. Even relatively small SMEs engage in these market manipulating strategies. Andrei again:

Paul: *"is there a better word than blat?-it's sort of implies bribery doesn't it, blat? Is mir a better word?."*
Andrei: " *you can just say its equivalent with social networking. It's just all right, yeah. There is some blat in it of course, but it's not merely blat, it something more. And this one-[points to marketing cooperatives] -this is working. Marketing cooperatives, we've just done it. I'll give you an example: my parents invite many kinds of joint ventures with competitors, one of the competitors, to push out of the market another competitor, we've done it and shared the market, we have an agreement, we are not conducting a price war. Each of the companies has the possibility to earn money: you cannot go and offer your services to our supermarket, but at the same time we cannot go to yours. We have our network. Each of us has. There are two wholesale companies-official representatives of the two biggest plants in Russia in the ***** region, and we have one competitor, and the market is shared-I mean we just shared the market, the prices are stable, and sometimes we are increasing the [prices together]....."*
   (****= redacted)

It would be naive to imagine that this sort of activity was unique to Russia, and in many respects the desire to manipulate markets is a commonly found feature of capitalism - even remarked upon in the 18th century by Adam Smith (Smith 1780 p.80):

"People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary"

However, cartel like behaviour is policed quite strictly in most jurisdictions, and whilst it might be known about, it is widely thought of as being unacceptable behaviour by British managers, as indicated by the following quote by Steve, the sales director of a specialist construction industry service business:

> **PMB:** *"Where I'm up to is that I think the Russians compete by manipulating markets when they can. I don't think we do that in this country to the same extent. But here are three or four articles [indicating construction trade press magazine articles provided by SB] that say that perhaps we do a bit."*
>
> **SB:** *"I think it's probable, I don't know the Russian market so well, Gaylord probably knows it better than I do, but it's probably, as you say, quite commonplace [there], whilst here it is [rare], or has been known by some of the larger companies the ****, the ******* *******, that it has gone on. I would think, rather than call it corruption, I would call that a cartel, and there is a difference between the two." (****= redacted)*

Steve makes the distinction between corruption and cartel like activity, which is, in his view, a matter of degree and later on in the conversation, his colleague, the managing director, agrees that the construction industry is one of the industries most likely to be subject to corrupt behaviour (because of the high value of construction contracts):

> **PMB:** *"and yet, if you were talking about any industry in the UK where you might expect..... it would be construction."*
>
> **GN: "** *mmm" [signaling assent]*

He also makes it clear that corruption is generally considered to be unacceptable behaviour in the UK:

> **GN:** *"But just to conclude this, we do [...] have one or two cases [of bribes being offered to our employees] a year, but the policy within the company where money has been offered -they come to us, - I hope they come to us all the time and tell us, because it's not worth their job. Because we're independent, and the moment we jeopardise that, we've only got one reputation to lose, - you build it over 20 years and lose it in a second."*

When transcribed, some of these exchanges with British managers perhaps sound a little pompous or self-righteous, but that certainly was not the impression which I gained whilst conducting the interviews. I really felt that the managers I interviewed were stating their views quite sincerely, and that they genuinely felt that corrupt practices were completely unacceptable.

These exchanges with Russian and British managers highlight the differences in attitudes between the two. It is clear that, as Ledeneva (2009) has pointed out, blat is considered by the vast majority of Russians as just a day-to-day fact of life with no major ethical or moral considerations.   In the Russian context it is just the "know how", the mode de vivre inherited from the Soviet era, and its use in a business context is neither shocking nor unexpected.

4.9.6 FROM BLAT BASED ON EXCHANGE OF FAVOURS TO OUTRIGHT CORRUPTION - A FINE LINE

The exchange of favours is only one example of the informal practices which were normal in the Soviet and in many cases, the Czarist era.

Several of the commonly found business practices in Russia relate to the methods by which blat is established and, in particular, the way in which gifts and payments play a role in its development. Several Russians mentioned payments and gifts to customers as normal practice to secure their business. The recipients of these gifts were often middle level "gatekeepers" in both private sector and state sector organisations.

The practice of gift giving or offering payments to potential customers and gatekeepers is frowned on in the UK Even quite small business gifts are now considered to be unacceptable. For example, this exchange with Jimmy, the director and co-owner of a specialist consultancy working with local authorities in the UK clearly illustrates that even modest corporate entertainment is, for some companies, on the borderline of being unethical:

> *PMB: "well I recall sitting in a meeting discussing pricing strategies of Birmingham, and my suggesting that you might want to go out for a drink or a meal or something with the person, and you all went "whoooa, we can't do that" you know, "how corrupt is that?" And you know I thought to myself at the time, gosh if that was Russia, they wouldn't even, you know, blink at that sort of thing. But you've got a very strong ethical......"*
>
> *JJ: "- we have, and also tendering conditions are very very clear - there should be no attempt in any way to influence or to try to endear yourself to the local authority"*

and later in the same interview:

> *JJ: "we have a very clear policy for our organisation about anyone offering a gift or anyone offering an opportunity. We have a very clear policy on that because the*

kind of work we do, if we were ever challenged about being influenced to give a recommendation in a piece of work, and assessment or a recommendation, or some sort of consultancy work our reputation would be in tatters."

There is no such reticence in Russia when it comes to corporate gifts. The following attitudes to business gifts were expressed firstly by Roy, managing director of a large steel stockholder and profiler:

PMB: *"[there was this morning a report] on the BBC saying exactly the same this morning saying for example that IKEA won't pay bribes. The consequences they get held up for years building new stores because they're not prepared to pay bribes."*

RT : "But we don't do we? I mean we don't"

PMB: "no, we don't do it"

RT: "the farthest I will ever go is a bottle at Christmas and we've reduced that because of the recession, and the odd lunch for proper commercial discussion on matters, and that's as far as it goes."

By contrast, Alena, the marketing manager of a Russian steel stockholding company in Tyumen held completely different views:

Paul: "… [In the UK) We don't give customers Christmas presents..... what's it like here do you give presents to your customers at Christmas?"

Alena: [very surprised] "it's half my budget!"

And Andrei, talking about a family business:

*Andrei: "I'll tell you a story probably to make it clearer. In ****, let's say **** are involved are in business and they needed some connections in the city administration, and let's say there is a person in the administration, let's say trade department, who is really powerful who has really strong connections and if you had good relations with that person you automatically get ahead of your competitors. What do you do Paul? I know you can call it bribery-we just bought her the latest mobile phone for her birthday. We are in a good relationship. Really. My father sometimes goes with her to the restaurant just discussing some stuff - how is the family, how are things and it's nothing like you know "bring me the money in an envelope.....".*

Paul: " it's a fine line to draw isn't it? In the UK 20 years ago, for example, [a business acquaintance] used to run a day at the races for his customers, and he invited me along from time to time. There was nothing you couldn't have that day at the races-he used to hire a box at the local racecourse, wonderful food, drink etc.it was a really good day out, but it must have cost a fortune. Was that bribery?"

Andrei: "that's the question, where is the line?. The only difference with Russia is Russians are more sophisticated in these kinds of things: for example, you won't

probably buy him a mobile phone, you can organise a party but you won't buy a mobile phone-but we will. That's the difference. We will, and you know it's like silent agreement. Everybody knows that we are in a good relationship. It's not like its formal-giving money and getting some services from the person back. No, it's not like this. It's just personal relationships and sometimes you have to, like, pay for it."

Paul: "so are business gifts and important part of Russian life then?"

Andrei: "business gifts, and being a good person-every tiny detail can be important. Like if you see a person standing on the pavement and you drive him home-that's the beginning. And you see him somewhere and you drink a cup of coffee and then it starts, and you call them up and tell them happy birthday or happy New Year-and bring some presents-show you're interested, that's really important. And the mistake of some Western companies is in Russia is they come with this formal approach,-we do the business, and we just stay apart."

(**** = redacted)

From these exchanges it seems clear that attempts to gain business by providing gifts - sometimes expensive - to gatekeepers (a manipulative strategy intended to exclude competitors) is much more embedded in Russian business culture than it is in the UK where gift giving seems to have virtually disappeared.

"Brown envelope" payments, - actual monetary payments - are considered to be completely corrupt in the UK, even in industries like construction (where there is suspicion amongst smaller players that these payments are sometimes made). Indeed, the phrase "brown envelope" itself is widely understood to imply that corrupt practices are involved in the transaction.

However, the practice of making monetary payments to gatekeepers is much more common in Russia as this quote reveals:

Andrei: "My mother's wholesale company was seeking to get the contract for one of the biggest grocery retail chains in the region. And the head of the trade Department for the chain was a woman in her 50s I think that. What we've done - it was my specialisation I think- dealing with women of this age - I mean it's easy for me, it's always easier for men to deal with women, but anyway, the first time I met her I introduced myself and told her my name is Andrei blah blah blah, that's what we have, these are our prices, but she was like reluctant to change her previous supplier. So I just kept coming, being polite, not being annoying. The first thing I did, I dropped her home once, we had like a conversation, so I just started a relationship. Next time I drove her home with my mother and we had another conversation, and we started supplying. And then we - in Russia and there is an expression called " kormit'"which means to feed - so to feed the person,

it means to give them money from time to time - I can compare it to paying salary, or she gets a commission from the turnover or something. So she had a commission of I think 1% from the whole turnover which was quite a lot. And that's what I'm trying to explain Paul. It's not like just bringing money in an envelope and getting something back in return, it doesn't work like this. First establish a relationship, step-by-step, and you cannot distinguish - for example, the previous example I gave you was this woman in the trade Department in the city administration, I can't even say whether we are friends or or we are bribing her. You know what I mean, we are both in good relationships - and what you call it- bribing or "feeding" as we call it."

"Feeding" then is another form of manipulative strategy intended to secure business by reducing the impact of the local competition. From being reluctant to change her previous supplier, the beneficiary of the " kormit'" becomes a loyal customer. Like other forms of blat, direct payment of bribes seems to be institutionalised as demonstrated by this quote from Alena:

> **Alena:** *"such bribes from the company - anyway for my company its legal and we have budgets for such things. We call it such things as agent payment, and for example if you want a big contract with government., you can't get a big contract without some sort of..."*
> **Paul:** *"but how do you keep that transparent so that it isn't corrupt. [......] Do you think it is a problem?"*
> **Alena**: *"it's a part of business, it's not a problem for us to find a way. I know, I've heard - I know all clients that we've paid...."*

The fact that there is a universally understood the Russian term, " kormit' ", to describe this form of bribery reinforces the view that it is endemic in Russian business culture, and, once again, there seems to be little perception amongst the Russian managers that gifts and "feeding" are in anyway unusual or outside the bounds of acceptable behavior. I got no sense during the interviews that Russian interviewees had ethical concerns about it. This contrasts markedly with the anticorruption sentiments of a large proportion of the general Russian populace.

4.9.7 KICKBACKS AND TOP SLICING

Sometimes "feeding" is initiated by the company trying to get new clients - the process described by Andrei in the passage above, but on other occasions the transaction can be initiated by the potential client/customer. Once again, this practice is widespread enough to have spawned another word to describe it - "Otkat" (Williams 2013) - which seems to be best translated as "kickback" or "top slicing".

