HIDDEN RUSSIA

Informal Relations and Trust

Dr Oleg Konovalov
Dr Andrew Lawrence Norton
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This book addresses the role of informal relations and trust in Russian society and business. It advances the understanding of the phenomenon of personal networks which are specific to the local Russian culture. By having a better understanding of Russian business and personal relations, Western practitioners and investors could enter the Russian market relatively more easily and develop strong business stakeholder relationships and improve their investor relations, marketing strategy, customer relations, knowledge and information sharing and human resource management.

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Illustrations
Illustrations done by M. Akimov and Y. Gerasimenko
Breaking into the Russian market has always been a challenging task, particularly for Western organisations, and personal networks play a crucial role in achieving this. However, personal networks that exist in Russian business remain a mystery to Westerners. This has received inadequate attention from academics to-date, even though success depends upon adapting to the Russian culture and business life.

The aim of this book is to address the role of informal relations and trust in Russian society and business. Our findings provide a deeper understanding of the relationship between Russian business and personal relations, thus helping Western practitioners and investors to enter the Russian market and develop strong business-stakeholder relationships. Our intention is not to criticise or dress up the image of Russia but to provide coherent analysis and discussion on how things work in Russia.

We show that the structure of relations inside Russian networks is far more complicated than previously discussed by Western researchers (Granovetter, 1973). Our research reveals that the complex structure of networks influences
the fulfilment of social codes and norms, knowledge and information transfer, reciprocity rules, mutual support, and access to resources and thus supports the informal side of Russian business.

It is not easy to establish relationships in Russia but those relationships, once established, will last long and will provide network members with emotional and functional support, and access to many valuable resources.

This book identifies and discusses ten distinct forms of personal networks that exist in Russian business – friends, mates, relatives or kinship, ethnic groups, ex-militia officers, ex-FSB officials, ex-Army or Navy officers, colleagues, classmates and college mates, and business groups.

It is the role of emotional attachment that makes Russian networks different to those of other cultures. Our findings indicate that the high-context culture of Russia is also reflected in a more complex structure of networking relations that do not appear in low-context cultures.

Trust existing between Russians has always been hidden from Westerners, yet this critical aspect of conducting business in Russia is a key limitation in the formation of bilateral exchanges and for long-term relationship building.

By exploring the phenomenon of Russian personal networks from inside the mind of Russian business people, we aim to advance knowledge and understanding of inner life, norms, trust, knowledge transfer, and entry and exit rules.

Traditionally access to this type of valuable research data has been hidden from researchers in this field. Gaining access to Russian personal networks was considered being the most crucial issue for this research. Securing access to local networks (not as with the status of competitor) was achieved by the primary researcher (i.e. from the position of an insider). Personal involvement ensured that respondents were at ease during the research. Merton
(1972, p. 21) defines “Insiders as the members of specified groups and collectivises or occupants of specified special status; and outsiders are the non-members”.

The unique ‘insider’ research position allowed the studied phenomenon to be tackled from a different approach to that of previous research within this area, which relied upon the outsider’s position. The primary author's Russian origin facilitated the sharing of similar life experiences and allowed emotional intimacy and rapport with respondents. Also, by being able to use the same contextual language, communication idiosyncrasies were picked up on.

Research data was obtained from 132 face-to-face open-ended semi-structured interviews. Interviews were collected in two geographical locations - Moscow (n=86) and Murmansk (n=46). Respondents were chosen from different industries and business activities, with different business experience, organisational ranks and positions, male (n=68) and female (n= 64), and of different ages (27 – 60 years old). Interviews were conducted in the Russian language and then translated into English by the authors. Our qualitative data set on Russian personal networks remains the richest obtained to date. All respondents in this project have asked to remain anonymous.

The findings provided in this book relate to extensive field study research based in Russia. In our opinion this book is essential for anybody intending to do business in Russia and would be suitable for practitioners, investors, researchers and business students.

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Russia is different

Russian business is built on personal relations in a system whereby personal networks allow for quick and direct access to valuable resources...
Russia is different

BRICS countries (Brazil, Russia, India, China and South Africa) are all deemed to be at a similar stage of newly advanced economic development. However, Russia has not received as much attention as other BRICS nations such as India and China in either academic research or the popular business press (Puffer and McCarthy, 2011). Russia has a great potential for business development with opportunities that have the potential to markedly influence the international business landscape. However, the Russian market still remains one of the most difficult to enter. This was recently highlighted by Butler and Purchase (2004, p. 34), who suggest that “the renewed Russia is a very large economy and potentially an advantageous marketplace for Westerners - possibly even a ‘promised land’ for those wishing to face the challenges of a fast changing country.”

Russia is the eighth largest economy in the world by nominal value and the sixth largest by purchasing power parity (PPP) and as reported by the World Bank the Gross Domestic Product (GDP) of Russia was worth an estimated 2014.80 billion US dollars in 2012 and growing.
The GDP value of Russia represents 3.25 percent of the world economy.

With increasing global competition Russia is in a unique position to use its natural resources as a strategic tool to gain greater international influence. Countries that have the power to influence global political and economic environments are valuable allies. This is having a dramatic impact on the changing nature of organisations looking to enter the Russian market, highlighted by the influx of Western organisations. Camiah and Hollinshead (2003, p. 245) stress this point, commenting that “it is not Russia moving to the West but the West moving to Russia, through an influx of expatriates seeking to gain a foothold in an embryonic market structure.”

Western organisations often fail to enter the Russian market successfully. There are many high profile accounts:

- In 2012 HP dropped out of the list of top Russian IT service providers as it failed to maintain its position, despite previous success;
- The supermarket chain Ramstore (Migros, Turkey) simply left the Russian market in 2007 after ten years of development, deciding to rent out or sell their 10 shopping malls and 52 hypermarkets and supermarkets based in few Russian cities.

Foreign investors in the banking sector have suffered the same fate:

- After two years of expensive trials HSBC closed all of their retail operations and a number of branches;
- The global banking group Barclays closed all of their retail banking operations in Russia in 2011, losing approximately £244 million in the process;
- More recently, due to heavy losses and difficulties in developing business in Russia AIG (Switzerland),
Russia is different

*KBC* (Belgium), *International Personal Finance* (UK), *Santander* (Spain), and *Rabobank* (Holland) all sold or closed their Russian subsidiaries completely.

It is the same story for other industry sectors:

- *Barrick Gold Corp.* (Canada) sold their 20% share in Highland Gold Mining Ltd due to the difficulties of dealing in Russia and exited the Russian market.
- The French organisation *Carrefour* closed their business in Russia as they could not see a clear perspective for development;
- *Motorola* closed their Russian office in 2010 after not gaining a reasonable market share.

There have been radical market transformations in Russia, which began in the early 1990s, and since then the demand for knowledge of Russian managerial practice, culture, society, and values has become increasingly important. To succeed, foreign companies looking to enter the Russian market must learn how to get ‘inside’ the Russian society, understanding that Russia is different and conduct business accordingly. For almost 75 years, Russia was behind the ‘Iron Curtain’; Russian citizens were not allowed to contact anyone from abroad freely. The state regime was totalitarian, where all rules, norms, standards, and laws were dictated by the Communist Government in order to control people and keep them in ‘hedgehog gloves’ (Russian folk expression). Since 1992, Russia has gone through turbulent periods of political and social changes, affecting the population’s mentality, lifestyles, cultural values, wealth, and endeavours.

Russia is a country with a ‘high-context’ culture and the importance of local Russian customs is often tacit (experience-based) and difficult to explain to people from
other cultures. Westerners do not always realise that Russia and Russians operate differently to those from the Western culture in the way that business is conducted. Historically it has always been difficult for Westerners to understand Russian people due to the significant differences in terms of national culture, habits, economy, ideology, political structure, religion, and social system (Elenkov, 1998; Michailova, 2000).

Russia also remains a country with a high level of perceived corruption and bribery, and this phenomenon strongly influences the way business is conducted. Safavian, Graham, and Gonzalez-Vega (2001) explain that in no other transition economy is the degree of regulatory penetration as pronounced as in Russia, which has the most extensive history of bureaucracy, dating back to the 18th century, combined with the longest period under central planning in the 20th century. These authors highlight that in Russia, the regulatory state, with its elaborate system of permits and licences, combined with bureaucratic discretion in enforcement and monitoring, has created a corrupt cadre of government bureaucrats who frequently engage in rent seeking behaviour while monitoring and enforcing regulations. Regulatory harassment and extortion could be viewed as among the most severe obstacles to the long-term success of small and medium enterprises, where the most innovative firms, with the most “entrepreneurial” approach and highest in profitability, are penalised with an expectation of bribes at the highest rate.

In 2010 the World Bank revealed that the productivity level of the Russian workforce was only 43% compared to other developed countries such as the USA, UK, Japan and Germany. There are many reasons for this, but all stem from the fact that the Russian workforce is one of the most difficult to manage:
• It is difficult to implement new technologies and best business practices; Russians generally tend to resist changes. Studying knowledge transfer in Russian business Michailova and Husted (2003) found that Russian people have a syndrome called ‘not invented here’.

• The taxation system in Russia is unpredictable due to frequent legislative changes. These changes are often backdated by the government and often cause heavy financial losses to organisations. The taxation system is poorly regulated and almost draconian. In order to overcome this challenge, Russian managers constantly participate in practices considered illegal or unethical in the Western world (Snavely, Miassoedov and McNeilly, 1998).

• Licensing is one of the toughest issues in Russian business, whether it be land plot allocation, import or export of goods, health services, road haulage, construction, or any kind of production; for instance, it takes a year to have all the relevant permissions required for building a warehouse or food store. The cost of licensing with added corruption costs make projects expensive and in some cases, almost illusive.

The legalisation of private property ownership happened in the early 1990s during the privatisation period in Russia and is widely seen as being inequitable and splitting social classes even further. McCarthy and Puffer (2008, p. 24) found that “during the privatisation period, many people became cynical when ownership of enterprises became concentrated in the hands of opportunists, including enterprise managers who flagrantly abused other stakeholders’ rights.”
The list of differences between Russian and Western businesses could be endless. Here is one story told during a discussion of the differences between Russian and Western business styles by one of the respondents during the research for this book. It illustrates some of the differences in solving business related issues, and the reaction of Western businessmen, when they meet the Russian reality:

“My company had been dealing with a well-established Spanish fish-processing company, where we were mutually involved in supplying frozen fish from the Barents Sea to Europe and China. One day, the MD of the Spanish company, Mr P., decided to visit Russia himself. The actual reason for the visit was to clarify discrepancies in supply caused by fishing vessels. After secure arrival to Murmansk and a welcome evening we set up the plan for the next days. All meetings with important stakeholders were arranged.

The next morning we went for the first meeting. Everything was going well until Mr P. asked for a written guarantee from the Fisheries Authority that in the near future, additional quota will be allocated to our suppliers. The supplier had been trying to convince Mr P. that he could have everything but not this kind of guarantee. Mr P. argued back claiming that in Spain he would receive it as a standard procedure. Eventually, our supplier made a call and within less than an hour, we were talking with one of the Fisheries’ Authority’s top men. He assured us that our supplier will be within quota and the project was secure and claimed that there will be no chance to have something in writing except his word.

The Spanish MD went out of the meeting completely puzzled. He was under the impression that we are dealing with the Russian mafia, whilst I had been claiming that this is the standard approach in Russia if you are well established and connected. After spending a couple of days in Murmansk, Mr P. learned
that he could have access to any information and even secure supply but in most cases things are done through personal relations and not much through official channels, even though things were said to be done only ‘officially’. The Russian approach was shocking and difficult for him to cope with. Instead of making friends and learning how to deal with Russians in the ‘Russian way’, the Spanish MD had been trying to bring his home rules and habits into Russia and faced resistance instead of cooperation. Eventually, the project was closed due to the difference in approach.”

The Spanish businessman was relying on the familiar institution based system typical for his country rather than on personal relations that solve many issues in Russia. Another problem was that Mr P. had been looking at the way Russians live and conduct business from a “personally based” viewpoint, and not accepting that things in Russia are done differently to the West.

Institutional systems in Russia are still in the early stages of development and are mainly shaped by the state and government forces, not the market, where local businessmen rely heavily on their interpersonal relations in order to survive and succeed.

Personal networks in Russian business

Every society is built around patterns and relationships among individuals, groups, and organisations, which invariably provide a sense of security and unity. In Russia, this is particularly prevalent as strong personal networks are culturally driven. Answering the question about the role of informal relations, Hutchings and Michailova (2006) claim that it is crucial that Western managers recognise the long-term nature of Russia’s networking and development of trust (which is based around tacit knowledge).
A recent study on Russian network capitalism (Puffer and McCarthy, 2007) found that Russia would continue to develop its ‘state-managed, network capitalism’, where the strengthening of the market economy of Russia becomes more attractive for foreign and domestic investments. Western investors and businesses need to recognise that it will not be Western market capitalism that prevails but state-regulated network-dependant capitalism.

There is widespread belief among Russians that in their country, in order to succeed in business, personal networking and social connections are often more important than the price and quality of the product or service or even the technological expertise offered (Michailova and Worm, 2003). Russian business is built upon personal relations, which allow quick and direct access to resources, from accessing information regarding the reliability of supplier to the timely allocation of licences. It is a well-known fact that Russia is very difficult to deal with from a bureaucracy viewpoint, and that personal network ties keep ‘doors’ open.

In Russia, if a businessperson needs to get access to certain resources, the first question they tend to ask their contacts is - “Who is in control of ‘such and such’ resources and how do I find the person in charge?” Russians view such an approach as the most appropriate in business. Networking structure strongly affects entrepreneurial performance; managed well, network structure can enable entrepreneurs to recognise opportunities, access diverse information and resources in a timely manner. Indeed the benefits of a well-managed networking structure include a reduction in transaction and monitoring cost, enhanced learning, increased interpersonal trust, and subsequently, increased local cooperation.

Our research has highlighted a tendency for Western expatriates coming to Russia to create their own temporary
social networks instead of immersing themselves into the Russian society and trying to enter Russian networks. Such an approach makes life difficult in Russia and results in even more insulated and difficult living conditions. Even after a few years spent in Russia, knowledge of the Russian inner life, access to information and resources remains generally unexplored for Westerners. Being separated in such way from the Russian society, Westerners look even more superstitious, strange and snobbish in the eyes of local people.

From the resources availability point of view, Butler and Purchase (2004, p. 538) explain that “networks established under the previous system are still considered reliable and stable by most Russians, but are now intertwined with new network structures. Therefore, resources embedded within personal and social networks in Russia have, to some extent replaced the nearly non-existent state-level infrastructure.”

Many Westerners often do not realise the existence of personal networks in Russia, or at least do not take them seriously. Personal networks remain a mysterious phenomenon for them. Even having realised that certain resources are controlled by a particular group of people in Russia, many Westerners tend to ignore such facts, believing that everything in Russia should be easy to access, just as in their home countries. In order to gain access to resources, foreigners usually apply directly to the person in charge and then fail. They usually ignore the fact that those resources are valuable to the Russians themselves and that the people in charge have an agenda to get their own personal reward or share in profit by providing a service to their close contacts, using their status advantage.

Personal networks existing in Russian business are different to those traditionally known and must be
addressed with great care. Most differences could be formulated as follows:

1. There are ten personal networks that exist in Russian business - friends, relatives or kinship, mates, ethnic groups, colleagues, ex-militia officers, ex-Army or Navy officers, ex-FSB officials, business groups, classmates and college mates;

2. The structure of relations is more complex than that originally described by Granovetter (1973), where the strength of ties should be viewed as strong, intermediate and weak;

3. The element of emotional attachment makes Russian networks different to those of other countries. If emotional attachment exists in relations then willingness to co-operate goes beyond the rational choice;

4. It is much harder to establish relations in Russia but they last much longer and are more meaningful;

5. The rules of the game of networking are very different to those known in the West. There are certain social norms which are strictly monitored by networks' members. Local social norms and codes are tacit and not spread beyond the networks boundaries and therefore, are not visible or transparent to foreigners;

6. Due to the lack of law and order, personal groups occupy different positions to secure and remain in control of resources that are available to them;

7. Russian people have their own definition of trust and the role of interpersonal trust is significant;

8. The maturity of trust depends on a number of factors
but trust matures more quickly for those people facing challenging life situations;

9. The strength of ties is directly related to a taken-for-granted level of trust which corresponds to the strength of relations;

10. ‘Shadow’ business groups exist in Russian business and strongly influence the way business is conducted; such groups were not previously recognised or described.

The role of social capital

One of the main values of the personal networks is the tremendous amount of social capital that is provided, which in the words of L. J. Hanifan (1916) refers to “different daily lives tangible substances such as good will, fellowship, sympathy, and social intercourse.” Fukuyama (1999) notes that social capital plays a few crucial roles in the free-market reducing the transaction costs associated with formal mechanisms like contracts, bureaucratic rules and hierarchies. Social capital is important for all levels of economy and political systems where in the words of Fukuyama (1999, p. 1) “social capital is important to the efficient functioning of modern economies, and is the *sine qua non* of stable liberal democracy.”

In fact there are three basic functions of social capital (Portes, 1998):

a) As a source of social control;

b) As a source of family support;

c) As a source of benefits through extra-familial networks.
Tested through the tough communists’ era, the system of personal networks has proved to be an effective communication mechanism. They have proved themselves to be the most stable, reliable and convenient communication mechanism for the politically turbulent Russian environment.

The role of personal networks in Russia is extensive and includes the provision of emotional and functional support, access to resources, sharing of social and business related knowledge and information, referrals, promotion of social opinions, political support or resistance, keeping and generating local cultural and social values. Personal networks are deeply rooted in all areas of social, business, and human activities in Russia and extend to routine household operations, the management of crisis situations, and generally help members with life situations.

Teaching executives to see social capital, Burt and Ronchi (2007, p. 1180) explain that “the science of social capital has an interdisciplinary heritage and, as such, provides a comprehensive framework for analysing the issues that contemporary executives face, issues that are inevitably interdisciplinary in nature.”

The Russians’ view on foreigners

Michailova and Husted (2003) have pointed that Russians are suspicious of foreigners and in our research we sought to understand the reasons for this apparently negative impression and also to understand the ‘other side’ – the views of business people from the West.

Russian individuals have only been conducting business since the early 1990’s, when the country saw the end of communist rule. In contrast, business in the west has been going on for centuries. The differences in the history of Russian and Western businesses are often
viewed by Russians as a barrier. This was described by respondent M. K., the business owner of a sea-freight company, who commented that:

“I will trust foreigners less than Russians. We will tie up everything to the papers with my foreign partner. We need to get everything into one standard. We have been doing different things before but not business during our recent history. We have been in business for less than twenty years in this country. Let’s take Britain - five hundred years of the business history. Let’s talk about Germany - more than five hundred years of business. Let’s take America - two hundred years of running business. And you want me to trust people who ‘had’ the whole world for a thousand years? This is a reflection of my experience - cause and consequences effect.”

A similar view was shared by respondent E. K. who explained that:

“I don’t trust foreigners because of the huge difference in business experience between us [Russians] and Westerners.”

In some cases, Russians see Westerners coming to Russia and behaving in what they perceive as a ‘snobbish’ manner; such attitudes can hamper the chances for good and productive relations and destroy trust completely. For instance, respondent V. E., who is the commercial director of a company involved in international trade, explained that:

“I don’t trust foreigners at all because in most cases they behave brutishly, cunning, showing their superiority, and presenting that everything is so bad in Russia and everything is so good in their home countries.”
The general consensus from the respondents of our research was that if foreigners want to maintain healthy relations with Russians, then they should follow the norms and traditions of Russian society, or at least refrain from conducting themselves as they would back in their own country. Foreign organisations entering the Russian market must be prepared to adopt Russian cultures, as by not knowing about the private lives of their foreign counterparts, Russian people naturally remain suspicious.