This seems often to be the case with companies doing business with local or national government organisations, and introduces a whole new class of potential corruption, namely corruption of employees of government or quasi-government organisations, and probably best describes the "commission" arrangements described above by Andrei.

Both the following quotes from Stanislav, owner manager of a company supplying bathroom fittings in Moscow and Dmitry, finance director of an Internet company in the Tyumen region, indicate the importance of network relationships with local government officials, both to facilitate business directly with the local authority and to enable licences or permissions to be obtained.   The quotes also imply the importance of some sort of payments to build blat for gaining new business - sometimes overt Otkat, as implied by Stanislav,

> *Stanislav: "....most of our customers are builders.   And some government because, as you understand, in Russia if you have a good contact with the administration or government, it's very good to you because they give you orders, you give the money, and everything is okay [in an ironic tone of voice]*

and, as already noted but in a different context

> *Stanislav: "this is our strategy.   To every people who come to us, to our company will find service and good relationships - a cup of coffee, and maybe a cigarette and this way, we found a lot of clients.   But of course I have some communications with ****** government. ********* - they of course give us some big orders, and some big builders.   And that's why."*

Sometimes a more subtle approach seems to be in order, as described by Dmitry:

> *Dmitry: "I agree with you Paul, because, for example you are going to use some net [networking?] in the new town, if you are from another region for example it's very difficult to do that.   But, but, [inaudible] everything is possible I think, it doesn't [just] depend on money.   For example you're going to start your business in a different town and you've got money to do it, yes?   And in conversation you can supply some resource to the town for example such as free Internet for schools for example, even if it's the one side and it benefits another side.   Might not work completely but after some negotiations it will be possible."*

The type of activity described by Dmitry was also mentioned by British managers, although confined to those working in the construction industry, and was not viewed as overt corruption as the following quote indicates:

> *SB: "[......] we were talking about bribery and corruption before, well often, in Asda, Sainsbury's, Tesco's whoever it may be, they'll agree to put a store here as long as they upgrade the roads here, here and here.   [......] but that wouldn't be called bribery, that would be called a sweetener.   I would think as far as we are*

concerned, we don't have to have the relationship with local government, but customers probably do."

My interpretation of this different perception is that SB did not perceive the exchange as corruption because there was no benefit to a particular individual, but rather to the community as a whole.

4.10 COPING WITH THE RUSSIAN BUSINESS ENVIRONMENT AND GOVERNMENT AGENCIES

4.10.1 UNOFFICIAL PRACTICES TO FACILITATE WORKING WITH GOVERNMENT DEPARTMENTS

The changes in the nature of blat-based relationships with local authorities and government departments since the monetisation described earlier have led to significant changes in the way companies deal with government. These changes are evident both in the way in which companies obtain government business (discussed above), and in the way that they are compelled to work with the regulatory bodies with which they regularly come into contact.

Despite the reduction in the importance of blat amongst the general public and the changing emphasis in its use, in the business sector blat, in a range of guises, remains extremely important. Several studies have identified the prevalence in some societies of behaviours which aim to manipulate the market place and the ways in which companies use networking to take advantage of this manipulation, ((Luo 1997, Lynch 2006, Hunter 2003), with Luo stating explicitly that one of the aspects of guanxi (the Chinese equivalent of blat) is to:

> *"Circumvent rules through exploitation of personal relationships and Achieve governmental assistance and support."*

4.10.2 CORRUPTION AND RELATIONS BETWEEN BUSINESS AND GOVERNMENT

Every Russian manager interviewed identified corruption as a significant issue in Russian business life. The majority of managers identified corruption most strongly with relationships involving the local administration (local government) although the term "the Administration" may have been intended as a generic reference to other forms of government such as the tax authorities. The following quote, from Andrei, one of the younger generation of managers, typifies the views of managers on this theme, namely that corruption is endemic in Russia:

> *Andrei: " actually I think you're really close. I wouldn't hope for the changes in the way the business is done in Russia, I wouldn't hope, even my generation.... […..] and I tell you honestly that I used to bribe some people, because there is no way round, and it's not because they are bad and I am good, I am its same bad, and there is no resistance. Okay, here there are a lot of talks on the TV about the*

negative events of corruption and bureaucracy but, Paul, the first one who realises that's just the way things are done in Russia will succeed. And you cannot change it on your own -it's just the system and I don't see any changes, because I'm mentally the same as my father was. When I was telling you about the new generation of people, I didn't mean that they were going to change the system. I just meant that this new coming managers-or whatever you would call them-they just have a conscience unlike those who just steal without giving anything back to the country. And the thing is, there is corruption in the police, authorities, I don't know,- the medical service, - in the Army- the corruption is in the mind"

and expanding on the theme, to emphasise how wide spread the problem is, he continues:

Andrei: "....I will tell you a story - about legislation issues - about that. In Russia we have an expression which is that there is a price for everything. Okay, in my city - in my region - a great deal of my friends are policemen - I mean top end police in the region, some in the courts - I mean it happens like this. My sister's boyfriend's father is a judge, and my friends have all this kind of connection . The thing is if I get into trouble, I mean something like some problem with some controlling organisation like local tax department, I can solve it, I can solve it easily - I mean I will have to pay but I can solve it. So that's just giving you an example. Everything has a price in Russia - you can imagine - I mean you know because my friends are policemen I know approximately the price our mayor paid to be released - not to be convicted for some fraud - I know the price is approximately $1 million, so everybody knows it in Russia. Shell, BP or some other Western companies can be fined in Russia for some enormous sums of money, but Russian companies in most cases can find a way round it. They can sort it out...."

Later in the same conversation I discussed with Andrei whether or not the latest generation of managers had a more "Western" attitude towards corruption and manipulating markets and his response indicated that the attitudes were embedded and the younger generation would be likely to engage in the same practices:

Andrei: "how they do their business? They may feel like western managers"
Paul: "yes. I think they feel much more like western managers than a generation back. And so maybe your generation of managers will be more interested in competition rather than trying to manipulate the market-you know - maybe"
Andrei: "just my personal view-I doubt it--they may look like western managers, they say the right things, but ask them and I'll bet that each of them once in their life bribed somebody."

If this view is correct, then these issues surrounding corruption will remain significant for companies investing in and doing business with the Russian Federation, and as a result, the

ways in which Russian managers can deal with the corruption endemic in the Russian business environment is beginning to receive attention from the academic community.(Denisova, Ledeneva et al. 2013, Fey, Shekshnia 2008)

The prevalence of corruption in the relationship between companies and government organisation arose in the following conversation (over lunch) between two academic colleagues from TSU who both undertake consultancy work for local businesses and local authorities organisations:

Paul: " yes exactly, I think that's right, I agree you can't separate the politics. And that's what makes it different to Russian businesses because you can't separate the politics, and who you know in the regional administration and your relationships etc and that's just as important for making strategy as deciding whether to have low prices or a better product. The success of the company of the corporate strategy is driven by different things in Russia"

Ludmilla: "some people from our local government have shares in some companies, and that's why they allow these companies to ……. [inaudible]"
interview pauses to allow meals to be served.

....

Paul: "so you are saying, about the problems of corruption, you're right, but what does a business do about that? Because the tax authorities can make life very difficult for a company if they want to, and if you're wanting to open a new business and you need a licence it can be very difficult. But worse than that, and it's a lot different now, but in the 1990s people used to get shot didn't they, in Moscow, not here but in Moscow"

Ludmilla: yes, "in Tyumen also."

Paul: "really, by competitors? By companies?"

Ludmilla: " well it's very difficult to say but there was a lot of... [Inaudible. … possibly "Mafia"] And dividing the same business among different people"

Paul: " I don't think it's anything like it was in the 90s. What do you think?"

Ludmilla: "I suppose it is another form now-maybe more civilised, but the concept I suppose is the same."

Olga: "in the 1990s when children are asked who they would like to be in future they answered "we want to the Mafia in future, because Mafia, they are rich and so on, they rule the world. Now, when children are asked what they want to be in the future they say "we want to be authorities [local administrators/local government officials] ….. All changes in the world!"

Ludmilla: "because if you are a deputy in our duma or in the local duma you are protected by the state. I suppose you can do what you want, it depends on your moral standards"

The Russian think tank INDEM estimate estimates that only 10% of the overall corruption is nowadays directed at ways of "beating the system" (old-fashioned Soviet style blat), whilst

about 90% of bribes in Russia are paid by businessmen to facilitate dealings with government agencies; export licensing and quotas, state budget transactions, tax transfers, customs duties, privatisation deals and servicing debts to the federal budget. (Satarov et al in Ledeneva (2013).

The implication in Satarov's work is that bribery is initiated by businessmen and in a recent INSEAD faculty working paper considering the difficulties and tensions in leadership faced with endemic corruption (Denisova, Ledeneva and Shekshnia. 2013), the authors estimate that in a survey of "informal practices" - i.e. those associated with blat and corruption - the vast majority (76%) were initiated by corporate executives whilst government officials come a distant second, initiating slightly less than 20%. Most of these informal business practices are intended to manipulate the workings of markets and the mechanisms used by government to regulate those markets and control abuses.

However, during all of the interviews which I undertook in Russia I gained the distinct impression that bribery was most often initiated by the government employee rather than the interviewee (or the person in the anecdote being related by the interviewee).

One interpretation which could possibly explain the disparity between my impressions and those proposed by Dennisova et al could be that the corporate executives who were identified as initiating corrupt practices could merely be initiating them because they realised that without such an approach they would stand no chance of achieving their desired outcomes - in other words, it is just a recognition of the fact that the public employee with the power to grant or obstruct their project will not grant it without payment. (Alternatively, and less charitably perhaps, the situation in which managers claim that corruption is *initiated* by state employees is explained more simply - "they would say that wouldn't they?")

I had informal conversations on more than one occasion with Russian friends and colleagues to discuss the reasons why bribery was so widespread. In these conversations the extent of the bribery problem was often attributed to traditional low pay in the public sector, (leading to the prevalence of "feeding" referred to above) although it was recognised that the more recently the situation has changed and that people working in the public sector are beginning to recognise that their power and influence can be easily monetised rather than being traded for everyday goods and services as used to be the case under the old Soviet economic system.

Whoever initiates the "informal practice", this research certainly confirms that government/local government corruption is endemic in Russia, and is seen as a major problem when companies are developing strategies.

The following quotes give an indication of the significance of the corruption experienced every day by Russian managers:

Paul: *"so it's a real problem that there is corruption? Well I think that's true, but it also happens in England - I live in a little town near Wolverhampton and there's one supermarket and another supermarket wants to open in the town, and they have a contract with a landowner……."*

Valentina: *"… [gestures passing money] …..yes but in Russia it is awful. I'm sure that in every country sometimes it's like that.- And we have a lot of our problems because I can tell you a lot about our bureaucracy and of course corruption is awful, and we need to pay to everybody to the authorities of course,. And it is a problem of ours, and our customers"*

Stanislav: *"my field, where I'm working now, is very interesting. But what about the strategy? My opinion is that the Russian Federation, it doesn't matter what business you're in, it's very hard to make a strategy because our government, our laws, our corruption - you understand corruption? It's when you pay money - the corruption in Russia - a very big part, very big part…[….]*

- but about your question, what is my dream - I don't want to be like Abramovitch, because it's very bad for my heart - you have to be thinking where can I put this million, where shall I put that million."