In other words, foreigners wishing to enter the Russian market should – adapt!
Communication styles in Russia

*Our life consists not of facts, which are often forgotten with time, but of impressions reflected in the life stories...*
Cultural context and local communication styles

Countries with high-context cultures have their own unique communication codes and signals, as processes are usually implicit. High-context cultures like Russia are traditionally viewed as difficult to explore due to the unspoken and complicated rules, procedures, practices, rules of engagement, and communication styles. Whilst these remain clear to in-group members, they remain mysterious or unclear beyond the in-group boundaries. As suggested by Edward Hall (1976) local culture takes care of the explanation of unsaid things and each word, facial expression and posture are all signals in contextually rich high-context culture.

In Russia, most of the celebrated literatures are cast in the form of stories that convey both short and long-term truths about the inherent role of informal conversations in decision making. Stories are embedded in daily conversations and are used to express human feelings, life experience, and impressions. Facts are often
forgotten with time but lasting impressions are reflected in life stories. In Russia, people tend not to recall simple facts but impressions, which are embedded in the culture of storytelling. Without stories the social conversations in Russia would be dry, without feeling and of a formal nature, as seen in many other cultures.

Ries (1997) emphasised this inherent cultural dynamics which exist within the Russian culture:

“… the everyday conversations she heard primarily among the intelligentsia in Moscow and discovers such speech acts to be performances in which storytelling genres appears as essential shapers of the transaction of meaning. These genres establish nothing less than the boundaries of what is thinkable; thus in the context of perestroika, she found these deep narrative patterns around suffering, powerless, and oppression to be impediments to popular engagements with the official agenda of social change.”

Academic researchers and practitioners often disregard the communication style that comes naturally to Russians. For example, the story-based method and open-ended face-to-face interviews are not actively used in empirical studies previously conducted on Russian society and business. As a result, embedded meanings, understandings, expressions, and feelings are not incorporated in interview transcriptions.

Silverman (2006, p. 71) suggests that “anthropologists have recognised for a long time that cultural positions are relative, their insistence on the anthropologist as a cultivated European based within classic science seemed to be more long lived.” Silverman’s suggestion is particularly relevant in the context of increasing globalisation. In the past anthropologists were more concerned with the explicit nature of foreign cultures whereas these days’ researchers and practitioners are interested in exploring not only the
explicit but the implicit aspects of foreign cultures as well. Perhaps, with the sharp and frequent political and economic changes in countries with transition economies, the demand for anthropological research will remain stable for decades to come.

Boje (1991, p. 106) claims that, “in organisations, storytelling is the preferred sense-making currency of human relationships among internal and external stakeholders”. As a feature imprinted in the daily conversations of Russian people, stories are regarded as a powerful method in exploring the inner aspects of Russian culture and society. Informal conversations in Russia represent different forms of narratives which are considered to be powerful and regarded through generations of communication patterns, which represent not just funny stories, but a deeper ‘collective mind’. Often these small grains of wisdom and experience are context-loaded sources of information but they puzzle outsiders.

Russian society represents a broad, highly-contextual phenomenon and can’t be viewed fragmentally. Pieces of knowledge and information reflected in local stories and informal conversations are essential sources of information; to the careful listener, the key is obtaining a rapport with the local people.

**Insider approach**

The people of Russia traditionally live insulated lives for different political, economic, social, and religious reasons and are not in a rush to show their inner life to strangers or foreigners. Russian behaviour is the opposite of what one would expect; they like to show an attractive facade, which may conceal a different agenda. This is very traditional. There is a famous story about ‘Potemkin village’ which alludes to this point:
“Potemkin villages were purportedly fake settlements erected at the direction of the Russian minister, Grigori Potemkin, to fool Empress Catherine II during her visit to Crimea in 1787. According to this story, Potemkin, who led the Crimean military campaign, had hollow facades of villages constructed along the desolate banks of the Dnepr River in order to impress the monarch and her travel party with the value of her new conquests, thus enhancing his standing in the empress’s eyes”.

Even today, the legacy of this historical example persists. The tendency of Russians not to allow foreigners to get deeply involved remains strong but could be successfully avoided where justification of the Insider status is dramatically important.

The ‘Insider’ approach provides an advantage to academic researchers and practitioners, where local respondents accept the ‘stranger’ as a natural member of their society, and so speak freely and share their experience without hesitation. Thus, by using the Insider approach a researcher or practitioner has an opportunity to create a deeper understanding of a local phenomenon. Merton (1972, p. 15) highlights this point, commenting that “only through continued socialisation in the life of a group can one become fully aware of its symbolism and socially shared realities; only so can one understand the fine-grained meaning of behaviour, feelings, and values; only so one can decipher the unwritten grammar of conduct and the nuances of cultural idiom.”

The high-context nature of Russian culture means that people have a strong perception of insiders and outsiders; and this is reflected in the makeup of society.

Shared local stories represent one of the ways to confirm or reconfirm appropriate or desired status in the local context. Knowledge and understanding of local
stories might prove that someone is already admitted into a culture or local network. In other words, such special status could be confirmed through the exchange of stories. Therefore, only a culturally sensitive Insider who has managed to gain a special status in the eyes of the local population can make sense out of a complex cultural context in which the local people communicate.

Shared experiences reflected in local or professional stories is regarded by people in Russia as some form of tacit (experience based) knowledge and often told in ascribed forms. Interestingly, however there is no direct translation or clear meaning for the English term ‘tacit knowledge’ in the Russian language. In such cases the Insider’s role becomes crucially important from the viewpoint of accessing local knowledge and gaining an understanding of it. Stories highlight implicit factors of national culture, traditions, business practices, and norms of behaviour. From an organisational viewpoint, “stories are approached as a sign of strong corporate culture, a culture that penetrates deeply into the lives of its members drastically, shaping their meaning systems” (Gabriel, 2000, p. 89).

The rules of human life or business conduct are not written in stone and so are tacit by their very nature, and also tacit by their nature in the local context. The natural manners of the daily conversation of locals are important for groups and are hidden from outsiders. These traditional and historically accepted signals and codes are not spread beyond the boundaries of the group. Therefore, only an Insider can gain a full understanding of tacit knowledge and processes specific to the local context.

Gabriel (2000, p. 88) stresses that “stories help communities to pass their spiritual, moral, and cultural heritage from generation to generation, they are vital for the instruction of young people, they generate
behavioural expectations, and they offer models for emulation and avoidance. In some respects they collect material artefacts. Like artefacts, they sustain a set of values and form part of wide networks through which meaning travels”.

If one is looking to explore inner social or business processes in high-context cultures such as Russia, they need to adopt the same communication styles as the locals. Only by doing so, they can get on the same ‘wavelength’ as the locals and gain a truly reflective understanding. Stories help to extract ‘soft’ data from an emotional level of interpersonal relations and the norms of reciprocity in society, and also in the local business environment.

In small and medium-sized Russian organisations, the procedures are not written or clearly defined and stories play an important role in decision-making. Often such stories influence not only the organisational procedures but can cause an organisational change. For example, Russian managers often say “I heard a story about how my friend has managed to improve performance and so, we should take a similar approach”. The use of other people’s experiences told in the form of stories is often used as a benchmarking instrument in Russian organisations.

Stories are usually instruments for passing information through generations in high-context cultures. Certain complex phenomenon like human interaction, emotional intimacy, uniqueness of certain factors, strength of relations, or importance of traditions is notoriously difficult to express in words. Aiming to describe such issues, Russians tend to tell stories. Careful listeners can find lots of detail and hidden meaning in the stories told which in local terms are absolutely necessary for understanding sensitive issues.

Westerners behaving purely as outsiders can be stereotyped, where in the words of Merton (1972, p. 15)
“the Outsider may be incompetent, given to quick and superficial forays into the group or culture under study and even unschooled in its language”. Without having proper access, the Outsider can’t get to the real facts and actual social and cultural data about local people.

Russian people often turn to the experiences and lessons of previous generations, taking them as their guidelines. Different forms of stories and narratives are the means by which memories can be kept throughout generations. For instance, when discussing traditional issues for the population, it was interesting to see how stories reflected respondents’ ‘nostalgia’ about certain aspects of the past and interesting facts, by stating for example that, “we used to have lively and friendly meetings every Friday and…” or “in those days I used to know everyone around the docks and…”. In other words, stories reflect people’s nostalgia and to some extent, the population’s authenticity.

It has been noticed that even if people are not prepared to talk about their own experience directly, they tend to tell stories replacing their own name with any other name saying something like “I know a guy; he had been in the Chechen war”. Such approach gives people a chance to talk more freely about confidential or even about very private issues where those details have an importance and must be listened to with great attention.

From another perspective, stories could be considered a benchmarking tool. If one wants to match the fulfilment of certain norms against those accepted by others, they may use stories and see how it has been done before. Stories reflecting different norms and standards in networking and business routinely play a key role in defining boundaries of meanings, and this tacit explanation of codes and signals can be clearly understood by others in the group. Gabriel (2000, p. 239) makes the point that “story plots entail
conflicts, predicaments, trials, coincidences, and crises that call for choices, decisions, actions, and interactions, whose actual outcomes are often at odds with the characters’ intentions and purposes.”

It was important for this research to have a strong sense of the context of the phenomenon studied and in doing so, to add a unique perspective previously never been undertaken in empirical research. For the first time, in this book, the Insider approach has been used to gain access to information which will unravel the mystery of building trust and developing longstanding networks in Russian communities.

There are no special rules about the language of communication, but we need to consider the importance of phrases and words, and meanings that define the context of the conversation. It would be enough to say a few appropriate words in the correct context for the message to be fully absorbed and understood by an insider, whilst it will be difficult for an outsider to realise the meaning of such a conversation. For instance, asking too many questions looks suspicious to Russian people. This phenomenon confirms the tacit nature of Russian personal networks relations.
Personal networks

There are ten personal networks in Russian business
Definitions and meanings

There are significant differences between the meanings of even common words in Russian and English, in fact Wolfe (2000, p. 202) notes that “anthropologists of the former Soviet Union are in the midst of dealing with the multiple meanings”.

We have decided to start by defining the crucial meanings of some key terms, such as ‘a friend’ and ‘a mate’. The English language defines a ‘friend’ as someone you know, like very much and enjoy spending time with, and ‘friendship’ is defined as the relationship between friends, or the feelings and behavior that exist between friends (Longman Dictionary of Contemporary English, 2003, p. 645). However, in the Russian language, ‘friendship’ refers to close relations, based on mutual trust, dependency, and mutual interests (Ozhegov and Shvedova, 2002, p. 181).

The word ‘friend’ (Droug – rus.) in the Russian language refers to a person who is connected with someone by friendship (Ozhegov and Shvedova 2002, p. 180). The Russian meaning of the word ‘friend’ is more emotionally...
loaded than in English, which is equivalent to the Russian meaning of the word ‘mate’. In the Russian language, ‘mate’ (Priyatelj-rus.) means a close and friendly related well-known person (Ozhegov and Shvedova, 2002, p. 604). In the English language, the word ‘mate’ means someone you work with, do an activity with, or share something with (Longman Dictionary of Contemporary English, 2003, p. 1014). Mate in Russian terms is a much closer person that of the English meaning, which better describes colleagues or other well-known people.

As highlighted, there is a clear difference between the Russian and English meaning of the terms ‘friend’ and “mate’. In order to avoid ambiguity, or misreading of findings, the Russian standard definitions apply in the context of this study.

Whilst anthropological studies have been conducted in Russia, the fact that personal networks operating in this particular society are different to those of many other countries, means that a great deal of the previous research could have been misinterpreted. Academic researchers, if not native, face almost unsurmountable hurdles in being able to extract accurate and meaningful information from local groups, which are inherently private and confidential in their nature. Compounding this issue is the wide gulf separating the naming conventions of many key terms, such as friends or mates, which present additional challenges for non-native researchers.

**Personal networks in Russian business**

The extant literature extensively discusses the relations between friends, relatives, neighbours and colleagues in the context of personal networks in different societies. However, an exact definition of personal networks has never actually been proffered.
Let’s imagine that you are walking through the overcrowded streets of Moscow, amongst thousands of people. Is it just a crowd or are these people connected somehow? The answer is we don’t know. There must be something in common between Russian people otherwise it would not be the strong and stable society it is. It is our aim to identify personal networks or social forms, existing in Russian society.

Polos, Hannan, and Carroll (2002, p. 87) discuss the theory of social forms and suggest that “social groups represent forms with similar features, i.e. clusters of features” and defined three roles of forms which are important when studying personal networks. The first role of form refers to the form itself, and this study investigates the principles of the formation of personal groups. The second role of form “refers to a particular configuration of properties” (Polos et al., 2002, p. 88), i.e. same family, same ethnic background, same job, etc. “The third common role of the form concept serves to differentiate between core and peripheral features” (Polos et al., 2002, p. 89), i.e. reciprocity norms towards members and non-members.

By exploring all three roles of networks as social forms, our research has been able to identify ten personal networks that exist in the Russian society: friends, mates, relatives or kinship, mates, ethnic groups, ex-militia (police) officers, ex-Army or Navy officers, ex-FSB officials (former KGB), business groups, colleagues, and classmates and college mates.

Each personal network deserves separate explanation, and this is provided below.

**Friends**

Friends are the most stable groups in Russia, usually consisting of two to six people with relations lasting from three to forty years or more. Russian people confirm that
it may take at least three years of active interaction to establish a proper friendship (before one could be called a friend). For instance, respondent D. P. from our research stated that:

“It takes at least three years of active interaction to know and feel a person and to call him a friend, otherwise it is not serious.”

Developed through a long history of mutually reinforcing relations, emotional unity and trust creates the deep connection associated with friendship. Once established, the connection is felt, whether the friend is present or not. In Russian terms, a proper friendship is not bound by time or place. Friends are ready to provide support at any time without asking questions.

Friendship is supported by mutual obligations and emotional comfort. For example, explaining her view on friendship, respondent Z. N. commented that:

“Friendship is some kind of work for each group member in order to maintain emotional comfort within the group and ensure enjoyment from being a member of the group. People must not only receive but give something in return.”

From the Russians viewpoint, friends share the full spectrum of emotions, from inner feelings to discussing sensitive work related matters. Relations with friends are based around having trust, being reliable and offering emotional support, and are characterised by having a highly developed norm of reciprocity and mutual support. For example, respondent A. K. commented about his understanding of friend:

“This is a really close person, with whom I can share and entrust almost anything, and come to with any request. If my friend asks me for help then I’m
available at any time - day or night. And if my help is needed I will get up and go to do it. A friend is a person with whom you feel emotional support or full emotional exchange.”

From a managerial perspective, it is important to consider that friends in Russia readily share their resources including confidential information, even if they work in competing organisations. For example, whilst establishing a business a friend can get most of the help in the way of loans, use of office facilities, documentary support, staff outsourcing, etc. This service will be provided for free or just to cover costs.

Friendship is extremely valuable for Russian people where the loss of a friend is considered to be an irreplaceable loss and the people affected don’t even think about the possibility of replacement. Often such a loss is taken as a personal tragedy.

Mates

Mates represent a much larger category than friends; relations between mates are not as close as with friends, but are still very strong and trustful. In the words of respondent V. E.:

“A mate is a person you entrust a lot but spend less time with but are not as emotionally close as a friend.”

Relations with mates have not reached such level of intimacy and trust as between friends. Old mates are almost friends and considered as fairly close people but relations between mates are not as emotionally loaded as between friends, but they are still strong.

Our research has identified that it takes less time to establish relations between mates in comparison with friends. For instance, respondent M. A. suggested that:
“It usually takes at least two or three years before someone becomes considered a good mate, rather than an acquaintance.”

Russian people spend a large share of their social time with their mates. They go together for all sorts of activities like parties, celebrations, holiday trips, camping, or just for social conversations.

However, even being frequent, the relations between mates are not as valuable and have more of a functional nature than friends. Contrary to friendship, relations with mates must be supported on a regular basis otherwise they will be quickly lost.

Russian managers actively use this type of relations for information gathering; for access to remote resources in different networks and for mutual support in challenging life and business circumstances.

Relatives or kinship relations

In Russian society, relatives, particularly next of kin, have strong ties and are traditionally respectful and faithful. For instance, parent and adult-child relations are characterised by the provision of care and support throughout their whole life. Adult children are traditionally obliged to support parents until their last moment. Traditional Russians consider it ‘shameful’ to place parents into an elderly care home. Respondents from our study consider kinship relations as being separate from any other type of relations and characterised them as being the most caring. For instance, in most cases, Russian people try to keep relatives away from problems or worries as a matter of respect.

Structurally, the relationships between relatives can be complicated. People experience different relational strengths between relatives due to individual levels of trust
and emotional attachments that have been established. Blood relations often do not carry the same ‘spirit’ of friendship, as that encountered with friends or mates.

Relatives are not mixed in the same personal groups as each are involved in their own personal circle of relations, whereas kinship relations can be viewed as bridges for short-term access to another group. For example, one could reference himself as someone’s brother and be welcomed but only for a one-off or limited number of operations only.

Russian people consider kinship relations as being separate from any other type of relations, i.e. with friends, mates, or colleagues but traditionally these relationships must be developed and fully supported. For example, respondent V. B. commented that:

“Whether, I like him or not, he is still my relative by blood. I must keep those relations. If I consider myself a decent person I must keep this relation going and develop it.”

Structurally, the relations between relatives are complicated; it is like a separate world, as they have a different level of trust with different relatives. Russians respect relatives, taking care of them where possible and having a strong sense of family unity. However, whilst we can share our inner feelings with some relatives, others we don’t even want to see. Relatives are not chosen - they are given to us. Being related by blood does not necessarily mean that they are connected in spirit. In such cases, people prefer to spend their time or share emotions with friends or mates, rather than with relatives.

Kinship relations should be viewed as a separate type of ties. We will discuss kinship relations further in the following chapter in greater detail.
Ethnic groups

Russia is culturally diverse and consists of ethnic contributions from over one hundred and forty nations and these cultural values, traditions, and habits are carefully respected within ethnic groups. Respondents in our study point out that keeping cultural traditions alive is very important, linking it to living in the old-fashioned way and passing on values to the next generations. For instance, respondent Z. T. notes that people in her ethnic group care more about cultural traditions than people permanently living in their homeland.

Ethnic groups are suspicious of outsiders, gaining access into their networks is extremely difficult. Marriage to a group member is the only realistic way to gain access. However, even then, it still takes some time to be fully accepted. Bahry, Kosolapov, Kozyreva and Wilson (2005, p. 521) in their study of ethnicity and trust in Russia explain that “people extend their confidence to a narrow set of in-groups – to family, friends, and others like themselves, but seldom beyond. Ethnic difference is thus assumed to generate a high level of in-group trust, but little or no confidence in others.”

Discussing reasons for ethnic groups’ unity, respondent A. K. commented that:

“We are somehow the same in our relations, in some moral aspects, in the way we talk. Whenever, I have met other Koreans we are always very quick in finding common language. I think that is similar with other ethnical groups.”

Often ethnic groups target particular resources and successfully control them. This could be anything - from different kinds of trades, silver trading and financial services to illegal activities like drug distribution. Ethnic groups are famous in Russia for the members’ mutual
life and business support. For example, the group of Azerbaijani people holds fruits and vegetables trade in different regions of Russia, including retail, storage, and even all food markets’ stalls. Another example relates to the Armenian and Dagestanian people, who share control over the silver trade.

Ethnic groups were traditionally diverse but with the beginning of Perestroika and particularly after the Chechnya war, the issue had sharpened, particularly towards people originating from the Caucasus region. People from Caucasus often mention that they feel injustice and prejudice towards them. For instance, they are often stopped by police for identification checks without any particular reason, even though they are citizens of Russia. The entry barriers for education, credit facilities, promotions, and other aspects of life are much higher for them.

We have found that there are two major reasons for such groups being separated, securing cultural authenticity and protecting themselves from injustice.

**Ex-militia officers**

Retired militia officers (also known as Police as of March 1, 2011) create a strong isolated network, where only ex-militia people are allowed in. Inner relations are robust and strong where members are supportive of each other, providing access to administration, information, and other life resource. For example, ex-militia officer M. S. highlighted that:

“We have some kind of clans with very strong ties between us.”

Ex-militia officers have strict norms and codes of conduct regulating the functionality of networks. For instance, all relations in this network are based on having a high degree
of respect for the Militia hierarchy, as this compensates for the lack of clarity in civil life. For example, respondent A. E. commented that:

“Present achievements are vaguely considered. It does not matter if the person achieved a high position in his civil life but he will still be paying respect to other members with a previously higher militia rank.”

Ex-militia people usually become involved in different civil security services, from banks and organisations’ intelligence, to security for legal services. There are 800,000 ex militia employed in 27,000 private security enterprises in Russia, 5349 of which are in Moscow alone (Data for 2009; http://chekist.ru). Working in different areas of security and protection services, ex-militia people influence nearly all law enforcement activities and have access to confidential information, like credit reports and personal files, and so on.

**Ex-Army and Navy officers**

Retired Army or Navy officers form strong networks, similar to the ex-militia network in its composition, procedures, and respect for prior ranking (regardless of civil status). Network access is restricted exclusively to retired officers or people with military background. Relations between retired officers can last for many years. For example, one respondent from our research, ex-Navy officer V. S. discussed the nature of relations between retired officers, commented that:

“We don’t have relations as tight as between close friends but our relations are still stable. Having retired a long time ago, we still support each other and keep up our relations on a regular basis.”
Ex-army or Navy officers’ inner groups’ relations are based on the same principals as ex-militia groups where respect is paid referring to the previous ranks and positions of command. They continue being colonels, captains and majors to each other despite their achievements in civil life.

Retired Army and Navy officers’ support each other, particularly in finding civilian employment. Ex-officers’ in top organisational positions have other ex-officers amongst their deputies at all levels. For this group, procedures, hierarchy, and routines are more important than anything else. In organisations where ex-Army officers are in top roles, formal routine would prevail over management professionalism and logic of organisational development.

**Ex-FSB officials**

Ex-FSB (former KGB) officials also form very closed and isolated network. This network is distinct from all the others. In this research, we were not able to gain access to ex-FSB officials group for interviews. However, respondents, very familiar with the workings of this network, report relations between members as strong and very supportive. The stories of these respondents are described in detail. Respondent A. K. explained his experience of ex-FSB people:

“This is absolutely a separate group. There is some friction between militia and FSB people. Of course, FSB is at the top, i.e. former KGB. Some job specific. Why? I have acquaintances from FSB, retired and acting. I will be honest; it is very difficult for me to talk with FSB people. But knowing their specific circumstances we have laughed ‘You were brought up purposely for this job’. Some kind of mystery comes from them as they do not say more than is absolutely needed. No one talks about trust with them. These
are just acquaintances and not close people, just known people. You can feel some kind of aura around them; that the person is constantly tense, constantly not saying something. He keeps asking questions but never answers yours. Even in meaningless social conversations, purely about life and family.”

Respondent V. S. discussed his experience of ex-FSB groups, commented that:

“We have similar values but one thing I have never liked about them or will never accept – all methods are good for reaching the goal. They can walk all over their friends, may be even their mother. I don’t know whether they would advantage over a son or not. If you ‘have eaten a lot of salt together’ (Russian proverb) with him and he needs to take advantage of you then he will, without any doubts. They are trained in such a way. I don’t trust them. There are some excellent people among them but somewhere in the back of my mind I remember to, in case something happens, keep my distance.”

Business Groups

The phenomenon of business groups is relatively new to Russian society, as such groups only started to appear in the 1990s. In this group, independent businessmen who have time-tested and strong business relations, act towards mutually agreed business goals and tasks. They complement each other’s abilities and support each other on different issues, including non-business issues. Members of a business group are not subordinated to each other and are legally independent. It must be mentioned that we are not talking about financial-industrial oligarchic groups, which are legal and ‘well-known’, or non-financial-industrial groups often known as holding companies.
Khanna and Rivkin (2001, p. 47) define business groups as “a set of firms, which, though legally independent, are bound together by a constellation of formal and informal ties and are accustomed to taking coordinated actions”. Business groups are not particularly visible or easily recognisable in Russia; only people who are directly involved in such groups or who are well aware of business groups, due to their business activity confirm the existence of these groups in Russian business. For instance, respondent M. K. confirmed the existence of business groups, stated that:

“They are shadow groups. They do not publish about themselves in newspapers. Business groups act perfectly for their own goals and have a perfectly organised structure.”

In addition, respondent A. K., who is Head of Security in a business group involved in the fishing industry, financing, and construction, explained that:

“Each member is functional in their own way, completing their own part of the group’s task and bringing their own share of information. They are more likely to share information within the group rather than with somebody else. Each member is supported by the others in case of trouble. These business relations are transferred into the things that we have: a) a high level of trust in business, b) a high level of trust in life.”

Whilst business groups exist, they are not so visible, or obvious. If you try to sort out some issue which is in the area of activity of such a group, it would be better to get information directly to the leader, or be introduced to the leader of the group. Respondent Z. N., who is the Financial Director of a business group, discussed with us the issue of mutual support among business group members:
“There are a lot of business groups in different industries. They are more effective than a single business and have lower costs. There is fair pre-agreed principle of profit sharing which is built on trust. A stranger or unknown person can’t get into the group. They must be trusted before getting access to these calculations, which are based on trust, fair use of [resources] and agreements that are not legally supported.

The maximum of available information must be collected and some long business history presented. Such history will be of at least two years of relations where the person proves his loyalty and readiness to share with others. Then they may be accepted into the group and the group’s projects will be discussed with them in detail, including unofficial details. It may not be legally confirmed. Acting within the business frames but because it is not documentarily supported it can be viewed as illegal. They are looking for some kind of gaps in regulations allowing a higher level of profit or more effective resources utilisation. Information flows freely among them but does not go out at all. They collect information like a ‘vacuum cleaner.”

Business groups are present in all industries, and often exist beyond the boundaries of a single industry. Their mutual effectiveness is characterised by quick decision-making and leveraging of industry advantages and opportunities. All members fully support the achievement of mutual goals and are rewarded according to their relative input. It is important to add that all members are held personally responsible for goal achievements. Their personal and organisational assets are at stake in case of a failure or misconduct.

The profitability of the business group is defined by low transaction costs, involvement in the most profitable business projects, successful tax avoidance, effective information management, and access to different resources. The profitability of the average business group
member is usually higher than the profitability in related relevant industries. Business groups are effective in outperforming competitors or market newcomers. Using their business and informational abilities, the business groups can apply pressure on competitors from different directions, e.g. those affiliated to the business group can be involved in such processes. Often the victim of such action don’t realise the true source of pressure, as the source of the actual pressure will be via a third party.

Khanna and Palepu (2000) argue that focused strategies may be wrong for emerging markets. As a matter of survival, leaders of different Russian business groups highlight the importance of an *ad hoc* approach where it is impossible in their view to create a long-term strategy. The *ad hoc* strategy of business groups is supported by excellent detailed local knowledge. Studying profitability in Indian business groups Khanna and Palepu (2000, p. 889) suggest that in emerging economies the following generally apply:

1. **Market for finance.** Slow and unstable financial growth along with non-attractive institutional landscape.

2. **Market for labour.** Only a few business schools, little training, management talent is scarce, workers inflexible.

3. **Market for products.** Limited enforcement for liability laws, little information dissemination, no activist consumers.

4. **Government regulations.** High number of regulations along with high level of corruption.

5. **Enforcement mechanisms.** Unpredictable.

6. **Corporate scope.** Groups may have many advantages.
Looking at shadow business groups from the organisational theory perspective, we can see that they are generating resources to protect their positions and market segments. Being highly specialised in certain sectors, these groups are a perfect fit for the risky Russian business environment. This really is the best highlighted by Hannan and Freeman, who commented that “the specialist maximizes its exploitation of the environment and accepts the risk of having that environment change” (1977, p. 948).

Shadow business groups are effective in reducing transaction costs. Operations are characterised by a very short time period for decision-making, use of mutual experience in cost reduction, use of industry advantages and opportunities, mutual financial support, effective operational capacities, low monitoring costs, mutual safeguard, direct and effective access to administrative resources, tax avoidance, mutual risk-sharing, and excellent local knowledge.

The nature of support in business groups is based on the group’s interest as members are not willing to risk or put into jeopardy their profit, project involvement, and group’s structural advantages. In other words, it is not a ‘marriage of love’ but a ‘marriage of convenience’. Everything relevant to the group’s industry information is freely shared between members including confidential information. Information is gathered from everywhere, but none of the information is leaked out. Opportunistic behaviour is not accepted in these groups, and where it is exhibited, it could lead to non-voluntary exit from the group. For example: hiding profit, unfair costing, etc.

**Colleagues**

Colleagues are considered in most cases as relations which are given to us. Colleagues are transient, and respondents in our research often suggested that:
“Colleagues come and go and don’t have any emotional obligations with each other.”

Colleague groups represent one of the weakest networks where people are bound only by their work duties. However, respondents from extreme or dangerous professions (e.g. fishermen, miners) often mention examples of work relations being transformed into friendship. Tough work environments appear to be a critical factor in establishing such strong relations. For example, respondent A. L. commented that his colleagues became friends since their first trip at sea.

Russian people have a tradition of staging different office parties but not fashionable corporate parties for team-building purposes. Traditional Russian office parties have a different purpose – to relax and enjoy an informal atmosphere. This tradition is particularly transparent as it was formed a long time ago.

The atmosphere of such parties is usually informal and very friendly allowing colleagues to strengthen their relationships, discuss sensitive or conflicting situations, and learn more about each other or just feel relaxed inside the office walls. Also, such parties allow the development of trust between colleagues and enrich organisational cultural exchanges.

Colleagues may get together into the inner organisational clusters which could organise, depending on the situation, to either support certain decisions or go against unpopular actions. Respondents from our research suggested that colleagues are used as a source of information and referrals whilst looking for a job.

Classmates and college mates

Relations between class/college mates are usually the weakest. Responses from our research illustrate this
weakness, outlining that these members have little in common, particularly after years of separation, and at best only sharing common memories of school days. People who actively use websites such as www.odnoklassniki.ru and interact with their former classmates and college mates notice that these contacts are only good for refreshing past memories. For instance, respondent I. M. remains in contact with ten former classmates and confirms that these relations are weak and not emotionally or functionally loaded.

Some exceptions were noticed where relations had developed into friendship or ‘mates’ relations over time. This network has a practical advantage in information sharing, referral or minor situations requiring help. Apart from these, there are no other significant advantages attached to this network category.

An important exception must be noted about graduates of different military institutions who have a strong sense of identity and keep relations for many years and stay in contact even when in completely different parts of Russia. For example, graduates of Suvorov’s Military Schools (Army) or Nakhimov’s Military Schools (Navy) or Kremlin Cadets (Moscow Military Commanding High School).

Discussion
Western companies are often lost in the midst of uncertain Russian business environments due to the lack of understanding of Russian rules of the business game or simply not realising what is going on. Russian business is built entirely on interpersonal relations, that allow local business people to access different resources, enter new areas, develop trust in the local context, conduct negotiations more effectively, or simply, reduce their transaction costs.
Using the theory of social forms (Polos et al., 2002) we were able to identify ten different forms of stable personal networks in Russian business, which to date have never been classified, these are: friends, relatives, mates, ethnic groups, ex-militia officers, ex-Army or Navy officers, ex-FSB officials, business groups, colleagues, classmates and college mates.

In this research we are able to formulate substantive links in the interactions between different personal networks and the way the Russian society is firmly built upon it. Members of all the named personal networks are involved in different areas of Russian local and international businesses. Having access to, or holding a variety of resources, these networks have the most impact on the business environment in Russia, and so require serious consideration.

In the following Chapters we will discuss the structure of personal networks, the rules of membership, inner social norms and codes, and the trust development process.
Networking ties in Russian business

Well-founded relations, built up over time, last longer and are more meaningful...
Networking ties in Russian business

The structure of personal networks

Traditionally, economists and sociologists have only distinguished between two types of network ties – strong and weak. Such an approach is based upon the findings of Granovetter (1973), which were based on the analysis of data from America. However, the world is not quite so black and white and we offer the discussion of relational ties in the context of Russian personal networks. This is very different to that present in the American society (Naumov and Puffer, 2000), and by its very nature is more complex than the definition presented by Granovetter (1973; 1983).

Granovetter undertook network analyses by relating the strength of interpersonal ties to a macro phenomenon, which includes diffusion, social mobility, political organisation, and social cohesion. We also used this approach in our research; but we focused on the micro-macro processes of interpersonal networks and these are discussed below.
Types of relations

Different types of relations are defined by the context in which they exist. The findings from our research clearly distinguish relations with relatives and non-relatives (non-kinship relations); we discuss these two types of relations prior to the discussion of the strength of networking ties.

Kinship relations or ‘how blood matters’

Family ties have a complex structure and can’t be viewed as a simple matter. Kinship relations are based on family and blood obligations and are clearly considered by Russian people to be separate from any other type of relationship, i.e. non-kinship relations. Relatives are given to us for life and even if one is not happy in some relations, these cannot be changed.

McPherson, Smith-Lowin, and Cook (2001, p. 431) explained that, “family connections are the biosocial web that connects us to those who are simultaneously similar and different. Family ties, because of their strong affective bonds and slow decay, often allow for much greater value, attitudinal, and behavioural heterophily than would be common in more voluntary networks.”

Like many societies, Russians are very close with some of their relatives, distant with others, and even avoid some completely. People have different strengths of relations with different relatives. One may have better relations with in-laws than with one’s own relatives. It doesn’t relate to the grade of kinship and our research shows that it is more related to the strength of relations and the different intensities of those relations.

We found that the type of relationship Russians have with their parents is important, whether good or bad, as this relationship follows them around, particularly when discuss a person’s background. This issue must be
Networking ties in Russian business

handled with great care as it is highly significant in Russian culture. Close relatives are characterised by a great sense of care and are based on family or blood ties. For instance, respondent Z. T. commented that:

“I will always do my best not to bother parents or other close people with my problems.”

From a business perspective, it is important to look at the possibility of using relatives’ networks or exploit their social capital. To date this area of network ties has not been discussed in literature. Our findings suggest that Russians separate their kinship relations and personal relations in this context. Russians use relatives’ networks only if they are desperately in need of something. For example, respondent A. K. commented that:

“I will ask my parents’ friends for something if it’s only a way to sort out the problem.”

Parents or relatives also appear to be used as an ‘entry ticket’ for one-off dealings, after which the newcomer must prove their own credentials. In Russian terms, other family members’ relations are considered as theirs, and not their own.

Non-kinship relations

Non-kinship relations are created outside the family circle, i.e. with friends, mates, or colleagues. Non-kinship relations represent a mixture of given and voluntary relations. We can choose our friends and mates, whereas colleagues, college mates and classmates are given to us. But we still choose the colleagues or college mates we want to be in close contact with and interact with more than others.

Russian people receiving professional support from non-kinship relations consider these as more business
or functionally valuable relations. Emotional support is often provided in non-kinship relations in Russia, which are often considered to be more valuable than kinship relations. Our findings reveal that Russians are far more likely to discuss the whole spectrum of their inner feelings and share personal or job related worries with non-kinship relations, rather than with kinship relations. The reputation one gains in non-kinship relations is particularly important in business circles, which make access to resources in Russia considerably easier.

Impact factors

The strength of ties is defined by Granovetter (1983, p. 201), thus “it is combination of the amount of time, the emotional intensity, intimacy (social confiding), and reciprocal services which characterise the tie.”

The structure of relations in Russian society is fairly complex and it is difficult to define the strength of ties as being only strong or weak, as there are a number of contextual issues to consider. Research data shows that people in Russia distinguish two major roles of their relations, where their network ties have an emotional strain and a functional strain. Both strains are interlinked and seen as vitally important for maintaining healthy and balanced personal relations and more likely to reflect the context of the relations.

In our research we discuss the structure of network ties using a different approach to that offered by Granovetter (1973), by looking at the functional and emotional strain of networking ties, and the relevant level of trust, as the key feature of any organisational or interpersonal relations.
**Functional Strain**

The functional strain of personal relations is reflected in reciprocity in the local context; securing support and exchanging services and favours between network members. Living in a hostile environment for almost a century, Russians have learned how to survive and succeed by helping each other out. Russian people expect services from their contacts. It could be anything, from helping with house decorating to the provision of a valuable business service.

Functional support is compulsory in human relations. Respondents from our research confirmed that if someone does not help them when it is possible, they will think seriously as to whether or not these relations should be kept. For instance, respondent M. S. commented that:

“I would not continue relations if my friend refused to help me when it was possible for him to do so.”

Another aspect of the functional support of networks is the exchange of information, which is a compulsory function of network exchange. DiMaggio and Louch (1998, p. 619) state that, “sociologists and most economists agree that people use personal networks to gather information when they contemplate purchasing non-commodity goods and services.”

Russians distinguish that different favours or services are expected from relationships of different strength. This supports Granovetter (1983) findings that reciprocal services characterise the tie. For instance, Russian people tend to borrow money from their closest and most entrusted contacts.

From the point of view of functionality of relations, the strength of ties could be viewed as a measurement of distance between people and resources. In this case, the strength of ties reflects the lowest transaction costs.
one should pay for such access. Therefore, we may suggest that the stronger the tie, the shorter the distance to resources allocated in the same or different networks.

**Emotional strain**

The emotional strain of human relations is often given priority over the functional strain. From the Russians’ point of view, it is impossible to have strong or valuable relations that are not emotionally supported. Russian people expect their contacts to provide emotional support in all aspects of life and business. For instance, before starting any business related conversation, Russian people tend to discuss life or social issues beforehand and this may take a considerable amount of time, as getting straight to the point of the meeting is considered rude. Westerners often tend to make mistakes here, negotiating purely about the business at hand and not establishing an emotional contact with the potential Russian partners first.

An important aspect of our research is the finding that Russian people need to feel emotional unity and understanding, making emotional support a necessity, even for purely functional relations. Respondent O. S. commented that:

“How could I do business with a person who is not sympathetic to me, with whom I don’t have emotional attachment, and so, I don’t have a feel for?”

Emotional strain has the most impact on the strength of relations in Russian networks; ties get stronger with the strengthening of emotional support. Russians tend to spend as much time as possible with close ties, thereby enriching the quality of their contacts. Emotional strain is characterised by choosing the closest network relations in Russia, whereby this choice is based on mutual compatibility and human sympathy.
Trust

Discussing the value of trust in society, Nooteboom (2002) reveals that “trust can have extrinsic value, as a basis for achieving social and economic goals. It can also have intrinsic value, as a dimension of relation that is valued for itself, as part of a broader notion of well-being or the quality of life”, and explains that it attracts more attention where it defines the interaction between autonomous agents, i.e. people or organisations. This makes it particularly important for networks.

In the context of networks, trust plays a crucial role in interpersonal relations, where the level of trust characterises the strength of ties and secures the effective performance of formal and informal networking. The role of trust will be discussed further in detail later in this book.

Time factor

The amount of time people spend together is a very important factor in determining the strength of network ties. However, it has also been pointed out that it is important to consider the time commitment of building relations. But what is the time commitment in such context? It could be anything; a whole evening spent listening to your friend’s story, availability on the first call, or the time spent gathering information needed for an old mate or family member. People tend to commit more of their time to strong relations and less to weaker relations, unless they are expecting some kind of future outcome.

The time spent together does not always reflect the strength of ties. Our research reveals that Russians consider relations with friends and relatives as being strong but at the same time, they often spend more time with people they are not strongly connected with i.e., with mates or colleagues. It doesn’t matter to Russian people
exactly how much time is spent with someone, but how strongly they are connected emotionally. For instance, respondent V. M. commented that:

“I am ready to put as much time and effort as needed into my friends.”

The amount of time people spend together is only the confirmation of serious relations and doesn’t confirm the actual strength of ties and should be viewed as only a supportive factor.

The strength of ties

Interpersonal relations in Russian networks are more complex than previously discussed by Granovetter (1973; 1983) and must be viewed as strong, intermediate, and weak.

Strong ties

In all cases, strong relations are created when people have gone through serious life circumstances together and have learnt a great deal about each other. These relations are extremely positive and are based on converged interests. Strongly connected people, like the closest of friends, parents and children, are all people with absolute emotional intimacy. Such relations are characterised by mutual affection and complete unity of purpose where both parties exhibit full confidence in each other (Lewicki and Bunker, 1996, in Dietz and Hartog, 2006, p. 6).