Paul: *"he looks a happy man"*

Stanislav: *" it's only visual …. it's not I think - inside him it's not like this. "*

There seem to be two broad reasons why this endemic corruption exists, firstly because of commercial issues concerning the ability of government bodies to place orders and secondly because of the enormous power of national and local government agencies to interfere in the day-to-day running of companies. This pervasive government interference ranges from the enforcement of business tax legislation to the various licensing, approval and legislative control of things like geographical planning/zoning of new enterprises.   On occasion corruption amounts to little more than expediting a government decision, as for example described by Maxim, manager of a steel stockholding company in ******:

Maxim: *"… well of course you have good relations with government but in our case the local government doesn't disturb or interrupt our business. We have to connect of course, for example if we need some licence for construction. But it's not a huge problem, - of course corruption takes place - but if you want to solve some questions very quickly you have to pay."*

However, in other instances the power of the government agency can be such that it it can be a make or break barrier for business project, as illustrated in this quote from Andrei:

Andrei: *"And you are totally right, the lack of competition, which comes from some bureaucratic constraints-for example you won't get a lot [building plot] to build a new hotel because the owner of [a competitor] hotel is somehow turns out*

to be the wife of the local mayor. It's horrible-the level of bureaucracy is terrific in a negative sense you know, and how do we deal with it? I think in Russia [.....] you need to use punishment really. Explanations appealing to common sense do not work because..... I can tell you all the schemes our mayor uses to earn money, establishes his own payments-producing plans for somewhere in the region, and then giving the orders to his own company which is registered to his brother. So everybody knows...[that corruption is pervasive] "

and it certainly seems as though the size and scale of the company dictates to some extent the interference from local and national government bodies. Companies operating in the spheres where government has some direct interest can expect a greater degree of interference. For example, Maxim, the owner manager of project management company in Tyumen, who generally found little problem with corruption in the Tyumen region, did state however:

Maxim: "....there's one thing I ought to mention, it's fortunately not connected with my market and my business, but present, and different here. So some Russian [local] governments, they have their own affiliated companies, and of course if our company was a competitor to such a company, in that case we would have problems with the government."

The threat of government bodies seeking corrupt payments appears to be more prevalent with larger companies, and there is a feeling amongst SME managers that it is somehow better to be a smaller company and so to be "underneath the radar" when it comes to the attention of government bodies as exemplified by this quote from Stanislav, owner/manager of a Moscow-based building supplies company:

Stanislav: "....But I want to have stability, I forget the word in English, so in five years - in the future I want a little bit to grow, but not very much. Security in my place, because now I'm not very big and the government looks at me and they understand that I'm not big so they cannot take a lot of money from me, but when if I grow the Administration will come to me and say give me money, give me money because this is Russia. And unfortunately this is Russia."

Perhaps the most often cited complaints were concerned with the impact of bureaucracy and the cost of complex business regulation (red tape), in particular the complex tax regulations. Typical quotations from managers include:

Alexander: "one problem is that our legislation is not ideal and that is why the company has to have a lot of accountants. And this legislation doesn't allow the company to become larger."

> *Valentina: "yes, yes for example in Finland you only need to pay the tax in the end of the year but here we need to pay it every month and we need to make a lot of documents and give it to the tax department and so on. It's a lot of work for us-for this reason for example we have four accountants."*

Evidence from other studies is available to substantiate these findings. Dennisova et al attempt to classify the sorts of informal/ corrupt practices which are commonly found in Russian businesses, and whilst their framework for the classification of the practices is different from that used in this study (their paper concentrating on ways in which endemic corruption can be reduced by appropriate management), the list appears to be comprehensive, even to the extent of including some seemingly innocuous items which may not be considered to be particularly out of the ordinary in a western business context (for example funding press articles and local TV and radio broadcasts).

The following table shows the many of the informal practices adopted by Russian companies identified by Dennisova et al, including an additional column in which I have attempted to classify the apparent motivation of the practice described:

TABLE 4.4: THE MOST AND LEAST SYSTEMATICALLY USED PRACTICES (IN THE DESCENDING ORDER BY WEIGHTED POINTS)

Practice	Points (out of a possible 555)	Apparent Motivation (personal or company)
Extorting bribes by regional regulatory agencies: tax inspectorate, sanitation service, police etc.	278	Facilitation of business processes
Funding of publications in regional press and broadcasts on regional TV and radio	278	Normal commercial practice
Disregarding 'conflict of interest' of regional managers, e.g. their use of companies affiliated to them, recruitment of relatives etc.	266	Personal gain – by company employee
Selecting vendors/contractors with whom regional managers have informal relationships or arrangements	263	Manipulative competitive strategy
Paying for the services of regional regulatory agencies: tax inspectorate, customs, sanitation service, police, fire inspectorate, standardization agencies etc.	262	Facilitation of business processes
Receiving kickbacks or other informal rewards (for example,	220	Manipulative competitive strategy

Practice	Points (out of a possible 555)	Apparent Motivation (personal or company)
expensive gifts) by regional managers from vendors, suppliers, buyers		
Using company staff to carry out personal assignments from regional managers (assistance to family members, construction and decoration of housing, organization of holidays and entertainment)	213	Personal gain – by company employee
Using informal connections and networks to obtain state orders (state procurement) and loans from state banks	202	Manipulative competitive strategy
Paying salaries and bonuses to staff of regional subdivisions in cash without paying social tax	197	Financial gain for the company
some practices are omitted here …[by the authors]	[….]	-
Using informal tools (compromising documents and information, material from security services, *krugovaya poruka*) to manage company staff	99	Unethical HR technique
Paying for tax audits and other inspections in regional subdivisions with preagreed results	80	Facilitation of business processes / financial gain for the company
Using informal tools (compromising documents and information, material from security services, *krugovaya poruka*) to exert pressure on regional authorities	57	Facilitation of business processes
Leasing of the company's production or office premises or production equipment by regional managers for personal gain	41	Personal gain - by company employee
Receiving commissions or other material benefits from job candidates by heads of regional subdivisions	24	Personal gain – by company employee

Adapted from Denisova et al (2013 p.8)

The points system which the authors have adopted to rank the practices in this table have been established using a weighting system which seeks to score each of the practices listed in terms of the frequency of usage as classified in the findings of the original study, so that the most systematically used practices could be identified. Although it is somewhat speculative to use these weighted scores because the table is not complete and the weighting system could be seen as being rather arbitrary, nonetheless I have attempted to analyse the apparent motives for undertaking the practices, and, as a rule of thumb one could conclude that the main motives are as follows:

*TABLE 4.5 APPARENT MOTIVATION FOR THE USE OF "INFORMAL PRACTICES" (CORRUPTION)*

Apparent Motivation	Sum of frequency points
Facilitation of business processes	737
Manipulative competitive strategy	685
Personal gain by employee or manager	543
Financial gain by company	277

Adapted from Denisova et al (2013 p.8)

The frequency points used above are only rough and ready indicators of the common motivators for engaging in the informal practices above and should be considered as such. They do however indicate that the facilitation of normal business processes is probably the most common reason for bribery, whilst a significant number of informal practices are undertaken as part of a manipulative competitive strategy.

All of the above views expressed by Russian managers and also contained in Denisova et al (2013) are reflected in the findings of The WEF Global Competitiveness Report 2013:

FIGURE 4.3: WORLD ECONOMIC FORUM REPORT FINDINGS - RUSSIAN FEDERATION

The most problematic factors for doing business

Corruption	20.5
Inefficient government bureaucracy	11.9
Access to financing	10.0
Tax rates	9.3
Inadequately educated workforce	7.1
Insufficient capacity to innovate	6.5
Tax regulations	6.0
Crime and theft	5.9
Policy instability	4.5
Inadequate supply of infrastructure	4.3
Inflation	4.1
Poor work ethic in national labor force	3.1
Restrictive labor regulations	2.3
Poor public health	1.7
Government instability/coups	1.6
Foreign currency regulations	1.1

Percent of responses

Note: From the list of factors above, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

(Schwab 2013 p.304)

Quite clearly, the problems of a cumbersome government bureaucracy with its attendant opportunities for corruption pose the biggest problems for Russian businesses, particularly those small and medium sized companies without the alternative of relying on political patronage through siloviki/oligarch influence.

The most recent indices published in the Economic Freedom of the World Report (Economic Freedom Network 2013) show that although Russian economic freedom has been gradually improving overall, it is still ranked at 101st place out of 152 countries, and a detailed examination of the factors making up the index shows that business regulation (by local and national government bodies) presents the most significant difficulties and is ranked in 127th position out of 152.

Set in this context, the comments emphasising the difficulties of operating in the Russian business environment made by the Russian managers interviewed in this research are understandable, and the attitudes which they have developed in response to the local business environment have led to significant directions of overall company strategy (discussed in the next chapter).

4.11 SUMMARY OF THE MOST IMPORTANT FINDINGS

4.11.1 SUMMARY OF THE FINDINGS ON THE PRACTICE OF STRATEGIC MANAGEMENT

Most of the managers interviewed in this study reported that strategic management in Russian businesses was undertaken by a relatively small group within the company, that the process was largely an informal one and that much of the development of strategies tended to follow in emergent pattern rather than by the use of a highly structured process.

There were indications that larger businesses tended to be more inwardly orientated in their approach to strategy, and that they were becoming more systematic and formal in their strategic management processes. These large companies had much more centralised approaches to planning as. These factors were mainly attributed to the necessity to improve the competitiveness of big ex-state-owned enterprises in the light of an increasingly free market environment.

There were also indications that the power of oligarchs and siloviki (as important stakeholders) had significant effects on the strategies of large companies, (and because of their market power, they can also affect SME strategies as well) but although the group of managers which I interviewed included some from large companies, they tended to be relatively junior and could only comment on the strategic management processes in their companies "by observation from afar". Indeed, it seems very likely that in practice, insights into strategy processes in these vast ex-SOEs can only be inferred by observing the actions of the companies and their decisions. Gaining direct access to siloviki/oligarch decision-makers in these companies who represent massive concentrations of commercial and political power is, to all intents and purposes, impossible.

There was a general feeling amongst the Russian managers that Russian companies, even large ex-SOEs tended to favour younger managers, It seems likely that this Russian preference may well reflect the view that younger managers will more easily adapt to the rapidly changing business environment because many will have had an appropriate educational background, and there is certainly the view that younger managers are more entrepreneurial. However this preference was not mirrored by the UK managers interviewed.

Overall, although the issues affecting strategic management practice in large oligarch owned or siloviki directed companies are found in Russia but seem hardly evident at all in the UK, in most respects the process of strategising in smaller Russian companies appears to be broadly similar to that found in British companies of similar size. The differences which are evident in the strategies followed by Russian companies are mainly a result of different attitudes to relationships between people, other companies, and the government agencies with which companies are compelled to interact.