Russian people distinguish between strong ties in two different ways; connections with friends and connections with close relatives. In Russian terms relations with friends and close relatives are the strongest, mainly due to the high emotional intimacy and the strong functional support
between these people. Whilst discussing non-kinship relations we often heard respondents commenting that their friends are not considered as relatives but chosen and friendship is tested by life experience, which justifies the strength of relations.

Many obligations are placed on networks members, linked by strong ties and from a functional viewpoint, strong ties reflect all kinds of services and support, exhibiting the highest level of reciprocity. This could be, for example, borrowing money, support in life and business troubles, valuable advice on sensitive issues, and caring about each other’s family issues. From the perspective of access to resources, strong ties facilitate the most direct access which is based on an irrational choice of participants, where parties involved in an operation are willing to do their best towards mutual gains.

Russian people do not care about the functionality of strong ties; they are only interested in the emotional strains of these relations. The emotional load of these relations has a prevailing role in developing strong ties. Strong ties reflect the long history of relations, which represent the irrational choice of interpersonal relations where mutual services go beyond the rational choice. This is reflected in the response of respondent M. C. who commented that:

“I am not bothered about the functionality of relations with friends where it is more important for me to feel emotional attachment.”

Strong ties are characterised by the strongest sense of emotional unity, even some kind of emotional dependency, and the highest level of trust. Each one of our respondents expressed that they only share their inner feelings and confidential information either with friends or close relatives, not with any other people. In Russia, it takes more than five years of active interaction to establish strong
relations, demanding a certain level of effort from both parties involved. An attribute of strong ties is the referral function, as a reliable third-party guarantee, which will almost certainly influence decision-making. For instance, respondent S. L. commented that:

“The best recommendation is if someone is referenced by a friend or well-known person.”

Our research reveals that Russians don’t have the opportunity to spend a great deal of time together due to the vast geographical nature of the country. However, Russian people still consider relations with remote friends as being strong and supported by the strong sense of soul unity or spiritual closeness. They meet each other infrequently, but such meetings are much more appreciated. For instance, respondent G. M. commented that:

“There is some sense of unity which keeps together friends who are living a thousand kilometres away and don’t have the opportunity for frequent meetings.”

The loss of strong ties does the most damage to structural relations, disconnecting network members from resources, information, and emotional/functional support. From an organisational point of view, the removal of strong ties is like the loss of a core supplier or customer, where such a loss could be viewed as being dramatically damaging. People connected by strong ties strongly influence each other’s decisions. The opinion of a friend or close relative is highly valued and is always taken into consideration, making such groups even more interlocked in their views and approaches.

In Russian personal networks, strong ties are necessary in bridging the gap between people from different networks, which are the cornerstones of social capital in Russia. Identification-based degree of trust is
a taken-for-granted feature of strong relations. In non-kinship relations, strong ties connect 2 to 6 people (mean = 4), whilst in kinship relations the number of strong ties directly depends on the size of family.

**Intermediate ties**

Our research clearly confirms the existence of sub-type of ties which has never been discussed before – intermediate ties. To our knowledge, this is the first time empirical research has been undertaken on this sub-type of tie.

Intermediate ties still facilitate the emotional and functional strains of personal relations and connect people who have not reached, for some reason, the strongest strength of relations. Whilst this level of relationship is lower than that of strong relations, it is the level of emotional intimacy that is seen as the main difference between strong and intermediate ties. Trust in intermediate ties reflects stronger positive confidence based on shared affection.

Trust in these relations is subjective and derived from the quality of the relationship over time (Rousseau, Sitkin, and Burt, 1998). This is the stage in which people are prepared to forgive minor human faults and show willingness to put an effort into repairing damaged trust. A relational-based degree of trust should be considered as a taken-for-granted feature of intermediate ties.

In kinship relations, intermediate ties connect close family members with a different grade of kinship but with whom family members have a stable, robust, and reliable relationship. Also, intermediate ties may connect remote relatives or in-laws who are liked, respected and welcomed. In non-kinship relations, intermediate ties connect old mates, members of business groups, and ex-Army and Navy officers. These types of ties are formed through years of joint activities and a good understanding of one another.
Intermediate ties are more of a rational choice, based on two terms; either important because of their personality and/or because of their organisational position. If one of these terms is not fulfilled then people can’t see the reason to keep such relations as intermediate and they become weak form of ties. The deepest inner feelings would not be discussed in such relations but it is possible to discuss less sensitive aspects of private and business life. For instance, respondent D. P. commented that:

“I am not prepared to share inner emotions and feelings with anyone except friends but it is still possible to discuss serious issues with old mates.”

Our research suggests that intermediate ties are very functional. People in Russia willingly provide services and support to those with whom they are connected to by intermediate ties, and are actually obliged to provide services and support in the context of Russian society. For instance, the range of services exchanged between old mates or members of ‘shadow’ business groups is very wide. As in strong relations, it could be borrowing money, business support, access to confidential information, and different private favours.

The functional strain of intermediate ties remains high. However, in comparison to strong ties, one should be prepared to cover the cost of this in mutual services. From a resource allocation viewpoint, intermediate ties facilitate this as a rational choice as network members operate within a frame of medium ties, representing reduced or optimised transaction costs. References provided by people connected by intermediate ties such as, old mates are considered by respondents in our research to be reliable and useful for promotion. These can be viewed as effective bridges between networks, securing the effective spread of anonymous trust.
We have found that intermediate ties characterise relations established over a three-year period. The number of old mates is usually larger than friends and has connections involve 6 to 20 people (mean = 13). Therefore by using a network of old mates one may gain wider access to different networks. Russian people consider the loss of someone to whom they are connected by intermediate ties as not a serious matter. Such a loss is viewed more from a functional rather than an emotional viewpoint. Therefore, the removal of intermediate ties has an impact on the functional effectiveness of networks relations due to the loss of access to remote resources and functional support.

Weak ties
In the Russian context, weak ties do not facilitate either emotional or functional support, and people don’t have any formal or informal obligations towards one another. Weak ties connect remote relatives, mates, colleagues, and classmates. Emotionally, people may express sympathy but, generally, this will be kept to a discussion of common life issues, without going deep into inner feelings. It could be a conversation with the common questions – ‘How is life? What’s new? How is business?’ And so, responses would be ‘fine’, ‘doing well’, or something similar.

The weak ties of distant relations, mates and colleagues are based solely on the individual having some knowledge of the other person. The low level of trust in weak ties does demand the need for close control, monitoring a person’s actions, and the fulfilment of different formalities. However trust in weak ties reflects positive confidence based on prior predictability.

Weak ties represent a low functionality of relations. Weak ties do not play the same role as strong or intermediate ties but could help in reducing transaction
costs, achieving access to local information, or the exchange of small favours. Thus, influencing and easing communication, negotiations, information sharing and the effective operational support between members of personal networks. A broad range of information may be effectively accessed through weak ties. For instance, one may access information about available positions whilst searching for a job.

Usually, Russian people do not invest their time in weak ties, and the loss of a weak connection is not worth worrying about. The removal of a weak tie in Russian networks would not cause any damage to transmission probabilities, as this type of tie does not perform the function of developing information bridges. Our findings contradict those of Granovetter (1973, p. 1365) who claims that the “removal of the average weak tie would do more ‘damage’ to transmission probabilities than would that of the average strong one” as weak ties are viewed by Russians as very ‘weak’ and unreliable bridges.

The level of trust in weak relations is generally low and third-party references provided by members of weak groups are not considered to be valuable. Weak ties do not facilitate the bridging of members within different networks. The opinion of a ‘mate’ or ‘remote relative’ is often ignored unless this person is widely recognised within their area of expertise. For instance, respondent V. E. commented that:

“I will not listen to such references as remote people are not a reliable source themselves.”

The position of knowledge-based degree of trust is critical as it represents the border line between low trust and real trust. If a person is already known well enough to be trusted and if this person is able to confirm their trustworthiness in the future, then they are only a step
away from being strongly trusted, where network ties are concerned. Alternatively, if one fails to deliver on their trustworthiness, then the group may throw this individual back to the calculative level, and so, weaken the strength of their ties. Knowledge-based level of trust is taken-for-granted in weak ties.

The number of weak ties is difficult to identify precisely. However, the respondents in our research suggested that the number of people with whom they are connected by weak ties (remote relatives, classmates, colleagues, etc) is usually between fifty to one hundred people at least, and a mean figure could be taken as seventy five.

Multiple networks memberships

In life, it is almost impossible to be a single personal network member. We all collaborate with a few networks such as friends, mates, relatives, and colleagues, simultaneously. How we deal with these multiple networks memberships is a key to our success in life and business.

Hannan, Polos, and Carroll (2007, p. 108) noted that “multi-category membership lack representativeness in any one of their relevant categories (unless the categories are nested).” However, personal networks represent the phenomenon of nested categories of membership where access to networks’ resources is defined by the strength of ties and the range of services to which one may have privileged access to. The stronger the tie connecting one with a resource holder, then greater is the probability of resource availability.

In Russia people use the advantages of being in different network. For instance, if one needs information that is difficult to access, then they may ask for it from a particular network they are associated with. Respondents from our research were questioned as to whom they would
approach if they needed emotional support, to borrow money, or for different services. For instance, respondent D. P. commented that:

“I know where it can be found and so, who to ask. If for some reason the requested service is not available, then I will go further.”

Multiple networks memberships increase a person’s recognition in the local context. The person with the larger number of memberships is more trusted, being well known and positively referenced by different independent sources. Also, such people have a wider range of possibilities for accessing structural holes in networks, or a better chance for “maximising the yield in structural holes per contact” (Burt, 1992, p. 20).

Russian people tend to use their strongest relations first, knowing who to turn to, and then, if necessary, their weaker relations and thus increasing their networking advantage exponentially.

**Competition in networks**

With the presence of competition, it is believed that network resources will become scarce; and the density of will decline, leading to the death of these networks. We have found that weak ties usually facilitate competition; for instance, the competition presented amongst colleagues caused by the challenges for organisational resources such as position, higher salaries, and rewards.

Let’s imagine competition in any given network. With competition in the network, mutual support will be lost if people do not share their resources with their fellows. Burt (1992, p. 4) explains that, “competition is a matter of relations and not player attributes. Competition is a relation emergent, not observed. Competition is a process,
not just a result. Imperfect competition is a matter of freedom, not just power.” This insight clearly leads us to see that the freedom for competition is bounded by the norms of behaviour in personal networks, and not a need.

According to Reagans and McEvily (2003, p. 246), “the potential for increased competition is one reason why people avoid sharing what they know”, however, in Russian networks information is almost freely shared among people connected by strong and intermediate ties and less freely for weak ties. With the recent turn to democracy, traditional Russian social norms of reciprocity are not so transparent in these new competitive networks, and are gradually declining in the case of inner network competition. The legitimacy of social norms is also no longer prominent, with little regulation of relations.

Group members often have different interests and different occupations. In our research we took a close look at personal groups. For example, one group consisting of four friends, revealed a very interesting insight; the members of this particular group were people who had very different backgrounds but complemented each other well. For instance, the first group member had a very strong sense of logic and broad general knowledge providing valuable advice to his friends in complicated life or business situations. The second was like the group’s psychologist and people come to him to share their inner feelings and thoughts. The third member was very high-spirited and considered the “soul” of the group. The fourth member was very handy and always willing to help. This group is representative of similar groups across Russia, which make-up the wider social community.

The survival of personal groups is dependent on the complementary nature of members’ personalities and abilities within the group. What secures the survival of
personal networks in the turbulent Russian environment is a low or non-existent level of competition in them. The complementary nature of personal networks is particularly transparent for those connected by strong or intermediate ties. If the members of the same group have similar personalities and abilities, or have access to the same resources, then they will be overlapping in terms of what they can offer, which may cause competition in the group.

Discussion

Russian personal networks are complex where kinship and non-kinship relations are clearly separated, as is the nature of relations within them. Each type of relations, kinship or non-kinship, is characterised by strong, intermediate, and weak ties. Most of the differences between Western and Russian networks lie in the nature and strength of ties. The strength of ties is defined by emotional and functional support, and directly relates to a certain level of trust, whereby these factors are tested through the history of relations.

Emotional attachment plays the greatest role in networking relations in Russian business, characterising the choice of closest and optimal networking relations, i.e. strong and intermediate ties. If an emotional attachment exists in relations, then the willingness to co-operate goes beyond the rational choice.

- Strong ties provide the highest level of emotional and functional support, and reflect the level of trust between group members (identification-based level of trust).

- Intermediate ties are very functional but provide a lower level of support compared to that of strong ties,
which have emotional support. The level of trust in intermediate ties could be viewed as relational-based, which reflect stronger positive confidence based on shared affection.

- Weak ties facilitate the lowest emotional and functional level of support and have a low level of trust, which could be viewed as knowledge-based, reflecting positive confidence based on prior predictability.

Memberships in each network reflect different strengths of relations existing in the particular network (see Table 1).

<table>
<thead>
<tr>
<th>Non-kinship relations</th>
<th>Kinship relations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strong ties</strong></td>
<td><strong>Strong ties</strong></td>
</tr>
<tr>
<td>Friends</td>
<td>Close relatives (parents, brothers and sisters, adult children) and other family members who exhibit strong connectivity</td>
</tr>
<tr>
<td><strong>Intermediate ties</strong></td>
<td><strong>Intermediate ties</strong></td>
</tr>
<tr>
<td>Old mates, members of business groups, ex-militia officers and ex-Army and Navy officers</td>
<td>Cousins, uncles, aunties, nephews, nieces and other not so close relatives</td>
</tr>
<tr>
<td><strong>Weak ties</strong></td>
<td><strong>Weak ties</strong></td>
</tr>
<tr>
<td>Mates, colleagues, classmates and college mates and acquaintances</td>
<td>Remote relatives, in-laws and conflicting family members</td>
</tr>
</tbody>
</table>

*Table 1: The strength of ties in different networks*
Russian people use strong and intermediate ties for gaining influence and access to valuable resources. These relations are secured by a high level of trust and mutual obligations and so, function as network bridges. Weak ties do not function as reliable bridges in Russia due to the lack of trust and mutual obligations, which characterises this type of relation.

Generally speaking, the harder it is to establish these relations, the longer these will last and ultimately be more meaningful. These relations reflect life-shaping experiences, imprinting certain understandings, clear signal reading, and fulfilment of social codes, and therefore meanings are attached to all networking activities. These are purely related to Russian networks, are absolutely localised and can’t be easily understood by outsiders.

Being part of a personal network gives people a sense of belonging and recognition which is important in the turbulent Russian environment; it makes people feel that they are not alone. Russian citizens are finding their own advantages, privileges and support in personal networks; bringing together people with different talents, abilities, and social positions in the same network has great advantages. The composition of Russian personal networks always has a complementary nature. Each member adds own specific abilities towards the group’s social, human, and economic capital, preventing inner competition.

Defining structural cohesion in groups where multiple independent paths link actors together, Moody and White (2003, p. 107), stated “a group is structurally cohesive to the extent that multiple independent relational paths among all pairs of members hold it together.” In light of structural cohesion, ‘shadow’ business groups may be viewed as more vulnerable if the leader leaves the group.

Discussing the power of such structures, Moody and White (2003, p. 121) explain that “in contrast to weak
structurally cohesive groups, however, collectivises that do not depend on individual actors are less easily segmented. The presence of multiple paths, passing through different actors is removed; alternative links among members still exist to maintain social solidarity. Information and resources can flow through multiple paths, making minority control of resources within the group difficult. As such, the inequality of power implicit in weakly cohesive structures is not so pronounced in strong structures. In general, structurally cohesive networks are characterised by a reduction in the power provided by structural holes (Burt, 1982) as local holes are closed at longer distances, uniting the entire group.”

Some exceptions must be mentioned if we look at the nature and structure of business groups, where the role of a leader is crucial and transparent. We could refer to the Moody and White (2003, p. 121) suggestion that “actors who can disconnect the group are also actors that can control the flow of resources into the network.” Majority of Russian personal networks are formed by groups with multiple independent connections representing the strong form of structural cohesion that makes Russian society less vulnerable to social uprisings.

The basis of our approach is that the complexity of interpersonal relations and therefore the structure of networking ties is dependent on national and cultural settings of the population studied, which are different to those known by the West and offered by Granovetter (1973; 1983) whose findings first formulated different structure of networking ties.

Our findings indicate that the high-context culture of the Russian society is formed by a complex structure of human relations, where the functional and emotional load of relations allows the population to survive in a turbulent environment. We may hypothesise that the main difference
between low-context and high-context cultures is not just in the meanings embedded within culture itself, but the external or visible structure of interpersonal relations where the nature of relations reflects the inner role, nature, and loading of different interpersonal society ties. Therefore, it is possible to assume that the complex structure of networks found in Russian society may well be present in other high-context culture countries, such as in China, Japan or Spain and furthermore may even be present in simple structures of low-context societies such as in the USA, UK, Israel or Sweden. Such a phenomenon could be viewed as the Context Dependant Nature of Networks.
Social norms or operational principles of networks

Personal networks can be viewed as small worlds with their own unspoken rules, procedures, practices, rules of engagement and communication styles.
Access to resources through personal networks

It is important to understand that personal networks facilitate access to inner resources and capital, which are mutually provided and guarded by the network's members. Providing an explanation as to why it is difficult to gain access to resources, Portes (1998, p. 21) states that “social ties can bring about greater control over wayward behaviour and provide privileged access to resources; they can also restrict individual freedoms and bar outsiders from gaining access to the same resources through particularistic preferences.”

Due to the undeveloped market institutions in the Russian society and the formal and informal control over resources by the Russian state, personal networks are essential way of getting access to different and often remote resources. The types of benefits available to members are varied and can range from customs clearance without delays, to timely bureaucratic procedures, information, or simply access to resources that are important for business
development. Personal networks are particularly important for entrepreneurs and managers as these facilitate access to all types of resources, which can range from natural and biological resources, licences, quotas, the right to rent a plot of land at a fair price, etc.

Despite the use of external resources, networks maintain the supply of certain resources within the group. The members’ contributions could be only limited by their willingness to share their resources with others. Burt (1992) found that a member brings at least three kinds of capital into the network – financial capital, human capital, and social capital. A member makes financial capital available to the network in the forms of cash in hand, potential investments, or access to credit facilities. Burt suggests that in providing human capital to the network a member offers his natural qualities such as charm, health, intelligence and appearance, complemented by personal skills, experience and knowledge. Our research has outlined that providing emotional support and the effective use of personal qualities among members increases the value of human capital.

Social capital is the third kind of capital a person brings to the network. Burt (1992) views social capital as relationships with friends, mates, colleagues, i.e. relationships in other networks. Burt also distinguishes financial and human capital from social capital where financial and human capitals remain the individual property of a member and define productive capabilities. Therefore, multiple networks memberships play a vital role in increasing the value of social capital in networks and the society as a whole. For instance, knowledge generated amongst colleagues will most likely be transferred to the group of friends or mates and vice versa.

Considering social capital as the final arbiter of competitive advantage, Burt (1992, p. 9) suggests that
“no one player has exclusive ownership rights to social capital” and “social capital concerns rate of return in the market production equation.” Burt also indicated that social capital is particularly important when investment capital is not fully protected. The Russian business environment is risky and unpredictable, and businessmen traditionally tend to control their investments, arrange new contracts, secure supply and sales, etc., through networks of personal relations, i.e. extensively using the social capital of networks. At the same time, we should consider that Russian people traditionally preserve resources for themselves and those close to them, making it difficult for non-members to access resources on the same terms as members. This is one of the reasons why Western organisations face high transaction costs whilst trying to access different resources in Russia.

Personal networks are heterogeneous in nature, where members occupying different positions have access to different administrative, social, and organisational resources. Members share available resources within their circle of relations and by doing so, create added-value to their network. Network members also give their close contacts privileged network access, be it information, commercial services, or administrative resources. This is not available to individuals outside of the network.

Access to multiple networks provides significant benefit to members, both socially and economically. Our respondents confirm their readiness to share available resources or provide support within most networks: friends, relatives, mates, ex-Army officers, ex-militia officers, and business groups. For instance, respondent F. M. commented that:

“*It is compulsory and unquestionable for me to support friends, mates, and particularly relatives.*”
Closely connected network members enjoy enhanced privileges and preferences in accessing network resources. For example, respondent M. K. commented that:

“I have privilege in accessing my friends’ resources whether it is information, commercial services, or administrative resources.”

People in networks comprised of colleagues, classmates and college mates, are less prepared to share their resources, reflecting weak network relations. Services provided in these networks are less valuable than in other, stronger, networks. For example, respondent E. K. explained that:

“I am not prepared to sacrifice something valuable for my colleagues or classmates, i.e. weak relations.”

In other words, we could say that the strength of a relation defines the distance to resources and cost of accessing them, i.e. the stronger the relation the easier and cheaper it is to access the resource allocated within a respective network.

Advantages of multiple networks memberships

Hannan et al. (2007, p. 301) investigated the principle of resource allocation and explain that “organisations possess a finite budget of total engagement and total intrinsic appeal.” These authors also suggest that “expenditure of engagement in one part of the niche diminishes the possibilities of engagement in other parts, where application of this principle led us to argue that multiple category membership diminishes competitive strength and viability.” Of course, we can assume that
different networks have different resources because of the financial and human resources allocated within them and therefore provide different advantages to the members.

Our research confirms this; multiple networks memberships provide access to different resources. Each personal network in Russia is heterogeneous and members are involved in multiple spheres of activity. Occupying different positions in different spheres of activity, network members have access to different administrative and organisational resources and in the words of the respondents tend to share available resources within their personal groups, and so, create multiple values for network resources. For instance, respondent V. B. has close relations with people from local municipality, prosecutor’s office and tax inspection who often help him to solve his business problems.

The strength of relations in the network defines members’ willingness to share available resources and provide access to resources. Strong ties secure shared access to available resources whereas weak ties do not. The respondents in our research confirm that being in good relations with someone controlling certain resources equates to having privileges and different preferences in accessing resources or services. Each person involved in our research was involved in at least four different groups (for instance, respondent A. G. was involved in groups of friends, mates, relatives, and colleagues) and there was a maximum of eight groups (for example, respondent A. K. was involved in ex-militia, friends, colleagues, mates, relatives, ethnic, college mates, and a business group).

The personal input of each network member is voluntary and is based on a willingness to share available resources. This approach secures the effective operational outcome of the network and so, provides functional
advantage and availability of certain resources for each member. For instance, if a businessman has a friend who is signing licences, then he is most likely to receive a license for the widest range of business activities.

Reciprocity and exchange of favours in Russian networks

Western organisations can gain access to resource-rich networks with clear understanding and fulfilment of the local rules of reciprocity. Also, any practitioner interested in understanding how the exchange of favours happens in Russian networks, needs to understand the time lag between favours/operations, which could occur over a number of years.

To put reciprocity into context, the following quote has been presented, which was from respondent O. K. during our research:

“We are helping someone and expecting similar help in return. If nothing happens in return, we feel cheated. We are involved in such operations all the time during our life.”

Cialdini (1993) explains that by obligating the recipient to an act of repayment in the future - “the rule for reciprocation allows one individual to give something to another with the confidence that it is not being lost”. In Russia the strength of relations defines the range of services and support provided within personal groups. Strongly connected people in Russia enjoy a full range of services and support whether it is information exchange, emotional support, administrative resources, private favours, and even financial support. For instance, respondent V. B. commented that:
"A friend could provide a place to stay for a long while and help with finding a job."

Even in specific personal groups like ex-militia or ex-Army officers networks, Russian people are more likely to provide functional support and emotional support where possible. For instance, the supportive nature of inner ex-militia groups’ relations defines the functionality of these groups. Members actively help each other out with favours such as employment, providing administrative support, exchanging business related information, and so on.

Russian people distinguish between private and business favours; business favours can involve help in establishing a business, or administrative favours, whilst private assistance can be in the form of household favours or providing care for friends’ children, where such favours are provided on a free-of-charge basis.

A small means of gratification must be provided for private favours but in most cases it is considered as a sign of respect and not about the actual payment or reward. This could be in the form of a small personal gift, a bottle of brandy, or even flowers. This principle is applicable in all personal networks – friends, mates, colleagues, relatives, etc.

In the case of business related favours, the conditions of exchange might be different. If for example one is expecting to make a profit by using another network member’s assistance, people must be prepared to share the profit, most probably informally, in a mutually agreed way. For instance, respondent M. K. commented that:

“What kind of friend are you if you are not prepared to share the profit made with the help of your friend?”

If a member asks for a favour for a third party, i.e. for a non-member, this is provided on a one-off basis and
considered as a favour for the member himself and not the non-member. Such a service could be chargeable where the cost is declared and the costing explained beforehand. In this situation everything is done according to an agreement. In other words, the outsider is expected to pay for the services provided by gaining direct access to the group holding the beneficial resource. All of the respondents in our research confirmed that they are not particularly willing to do favours for outsiders, as it falls outside the traditional norms of human support. For example, respondent A. K. explained that:

“I am not prepared to do any valuable favour for a stranger or vaguely known person unless a member requests it on their behalf.”

If, for some reason, a service is provided to an outsider, it is most likely that they will have to follow all kinds of formalities and be prepared to pay a much higher price for the service. This is a common attitude of Russian business people towards foreign organisations doing business in Russia. As a result, Western organisations face higher transaction costs, due to longer and more complicated negotiation processes and formalities.

One could argue that the exchange of favours or reciprocity is based purely on the principles of the social exchange theory. However, in Russian personal networks, the exchange mechanism is based not only on the benefits or possible gains, but also on the network’s rules and obligations which could be viewed as altruistic to some extent, and not always rational.
Reciprocity and *blat*

Few studies have covered the exchange of favours or reciprocity in Russia, and those that have are concentrated on one aspect referred to as *blat*.

*Blat* is defined by Ledeneva (1998, p. 37) as “the use of personal networks and informal contacts to obtain goods and services in short supply and to find a way around formal procedures.” Ledeneva (2007) shows that *blat* is often related to corruption and bribery which have been recognised as a serious problem in Russia.

However, these days, the term *blat*, has a different connotation to that of the Communist times’, and is considered by Russian people to be a dated meaning and is rarely used. Russians today view *blat* as chargeable access to certain administrative resources, usually small, which is provided to non-members and viewed by respondents as the lowest level of corruption. For example, using *blat* one may receive administrative documents within a few days where officially it may take one month.

Many things have changed in Russia over the last fifteen to twenty years. The term *blat* is hardly heard in Russia nowadays. For instance, with the market transformations in Russia, few will allow access to certain valuable resources for a small favour in return, except for a share in profit, or a heavy bribe. At the same time, opening access to available resources for the closest contacts remain the norm, which is embedded in the principles of Russian networks’ reciprocity.

Also, it must be noted that Russian people have different views on *blat* where some consider it to be a useful tool for solving personal and business difficulties. McCarthy and Puffer (2008, p. 26) explain that “there seems to be an understanding of the difference between *blat* and corruption, with *blat* being seen as necessary and
ethical, whereas corruption is widely viewed as unethical.” We can add that operations in personal relations are emotionally supported whereas blat operates in a more formal nature.

What is the difference between blat and personal networks reciprocity, or indeed which is more effective? The respondents of our research consider personal networks reciprocity to be much more advantageous than blat. For example, respondent S. L. discusses advantages of personal relations over blat, commented that:

“Blat helps in solving a very narrow subject. I will use a life example. There is a person who is capable of solving only land issues. Applying to him you can sort out only land questions. Having the support of your friends and acquaintances you could solve all the issues, including receiving this plot of land, making it cheaper, further operations, and solving all related issues.”

Research findings show that personal networks have their own stable forms and confirm the first role of social forms (Polos et al., 2002). This author also suggests that social forms must share the same properties. Network formation is based on several factors like mutual interest and affection, sympathy, functional support and profit, previous life experience, or blood obligations. For instance, a larger family creates a greater network of relatives. Members of Russian personal networks share the same properties such as family (kinship), ethnic background (ethnic group), work experience (colleagues), life experience (friends and mates), and also life circumstances.

The third common role of social forms was identified by Polos et al. (2002) through the investigation of social norms, such as reciprocity and access to resources. This shows that the difference between core and peripheral features, i.e. inside and outside the personal networks, is
that members enjoy much greater support and privileges than non-members. One could argue that access to resources, exchange of favors or reciprocity in personal networks is purely based on the principles of the social exchange theory (Homans, 1958). However, the exchange mechanism in Russian personal networks is based not only on the benefits or possible gains, but also on the networks’ rules and obligations, which could be viewed to some extent as being altruistic, although not always rational among members, but not extending outside the networks.

Using the logics of organisation theory (Hannan et al., 2007), norms of reciprocity in Russian personal networks can be viewed from different angles where the inner networking rules are regulated by social codes. Hannan et al. (2007, p. 289) suggest that the social code denotes and connotes both cognitive recognition and imperative standing. A social code can be understood as (1) a set of imperative signals, as in the ‘genetic code’ and (2) a set of rules of conduct, as in the ‘penal code.’

The genetic codes regulate the mechanism of exchange operations through imperative signals executed by network members, although these signals are often taken-for-granted by members.

Penalties apply if one violates network norms (codes of conduct), potentially placing one’s membership at risk. In the words of Hannan et al. (2007, p. 85) “people generally express irritation when their default expectations are not met”. Russian people have a saying: “three refusals to support means good bye”. In other words, if one breaches the social code of support then his/her membership faces termination. Favors provided by members of weakly connected networks tend to be ‘forgotten and forgiven’. The associated obligations settle quickly as these networks do not support longer-term settlement behaviors. Genetic and penal codes do not
spread beyond the network boundaries, which define the limit of the members’ control. Beyond network boundaries, general societal norms define relational phenomenon such as *blat*.

Our findings confirm the suggestions made by Hannan *et al.* (2007) that the social codes regulating reciprocity and relations in networks are richer and more functional than general social norms. Hannan *et al.* (2007, p. 235) explain that “architectural codes specify the means of coordinating members and units, monitoring them, and allocating resources and rewards”. These authors define an organisational, or in our case, personal network architecture, as a code that discriminates between the allowed and the disallowed feature values for the organisation.

For instance, network members acting as control agents for access to *blat*, define such access in terms of their broader network codes, thereby interpreting and integrating social support mechanisms into the local personal network.

**Transaction Costs**

Transaction Costs (TC) stem from the need to negotiate, monitor and enforce the implicit and explicit contracts required to bring resources together and utilise them effectively (Jones, 1995), and are constituted by friction in the system caused by uncertainty, limited information, market imperfections, networks, and individual behaviour and preferences of actors (Hannan *et al.*, 2007).

Russian business is famous for high transaction and governance costs due to several factors:

1. Russians tend to secure higher margin as a means of organisational survival and also due to the tradition of high levels of uncertainty avoidance in their society
(Puffer and Naumov, 2000). Russian businessmen say that they need a higher margin as they don’t know what will happen tomorrow and sufficient reserve funds must be set for the ‘black day’.

2. The transition period of the Russian economy caused high market imperfection and unfair competition.

3. Strong institutionalisation since the communist time is still present, where the government is involved in market regulation, causing economic misbalance.

4. Western organisations have limited information on the inner life and networking system of Russians and therefore face higher costs and barriers.

5. The poor role of the Russian government in specifying property rights and enforcing contracts.

6. The high level of corruption at all institutional levels of the Russian state system.

Personal networks can be considered as invisible entities existing inside of organisations and depending on the particular context, supporting or resisting structures. Supporting entities provide certain advantages and capabilities to organisations if correctly managed and exploited. Western companies should gather valuable information even before entering the country, at the stage of the project feasibility study, bargain better terms of agreement, monitor execution of the contract, enforce and apply sanctions, and control ‘informal’ investments.

The reader might ask why we are discussing transaction costs in our book. Using personal connections, one may reduce operating costs or receive better services. One of the reasons for the existence of personal networks is to reduce the cost of living in the private
context and transactional costs from an organisational perspective. With the transformation of the Russian economy, the advantages of personal networks have transferred and are reflected at an organisational level. The correct use of personal networks has the opportunity to provide competitive advantage through the provision of complementing capabilities, and functional, informational and emotional support.

The dark side of social capital

Unfortunately, personal networks create not only social capital but they also have a negative side. Being tightly connected, Russian people could easily develop organisational resistance in different forms. Granovetter (1985) suggested the ironic link between the bright side and the dark side of social relations saying that “the very concrete social relations and structures (or networks) in the environment that play a role in generating trust and discouraging wrongdoing in economic exchange also increase opportunities for deceit and deviance.”

Russians are not prepared for change and prefer to avoid new routines. Michailova and Husted (2003) classified this phenomenon as the ‘Not invented here’ syndrome. This syndrome strongly influences organisational change. Let's imagine that Western organisations intend to implement new practices brought from abroad, then we could most likely predict some kind of quiet strike, organised by a group of colleagues, which induces a lengthy implementation.

It is well known that local social norms and codes can have a dark side, where in the words of Butler and Purchase (2008) the capabilities and values initially seen as a benefit may become, in time, a pathological rigidity. Using their personal network capabilities, people could easily organise actions against business leaders, spread
negative information and circulate bad rumours.

Certain norms which are viewed by Russians as perfectly acceptable in the local context could be judged by foreigners as absolutely inappropriate. For instance, the use of network relations could be seen as unfair competition, which causes serious problems at the organisational level. How does this works in Russia? Let’s imagine your competitor has a friend or mate in one of the enforcement authorities, or just tax inspection. Then, instead of competing fairly he will arrange some kind of sudden inspection and your organisation will be out of business for a few weeks. It is not good in the eyes of the Russians, but widely practised.

Corruption is a serious problem in Russia. Unfortunately, quite often Russians consider corruption as a natural phenomenon. For example, getting into the federal position in the North Caucasus area of Russia can be evaluated in terms of a few hundred thousand US dollars in bribes. Such hefty bribes are collected by the whole family and close friends who accept this money will be paid back by taking bribes in the future. Using network opportunities some business people are getting involved in different illegal or unethical operations. For instance, Russian bureaucrats using personal networks do not take bribes directly but often through entrusted people, i.e. an old mate or friend.

Discussion

The social codes of Russia are local and do not spread beyond the networks boundaries, where in the words of Granovetter (1983) they operate in certain environment and cultural settings with predefined norms, social and family values, and unspoken meanings and so, remain hidden from Westerners.
In respect of possible merges of Russian and Western organisational cultures, in the light of globalisation, we need to understand that the two codes or systems are incompatible. Only if the codes become known between partners, such a way as to comply with both, can advancements be made. Western organisations should become attuned to Russian cultural codes, or at least understand them, whilst operating with Russian organisations where Russian codes need to be acknowledged and considered.

Social norms regulate and reflect the behaviour of network members and must be seen as vital for the group’s life and identity. Such cultural and social norms are locally specific to the network population and do not extend beyond its boundaries, thus remain hidden to Westerners. Personal groups existing in the high-context Russian culture are characterised by long-term relations and are the most valuable.

Personal networks can be viewed as small worlds, with their own unspoken rules, procedures, practices, rules of engagement, and communication styles. For instance, it is the Russian manner of business negotiations to discuss life issues, mutual acquaintances, holidays, or political news before entering into the business part of the negotiations. Such informal discussions help to establish tighter relations and justify the identification of being an insider or ‘almost an insider’. In the Russian context, both parts of negotiation, emotional and business, are important. Proving solidarity with the partner’s views on different life circumstances helps to establish relations and is actually anticipated in the Russian context.

From the Russian perspective, one can be more trusted if they are more emotionally attuned. For instance, respondent O. K. commented that:
“In dealing with a Norwegian supplier I would be more inclined to give much more business to them, if they found the time to talk for few minutes, maybe once in a couple of weeks, about general life or business issues, which would improve mutual understanding and sympathy.”

Russian personal networks are a good example of the clear distinction between informal relations inside the group and formal relations with outsiders. People from outside the circle of relations (peripheral actors) are expected to follow formalities such as signing carefully prepared contracts, agreeing the time of a call or meeting, or following agreed contractual terms and conditions. For example, informal promises between friends and old mates may often replace formal contracts or written obligations. For instance, respondent D. E. commented that:

“I can borrow money from my friend, even decent amounts, for an unspecified period of time without signing any papers. However, this is accepted between well-connected people but not with strangers.”

We must mention the importance of keeping traditions and habits in Russian personal networks, which must be mentioned to those who deal or are just visiting Russia. For instance, the respondents in our research know very well the preferences, hobbies, and likes of their closest contacts, and try hard to please them if possible. It is a habit to give gifts between Russians, which is historical, and came from ancient times.

Gifts are given on different occasions, for a colleague’s birthday, on official holidays, at family celebrations, or simply as a matter of respect. It can be small inexpensive souvenir or an expensive collectible, depending on the strength of the relations. It is a custom to give gifts to close friends and relatives on returning from a long trip
or when meeting with friends who they have not seen for a long time. Gratifying business partners with personal gifts is also a habit in Russian business. The reader must consider that the habit of giving gifts has nothing to do with bribery but is only a gesture of respect, in the eyes of the Russians.

Russia has changed enormously over the last twenty years. We can see the changes everywhere in the economy, in the state system, and in laws and regulations. But not much has changed in the personal network landscape, where traditions, reciprocity rules and inner social norms have remained fairly stable. All Russian personal networks have a common approach to social norms and codes regulating their internal and external operational principles; the inner network processes are traditionally inherited, and social norms and codes (penal and genetic codes) are strictly monitored.

Social codes regulate the members’ relations, network functioning and operational principles. Tacit social norms and codes are taken for granted by the network’s members despite not being written anywhere. However, it must be pointed out that social norms and codes have some local interpretations and differences, which practitioners who enter and explore new territories should take into consideration. Breaching locally accepted social norms may cause tension between people or organisations.

Social norms and traditions are not written anywhere, and are taken for granted by the population, remaining purely tacit. The inner social norms of personal networks regulate members’ relations, networks functioning and operational principles, terms and conditions of exchange and emotional support.

Personal networks facilitate access to resources and different forms of human and social capital, mutually
provided by the networks’ members. Members benefit from each other’s emotional support, and the effective use of personal qualities like charm, intelligence, personal skills, experience and knowledge. Such skills increase the value of human interaction and improve the social capital in Russian personal networks. With imperfect competition and the investment in capital not being fully protected, the business environment is risky and unpredictable. Businesspeople tend to control their investments, arrange new contracts, and secure supplies and sales, through their relational networks.

Members of all personal networks are involved in different areas of Russian domestic and international business. Having access to, or holding a variety of resources from information to administrative resources, requires serious consideration since they have a strong influence in the business code of conduct in Russia.
Trust in the Russian context

Russian people have their own definition of trust, which is different to that of Western countries
Why bother trying to trust the Russians?

It has been challenging, to say the least, for Westerners to establish trust when conducting business in Russia. In their eyes, Russians are famous for being unpredictable and untrustworthy. However, Russians have their own way of maintaining trust. If we learn how trust is maintained amongst Russians, then perhaps Westerners could adopt an appropriate approach which facilitates trust more readily within the Russian culture.

Discussing the value of trust in society Nooteboom (2002, p. 2) argues that “trust can have extrinsic value, as a basis for achieving social and economic goals. It can also have intrinsic value, as a dimension of relation that is valued for itself, as part of a broader notion of well-being or the quality of life.” Furthermore, Burt (1992, p. 15) argues that “trust is critical precisely because competition is imperfect.” Trust is particularly transparent in personal networks existing in Russian business, made visible by empirical research which explains exactly how trust is defined and how trust is created and developed in personal networks.
The pressure on managers is growing as they are beginning to realise that they can’t administer everything using contractual relations or organisational structures, within and outside their organisations (Burt, 1992). It is becoming critical for organisations to develop trustful relations with all participants, increasing organisational manageability and competitiveness; nowhere is this a more pressing issue than when developing trade links with Russia. For example, Timberland has changed its organisational policy towards engaging consumers on social issues to rebuild trust, which has been damaged during recent commercial difficulties.