4.11.2 Summary of the findings on Competitive strategies and relationships with customers

In some respects the views of Russian managers (particularly those working in SMEs) on the subject of competitive strategies and relationships with customers are similar to their British counterparts. It is evident that Russian managers realise that they need a coherent competitive strategy and understand what is required to achieve it. The matching of their competitive positioning with the requirements of their customers often leads smaller businesses to follow reactive strategies.

However, it is also evident that, unlike their British counterparts, Russian managers of both small and large businesses are also likely to use manipulative strategies, both to secure new customers (by establishing blat either by social methods or by payments) and to reduce the degree of competition in a market by excluding competitors. This may be by the use of cartel like arrangements or by taking advantage of political connections with governments or suppliers to make market entry difficult for potential new competitors.

In either case it seems that nowadays it is seen as normal commercial practice in Russia to build blat by the extensive use of business gifts and often by direct payments in the form of kormit - "feeding" or Otkat - top slicing contracts. These practices, involving some forms of payment, have replaced the older forms of blat which were ubiquitous in Soviet times at a personal rather than corporate level.

4.11.3 Summary of the findings on coping with the Russian government agencies

The significance of corruption in Russian business life was stressed by all the managers interviewed, and identified by several recent studies (for example the World Economic Forum Global Competitiveness Report (Schwab 2013) as being the largest single problem facing Russian companies. Transparency International ranks Russia 136th out of 174

countries in its corruption perception index - in comparison with the UK which is ranked at 14th. (Anon 2014)

The topic of corruption has been analysed in some depth (Ledeneva 2009, Denisova, Ledeneva et al. 2013) and it is apparent that it is a blanket term that includes many activities, sometimes referred to as informal or unofficial practices, and covers a wide spectrum of levels of malfeasance - from misuse of company property to outright large-scale bribery. Denisova et al identified 27 different practices which can be classed as corrupt.

There appear to be three main motives for corrupt practices, namely: personal gain at an individual level, financial gain for the company as a result of implementing manipulative competitive strategies, and facilitating dealings with government bodies which have power to regulate companies. Russian research indicates that more than 70% of bribes paid by companies to facilitate some aspect of their business dealings with government are initiated by corporate managers rather than government employees.

CHAPTER 5: DISCUSSION

5.1 A MODEL TO EXPLAIN THE ACTIONS OF THE MANAGERS INTERVIEWED.

This chapter seeks to explain the some of the findings detailed in the previous chapter. From the outset, this study of strategy in Russian businesses has been intended as exploratory with the object of developing theory concerning the practice of strategic management in Russia. As discussed in chapter 3, interpreting qualitative data is a complex process: Schwandt (2007) points out that all interpretation depends on the cultural grounded-ness and personal experience of the researcher him/herself, but it surely also rests on an understanding of the history and social structure of the society in which the study is taking place. The discussions which follow might be thought of as quite wide-ranging, but are intended to explain some of the unexpected findings. This requires an understanding of the features of Russian society and the economy which may affect the ways in which Russian managers think about business issues.

As the findings stand, they are really just data unless one develops a model which satisfactorily explains the observed phenomena of market manipulation, and which could be predictive - explaining how the nature of the business environment and culture shape competitive strategy.

Krugman defines a model:

> *"What do I mean by a "model"? The answer is, I'm pretty generous on that front – it could be solved equations, it could be a computer simulation, it could be a physical apparatus like the Phillips hydraulic Keynesian model, or it could just be a carefully written verbal discussion like Hume's essay on the balance of trade. What makes it a model is that however it's presented, it involves careful discussion of micromotives and macrobehavior – that is, it describes what individuals are doing (not necessarily out of perfect rationality), and how that individual behaviour adds up to some aggregate outcome . Now, having a model is no guarantee of being right […] Still, writing down a model rules out certain kinds of error, the kind that come from not thinking about [how] things add up. […] Having a model lets you avoid that sort of thing. (Krugman 2012 online blog)*

I have attempted to develop such a model (based on a carefully written discussion), and in particular one which can be generally applied and explains several observed phenomena, but at the end of the day one should not forget that when considering such a complex issue as customers' perceptions of value and the strategic intentions of managers, any such model will have limitations and shortcomings, and its main purpose is to aid understanding. It is based on my understanding and on my interpretation of the research findings, and is consequently open to debate.

5.2 Interpreting and conceptualising the findings

The following sections discuss the findings in the three main areas and seek to provide plausible explanations as to why strategic approaches and practices discovered by the research have come into being and are so deeply rooted in Russian society.

5.2.1 Strategic Management Practice

Chapter four has reported the detailed findings in each of the three areas, but the first category of these findings, those concerning the practice of strategic management (in terms of who is involved in management decision-making, and what processes are involved -i.e. highly planned or emergent strategic decision-making), whilst interesting in their own right, do not really bring to light any novel or unexpected insights into the management of Russian businesses. The strategic management practices described by the Russian managers interviewed in this study largely resemble those adopted by British managers.

This is not to say that there are no significant differences between British and Russian managers in this respect; in fact in siloviki/oligarch directed businesses it seems certain that both corporate and competitive strategies are dominated by powerful vested interests, often concentrating on maintaining monopolistic powers (as evidenced by recent events at Gazprom, Rosneft, BP-TNK etc., and recent referrals to the WTO dispute resolution mechanisms), and the strategy processes will almost certainly reflect that fact by being hierarchical, autocratic and non-participative.

However, access to strategic decision-makers in these large businesses is close to impossible for western researchers and it must be acknowledged that the insights and findings relating to the siloviki and oligarchs businesses described in the previous chapter are only the result of second-hand information based on observation of their actions "from afar" by the managers I interviewed.

Nevertheless, in other respects the findings do highlight distinct areas of differences between strategic thinking in UK firms and those Russian companies which have been researched at first hand in this study. Primarily these differences concern firstly, the perceived needs of Russian companies to form special exclusive relationships with customers in order to maintain market power and a favourable competitive position rather than "letting the market do its work", and secondly the acceptance among Russian managers that it is necessary to influence government agencies and people in positions of power within local or national government agencies. The evidence for this comes from the common use of network strategies, manipulative strategies, and the prevalence of "informal" or corrupt practices.

5.2.2 Competitive strategies and networking

The attitudes and values concerning networking, competition and corruption evinced by the managers interviewed strongly suggest that there are cultural dimensions which govern these differences in strategic management thinking as well as the straightforward economic

causes commonly discussed in western textbooks. This is an aspect of strategy which has not hitherto been researched in much detail, (De Wit, Meyer 2005, Puffer, McCarthy 2011) but which has far reaching consequences.

The use of networking strategies and Manipulative strategies were much more in evidence amongst Russian managers than their British counterparts. It seems most likely that the prevalence of these strategies can be attributed to three main factors:

- the continuing peculiarities of the Russian business environment
- the hangover of aspects of the old Soviet business culture
- aspects of Russian national culture

These three factors are inextricably interlinked, so that often the origins of managers' actions cannot be easily unpicked. However, it is worth considering each of the factors in turn.

5.2.3 THE RUSSIAN BUSINESS ENVIRONMENT

The Russian business environment was discussed at length in document two, and having now reviewed the research findings it is clear that despite continuing moves in Russia towards a functioning market economy, aspects of the business environment continue to affect the nature of business strategies.

Although the days of the lawless "wild East" business environment of the post-soviet union 90s are now well past, the fact that the business landscape is dominated by large companies (the siloviki/oligarch controlled sector identified by Puffer and McCarthy) means that competitiveness in many markets is rather limited.

I noted in document two that there was a dearth of SMEs in Russia, and it remains the case that SMEs are underrepresented in many industrial sectors. In newer and service industries SMEs are growing but Russian SME managers interviewed mentioned that large companies in Russia still operate with the intention of "killing" potential new competitors, and are reported to be unscrupulous in following that strategy. (The managers of large companies who were interviewed or who completed the questionnaire in document four (not unnaturally) failed to mention this strategy, but several of the SME managers interviewed reported that their large competitors followed the strategy to dominate their market).

There is certainly evidence, then, that larger, well-connected, Russian companies actively use strategies to reduce intensity of competition by reducing the number of smaller players and the threat of new entrants to markets. One of the consequences of this is that in a hypo-competitive market environment there is less incentive to innovate, and this is certainly a concern for the Russian Duma (Martens 2007).

The dominance of the business landscape by powerful and often monopolistic companies along with the continuing massive power of the organs of national and local government

means that navigation of the landscape is fraught with difficulties for smaller players. Even though many of the early problems of transition (such as currency instability, access to international markets etc) have now become much less of an obstacle for business in Russia, interference in business regulation is still identified as a major problem by Russian companies. This came through strongly in interviews, and is supported by published statistical evidence and longitudinal research studies from the World Economic Forum and the Economic Freedom Network.(Schwab 2013, Economic Freedom Network 2013).

5.2.4 THE POWER OF NATIONAL AND LOCAL GOVERNMENT BODIES

In addition to their economic role which involves controlling government spending, the power of government regulatory bodies in Russia also has two strategic consequences:

- firstly, local government officials have the power to ease or to hinder the expansion of smaller businesses by granting or refusing statutory permissions, and
- secondly, the continuing operation of the company can be made difficult by the attentions of tax authorities and other regulators - to such an extent that SME managers in this study stated that remaining small enough to be "off the radar" was an important strategic consideration.

It is easy to see why good relations with the very powerful national and local government agencies is so important, particularly for SMEs, and why, therefore, Russian companies in this study should stress the importance of strategies aimed at maintaining good relations with these bodies. The government is making stringent efforts to reduce the bureaucratic burden on business, with some success, but the power of business regulation remains very high in Russia.

In the latest EFW report (Economic Freedom Network 2013), Russia ranks 122nd of 152 in the measure of government regulation of business. By contrast, the UK's rank for business regulation is a relatively favourable 21st of 152 (despite the complaints frequently voiced in the media by representatives of British business organisations), and consequently British managers interviewed in this study hardly mentioned strategies to maintain good relationships with government. Russian managers, used to the monthly submission of tax accounts etc, found the "light touch" regulatory environment experienced by British companies difficult to comprehend.

Although the findings mentioned several forms of maintaining good relationship with government agencies, corrupt practices were frequently mentioned, and In this sort of environment, the feeling of Russian managers was that the necessity to bribe local officials was just a given and did not merit much discussion.

5.2.5 THE IMPORTANCE OF NETWORK STRATEGIES AND NETWORKING PRACTICE

5.2.5.1 WHY NETWORK STRATEGIES MAY PREVAIL IN RUSSIA

The findings of this research make clear that overall, network strategies are of greater importance to Russian managers than they are to British managers. It is clear from the interviews that personal relationships are greatly valued in Russia and considerable efforts are made to build and to foster networks of customers and relationships with government employees in positions of power.