Contemporary trends in an organisation’s development, caused by globalisation, show the tremendous number of alliances, mergers and acquisitions of different scales and scope, where trust makes transaction costs lower and yields greater flexibility (Nooteboom, 1999). Trust is important and businessmen rely on it much more than is commonly realised (Williamson, 1975). Conducting business in a trustful atmosphere, organisations tend to lower transaction costs and increase organisational competitiveness. Business practitioners operating in Russia are involved daily in transactions which often can’t be properly articulated, or written in the form of clear trade agreements.

Considering that Russia is a country with little if any institutional support, trust would have to be built entirely on relationships where personal networks can be viewed as perfect trust construction sites. However, with the growing number of multinational organisations, the issue of managing trust within organisations and with external stakeholders is growing rapidly. McCarthy and Puffer (2008, p. 21) citing Ayios (2004, p. 14), note that, “trust is embedded in the cultural and institutional context of a relationship, as well as in the social norms and cultures of the parties in the
relationship. There is a strong Russian cultural tendency to distrust individuals, groups, and organisations that fall outside the sphere of personal relationships. Westerners often mistakenly assume that the reputation of their firms is sufficient for building trust, but in Russia trust arises primarily from interpersonal trust-building activities.”

Macy and Skvoretz (1998, p. 638) argue that effective norms for trusting strangers emerge locally, “in ex-changes between neighbours, and then diffuse through ‘weak ties’ to outsiders”. Therefore, it must be specific for the Russian people; also, trust is naturally enrooted in interpersonal relations between Russian people. Acquiring knowledge on how Russians maintain trust in the local context is essential for Westerners to secure long-lasting relations, otherwise, organisations will not survive in the turbulent Russian market. The trust built from local partners and customers is critical.

Defining Trust

Different scholars offer different definitions of trust (Zand, 1972; Cook and Wall, 1980; McAllister and Bies, 1998; Mayer, Davis and Schoorman, 1995; Whitener, Brodt, Korsgaard and Werner, 1998; Rousseau et al., 1998); in fact no single universal definition of trust exists. A number have been highlighted here:

- The willingness of a party to be vulnerable to the actions of another part based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party (Mayer, Davis and Schoorman, 1995)
- Confident positive expectations regarding another’s conduct in a context of risk (McAllister and Bies, 1998)
• The most widely used definition of trust is that offered by Rousseau et al. (1998, p. 398), where “trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another.”

Definition of trust in the Russian culture

Trust is defined by Russians in a unique way, which is rooted in centuries of historical context. We have found that the Russian people have their own definition of trust, which is defined as:

• Confidence that someone will do no harm, will support them emotionally, and keep their private information confidential.

Observing the application of the definition of trust in the Russian context, it is important to note that there are three key elements; these are all compulsory and reflect the interrelated nature of trust in this society:

1. **Someone will do no harm.** This is the feeling of care and security against possible betrayal and inappropriate opportunistic behaviour of a trusted person. Also, this is the confidence that people will talk and act openly, without ‘double-standards’ of behaviour. Respondents from our research explained that this is the point of trusting someone who could cause them harm if they so wished.

2. In Russian terms, *emotional support* must be provided without question, and at any time being particularly sensitive in private cases. Respondents from formal and informal interviews often mentioned “how can I trust someone who doesn’t support me emotionally or can’t understand me.” Shared emotions secure
the confidence of mutual security, mutual obligations, and emotional intimacy. Functional support could be neglected if there are no possibilities, but emotional support must always be provided.

3. *Keeping private information confidential* and not sharing it is considered very important. Despite the active exchange of all types of information, Russian people prefer to keep their private information out of the public domain, where no third-party or outsider could see sensitive personal information.

**The moment of trust transition**

Trust doesn’t reach its highest level within a day or two. It might take a considerable amount of time and transition from being distrustful to real trust is viewed as the moment of trust transition.

There are five qualitative degrees of trust. Firstly, imagine someone absolutely unknown to you, like a stranger you met in a coffee shop or in the park, one’s degree of trust in such cases reflects a **deterrence-based degree of trust**, which represents not trust but distrust. This characterises the relation with any stranger, where no ties or relations connect people (Rousseau *et al.*, 1998).

Secondly, if we have some preliminary knowledge about a person or an organisation, then we tend to calculate the potential outcome of mutual exchange; i.e. whether things will work out well, or not. This degree is called **calculus-based degree of trust** and represents a suspicious perspective; where the benefit of trust outweighs costs (Lewicki and Bunker, 1996, in Dietz and Hartog, 2006). This is the weakest form of ties, which connects acquaintances, colleagues, and new business partners. In Russian terms, if no references
are provided, people may be willing to take a risk as to whether or not to build a relationship. These tend to be opportunistic relationships.

The third case of trust is the knowledge-based degree of trust, which represents positive confidence, based on prior predictability (Lewicki and Bunker, 1996, in Dietz and Hartog, 2006). In Russian terms this could be relations between mates, remote relatives, or business partners. Some knowledge of the other party and reliable third-party references are available from other networks, or there is previous history of reciprocal exchanges. Respondents from our research suggested that they are well aware of the counterpart’s general characteristics and habits. For instance, respondent O. M. commented:

“I am aware of what to expect from someone when I have closed a couple of deals with him.”

Actually, real trust begins at this stage, being on the border of institutional or macro-level evidence and relationship-specific evidence of trust. The knowledge-based degree of trust corresponds to weak relations.

Fourthly, in cases where relations are longstanding and have stood the test of time, trust would relate to the relational-based degree of trust. This represents a stronger bond based on shared affection (Rousseau et al., 1998). In Russia, the relational-based degree of trust characterises mature relations with relatives, members of ex-militia, ex-Army or Navy groups, members of business groups, and old mates, where the strength of ties is considered to be intermediate. Here people are prepared to forgive minor human faults and show willingness to put an effort into repairing damaged trust.

Finally, the identification-based degree of trust is the highest degree of trust and is referenced as being extremely positive and based on mutual interests (Lewicki
and Bunker, 1996, in Dietz and Hartog, 2006). In Russia, this represents the most strongly connected people like the closest of friends, and parents with absolute emotional intimacy. For example, respondent G. A. underlined that:

“I trust my friends and closest relatives 99-100% of the time.”

Dietz and Hartog (2006) created a model which represents the continuum trust. However, as yet, there is no research to help us understand the moment of transition from macro-level evidence to relationship-specific evidence of trust. Our research explores this for the first time, and helps us understand how strangers could go from being regarded as distrustful (macro-level) to trustful (relationship-specific) in networks.

We have adapted the model of Dietz and Hartog (2006) to present a visual representation of the transition steps of trust, adding an element which reflects the transition moment of relational-specific evidence of trust. This transition moment reflects third-party reference, fulfilment of local social norms, expectations of compliance, where if a person successfully passes the transition moment, they gain absolute trust, and if not, they remain with low trust. Figure 2 is based on the continuum of degrees of the intra-organisational trust model offered by Dietz and Hartog (2006).
Figure 1: Transition to real trust
(based on Diets and Hartog, 2006)
Development of trust

Dietz and Hartog (2006) suggest that trust should not be seen as a simple matter, for example by categorising into ‘conditional’ and ‘unconditional’, or ‘weak’ or ‘strong’. Instead, they believe that trust is derived from many different sources and the measure of trust must be evaluated using macro-level evidence and relationship-specific evidence. In our research, we therefore evaluated the different factors influencing the development of trust from different perspectives.

Our findings indicate that the maturity or development of trust depends on a combination of factors, i.e. history of exchange operations, mutual learning, attitude monitoring, history of reciprocal relations, reputations with others, and attitude in extreme situations. Respondents in our research explained that the maintenance and development of trust takes a long time, even years. For instance, respondents often commented that they may know someone for many years, either working together or socialising together but that does not necessarily mean that they particularly trust this person. In business or private matters, it is not worth taking the risk.

Russian citizens believe that it may take up to a year, or even more, for people to become a potentially trusted person (a pretender), in interpersonal relations. For instance, respondent M. S. claimed that:

“I would not trust anyone before I knew a person for a year or two and knew their personality and attitude in different situations. From a business perspective, it also takes at least a year to see and understand how their counterpart business relationship fulfils their formal and informal obligations.”

Russian people have an old saying – ‘We must eat a lot of salt together’. In Russian business, one or two deals
are not a confirmation of trustful and reliable business relations. Highlighting this, respondent A. G. outlined that:

“One or two deals are not enough to prove strong business relations since it will take at least a year for them to prove to be trustful.”

**Reciprocity**

Reciprocal operations are a possibility of opportunism, the extent to which independent parties can begin to work together to become mutually productive. For example, respondent A. G. commented that:

“I prefer to borrow money or ask for support (for investment opportunities) only from people I trust, from people with whom I am quite close.”

Respondents distinguish two reasons behind such an approach – they don’t want to be turned away, and can’t predict the outcome or consequences of reciprocal operations with a distrustful person.

The time-lag in reciprocity operations is supported and dependant on trust. Respondents talked about their obligation to ‘return a favour’, which can be within an undefined period of time and without hesitation, if trust is properly maintained. However, such an approach is related to ‘in-groups’, and respondents said they prefer to complete the reciprocity operation as soon as possible with non-members of their groups, so that they don’t owe anything to people from outer circle, as these are less trustful.

**Reputation with others**

In the words of McPherson, Popielarz and Drobnic (1992, p. 157) “people with more connections to others have more chances to join new organisations, since they have more
contacts to others who may be members of other groups. Each additional network contact exposes ego to potential membership in all the groups that the new contact belongs to; people with more networks contacts join new groups at a higher rate than those with few contacts”. Reputation goes follows us around, easing the entry into new relations as a confirmation of our trustworthiness.

Involvement in different networks in Russia confirms a person’s good reputation; this has been confirmed by our research. Research respondents suggested that reputation gained in other networks is seen as an important indicator, or prediction of possibility of trust development, particularly in relation to knowledge-based trust or the transition from calculus-based to knowledge-based trust. It is common practice in Russia to search for information about strangers, from all possible sources. Russian people like to know about a person’s reliability, personality, and business history, i.e. they are keen to learn about the person’s reputation. A good reputation secures good references and broadens their contact base. For example, in the words of respondent I. G.:

“Good reputation gained in other networks is a good sign confirming a person’s trustworthiness and reliability.”

In most cases, we found that respondents said that if a stranger had proved his reputation with others, then they could expect positive behaviour from him. However, if this person had let down others, then most probably they would not be accepted into another network.

**Attitude in extreme and sensitive situations**

Russian people are used to living in uncertain environments, having gone through a great deal of change within their country. These changes have affected all sorts of situations
and people, including the respondents, who found support in tough times or extreme situations, creating many strong network bonds, and making up the fabric of Russian society. For example, respondent M. S. explained that:

“My mates helped me to save money and acquire shares in the company when my firm was hi-jacked by unfair partners.”

Going through extreme life situations together is the best way to test trust and it can shorten the transition period from years to days. Such cases are particularly transparent in relations between people who have gone through harsh business problems, or just challenging life situations together and proved to be trustworthy.

Mutual learning
In Russia it takes a long time to learn about someone new, and such learning actually involves the monitoring of mutual attitudes, relations and life situations. Respondent G. M. underlined that:

“One could wear a mask when in public and, therefore, some time is needed to figure out whether or not it is true.”

As a result, people aim to monitor the fulfilment of social norms that are appropriate to all parties involved. Learning about personalities is time consuming, as it is difficult to see the person’s character – arrogant or polite, kind or not, supportive or selfish, and monitor a person’s communication style, readiness to share inner feelings, and availability for contact.

The maturity of trust depends on the number and complexity of life situations people face together where they have had the opportunity to learn more about each
other. Therefore, we conclude that the more frequent the challenging situations members face together are the greater the trust between them and their network matures at a greater pace.

The stages of trust development

The development of trust in transactions between Russian people is a lengthy process and is dependent on a number of factors. This process could be divided into three stages:

First stage

The first stage reflects initiation and maintenance of trust, which is triggered by emotional sympathy between parties, fulfilment of mutually accepted social norms and mutual willingness to trust.

Willingness to trust

Initial willingness to trust was mentioned by respondents in our research as being a key factor, particularly at the beginning of relations. Nooteboom (2002, p. 8) suggests that “perhaps the most basic point of analysis of trust is that we should systematically recognise the two-sidedness of trust.” Openness to new contacts and a willingness to trust may be a factor of trust establishment. The respondents in our research view trust as a ‘two-way street’, for example, respondent O. S. noted that:

“What is the point of me trusting someone who isn’t willing to trust me?”

Emotional sympathy

Respondents in our research often mentioned that the first reason not to trust someone is their own intuition. However, not all people have a developed sense of intuition.
Our research revealed an interesting insight, which is that in such cases intuition means the emotional sympathy, i.e. appearance, manners, presence, and language, etc.

The majority of respondents didn’t trust intuitively but confirmed having emotional sympathy, i.e. they may trust a stranger more readily. This is like the feeling of being on the same wavelength as someone, having a feeling of being understood, supported by the emotional attractiveness, and sharing the same ideas. Research data show that Russian people tend to look at appearance first, where people evaluate wealth, taste and manners. This is like identifying whether someone belongs to a group or social class. For example, respondent M. S. commented that:

“Certainly, a person’s appearance and style are appropriate for an image that is accepted in our circle. Straight look, a neat appearance, for sure. I will not talk to a person who is dressed inappropriately. These are the minimum norms. Otherwise they are not accepted in our groups.”

Empathy in the words of Nooteboom (2002, p. 15) is crucial and entails sympathetic perceptiveness and imagination; the ability to see and respect the other’s goals, to imagine and regret the effects of one’s own faults, and to make an effort to prevent them. Empathy also enables one to see when the limits of the other’s trustworthiness are or will be exceeded, due to the pressures and temptations they are subject to, and to have a reasonable guess where the limits lie, and on what conditions they depend, as discussed earlier. Therefore, empathy provides the basis for both trustworthiness and trust, as well as the basis for the limits of both.

Respondents in our research preferred accepting someone much more readily who is already involved in locally recognised networks, confirming successful
membership in similar networks, and therefore local recognition. In the words of McPherson, Smith-Lovin and Cook (2001, p. 428) people spontaneously recognise others from similar arenas, which breeds fellowship.

By using the Hannan et al. (2007) approach, personal networks could be viewed as micro organisations; in evaluating a stranger people tend to seek familiar features that they understand, which is like identifying an ‘insider or outsider’. From the organisational theory point of view, Hannan et al. (2007, p. 174) note that organisational niches can be defined across a vast array of environmental properties, including the tastes of potential consumers and members, to the availability of various kinds of input (e.g. human and financial capital), and even legal and regulatory regimes.

Hannan et al. (2007, p. 175) suggest that “audience members can be characterised by values on some features such as age, educational attainment, income, and wealth”, where research populations could be viewed as members of different specific audiences, i.e. personal networks. These authors use the term ‘position’ to refer to an audience member’s location in the social space where the relevant position, in some contexts, might refer to age or wealth (in metric space), gender or ethnic group membership (as a qualitative feature), and social position defined by job rank or religious belonging.

Hannan et al. (2007) view the ‘grade of membership’ of an audience member in a local taste as being dependant on three factors. The first factor defines the fit between the typical offering and the prototypical taste of social position, i.e. membership in other local networks. The second factor is the degree to which the producer fits the category, i.e. potential fitness of a person into the local standards of behaviour and social norms. The third factor is the (local) availability of the offer, i.e. its mode of
presentation, and the organisational identity of the offer, i.e. identity recognisable in the local context.

Furthermore, Hannan et al. (2007, p. 177) point out that, “offerings that would fit a local taste do not gain actual appeal at a social position if they are unknown or unavailable to persons at that position, are presented in a manner that clashes with their aesthetics, or are presented by organisations that lack conformity with the audience members’ schemata.” These authors argue that taste abstractly represents an audience member’s aesthetics and preferences. It can be life-style preferences, belonging to certain ethnic group, hobbies, sports, food, or other characteristics acceptable within the network context.

**Fulfilment of Social Norms**

The fulfilment of social norms defines the functioning of personal networks and is the second factor for maintaining trust. In the context of establishing trust, our research findings show that the general perception of the fulfilment of social norms is key signals of credibility, i.e. a person’s decency and authenticity, in the context of Russian personal networks.

According to Hannan et al. (2007, p. 179) “conversion of intrinsic appeal into actual appeal depends on the action taken by the organisation that makes the offering.” In the words of these authors, this term refers to a diverse set of actions, including (1) learning about idiosyncrasies of the local sub-audience and its aesthetics; (2) designing or redesigning features of the offering to make it attractive to that audience; and (3) trying to establish a favourable identity in the relevant sub-audience.

The fulfilment of social norms could be viewed as a diverse set of someone’s patterns of actions which match local understanding of social norms, adjusting
personal aptitudes to the network’s requirements, and creating a personal identity acceptable and welcomed by other members. However, it is a lengthy process to monitor someone’s actions within the boundaries of locally accepted social norms. Respondents in our research suggested that monitoring might take years and depend on the frequency of contact, the emotional load of relations, and the specific context of relations. The compatibility of social views and fulfilment of social norms are viewed by Russian people as some kind of guarantee against potential frictions in the future.

People have different views on social norms or evaluate social norms in their own way. Consequently, we must talk about generally accepted norms from different personal groups. The respondents in our research explained that people must follow all social norms and not be selective. Seeing and analysing how one behaves in certain life situations like the exchange of favours, mutual support, attitude towards others, etc., i.e. fulfilling social norms, people can predict a person’s rational choice for cooperation and so, trust.

The first stage of developing trust reflects initiation and establishment of trust, which are triggered by emotional sympathy between parties involved. This stage is bound by people’s willingness to trust strangers. At this stage, people want to see how mutually accepted social norms are fulfilled, and people use direct and presumptive evidence for gathering information. In the words of Dietz, Gillespie and Chao (2010) “central to the trust process is the quality of evidence gathered, and the quality of the interpretation of that evidence”, where information gathering may take a while. Dietz et al. (2010) distinguish between two types of trust evidence - direct and presumptive. Direct evidence comes from interaction and can be seen as trust established among network members who know each
other well, i.e. based on the history of relations. In the case where people have not been in contact for a long period of time, and thus, there is a lack of direct evidence regarding a person’s recent behaviour, there is a decline in the level of trust and a need to gather new evidence or monitor a person’s attitude, in order to see whether or not the person’s attitude and personality have changed over time.

Presumptive evidence facilitates placing trust in individuals of whom there is no prior direct knowledge, relying on other sources of evidence (Dietz et al., 2010). For example, trust with a presumptive basis could be seen as trust based on third-party referencing. However, Russian people prefer to have references from people they trust and tend to ignore references from their weak contacts or those that are not trustworthy. The most reliable references would come from strong ties, which are the most reliable means of trust transfer between networks, in the local context.

From the organisational theory viewpoint (Hannan et al., 2007) the first stage could be viewed as the stage of identification or how one would potentially fit into a certain personal network, or how organisations would fit into certain organisational niches.

**Second Stage**

The second stage of developing trust reflects the stage where a person is able to justify how they will fit in with the personal group, with the justification of skills, mutual affection, and shared social norms and vision. This is reflected in the trust model of Mayer et al. (1995) which secures the transition to real trust (Stage 3). So, a newcomer passing through the second stage of trust development must confirm his ‘fitness’ into the group or network.

Mayer et al. (1995) analysed the issue of trust prediction as a means of reducing uncertainty and argue
that trust should go beyond predictability. These authors offer the model of perceived trustworthiness which is based on three main factors - ability, benevolence, and integrity, where these three factors are viewed as the most important for trust.

By referring to the Mayer et al. (1995) definition, ability represents the group of skills, competencies, and characteristics enabling a party, which in the light of the present study could be a personal group, to have influence within some specific domain, i.e. network environment. In other words, the network member should have appropriate and useful abilities and skills such as communication skills, specific knowledge, access to vital information for group resources, business capabilities, etc., where without these skills and capabilities, the group would not function profitably. Actually, in Russian networks, the ability to keep relations is often seen as a value for the network itself, and this skill is sometimes more important. From an organisational viewpoint, a manager must exhibit his professionalism as a sign of ability in order to be trusted.