I argued in document two that it was likely that the cultural dimensions of universalism vs particularism and individualism vs collectivism (Trompenaars, Hampden-Turner 1998, Hofstede 2001) would affect the nature of the strategic process within companies and the actual competitive strategies which they adopt. Russia is classed as a highly particularist society, characterised by Trompenaars as follows:

> *"The Universalist approach is roughly: "what is good and right can be defined and always applies." In particularist cultures far greater attention is given to the obligations of relationships and unique circumstances. For example, instead of assuming that the one good way must always be followed, the particularist reasoning is that friendship has special obligations and hence may come first. Less attention is given to abstract so societal codes."*

One interpretation of this behaviour is that it is culturally bound. The importance of building networks to meet the needs of everyday life and even to ensure survival had roots in the harsh Russian environment and in a feudal system with a rigid class system based on a traditional aristocracy. The feudal system persisted well into the 19th century.

These difficult conditions for the ordinary Russian populace continued after Czarist times. In the Soviet era the Stalinist state imposed severe hardship and had an elite ruling nomenklatura which used brutalist control methods to impose a political system which, ironically, actually had its origins in utilitarianism and egalitarianism, and was based, at least in part, on the idealistic philosophies espoused by Jeremy Bentham and Robert Owen.

Whilst networking strategies are found in other business cultures, it seems that in a particularist culture such as that found in Russia, and one with the long history of reliance on friends and acquaintances to bypass the non-functioning Soviet distribution model (Ledeneva 2009), networking assumes a very important role.

5.2.5.2 WHY MAINTAINING RELATIONSHIPS WITH GOVERNMENT BODIES MAY BE IMPORTANT IN RUSSIA

Survival in these feudal and subsequently Stalinist conditions probably depended on forging relationships which would be vital for mutual support and survival. Not only would the conditions have provided positive reinforcement for these sorts of relationships in order to provide the day-to-day necessities of life in the non-functioning economic system, but also,

living through the terror of Stalin's totalitarian regime would have encouraged a fear-based respect for government bodies (Sebag-Montefiore 2012).

Much of Soviet society was controlled through fear and the expectation of reprisals if demands from authority were not swiftly obeyed, and equally there was a tradition of the use of verbal commands and one of the traditional Russian management instruments is the "ukaz"-a top-level decision that is not open for discussion. (Wohlfart et al, 2006).

I believe that this is likely to have created a "racial memory" based on fear, not just of the NKVD and its successors, MVP, KGB, FSB, but also the Justice and enforcement ministries and those ministries responsible for the economic functioning of the Soviet union. Indeed this fear of authority does not just stem from the Soviet era; the first post-revolutionary secret police -the Cheka, was largely modelled on the Ochrana, its Czarist predecessor.

Given all these features of the power system in Soviet days, it is easy to understand why blat-based networking strategies, and deference to government agencies may be "baked into" Russian national culture as a particularist orientation and Trompenaars and Hampden-Turner (1998) note that corruption and nepotism tend to be features of particularist cultures.

5.2.5.3 WHY THE HISTORICAL IMPORTANCE OF RELATIONSHIP WITH GOVERNMENT BODIES SHOULD PERSIST

An interesting conundrum which I sought to answer concerns the question of why these attitudes and behaviours which were born out of the historical political and economic systems were still in evidence *nearly 20 years after the collapse of the system which spawned them*. I had several conversations with academic colleagues at TSU, and observers of the Russian scene in Moscow trying to understand the reasons for the robustness of these cultural attributes and their persistence into recent times, and two main reasons suggest themselves:

Firstly the economy has evolved in such a way that any of the largest companies are now siloviki controlled which means that the Soviet old guard who controlled the system by virtue of their positions within the KGB / FSB and the so-called power ministries (judiciary, internal security, militia etc) are still in control of the ex SOEs and the remaining SOEs. Many are there because of their links to the Kremlin (bearing in mind President Putin's previous roles in the KGB and FSB, they form an important part of "Putin's sistema").

Secondly, many of the most senior managers in the Russian Federation, and certainly those in their early 40s would not have been employed during the Soviet years (except perhaps in the latter phase of the turmoil which was Perestroika). Nevertheless, they still seem to be involved in networking and power groups in much the same way as in the Soviet era.

One of the answers to this conundrum was suggested by a colleague at TSU who pointed out that these younger but nevertheless powerful managers would have been members of

the Komsomol (Communist youth movement membership of which was essential for career progression in the Soviet era).

> *Paul*: *"but do you think it's changing - is Russia changing?*
> *Ludmilla*: *"yes of course but I hope.... At the beginning of perestroika, at the top of the government there were former Communists people, people who were communist party members, but nowadays most people in authority are former Komsomol members. A lot of Komsomol members because they used to be very active, energetic a lot of networking which is also very important, which is why it's very easy for them to get promotion."*
> *Paul*: *"but that's a generation ago, when did the Komsomol finish? Did that also finish in 1991/92"*
> *Ludmilla*: *"yes, yes"*
> *Paul*: *"so those people now - if they were in the Komsomol they would have been 18 or 19,"*
> *Ludmilla*: *"…early 40s [now]"*
> *Paul* : *"so actually now they're the top people in companies?   The most interesting thing to me is this idea about the Komsomol and the fact that that network, which was really important in communist days anyway, it's still there. And I forgotten that. I knew about the Komsomol but I'd forgotten that. That would be really interesting to know wouldn't it-how many general directors are ex-Komsomol? "*
> *Ludmilla*: *"do you think you can make a survey on that? To find out? [Laughs] I suppose it's not a fact that you can be proud of now nowadays unfortunately."*
> *Paul*: *"it was a different time"*
> *Ludmilla*: *"yes of course, and it was not so bad in the mid to late 1980s"*

It would have been as a result of this Komsomol membership that they have established the networks which have led to their powerful positions.

It seems plausible to argue therefore that the importance of maintaining relationships with local and national government bodies still remains important in Russia because as the Russian economy has transformed from a centralised planned economy into a market-based one, so the political system which controlled the workings of the economy has transformed into a new form of system where the economy is controlled by a combination of political influence and corruption/informal practices.

The mechanisms have changed from direct control by ministries under the direction of Gosplan to a more nuanced form of control where oligarchs and powerful individuals (siloviki) control large sectors of the economy by virtue of their political connections and personal relationships with senior members of the government. The oligarchs are less directly influenced by direct political connections but are nonetheless likely to follow strategies which are in line with what the government wants for fear of suffering the same

sort of reprisals as did Mikhail Khodorkovsky, Russia's wealthiest oligarch (and, incidentally deputy head of the Komsomol branch during his university days), when he was convicted on tax charges and imprisoned in 2003 following political disputes with the government and President Putin. Amnesty International declared Khodorkovsky a prisoner of conscience in 2011.

Although the Khodorkovsky case is an extreme example of the power and workings of the Putin Sistema, the importance of keeping in line is widely understood in Russia, even by smaller businesses, and the importance of political influence was stressed by one of the managers I interviewed:

> *"…. exactly, that's common sense - that's the rule in Russia. Don't get involved in politics in a big way - you can run your business, have good relations with politicians, but don't try to change things"*

So it does seem that as long as the Russian economy remains dominated by large companies which are owned by oligarchs or controlled by powerful individuals with links to the government, businesses both large and small will be compelled to maintain good relationships with government bodies and remain politically aware.

5.3 BRINGING THE THREADS TOGETHER

This chapter has discussed the issues which have arisen from the findings of the research. This is a research topic which is neither simple nor unambiguous, and the discussion of the findings often depends on speculation about which of the aspects of the Russian business environment and national culture influences the behaviour of managers in their day-to-day tasks of strategic management. Because it is complex and ambiguous the results need to be interpreted, a process which, in the end, requires value judgements to be made concerning the significance of the various findings and the theories which underpin them.

In chapter two, as I reviewed all of the literature, I drew some conclusions from the theory in order to develop a conceptual framework. This took the form of a series of 13 propositions, and at that stage I intended to confirm or refute the propositions using quantitative research as parts of documents four and five. In the event, the document two propositions and conceptual framework were not pursued in the way which was originally intended because, as discussed elsewhere, the research focus moved to a more qualitative approach and away from hypothesis testing.

However, the research undertaken for documents three four and five does allow a retrospective review of the original propositions in the light of the research findings, and I think that this should be one component of the gestalt process of interpretation.
The research undertaken in document four was intended to investigate these propositions in a quantitative manner, but the results of that research were rather inconclusive. This was primarily due to the sampling strategy which I was compelled to adopt, (for reasons

described in document four), and so although I attempted to extract meaningful information from the survey data, the conclusions from document four research are not really robust enough to be seen as anything other than background support information.

However when viewed with the qualitative research from document three and this document it is possible to take an holistic view of the original propositions. The review is summarised in the following table:

TABLE5.1: HOW FINDINGS SUPPORT OR REFUTE MY ORIGINAL RESEARCH PROPOSITIONS

Proposition Number	Proposition	Supported by this research ✓✗	Comment
P1	older ex state-owned enterprises (ex SOEs) are likely to be dominant in their markets	✓	These companies are likely to be oligarch and/or siloviki controlled
P2	large Russian companies are more likely to be operating in oligopolistic markets,	✓	These companies are likely to be oligarch and/or siloviki controlled
P3	managers working in oligopolistic business landscapes are likely to be more concerned with resource-based strategies than market positioning strategies, whilst managers working in more competitive environments are likely to be more concerned with market positioning strategies	✓	SME managers adopt similar strategies to British counterparts whilst oligarch/siloviki controlled companies (often extractive industries) reportedly less concerned with reacting to market needs, and more interested in extracting the maximum rent from their activities
P4	Younger managers (say less than 40 years old) who never worked in the Soviet business environment are more likely to be outwardly orientated and favour reactive competitive strategies	✓ **Not Particularly Significant**	Younger managers appear to have a reputation in Russia for being more entrepreneurial (but this is not a particularly important finding)
P5	Older managers with seniority built in the Soviet business environment are more likely to be traditional resource managers and hence inwardly orientated	**Not proven**	No real evidence from interviews or triangulation sources to back this up
P6	Older managers having spent their formative years in the Soviet business environment are more likely to favour network strategies and manipulative competitive strategies	✓	Not overtly stated in interviews, but can be implied by Sistema and the residual influence of the Komsomol
P7	Companies operating in particularist cultures will be more likely to concentrate on network strategies	**Not generalisable**	The research strongly suggests the link, but this research is not generalisable outside Russia
P8	Particularist cultures will be more accepting of manipulative competitive strategies	**Not generalisable**	The research strongly suggests the link, but this research is not generalisable outside Russia
P9	Network strategies will be important to Russian companies	✓	Network strategies were found to be important for all types of Russian company
P10	Manipulative strategies will be important to larger Russian companies	✓	This appears to be a true interpretation but is based on observations of strategy "from afar"
P11	Russian managers in large firms and ex SOEs will be more inwardly orientated than small firms	**Not proven**	I think this to be true but no real evidence from interviews or triangulation sources to back this up

Proposition Number	Proposition	Supported by this research ✓✗	Comment
P12	Russian managers in large firms and ex SOEs are likely to attempt to use manipulative competitive strategies	✓	This appears to be a true interpretation but is based on observations of strategy "from afar"
P13	Russian managers in SMEs and younger non-oligopolistic companies will be more outwardly orientated	✓	The research strongly suggests the link

Overall, this review of the propositions shows that some of the ideas were sound, some were rather insignificant (it turns out), and some lacked any support from the findings and were therefore unproven.

The themes which emerged from the grounded theory approach were clearer, and in summary concerned:

- The practice of strategic management and factors affecting strategic management in Russia.
- Competitive strategies and relationships with customers.
- Coping with the Russian business environment and local and national government agencies

Of course, being grounded in the research, the findings are all supported. Again, some of the themes were less significant than others, but overall, the really significant issues concerned the importance of networking, the prevalence of manipulative strategies and the endemic nature of corruption.

A summary of the strategies mentioned by Russian and British interviewees along with my interpretation of the strategic intention of the strategy and its classification as reactive or manipulative is shown in the following table:

TABLE 5.2: COMPETITIVE STRATEGIES ADOPTED BY RUSSIAN COMPANIES AND THEIR INTENTIONS

Strategic action	Strategic intention	Reactive/ manipulative strategies	Russian managers ✓✗	British managers ✓✗
Beat competitors prices (predominantly an SME strategy)	Acquire new customers by providing a better perceived value for money offer than competitors	R	✓₁	✓
Develop products or services with higher perceived user value	Acquire new customers by providing a better perceived value for money offer than competitors	R	✓₁	✓
Attempt to block the establishment of new competitors by use of political contacts with siloviki (strategy followed mostly by larger companies)	Reduce *intensity* of competition by reducing the threat of new entrants in the market	M	✓	✗
Attempt to eliminate existing small competitors by use of political contacts with siloviki (strategy followed mostly by larger companies)	Reduce the number of competitors and hence competitive rivalry	M	✓	✗
Attempt to eliminate small & new competitors by establishing blat-based relationships with existing customers (strategy followed by both large and small companies)	Reduce the number of competitors and hence competitive rivalry	M	✓	✗
Establish a cartel to fix price levels	Minimise price competition to maintain higher than normal prices & profits	M	✓	✗
Make corrupt payments to secure existing or new potential customers: (Kormit or Oktat)	Counteract the price or quality advantage of a competitor	M	✓	✗

✓₁= strategy predominantly followed by Russian SMEs rather than large companies

In my attempts to impute strategic intent from the strategic actions of managers, for Russian managers I found it rather difficult to separate the intentions behind network strategies from those which I had classified as manipulative. I think that in a Russian context, to all intents and purposes, network strategies are primarily intended to manipulate markets. In a British context, however, I think it would be inaccurate to ascribe

a manipulative motive to the majority of the networking actions described by the British interviewees.

There seems to be consistent pattern of strategic intent and strategic action which has emerged from the research undertaken for each of the three DBA research based documents, and the external third-party evidence mustered to provide triangulation supports the research findings unambiguously.

In document two I attempted to integrate existing strategic typologies proposed by Miles et al. (1978) and Grachev and Izyumov (2003), and at the completion of this research it has been possible to refine the proposed typology so that it takes account of the research findings. In document two I recognised that the proposed typology, as illustrated in Table 2.2, might well be incomplete or that some of the categories might not be not particularly relevant in the developing Russian business landscape, and this has proved to be the case.

For example, while Grachev and Izyumov did not identify reactors as a strategic type, it seems that this is a readily identifiable strategic grouping in Russia. It also seems that the more extreme forms of predatory entrepreneurship (violent Mafia like activities) are declining as the Russian business landscape changes and matures over time.

Although the research did not confirm my initial views concerning the inward or outward orientation of companies, there was some supporting evidence, and the theoretical logic remains sound.

A revised typology describing strategies and organisational characteristics is shown in the following table, Table 5.3:

TABLE 5.3 : A COMPARISON OF STRATEGIC TYPOLOGIES AND ASSOCIATED ORGANIZATIONAL CHARACTERISTICS

Strategic Type (from this research)	Strategic Type (after Grachev and Izyumov)	Strategic Type (after Miles et al)	Basis of competitive strategy	Strategic orientation	Approach to market Reaction/ manipulation	Typically represented by
			1	2	3	
Traditional Soviet style companies	Bureaucrat	Defender	N	I	M	Companies controlled by Oligarchs & Siloviki i.e. Large, oligopolistic companies, SOEs & ex SOEs, companies in strategically important sectors
Predator	Predator	_	N	O	M	Oligarch owned larger ex SOEs with history of predatory management, smaller SMEs with "black market" roots
Western mainstream	Competitive entrepreneur	Analyser/ prospector	P/D/N	O	R/M	SMEs, medium-size companies operating in globally competitive industries
Reactor	_	Reactor	P	I	R	SOEs and Ex-SOEs in declining industries

1. Basis of competitive strategy: **D**= differentiation, **P**= competing on low price, **N**= network strategy

2. Strategic orientation: **I**= internally orientated (i.e. driven by company's resources), **O**= outwardly orientated (i.e. driven by external environment)

3. Approach to market: **R**= reacts to external environment, **M**= attempts to manipulate market.

CHAPTER 6: CONCLUSIONS AND REFLECTIONS

6.1 FINAL CONCLUSIONS

In the absence of an existing body of research, the theory building in this thesis has depended on my interpretation of the research findings, building, wherever possible, on existing strategic management theory, but above all within the context of the unique characteristics of the Russian business environment and Russian national culture.

Without setting the results in context, the interpretation would be flawed (Pawson, Tilley 1997), but in attempting to understand the context, I have had to borrow from sources rather wider than conventional work on strategic management would demand. I have found myself seeking information to contextualise my findings from works on recent Russian history, philosophy, political science, sociology and anthropology, but I think that without this breadth of information, my understanding of the context of the findings, and hence my ability to interpret them appropriately would have been much reduced.

The findings are classified under three broad headings:

- The practice of strategic management and factors affecting strategic management in Russia.
- Competitive strategies and relationships with customers.
- Coping with the Russian business environment and local and national government agencies

This research has identified some specific strategies undertaken by Russian businesses and in discussion of the findings I have proposed a classification framework (manipulative vs reactive competitive strategies) which can be applied to Russian managers.

I have argued that some of the characteristics of the strategies employed in Russian businesses are dictated by particular aspects of Russian national culture, namely the particularist and collectivist dimensions.

Furthermore, the peculiar nature of the Russian business environment, dominated by powerful SOEs and ex SOEs, directed by oligarchs and siloviki, also affects strategies by encouraging the use of manipulative competitive strategies, and encourages corruption and other "informal practices". In themselves, the corruption and other "informal practices" are carried out for one of three major purposes: for personal gain by individuals, to influence favourably the ways in which government departments deal with companies and to manipulate markets so that companies gain some form of competitive advantage.

A logical conclusion would be that other societies which are particularist, collectivist and subject to political control which is very concentrated in a powerful ruling elite would also

exhibit the same sorts of strategic management practices and in particular the adoption of manipulative strategies.

In the course of discussions about my research findings with international colleagues, (seeking educative authentication) those from countries which have the same characteristics as Russia - particularist, collectivist and with a powerful ruling elite (in other words, countries with a hypo-capitalist business environment rather than a mature market-based economy) - have confirmed that, in their view, my manipulative/reactive strategy model is evident in their countries.

I believe that the research is sufficiently robust to defend the framework in the specific context of Russian culture and the Russian business environment. However, whilst I am content to propose this as a theory, and I think that the causality linking culture, political power structure and business strategy has been established by the research described in this document as far as Russia is concerned, I do not wish to commit a fallacy of composition by claiming more from the research than can be justified by the findings concerning Russia. In other words, I am not claiming that the findings can be generalised at this stage.

Nevertheless, although unproven in the wider international context, the theoretical outcome of this research is that companies operating in environments which are particularist, collectivist and operating in a hypo-capitalist business environment (with political and economic power concentrated in relatively few powerful hands) are likely to use manipulative competitive strategies.

In contrast, companies operating in countries which are universalist, individualist and with advanced democratic political systems, independent judiciary and well regulated economic systems are likely to follow reactive strategies. The research in Russia supports this view, and there is every reason to think that the theory is applicable to other countries with the same characteristics.

6.2 THE VALIDITY OF THIS RESEARCH

It is important to remember that from the outset the intention of the research was to develop theory concerning Russian businesses. It is interpretive in nature and so seeking generalisability is not one of the main criteria which I have claimed for the research outcomes. The more important criterion is that of research validity so that the theories which I had developed are seen to be plausible. In chapter 3 I set out the list of criteria which I felt should be met in order to demonstrate that this research was valid, trustworthy, authentic and had been undertaken in a fair and responsible way.

At the conclusion of the research I hope that I have demonstrated that I have met these criteria, and the following table summarises the measures I have taken to assure this.

TABLE 6.1 CHECKLIST OF RESEARCH QUALITY CRITERIA

Criterion	Criterion met ✓✗	Comment/measures taken to ensure validity
• Pose a significant, important question that can be investigated empirically and that contributes to the knowledge base	✓	The significance of the research questions was discussed in documents one & two:
• Test questions that are linked to relevant theory /theoretical validity	✓	Links with existing and developing theory were established in document two, although as interpretive research using grounded theory methodology, to some extent theory is being developed rather than tested in this work.
• Apply methods that best address the research questions of interest	✓	the methods used are justified in section 3 of this document which puts forward the arguments in favour of the methodology adopted
• Base research on clear chains of inferential reasoning supported and justified by a complete coverage of the relevant literature	✓	Links with existing and developing theory were established in document two, and extended in chapter 5 of this document.
• Provide the necessary information to reproduce or replicate the study	✓	The detail findings of the study are included in this document along with the analysis. The research is interpretive in nature and seeks to develop theory, and so to some extent replicability will depend on the stance of the reader.
• Ensure the study design, methods, and procedures are sufficiently transparent and ensure an independent, balanced, and objective approach to the research	✓	The study design and procedure is entirely consistent with an interpretive ontological stance (which is, by definition, to some extent subjective)
• Provide sufficient description of the sample, the intervention, and any comparison groups	✓	Discussed in chapter 3 and appendix 1
• Use appropriate and reliable conceptualization and measurement of variables	✓	The development of theory by rigourous application of coding complies with grounded theory practice
Descriptive validity	✓	Interviews were recorded transcribed and analysed in accordance with research methods best practice