Benevolence is where a trustee aims to do good by the trustor, and in a network it is seen as a member’s willingness to support the group and cooperate with others. It is difficult to imagine a strong group where members are not willing to support each other, or go against the group’s interests. If members are not willing to do something good for each other, then most likely these will not be stable relations. In the words of Nooteboom (2002, p. 5) trust can be ignored only at the price of ignoring uncertainty. So, benevolence could be viewed as vital for the existence of network’s relations, i.e. the stability of network ties. Benevolence could also be seen as being important for a person to be accepted into the network, or for securing continuous membership, where
a group’s members can fully trust the newcomer. For instance, Russians can’t see any sign of benevolence when foreigners ignore and don’t respect the Russian culture and traditions. From an organisational perspective, benevolence could be viewed as the willingness to share cultural values in organisational alliances, for example, in mergers and acquisitions, where such alliances often fail when partners work towards individual and not mutual goals.

From the networks’ viewpoint, integrity could be viewed as a member’s willingness to accept the group’s reciprocity rules, ethical norms and values, or social and psychological standards, i.e. social norms. The relationship between integrity and trust involves the trustor’s perception that the trustee adheres to a set of principles that the trustor finds acceptable (Mayer et al., 1995, p. 719). It could be completely noble norms of behaviour in one group, or a criminal attitude in another group. With standards and principles being set and tacitly accepted between members, remaining undisputable for life, the group could avoid large transaction costs. Russian people actively share resources available to them within their personal groups. This willingness to share resources may be viewed as an example of integrity in personal networks. Integrity is important for the effective operation of any personal network, allowing members to communicate freely, feel confident and comfortable, and developing inner network relations further through the numerous exchange operations and sharing access to different resources.

All three factors, ability, benevolence, and integrity, can’t be viewed and analysed separately, but as working simultaneously. If one of the factors of trustworthiness is absent or poorly developed in relations, the desired degree of trust can’t be gained.
Third stage
The third stage of developing trust represents real trust and a certain level of assumed trust. Actually, real trust is the stage where trust is considered by the network members as being taken for granted.

The model represented in Figure 2 aims to illustrate the process of trust development.

Repairing trust or self-curing relations
Few people are perfect, as humans we are all prone to making mistakes. However, these faults and mistakes could cause conflict between network members. We know that any conflict can happen, even between close friends and relatives. It is well known that any type of relation can be damaged, either at a personal or organisational level.

Actually, there are a number of potential consequences of organisational and personal network failures, particularly when a great deal of time and effort has been invested into developing the relationship. The things that can suffer for organisations are access to resources, reputation, privileged market position and high status reputation for individuals.

Considering the lengthy time factor and mutual effort in the development of strong relations, people often take great care in managing them. This is something almost tangible and certainly something very valuable, not given up lightly, but carefully grown through life and so, there is a strong willingness to repair damaged trust. In Russian terms, losing strong relations means losing part of one’s own identity. Strong relations can be viewed as relation-based or identification-based forms of trust.

Conflicts are rare within strongly connected groups; these consist of friends or close relatives. Respondents from our research often mentioned that they did not have
Figure 2: Model of trust development in interpersonal relations

- Emotional sympathy
- Fulfillment of mutually accepted social norms
- Ability, Benevolence, Integrity towards others
- Real Trust

Stage 1
Stage 2
Stage 3
any conflicts or at least can’t recall them. For instance, respondent O. K. mentioned that:

“I have never experienced any conflicts with my friend for almost thirty years of our friendship.”

In the case of a conflict or friction between members, the group itself often gets involved in organising meetings to resolve problems, or to offer solutions for compromise between the parties involved. The opinion of group members will be heard if there is a guilty party, or parties, and it could be a very unpleasant conversation. For instance, respondent A. K. said that if something goes wrong in relations, there would be a serious conversation; just in order to settle the conflict.

Such mechanism of self-curing secures networks longevity; otherwise networks’ lifecycles would be relatively short. For instance, respondent M. G. commented that:

“If we were not able to settle conflicting issues inside the group ourselves then we would not be as a group anymore.”

Russian citizens clearly feel that it is always possible to repair damaged trust in strong relations, demonstrated by the willingness of the parties involved to restore relations. Firstly, it must be confirmed that something was not done on purpose. Secondly, a confession is required and compulsory. Often incidents are forgotten and never recalled in the context of long-established relations. The confession must not be formal but with clearly visible emotional openness. For instance, respondent A. K. explained the importance of a confession for trust repairing:

“I have a person in my life; I had always considered him and still consider him a friend. But there was a
time when he did something wrong. He did something against the law. And what was my reaction? Should I accuse him? - Yes. Should I raise an unsubstantial accusation against him? – No, because he came to me. We had a conversation and my opinion about his action was defined. Not more than this. Why? Because, I will go no further to spread the information. No way. Because, I trust him and he trusts me. May be it is some kind of inner belief but I know that this conversation will be enough for him not to repeat the same thing again. And I know that nothing like this happened until now and we are still friends.”

Our research reveals that Russian people are not bothered about repairing trust in weak relations, as these relations are not emotionally or functionally loaded. Willingness to repair trust in weak relations is not certain, but can be based on the expected outcome of relations. For instance, in weak relations characterised by the calculus-based form of trust, people may calculate the potential of future gains or losses.

In the context of Russian personal networks, denials are taken differently. If one is not willing to admit fault, which has been proved, then relations will be damaged irrevocably. Denial is considered an additional sign of opportunistic behaviour, which elevates the conflict even further. Bottom, Gibson, Daniels and Murnigan (2002, p. 509) note that denials are no more effective than acknowledgements of non-cooperative intent. Denial is defined as a statement whereby an allegation is explicitly declared to be untrue (i.e. the person acknowledges no responsibility and hence no regret) (Kim, Ferrin, Cooper and Dirks, 2004, p. 106).

In cases where conflict is serious, then one must not just apologise, but admit fault, and prove it to be accidental in order to repair the damaged trust. Such an approach to the recovery of relations in Russian society
came historically from Orthodox Christianity traditions, where confession is seen as one of the key procedures. Russian people often say that if a person is prepared to confess, this means that he has a strong personality and deserves forgiveness.

Trust between people in Russian personal networks is reflected in the uniqueness and complexity of Russian society and culture, and is different to that traditionally discussed by Western scholars.
Knowledge and information transfer

Locally gained knowledge and information provide different benefits to practitioners and investors
Knowledge and information sharing benefits

The exchange of knowledge and information is one of the most crucial factors in the daily life of networks and reflects the sharing of life experiences, knowledge, explanations, views, visions, feelings and emotions between people.

According to Reagans and McEvily (2003), the ability to transfer knowledge represents a distinct source of competitive advantage for organisations over other institutional arrangements, such as markets. In the words of Madhok (1997, p. 42) “capability accumulation is a dynamic process where the information management attributes of the firm, i.e., the firm’s ability to acquire, evaluate, assimilate, integrate diffuse, deploy and exploit knowledge, is critical. This refers to the process and routines by which a firm’s knowledge base is developed and integrated into the functioning of the organisation.”

Organisations are tending to enter Russian market thinking about the greatest potential for economic
growth. As discussed earlier, ignoring local knowledge and customs can be costly, as a firm is more likely to lose the capability to function in the foreign market. Local markets demand specific knowledge and information, and particular skills and capabilities are required by the local business environment.

What is knowledge in context of networks? The definition of knowledge offered by Kogut and Zander (1992, p. 383) could be viewed as optimal in the context of personal networks where “the knowledge consists of information (e.g. who knows what) and know-how (e.g. how to organise a research team). What is central to our argument is that knowledge is held by individuals, but is also expressed in regularities by which members cooperate in a social community, i.e. group, organisation, or network.”

Locally gained knowledge and information provide different benefits to practitioners and investors. Burt (1992, p. 13) suggests that networks provide two kinds of benefits, information and control, where “information benefits occur in three forms: access, timing, and referrals,” these are described below:

- **Access** - This allows valuable information to be received and allocated. The networking structure of Russian society allows information to be gathered as people use a wide range of personal networks. The respondents in our research explained that personal networks are viewed as the main source of information, which is extensively exploited.

According to Reagans and McEvily (2003, p. 241) “the friendship networks promote knowledge transfer, allowing managers facing similar market conditions to learn from each other’s experience”. Burt (1992, p. 13) also explains that, “there are limits to the volume of information you can use intelligently”, where we can manage only a certain
amount and forms of information received. In personal networks information comes to the recipient already in a format understandable for the recipient, i.e. meaningful, and explained in the same language, supported by the emotional explanation of experience and so, allowing better access. This phenomenon is based on the knowledge of members’ personalities and learning abilities.

Russian people access almost any type of information, even from remote and confidential sources. Managers actively exchange information and organisational experience where it supports their needs. For instance, the respondents in our research confirmed that they actively exchange work related information between friends, mates, and close colleagues. In the course of this study, we observed that as relationships become stronger, people tended to share more information, and the quality of information also increases.

- **Timing** - This is viewed by Burt (1992, p. 14) as “a significant feature of the information received by networks”, where personal network members have an advantage of receiving information earlier than others, which is important from a business point of view. In the today’s digital world, people expect to receive information as soon as possible, or within certain time limits. In cases where information cannot be found on the Internet or other publicly available sources, we must turn to our network contacts. In this respect, Russian personal networks are at the forefront and are characterised by quick access to information at the local level.

Russian managers use the advantage of gathering and sharing information, having a direct impact on market competitiveness, business strategies and tactics. In Russia, information received at the earlier stage is
sometimes a matter of business survival. It is important for a practitioner to understand changes in tax regulations, licensing rules and market changes.

• **Referrals** - This is viewed by Burt (1992, p. 14) as a positive force for future opportunities, where “personal contacts get your name mentioned at the right time in the right place so that opportunities are presented to you.” Third party reference is viewed by Russian citizens as important for establishing new relations.

In our research, it was made clear that referrals are needed and make first contacts easier. People are not willing to talk with a stranger without references from a well-known person. For instance, it was mentioned that referrals are important whilst investigating the newcomer’s background. The reason behind such approach is simple. People view their relations as some kind of resource whether it will be used for their personal gain or organisational development. In this case good referrals confirm that resources available will not be wasted but developed. By referring to Nooteboom (1999), resources are divided into three types of capital:

• Economic capital, which includes assets and competencies;

• Social capital, which consists of positional advantages based on relations with other organisations;

• Cultural capital, which consists of symbolic capabilities to produce new meanings and goals, or institutions in the sense of limiting and guiding conduct.
Here the central role of knowledge comes due to the fact that “resources can be difficult to understand and imitate because the knowledge involved is to a greater or lesser extent tacit (not documented) and embodied in the heads and hands of people, in teams, organisational structure and procedures and organisational culture” (Nooteboom, 1999).

Our findings confirm that no formalities or special procedures exist among networks members thus allowing the active generation of tacit knowledge in such informal entities.

Adapting knowledge from different networks managers tend to increase their competences and assets, and management effectiveness, increasing organisational economic capital at the same time.

Relations between organisations are not a matter of contracts or formalities but human connections, where with the strengthening of personal relations, an organisation gains social capital.

Symbolic capabilities of cultural capital could be produced only by people of the same views and values, preferably well-known to each other, i.e. personally connected and actively interacting.

We must mention intellectual capital as a fourth type, which is referred by Nahapiet and Ghoshal (1998) as representing a valuable resource and a capability for action based in knowledge and knowing.

Extensive network relations, which can be seen in Russian society, represent the cumulative nature of knowledge and information sharing, where multiple network memberships increase the effective access and timing of information flow. The flow of information and knowledge transfer in networks is key. By adapting knowledge from different networks managers tend to increase their competences and overall organisational capacity.
Multidimensional view on information flow

Knowledge is classified into two types: explicit knowledge (factual & documented) and tacit knowledge (experience based). Both types of knowledge are valuable in the Russian environment. Nooteboom (1999) points out that tacit knowledge (1) requires close interaction and (2) encounters problems of absorptive capacity due to the lack of awareness as a basis for criticism. Therefore, tacit knowledge is more transparent in personal networks.

What is the architecture of knowledge and information sharing? How is knowledge and information transferred between network members? Discussing the effects of cohesion and the range of knowledge transfer, Reagans and McEvily (2003) highlight the lack of examination on the path from network structure to knowledge transfer. Knowledge and information sharing is critical to the survival and success of network members. It is therefore a crucial function, supporting network members competing in a hostile Russian market environment. In our view the complex nature and structure of personal networks influences knowledge and information transfer where the flow of information in networks has a multidimensional nature.

Cognitive distance

Nootheboom (1999, p. 13) points out that “for learning, partners should on the one hand, have sufficient cognitive distance, i.e. possess different cognitive categories, to be able to capture knowledge that one could not have captured oneself, but on the other hand must be sufficiently close, in cognition and language, to enable meaningful communication. If effectiveness of knowledge transfer is the product of novelty and intelligibility, this yields some optimal intermediate cognitive distance.”
Imagine three-dimensional axes, we may say that cognitive distance can be regarded as one dimension, which defines the effective knowledge transfer. The other two dimensions illustrate vertical and horizontal sources of knowledge and information. Being of different ranks, social levels, and professions but being close with each other’s network, members have sufficient cognitive distance, securing effective transfer of knowledge and information.

**Vertical dimension**

The vertical dimension represents relations between superiors and subordinates, i.e. organisational flow of knowledge and information. Most information travels from the top to the bottom but in different forms. This vertical flow of information usually has a form of instructions, orders and warnings. Information also travels from the bottom (subordinates) to the top (superiors) and comes in the form of reports and comments. For example, respondent A. G. commented that:

“I am getting instructions from my boss on what to do routinely and what kind of result is expected. But no clear explanations and guidelines are provided.”

Respondents in our research (with different organisational ranks and positions) confirm that in the vast majority of cases, they do not receive information from their organisational superiors. Employees spend more of their working time with colleagues than with managers. Therefore, vertical relations are less knowledge productive, as they are bound by infrequent and time limited contacts between superiors and subordinates. This frequent communication could lead to more effective communication through development of working relations (Reagans and McEvily, 2003). This issue is particularly
transparent in larger organisations where leaders do not spend much of their time with subordinates due to complicated hierarchical relations. Respondents confirm more active knowledge and information sharing in small and medium organisations due to tighter hierarchical relations. Research findings indicate that the size of the organisation and management style of business leaders influence vertical transferability of knowledge and information in Russian organisations.

**Horizontal dimension**

Personal networks could be considered as a horizontal dimension as these have no subordination between the network members. Whilst searching for information, people tend to refer to the nearest circle of relations first, and then refer to more distanced and weakly tied circles, for further information gathering if needed. Hence, information may travel enormous distances between different places, industries, and even countries, i.e. crossing boundaries of various networks. Respondents from our research confirmed that the majority of knowledge and information comes from networking contacts, i.e. horizontally. For example, respondent M. M. commented that:

> “I gain all detailed job related information not from my superior but from colleagues, friends, and college mates.”

Despite the benefits of networking information classified by Burt (1992), which are access, timing, and referrals, the accessibility of information depends on the type of relationship. For example, stronger ties elicit more broad and detailed information rather than the narrow, lower quality weaker ties. The strength of relationships determines how much effort is required in informational
searches. Network flow of information has a greater implicit and tacit nature reflecting people’s knowledge, experience and opinions, and is therefore, more valuable compared to information from ‘vertical’ forms, such as instructions and orders.

By actively sharing knowledge and information, network members gain additional knowledge-benefits and increase the knowledge pool in their own organisations. Also, using their horizontal (networking) strengths, people tend to compensate vertical information flow weaknesses through active discussion of unclear issues within their network circle.

Our findings show that specific, confidential and tacit knowledge are more easily transferred between people connected by strong and intermediate ties, and effective transfer is based on a few factors:

- Willingness and readiness to share knowledge with trusted people.
- Social norms and network obligations define information sharing as a condition of a membership.
- Ultimate members’ willingness to add value to the relations.

However, this approach is most relevant only to the individual network/organisation member, not to the organisation or network as a whole. McPherson et al. (1992, p. 168) explain that: “social space is not only multidimensional, but the dimensionality of the space increases as society grows in scale and complexity”. The multiple nature of personal networks memberships demands a more complex approach, however, with increasing dimensions, becomes even more complicated.
Organisational learning

The management of organisational knowledge can only be effectively undertaken with knowledge sharing technologies which improves absorptive capacity (Vandaie, 2008). Adopting new ideas and reforming pre-existing ones is an important aspect of the organisational learning process. Cohen and Levinthai (1990) define absorptive capacity as an activity where firms recognise the value of new knowledge from external sources, understand this knowledge and apply it to commercial ends.

Organisations are increasingly turning to highly demanding information systems (HDIS), such as enterprise resource planning (ERP) systems, in order to manage their knowledge resources (Norton et al., 2013). Organisational databases are powerful tools capable of collecting and storing valuable organisational information; HDIS have the capability to integrate data from across the organisation and if managed well, can deliver dynamic and highly detailed information through a horizontal network approach.

ERP systems are “configurable information systems packages that integrate information and information-based processes within and across functional areas in an organisation” (Kumar and Van Hillegersberg, 2000 p.210). Implementations of this type create a new organisational environment which allows instant access of information to many stakeholders (Ross and Vitale 2000). This technology has the capability of opening up horizontal networks and enabling an organisation to adopt an information sharing culture.

The task of managing knowledge is particularly complex and organisations should therefore look to improve knowledge management capabilities and show willingness to share data by adopting knowledge based process changes. It has been suggested that organisations
need to establish a strong relationship between IT systems and their knowledge workers (Dehning and Stratopoulos, 2003); replacing traditional (vertical) processes with new customer-facing (horizontal) ones is one such approach, but requires a detailed evaluation of the inputs and outputs involved in customer facing activities (Utagikar, 2009).

However, practitioners need to remember that knowledge is transferred not between organisations but between people working within these organisations. Therefore, we could assume that if relations between managers representing different functional areas are of a more formal nature, we could predict the vertical flow of knowledge, however where relations are of a more horizontal nature, then we could predict the creation of tacit organisational knowledge.

**Knowledge management**

Hassell (2007) suggests that knowledge management is the ability to recognise complex patterns in large data sets. However, Gosain (2007) pointed out that one serious inhibitor is the complexity of knowledge retrieval requirements of users. The process of evaluating the ‘knowledge worker’s role’ has also been described by Shah, Eardley et al. (2007), who suggest that the main issue is to articulate their knowledge requirements.

Converting information into knowledge that can be used in a decision making capacity is a relatively new phenomenon which is based on a concept of organisational memory, and is defined as the “stored information from an organisation’s history that can be brought to bear on present decisions” (Walsh and Ungson, 1991, p. 61). Explicit knowledge (factual) can be easily codified and as such easily transferable and shared (Paswan and Wittmann, 2009), whereas tacit knowledge (experience) is
more difficult to document and share, as this resides in the experience and instincts of staff members (Nonaka, 1994).

Gupta and Govindarajan (2000) suggest that tacit knowledge plays a crucial role in the effectiveness of a knowledge management system. Therefore staff must be incentivised to release this valuable organisational information so that customer-facing processes can be formalised and documented. Organisations have seen success in this area by investing in group-based sharing activities, which have been shown to foster a culture of information sharing.

The acute nature of tacit knowledge residing within individuals has been highlighted by Saffo (2007); these individuals make customer-facing business related decisions, and there are difficulties in capturing this information. Heffner and Sharif (2008) suggest that tacit knowledge can be converted into explicit knowledge through a socially orientated process which involves reflecting, reviewing, resolving and renewing ideas.

Organisations turning to HDIS must find a way to integrate both the tacit and explicit knowledge, if benefits are to be realised (Chang et al., 2007), where this task could be fulfilled only in close partnership with the organisation’s suppliers and customers.

**Managing change to accommodate knowledge management**

For organisations turning to HDIS to manage their knowledge resources, there are significant barriers in delivering benefits realisation. However, research has shown that these can be overcome by addressing critical success factors (Norton, 2012a). The phasing of these critical success factors is also essential, as untimely actions are equally damaging (Norton et al., 2013). To help organisations proceed down the road of knowledge and
content management through their HDIS, critical pathway steps have been outlined (Norton et al., 2011).