Criterion	Criterion met ✓✗	Comment/measures taken to ensure validity
Interpretive validity	✓	Where any doubts arose as to the true meaning of interviewees' statements they were discussed and queries resolved with bilingual, subject aware interpreters
Theoretical validity	✓	The model developed & described in chapter 5 is theoretically defensible and can be applied in multiple situations & contexts
Generalisability	✓	Internal generalisability is indicated by reaching theoretical saturation in the textual analysis and coding process.
	✗	External generalisability remains unproven and requires further international research, although the international generalisability of the research conclusions certainly appears to be completely plausible.
Evaluate alternative explanations for any findings	✓	Covered in chapter 4 Findings and chapter 5 Discussion
Derive models which can be applied in various situations & contexts, which describe and explain micro-behaviour and macro (industry level) outcomes	✓	The applicability of the model is discussed at length in chapter 5
Assess the possible impact of systematic bias	✓	Covered in chapter 3, Methodology and chapter 5, Discussion
Submit research to a peer-review process	✓	The research described in this document is subject to peer review as part of the academic assessment process
Adhere to quality standards for reporting (i.e., clear, cogent, complete)	✓	The reasoning behind the reporting approach was largely developed in document three and is covered in chapter 3, Methodology
Trustworthiness: credibility	✓	Grounded theory methodology ensures prolonged & in-depth pursuit of salient elements. Extensive triangulation is to be found in chapters 4 & 5. Negative case analysis is included where appropriate (see for example Wintech/construction industry)
Trustworthiness: transferability	✓	Thick (rich) data is included in chapter 4, findings

Criterion	Criterion met ✓✗	Comment/measures taken to ensure validity
Trustworthiness: dependability and conformability	✓	The NBS DBA process is assessed at each stage by an external disinterested auditor, & the process is sequential and extensively documented, so that it provides a comprehensive audit trail
Fairness	✓	The research has been undertaken in compliance with NBS ethical guidelines, and I have ensured the anonymity of respondents where required.
Ontological authentication	✓	My reflections and changing ontological stance are recorded in document six
Educative authentication	✓	Research findings have been discussed and debated with academic partners and colleagues in the UK and Russia

Overall, bearing in mind the inductive nature of the research and the interpretive approach to theory building, my hope is that the measures described above, which I have taken whilst undertaking the research, are sufficient to persuade the reader that the research provides valid and authentic insights into the strategy building process in Russian companies.

6.3 THE SIGNIFICANCE OF THE RESEARCH FINDINGS

This research has identified some specific strategies undertaken by Russian businesses and in my discussion of the findings I have proposed a classification framework (manipulative vs reactive competitive strategies) which can be applied to strategies adopted by Russian managers. Furthermore, I believe that the classification framework is sufficiently robust to be defensible in the specific context of Russian culture and the Russian business environment.

I have also argued that some of the characteristics of the strategies employed in Russian businesses are dictated by particular aspects of Russian national culture, namely the particularist and collectivist dimensions. Furthermore, the peculiar nature of the hypo-capitalistic Russian business environment -dominated by powerful SOEs and ex SOEs directed by oligarchs and siloviki -also affects strategies by encouraging the use of manipulative competitive strategies, and encourages corruption and other "informal practices".

A logical conclusion would be that other societies which have similar characteristics to the Russian Federation, namely those which are particularist, collectivist and subject to political control which is concentrated in a powerful ruling elite, would also exhibit the same sorts of strategic management practices and in particular the adoption of manipulative strategies.

Virtually all mainstream strategy textbooks discuss competitive strategy in terms of theories which appear to be based on the assumption that all business environments will resemble mature, market based Anglo-Saxon style market economies. This is unsurprising as all of the seminal works on competitive strategy have been developed in the United States or Western Europe and are overwhelmingly based on an economic analysis of competition. In these circumstances the underlying Western business ethics and cultural norms are also assumed to be universally applicable.

However, when one views competitive strategy within its cultural context - as this research has attempted to do, and if one adopts a "strategy as practice" viewpoint; - in other words in investigating the day-to-day actions and investigating the actual views of managers and the ways in which they perceive their actions, it becomes clear that in cultures which are less individualistic and more particularist, the traditional Anglo-Saxon theoretical tenets of competitive theory do not necessarily hold true.

Potentially, this has two important outcomes:

- Firstly, management students from international backgrounds with a home culture like Russia's, which is communitarian and particularist, are likely to find traditional strategy teaching to some extent irrelevant to their own experience,

and

- Secondly, and probably more significantly, management students from an MMBE Anglo-Saxon/Western cultural background who subsequently work in a broader international environment may well find that the traditional strategies learned in business schools are ineffective in practice when implemented in a different cultural and politico-economic environment.

Bearing in mind that in cultures which are predominantly collectivist and particularist, (and therefore do not conform to underlying Western preconceptions concerning competitive strategy) may well represent in excess of 75% percent of the total world population[5], not to raise awareness of this cultural difference as part of business school education would seem to me to be quite remiss.

At present, otherwise well written and comprehensive strategy texts avoid discussion of the cultural impact on strategy, perhaps because they see some of the implications (most notably those concerning aspects of corruption) as not being fit topics for discussion.

See, for example, Lynch (2006 p.100) who, when discussing co-operative strategies, writes:

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[5] authors estimate based on: Countries in the world ranked by 2014 population (Anon)

"[….] cooperative strategies in which firms seek to share information in order to reduce competition and/or raise prices. [.….] Such forms of cooperation are illegal in many countries of the world because they are essentially anticompetitive. They are therefore not explored further in this chapter."

If nothing else, I think that awareness of the cultural dimensions of competitive strategy is potentially as important a topic as, say, the impact of national cultural differences on human resource management, which is nowadays a central part of HRM teaching.

To date, the impact of cultural differences on strategy has not been the topic of much academic research, and consequently this sparse coverage of the topic in the vast majority of strategy texts is perhaps to be expected. Nevertheless, managers need to be prepared for encountering the many informal practices and outright criminality which go to make up corruption, and to be helped to understand the implications of these cultural differences so that they may develop strategies to deal with the problems which arise.

Although this research has identified several such informal practices, some of which may be seen locally as normal and benign, others may lead to contravention of national or international anticorruption laws, and managers need to be aware of the consequences of contravening, for example, the American Foreign Corrupt Practices Act (1977), (Churi, Finkelstein et al. 2012) or the UK Bribery Act (2010), (Anon 2015) There are many examples of companies contravening the foreign corrupt practices act without apparently realising that their actions were subject to United States jurisdiction. (Kleiner 2012)

6.4 THE LIMITATIONS OF THIS RESEARCH

Although I have argued in the foregoing section that the research findings described in this document are significant for practising managers, particularly those embarking on international projects or careers, I recognise that the research itself is subject to some limitations. These are primarily concerned with the sample of interviewees recruited for the study.

As noted in chapter 3, section 3.4.5, although the interviewees were drawn from a fairly representative selection of companies, some types of company were somewhat underrepresented in the sample. These were the very large oligarch and siloviki managed businesses. These businesses are important in the overall Russian context because they are mainly involved in strategically important extractive industries such as the oil and gas sector, or in the important privatised monopolies which dominated the old Soviet system.

However, managers with strategic decision-making responsibilities in these companies are relatively few in number and, to all intents and purposes, inaccessible to Western researchers, so an important subgroup of managers (at least in terms of their overall power and influence) was not interviewed in the course of this research. Nevertheless their actions are important in shaping the competitive strategies of other players in the same

industry and I did attempt to understand their strategic decision making by considering what the managers who were interviewed felt about the dominance of these very large companies. I recognise that this is less satisfactory than being able to interview the oligarch and siloviki managers directly, but in the circumstances I think it was all that could be achieved.

Like any researcher investigating aspects of Russian business, I was dependent on local Russian colleagues to assist in contacting and recruiting interviewees or questionnaire respondents. This did mean that interviews were confined to managers from the Tyumen oblast, the Moscow region and, in the case of the interviews undertaken at SUM, two managers from other regions - one from St Petersburg and one from Kursk - who were undertaking executive training in Moscow.

As a result all the managers interviewed were from geographically prosperous backgrounds and there was no opportunity to interview managers from declining industries or mono-industry "rustbelt" regions.

In my interpretation of the findings I have tried to make allowance for these anomalies and it is to be hoped that some of these limitations can be addressed in future research.

6.5 FURTHER RESEARCH OPPOTUNITIES

Thorstein Veblen (1857-1929), the Norwegian-American sociologist and economist is quoted as saying:

"The outcome of any serious research can only be to make two questions grow where only one grew before."
Goddard and Melville (2001),

I believe that this is a particularly apposite quote for research into Russian Businesses.

I have not claimed that the theories put forward in this thesis are generalisable beyond Russia, although anecdotal evidence suggests that this is very likely. The theories are persuasive and, in my opinion, significant enough to merit further research. Consequently, several research opportunities exist for replicating these findings and to extend them to other countries with similar characteristics. It would be interesting, for example, to see studies carried out in India, Nigeria, China and other countries with similar cultural and politico-economic characteristics to confirm that the same sorts of manipulative strategies prevail, but this would, of course, be time-consuming and require several studies.

Alternatively, it would be possible and interesting to undertake a meta survey to study the relationships of existing published data - bringing together information from, for example, Transparency International's Bribe Payers Index, the World Economic Forum's data on corruption and judicial independence, the Economic Freedom Network's data on the extent

of business control and bureaucracy, and the World Values Survey's data on moral and ethical issues.

Although many of the measures published in these works use different numerical scales to represent and quantify the extent of a particular cultural or national characteristic - which means that statistical measures necessary to combine the findings from the various studies will be open to much debate, there is almost certainly an opportunity to use the country rankings from the various international studies to create a way of classifying countries in terms of their strategic stance.

It was my original intention to include this sort of ranking review as part of my triangulating evidence, but the time required to develop such a list would be excessive bearing in mind that there does not appear to be a universally accepted statistical technique for combining and reviewing rankings from different studies (Flom 2013), and all the methods for combining ranks are rather arbitrary. There exist objective methods but they require the use of information not inherent in the existing published data. In addition, some of the information concerning scores and rankings on cultural dimensions are seen by their authors as being proprietary information used in consultancy, and consequently not available for this sort of exercise. In any event, my developing doubts about the use of statistical information in this context are discussed in documents four and six.

Nevertheless, there is significant interest in positivist research into cultural issues and I am sure that an instrument for measuring and comparing the national cultural traits and the political and economic characteristics of the business environment could be devised.

In document two I discussed classification systems based on the work of Miles et al (1978) and those of Grachev and Izyumov (2003), and in this study I have developed the concept further in the light of the findings. I think it would be both useful and interesting to develop this classification system to the stage where it could be a useful tool for practising managers.

If such a realist approach were to be followed, it could be that rather than undertaking several individual country studies, a more efficient way would be to attempt to tack a series of questions covering business relationships, bribery, the importance of networking etc. onto an existing international study such as the World Values Survey.

Bearing in mind my own experience of creating unambiguous questions to investigate these cultural phenomena in non-Anglophone countries (recounted in document four), the design of any questions on this topic will need considerable care and extensive piloting.

Realistically, it is unlikely that the guardians of major international studies will be willing to "tack on" questions concerning national cultural effects on strategy until this research has been disseminated in the academic community and been subject to discussion and peer comment. Ultimately I think it would be worthwhile though.

APPENDICES

APPENDIX 1

TABLE A1: INTERVIEWEES

Manager interviewed	Transcript Analysed in doc 3 or doc 5	Location of company	Company/industry	Enterprise Category
****	3&5	****	Project management consultancy	Micro
****	3&5	****	Airline plus SUM doctoral student	Large
****	3&5	****	Steel stockholding	Large
****	3&5	****	Construction (groundworks)	Medium
****	3&5	****	Steel stockholding	Large
****	3&5	****	Internet & cable TV	Medium
****	3&5	****	Bathroom fittings & sanitaryware distribution	Small
****	5	****	Management consultant	Large
****	5	****	Bank	Large
****	5	****	Sports/fitness clubs	Medium
****	5	****	Construction steel supplies	Medium
****	5	****	Specialist valuation consultancy	Small
****	5	****	Computer POS systems	Small
****	5	****	Jewellery retail	Small
****	5	****	Telecommunications	Large
****	5	****	Software & computer services	Medium
****	5	****	Academic	University
****	5	****	Marketing consultant	Small
****	5	****	Academic & commercial lawyer	Small
****	5	****	Academic	University
****	5	****	Trades union official	NGO
****	5	****	Academic & government adviser	University
G.N.	5	West Midlands	Construction industry consultant	Small
S.B.	5	West Midlands	Construction industry consultant	Small
R.T.	5	West Midlands	Steel stockholder & profiler	Medium
R.J.	5	West Midlands	Consultant to local	Small

Manager interviewed	Transcript Analysed in doc 3 or doc 5	Location of company	Company/industry	Enterprise Category
			authority	
P.K.	5	West Midlands	Consultant to local authority	Small
J.F.	5	West Midlands	Consultancy Administration manager	Small
A.C.	5	Moscow	International banking	Large
J.M.	5	Moscow	NGO Expert advisor	NGO
D.W.	5	Uk / Ekaterinburg	Academic Consultancy	Micro

SOME TABLE CONTENT REDACTED TO ENSURE ANONYMITY OF INTERVIEWEES

TABLE A2: MAIN THEMES IDENTIFIED BY THE INITIAL CODING PASS (FROM DOCUMENT THREE)

Node Title	Node Description
1 Avoiding Taxation	Smaller companies can avoid scrutiny by tax authorities
2 Awareness of External Environment	Entrepreneurial managers do not do formal environmental scanning: it's intuitive
3 Big Companies Internally Orientated	Big companies concentrate on internal resources rather than developments in the external environment. Much easier for smaller companies to be market orientated
4 Big Companies Try to Dominate Market	The strategic aim of big companies is to dominate markets and "kill" the competition
5 Bureaucracy-Taxation	The bureaucracy required by tax law is stifling and requires a lot of staff
6 Cash Flow Not a Problem	Steel stockholding companies claim cash flow is not a significant problem (very unlike UK situation)
7 Characteristics of Older Managers	Younger managers are sought after for newer companies. Older mature businesses still managed by older managers. Demand for entrepreneurial managers?
8 Command Style Strategy Formulation	Chief executive initiates strategy, but may be modified by discussion
9 Competitive Advantage-Differentiation	Customers remain loyal because of quality of service, not price
10 Competitive Advantage from Quality	Customers remain loyal because of quality of service, not price
11 Competitive Advantage Good Resources	Competitive advantage exists because of superior equipment resources
12 Competitive Advantage-Quick Response	Competitive advantage exists because of superior response times to customer requests
14 Cooperative-Low Price Strategy	Companies co-operate to achieve buying economies and therefore lower prices
15 Customer Orientation	New, smaller businesses are more customer orientated than older larger ex-SOEs
16 Difference between Moscow & Provinces	Moscow much more prosperous and competitive than provinces
17 Difficulty Finding Qualified Staff	Companies in the provinces find difficulty in finding appropriately qualified staff
18 Diversification Strategy	A desire to undertake a product diversification for growth and to reduce the risk of narrow markets
19 Emergent Strategies	Strategies develop over time. Not easy to plan ahead much because of the turbulent business enlightenment
20 Emergent Strategies & Informal Procedures	Strategies develop over time. Not easy to plan ahead much because of the turbulent business enlightenment
21 Entrepreneurs Different Psychology	Entrepreneurs think differently, have a different "psychology" - not always solely motivated by profit
22 External Factors Affecting the Business	The business and environment is changing & this affects

Node Title	Node Description
	the business (primarily changes in the law)
23 Geographical Expansion in Same Markets	Company wishes to expand by doing the same thing in more towns in the region
24 Good Relationship with Administration	Maintaining good relationships with the local administration is essential for business success
25 Good Service	Good customer service is essential for success. Strive to meet customer's needs and be flexible
26 Hasn't Thought about Source of Competitive Advantage	Company has been successful and growing rapidly, but no one has analysed why it has been so successful
27 Hierarchical Structures	There will always be a small number of people making the main decisions: even large ex-SOEs have a small decision-making group in the hierarchy
28 Impact of Bureaucracy	Local administration & government can damage growth by imposing bureaucracy. An ideal linked with corruption
29 Impact of Corruption	Examples of corruption affecting businesses
30 Impact of Unstable Environment	Unstable business environment makes planning impossible
31 Importance of Friends-Social Groups	Much business depends on relationships with friends and social networking
32 Importance of Networking	Much business depends on social networking
33 Importance of Social Approbation	Seeking Social approbation maybe necessary for some bigger high profile companies
34 Important to Build a Brand	Brand building is important for differentiating
35 Influence with Local Administration	A good relationship with someone in the local administration can often ensure success, a lack of a good relationship can prevent a business setting up
36 Instability of Business Environment	The unstable business environment makes planning for more than a year impossible
37 Intuitive Strategic Management	Strategising is an intuitive process, not formal and not based on research
38 Lack of Competition	Larger, older industries are not very competitive - not many competitors
39 No Formal Strategy Process	The company does not operate any formal strategic management processes
40 Poor Quality from Russian Companies	Lack of competition in excess SMEs and large companies leads to poor quality products and services
41 Poor Service from Russian Companies	Soviet mindset (lack of customer orientation) leads to inflexibility and poor service
42 Realising That Strategy Is Important	Company beginning to appreciate that strategic management is important
43 Regional Expansion	Regional expansion is possible but not interesting, diversification preferred
44 Repeat Customers	Most business comes from existing customers
45 Resource-Based Competitive Advantage	Competitive advantage comes from financial resources which allow bulk purchases
46 Resource-Based View: Good Management	Competitive advantage comes from having good/highly competent management
47 Risk Averse Attitude	Strategic preference is to avoid risk by "sticking to the

Node Title	Node Description
	knitting"
48 Russian Companies' Growing Awareness	Companies are becoming more aware of the threat from competitors and the need for competitive strategy
49 Market Less Demanding Than EU Market	Fewer competitors and different industrial structure means that the market is less competitive than in Western Europe
50 SME Manager Attention to Details	In smaller companies the owner/manager can control the quality of day-to-day work more easily
51 Importance of Social Group	Much business is conducted through social networking
52 Soviet Market Model Persists	The oligopolistic large ex-SOEs still dominate the steel market and suppress the need for more competitive distribution
53 Strategising by Entrepreneur	The owner manager makes the strategic decisions
54 Trust in Family Members	Advice on business strategy is sought from family members (father)
55 Younger Managers	Many companies, particularly newer ones, prefer to recruit younger managers

APPENDIX 3

TABLE A3: MAIN THEMES IDENTIFIED AT THEORETICAL SATURATION

Tree nodes (axial codes)	Consolidated free nodes identified in the initial analysis (document three codes)	Further free nodes identified at saturation (all sources coded)	Sources coded	References coded
Aspects of the Russian business environment affecting the company	external factors affecting the business		3	3
	impact of bureaucracy / taxation		9	11
		influence of the Komsomol	2	3
		Mafia like activity	3	3
		political power influences business environment	2	2
Existing corporate strategies (other than competitive strategies)	diversification strategy		3	6
	regional expansion		4	5
	test node		1	1
Issues concerning the age of managers	characteristics of older managers		2	5
	Younger managers		3	6
	young managers more entrepreneurial		4	4
		large companies unappealing for young entrepreneurial managers	2	3
		attitudes to corruption - young managers	2	2
		UK companies often value older managers	2	2
Outliers and significant miscellaneous comments	cash flow not a problem		2	2
	difficulty finding qualified staff		2	2
	importance of social approbation		2	2
	risk averse attitude		2	2
The impact of corruption	cartel activity		2	2
	companies discuss and agree prices		3	3

Tree nodes (axial codes)	Consolidated free nodes identified in the initial analysis (document three codes)	Further free nodes identified at saturation (all sources coded)	Sources coded	References coded
	corruption dealing with customers		2	3
	corruption is pervasive		3	5
		corruption is unacceptable to UK companies	2	3
	criminality		2	2
	impact of corruption - local Administration		6	12
		The nature of corruption	2	2
		bribery via third parties	2	2
		business gifts	4	4
		corruption is embedded in Russian culture	2	2
		examples of attempted corruption uk	3	3
		unacceptability of business gifts uk	2	3
		what constitutes corruption uk	2	2
The importance of network strategies and networking practice	good relationship with Administration avoids problems		5	8
	good relationship with Administration less important for small businesses		3	4
	importance of friends - social group		4	5
	importance of networking		10	11
		importance of local contacts to penetrate markets	5	8
		importance of networking to UK companies	2	2
		manipulating the market	2	3
		network strategies less important for UK companies	1	1
		networking practice	4	6
		networking to reduce the competition	2	5
		importance of relationships with UK local authorities etc	2	2
		influence with local administration	4	5
		networking with important gatekeepers	2	2

Tree nodes (axial codes)	Consolidated free nodes identified in the initial analysis (document three codes)	Further free nodes identified at saturation (all sources coded)	Sources coded	References coded
The process of strategic management	big companies internally orientated		3	4
	big companies have centralised strategy management		3	6
	emergent strategies predominate		7	10
	hierarchical command management style		3	5
	impact of Russian culture on management		2	2
	instability of business environment		3	4
	intuitive strategic management		6	9
	Russian companies' growing awareness		4	8
	strategic plan exists, but changed as circumstances demand		3	3
	strategising confined to trusted few		8	15
The source of the company's competitive advantage and its current competitive strategies	big companies try to dominate market		5	6
	competitive advantage - differentiati		3	4
	competitive advantage from quality		2	2
	competitive advantage from store location		2	2
	competitive advantage good resources		2	3
	competitive advantage -quick respons		3	3
	competitive advantage through innovation		1	1
	competitive advantage-low price		4	6
	cooperative -low price strategy		3	3
	customer orientation		2	3
	difference between Moscow & province		3	3
	good reputation		2	2
	good service		6	10
	importance of tacit knowledge		1	1
	important to build a brand		4	4
	lack of competition		3	4
	market less demanding than		3	3

Tree nodes (axial codes)	Consolidated free nodes identified in the initial analysis (document three codes)	Further free nodes identified at saturation (all sources coded)	Sources coded	References coded
	EU market			
	resource-based competitive advantage		4	5
		luxury goods market very demanding - Twin Peaks	2	3
		younger generation demanding world-class goods	2	2
		older, larger Russian companies uncompetitive	5	10
		service & high-tech sectors more competitive	3	3
		SMEs successful in service sector & high-tech	2	2

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