Fostering training and the development of skills has been recognised as a key issue to manage change throughout organisations (Othman and Ghani, 2008). In order to achieve the most effective training, processes must be well controlled and directed. We could recommend the nomination of some kind of ‘knowledge ambassadors’ whose responsibility will be to monitor the training process from the inside, identify possible gaps and faults, provide comments and explanation to trainees, and by so doing, improve the effectiveness of the training.

A training strategy which incorporates CSF will need to monitor closely the different stages of the training schedule to ensure appropriate actions are taken at each stage. One useful guide has been developed by Compeau, Olfman et al. (1995) who outline a four-step process to evaluating end-user learning (Table 2).

Discussion

Knowledge sharing is an important part of our private and business life but the shape of it depends on the society context. Our findings indicate that the higher the institutional or hierarchical pressure, then more likely the networking nature of knowledge and information sharing will prevail in a society or organisation. The role of personal networks in such cases becomes invaluable.

It is a custom in Russia to share knowledge and information with others for free and at any time particularly with strongly connected people. The fact of hiding some information is seen by Russians as mean. If any network’s member demands any information then his friends, relatives or mates will share it if available or will search for it in other networks.
Step one

An implementation phase
Appropriations are made across the breadth of training development, which includes the preparation of materials along with the formation of the training groups. Evaluating the training requirements has always been an important part of developing the training strategy. Training has traditionally revolved around ensuring a user can perform their individual tasks (Kang and Santhanam 2003). However, more recently the importance of post implementation training has been highlighted (Norton et al., 2012b). A holistic training strategy must incorporate both the training needs of the end user and also provide on-going support.

Step two

A formal training and learning phase
Methods of training are decided upon (face-to-face, video, computer based, or some combination). Also the trainers themselves have to be selected (outside consultants, in-house trainers, or the learners themselves – through self-study) and trainee characteristics appropriate to specific approaches could be utilised. Establishing the formal training is a large undertaking in any ERP implementation since this part of the training has to ensure that all system users are trained to an appropriate level. Bostrom, Olfman et al. (1990) identified that end-user training comes in two forms; learning by doing and learning by understanding, and ultimately this comes down to the individual learning style.

Step three

A post training phase
Immediate and long-term measures can be made of the transfer rate of knowledge to the workplace. A post training phase can evaluate the transfer of knowledge. Training can have a significant influence on tackling technical-isomorphism and system atrophy (Norton et al., 2012c).

Step four

A formative appraisal of several key aspects
Including the trainees, software, tasks, organisational characteristics, training design, training delivery, and training effectiveness. A formative appraisal of key aspects can play an important part in evaluating the effectiveness of the training strategy.

Table 2: Evaluating End-user Learning
In the words of Reagans and McEvily (2003, p. 240) “knowledge transfer is presumed to be the causal mechanism responsible for this relationship, or between the strength of ties between people and knowledge transfer, whereby ties strength is used as a surrogate for network structure.”

Respondents from our research confirmed that information comes to the recipient in an understandable, i.e. acceptable format, i.e. access. For example, respondent K. A. suggested that:

“My friends are aware and understand what I demand and supply me with the particular type of information I require.”

The information format depends on the type of relations, i.e. strength of ties. The stronger ties allow more broad and detailed level of information to be disseminated, whilst weak ties provide lower quality information. This factor could be explained by people’s willingness to spend more time searching and handling information in strong or intermediate relations and less time in weak. People connected by weak ties are less prepared to spend a lot of time sharing knowledge and discussing important details. Weak ties may even provide unreliable information. For example, respondent P. D. commented that:

“Why should I share my valuable information with remote people or strangers?”

Our findings support the suggestions made by Reagans and McEvily (2003, p. 245) that “like tie strength, cohesion affects the motivation of an individual to transfer knowledge to a co-worker or colleague.”

The fact that Russian people are not prepared to pay for advice or consultancy as free information exchange
is the norm in Russian networks, led us to think that this is one of the reasons for the slow development of consultancy service in Russia.

We have found that Russians could find almost any information if really needed. If their closest contacts don’t have the required information or knowledge at hand, then people tend to go further into other groups where employing weak ties for information gathering. Eventually, all ranges of ties could be involved in the process, i.e. strong, intermediate and weak, thus allowing access to information allocated in different and often distant networks. In cases where a certain piece of information is missing or inconsistent the recipient may conclude there is a possible structural hole or gap, where such gap may reflect the possibility of a raising business opportunity.

Access to information from different organisational and state levels is defined by the network’s heterophily, where members of the same group may have a different social and organisational status. For instance, by having access to the group of senior managers, even if not direct, one may gather information about employment possibilities.

The flow of information in networks provides an advantage of receiving the complementing information as obtained from different sources and providing a wider picture.

We suggest viewing the knowledge and information sharing process as a complex and multidimensional issue, where the networks’ ties play a prominent role.
Entry and exit

*When in Russia, do as the Russians do*
Entry into networks

Talking about the importance of personal networks and the value of social capital created within them, one would need to understand how to gain membership; otherwise nothing would happen.

Unfortunately, very little, if any, literature highlights the rules or practices of entry into personal networks, and this is particularly evident for Russian personal networks. Russians are suspicious of foreigners looking to enter the lucrative Russian market and may face difficulties as a result (Michailova and Husted, 2003). The adage applies ‘When in Rome, do as the Romans do’, i.e. to establish network relations in Russia, foreigners must learn to embrace local customs. Let’s imagine a Western businessman who has decided to establish business relations in Russia, attracted by the richness of the Russian market, for sure he will only be accepted if he is respectful of local customs.
Entry with third-party references

Russian people are usually not in a rush to establish new relations and if they do, they are careful about it. When stepping into serious relations, they prefer to have detailed information about the new contact. For example, respondent M. S. commented that:

“I’m happy and comfortable about my existing relations and am not in a position to increase the number of them as it will take a long time to learn about a new person and requires collecting a lot of information about him.”

Third party references are seen by Russian people as being instrumental in establishing new relations. Such references are often seen as an ‘entry ticket’ into networks, allowing the newcomer to be heard. It does not guarantee the successful development of relations, as the referenced person must prove himself as being a capable and decent. One should remember that being introduced to the personal group is a complex issue where the newcomer should adjust their attitude in accordance with the group’s norms and traditions, confirming the validity of the original reference. Also, as we have already discussed in the previous chapters, with the issues of maturity of relations and trust it may take a while for relations to develop.

Respondents from our research highlighted that not all references have the same value. In Russian terms valuable reference are provided by friends, relatives or old mates, i.e. entrusted people whose opinion and judgement are valued. People tend to ignore references from their weak ties. For instance, respondent V. E. commented that:

“I will create my own opinion about someone new but I will seriously consider the reference from a trusted person.”
One must remember that being introduced and referenced to someone is only the first step and doesn’t guarantee the successful development of relations. For instance, respondent M. S. commented that:

“Reference is only the means of an entry ticket. Recommendation could be in the form of a private discussion, or just a headshake. It doesn’t secure future membership; but recommendations are always important and definitely needed.”

**Entry without references**

How to establish relations in a completely unfamiliar environment without references?

Here is the story told by one of the respondents in our research. The cod fishing business on the Barents Sea is an isolated business, where everything is strictly shared. Business groups of fishermen are merging their quotas in order to achieve higher efficiency of operations and to stay in control of the sales, allowing just a few well-proved buyers to be on the market. Usually, newcomers are not allowed to purchase the fish. The main difficulty for ‘outsiders’, particularly for Westerners, is to get into the inner circle.

*I have been dealing with the North Atlantic cod for more than 12 years working first for a UK based company, then for my own company. Eventually I began to know all the actors on the Barents Sea. One day in Murmansk I met a guy from Denmark. I did not pay any particular attention to him. Then, I met him a few more times. Eventually I found that he is exporting frozen cod fillets and frozen fish from Russia.*

*I asked one of my friends with whom I had been dealing a lot regarding Atlantic Cod: - “How come this guy is allowed to buy fish?”*
And my friend told me the following short story:

“‘Danish’ came a couple years ago with the intention of buying the fish. No one has sold him even the tail of a fish for nearly half of a year. But, ‘Danish’ has always been around and ready to pay the highest price. We asked him for a “couple” of favours and he did them. They were requests about different business and private arrangements abroad, like how to book a hotel, arrange cold store facilities in Europe, and private travel arrangements. We looked at him from a different angle after that. ‘Danish’ had his first small cargo after about 8 months. Everything went well. We understood that we could trust this guy more. Now, he is allowed to buy certain quantities of fish from us.”

My friend added - “You know how things work. If he had deceived us or let us down, he would never have got even the tail of a fish from Russia”

Respondents from our research were asked ‘what if a foreigner sacrificed something to establish strong business relations, like making some kind of contribution towards mutual profit or doing a personal favour for a potential business partner. It was indeed confirmed that such an approach would definitely help in the establishment of relations. In the words of respondent I. G:

“Such an approach will help to establish relations as it shows an actual willingness to do something for the long term.”

Actually, there is no single scenario for entering into a personal network and no easy option anyway. For instance, respondent M. K. explained that:

“I am usually doing some kind of feasibility study prior to entering the new group in order to learn about the group’s members, their habits, styles, social positions, and preferences and so, adjust my approach accordingly.”
Providing a service as a gesture of goodwill in establishing relations, Western managers have the chance to confirm their Benevolence and Integrity from the personal group’s viewpoint.

**What is expected?**

Russians expect people who are stepping into new relations to behave naturally and openly, without playing roles or wearing masks. A person’s decency must be confirmed by his attitude towards all his contacts, not only towards a particular person but towards others as well.

What is considered by the Russians as decent behaviour? The answer is simple - keeping to locally accepted social norms.

People tend to pay attention to overall appearance in accordance with the rank and status when making their first impression. For instance, respondent Z. N. explained that:

“In my circle of relations, people look first at a person’s appearance, how he or she is dressed, manners of interaction, the way a person explains their thoughts etc. At the first stage, people evaluate the newcomer by using the emotional approach, and only later do they aim to look at the possibility of using the newcomer’s resources for their own interest.”

Stepping into business and personal relations in Russia, people expect one to be supportive and useful for the group or organisation. Doing favours or sharing information is the habit in Russia, where refusal to provide support or favours will not lead to the establishment of trust or healthy relations. By sacrificing our time and effort, we prove our reliability in Russian networks.

When thinking about entering Russian personal networks, Western practitioners need to be prepared to
go through certain acceptance procedures – they must sacrifice or contribute something towards the group, prove usefulness and reliability in the members’ eyes, be referenced by a trusted person if possible, confirm their trustworthiness and reliability, and finally adjust their attitude in accordance with the group’s views, social norms, and traditions.

**Exit from networks**

Human and business relations regularly change or terminate for different reasons. Our relations change and in some cases we need to leave a group or a friend needs to leave a group. One could leave a network voluntarily or on a non-voluntary basis.

**Voluntary exit**

Group stability is widely discussed in academic literature (McPherson *et al.*, 1992; McPherson *et al.*, 2001; Wellman *et al.*, 1997) and predominantly covers voluntary exit from networks. Answering the question about potential changes in networks, Wellman, Wong, Tindall and Nazer (1997) describe a few reasons for changes - aging, domestic changes, employment changes and residential changes. Considering aging is a natural reason for network changes, Wellman *et al.* (1997) argue that over a long period of time, people go through complex, non-linear life courses. The authors suggest that, “the age-group they are in is significantly related to the percentage of intimate ties that persist in their networks.” Wellman *et al.* (1997) also note that the youngest age group (29-33) retains the lowest percentage of intimate ties. These authors estimate that people in their twenties regularly change their networks because of change of residence, e.g. a new job, or starting a family.
A similar issue has been discussed in the study of Russian personal networks. We have observed that Russian people, younger than thirty, don’t have strong and stable relations. Discussing with them the issue of network ties, our research has found that they consider all of their relations to be of the same strength and do not value them. Observing people in their twenties in Russia we have noticed that they show a tendency to collect social contacts as a sign of social activity and status. They are easily influenced by stronger or more powerful people, easily accepting fashion tendencies, and at the same time pronouncing their independence. They are aiming to try out different roles and positions. Such behaviour reflects the attitude of newly established small businesses, which tend to offer their products or services to almost everyone in order to develop and try to establish themselves in all possible organisational niches.

We could assume that younger people don’t have the ‘inner filter’ that evaluates their relations and separates good from bad ties. In general, their ‘inner filter’ becomes active after thirty; this age is seen as the age mark of social maturity. After the age of thirty people tend to respect their parents more than before, maintaining stronger relationships with them. For instance, respondent Z. N. explained that:

“Only after reaching the age of thirty I have started to value and analyse my relations.”

Domestic changes can be caused by marriage, childrearing, empty-nest life, divorce and widowhood (Wellman et al., 1997). The research by Wellman and his colleagues outlines that Russians are similar to Canadians, describing them as having to face the same life issues such as marriage, childrearing, divorce, and other life circumstances. These factors influence changes
in networks memberships; for instance, discussing voluntary exit, respondent N. I. mentioned that:

“Our relations with one of my friends have changed because of marriage.”

Discussing the issue of change of employment, Wellman et al. (1997) stated that these relations are “mostly limited to working hours, and the few ties with co-workers which do extend beyond the workplace are usually not intimate.” This comment about changes of employment is fully applicable for Russian personal networks, where relations with colleagues are considered weak and only bound by work duties.

Residential changes are caused by the residential mobility of the population (Wellman et al., 1997). Compared with Westerners, Russian people are not keen on changing their residence. Russian people are not prepared to move; even though there could be a much better life and work conditions elsewhere. The rate of labour migration is probably one of the lowest in the world. Experts say that only 0.04% (6153 people) of unemployed people in Russia is willing to relocate (http://geo.1september.ru/2003/37/4.htm).

We have found that Russian people are not willing to migrate because of their settled personal contacts being associated with their place of residence. For instance, respondent V. B. commented that:

“When our people in the North move to somewhere in the South, to places like Kostroma or Yaroslavl, quite often they return within 3-4 years as they are not welcomed over there. They can’t find a proper job; settle their children, because everything is alien to them. They can’t get into the circle of people.”
Therefore, we could say that the residential changes in networks explained by Wellman et al. (1997) are not so transparent in Russia and do not influence network changes so dramatically. McPherson et al. (1992, p. 153) note that “since most social contacts are between similar people, groups tend to be homogeneous” and argue that contact between similar people occurs at a higher rate than among dissimilar people. For instance, respondent M. K. explained that:

“We see such an example when one of our guys has gone into a different category – financial and social. The common language shared with him is lost and so, this person has gradually left the group.”

Therefore, we can suggest that with the changes in members’ social status or position, people often face changes in their network memberships.

**Consequences of voluntary exit**

Usually, a member who has left a group voluntarily will have good references and possible support from old contacts in the future. The relations remain in place and people keep respecting each other but the strength of the relations usually weakens due to the loss of active emotional and functional strain of the relations and low contact frequency.

With voluntary membership changes, the strength of ties transforms into the form of ‘sleeping’ ties, having an *ad hoc* nature of interaction and possibly easily awakening if needed. This is particularly apparent when someone is moving to a different location. Such relations would not have the same strength as before, but people would still be helpful, for example, in accessing reliable remote information or as referrals.
Non-voluntary exit from networks

What are the reasons for non-voluntary exit from personal networks in Russian terms? We have identified a few reasons for non-voluntary exit from personal networks – betrayal, setting up another member intentionally, refusal to support, taking advantage of the group’s members, and socially inappropriate behaviour. Fehr, Fischbaher, and Gachter (2002) also explained that leaving could be as a result of the group’s punishment, where a member is punished because of unfair behaviour towards a third party or the group or for having purely self-interested behaviour.

Betrayal is considered a very serious act, and taken as the heaviest crime within the group. Generally, from the Russians viewpoint, betrayal is overstepping the mark and breaching the group’s principles or commandments. However, it must be pointed out that different groups have their own views on betrayal. For instance, respondent M. S. discussing the principles of an ex-militia group said:

“If one of us considered himself as a criminal “godfather”, then we would see it as betrayal of our group’s principles and we would not accept him anymore. He could forget about our support.”

To set up another group’ member or members intentionally is considered the same as betrayal. If something happened by accident, it could be discussed and settled but if it has been done on purpose then it leads to the undisputable breach of relations and exit from the network. We see such cases often in business relations with people saying one thing and doing another.

Ikkink and van Tilburg (1999) in their study of broken ties show that relationships where older adults are over-benefited with instrumental support, i.e., receive more than
they give, have a higher risk of being discontinued. So, if not, then people tend to stop interacting with the person who refused to provide support to another of the group’s members when it was possible and within their ability. That said, refusal to share information and refusal to provide emotional support are entirely different. Ikkink and van Tilburg (1999, p. 133) explain that “a lack of reciprocity might be decisive in the termination of relationships.”

From the Russian viewpoint, over-benefiting is the refusal to support others but to demand and accept the support of others. Russian people have a saying – ‘three refusals means good bye’ which explains the importance of being supportive towards the network’s members. For instance, respondent A. G. commented that:

“If someone refuses or ignores my request without any valid reason then I will think seriously about the validity of the relation and will more likely stop the relation entirely.”

Respondent S. M. told us the story about abruptly weakening relations when his friend said no to his requests twice. On the first occasion, his friend refused to bring him demanded non-prescription drugs from Germany, were not on sale in Russia; and on the second occasion, this person refused to help S. M.’s friend find a job. Both refusals were not supported by any valid reason and the relation was put on hold.

As soon as people realise that someone is taking advantage of others then the network relations usually breaks down. This issue is particularly important for the business groups where all operations are built on trust.

Socially inappropriate behaviour may also lead to non-voluntary exit from the personal group. For instance, respondent I. V. explained that:
“Behaving inadequately, swearing all the time or drinking heavily is inappropriate and in such cases I tend to isolate such a person from my circles of relations. Such a person will not be welcome. I may not stop interacting completely with him but will keep such person as remote as possible.”

Possible Punishments
What are the consequences of non-voluntary exit from a personal network?
Knowing how things work in Russia, non-voluntary exit from a personal network will result in social isolation and any, even a minor request for support will be refused and a bad reputation/reference will follow them. For instance, respondent M. K. explained that:

“Rules in the group are created by the group where everything depends on particular circumstances. People could be excluded from the group or even physically beaten in the worst case scenario. Negative information about a person’s unreliability might be spread around and members will not interact with him anymore, leaving the person to some extent isolated.”

Russian people consider that if relations are broken then interactions stop or become absolutely formal, in the best case scenario. From a Russian viewpoint, non-voluntary exit from the group is a penalty in itself, as people can’t be alone since it makes it difficult to survive in the harsh Russian environment. With the loss of a membership, a person loses the group’s emotional and instrumental support, and also access to the group’s resources. In the words of respondent M. A.:

“Such person will be left without interaction due to damaged trust and emotional intimacy.”
Negative information might be spread around having a serious impact on the person’s reputation. Actually, not being actively involved in the group’s life is already a bad signal for the surrounding society causing others to have a careful approach and potential loss of trust from other groups.

From the business point of view, we should consider that with the networking structure of Russian society, bad rumours are spread around relevant industries relatively quickly and cause untold damage to their reputation. The expelled person loses business protection, instrumental and informational support from the group, resulting in more pressure from industry rivals.

Discussion

Knowledge of certain entry and exit rules of the Russian networks could help practitioners gaining better understanding of the market entry process. They must be prepared to sacrifice something as a means of contributing towards establishing robust relations with partners and customers proving a willingness to establish long-term relations. This could be viewed by locals as a clear sign of the acceptance of social norms and reliability. It could be sharing market information, joint marketing actions, access to some technologies, or sharing experience which would eventually benefit both parties.

By gaining access to resource-rich local relations, managers and investors are able to immerse into the Russian business environment with less costly friction, and particularly with the establishment of strong relations, which dramatically decreases transaction and organisation costs and increases organisational competitive advantage.

Having become a member one should adhere to the constant fulfilment of local social norms and the network’s
social codes like reciprocity and exchange operations, knowledge and information sharing, respect of local traditions and habits, and other forms of functional and emotional support. Fellow members strictly monitor adherence to all of these factors.

We may conclude that broken relations as a result of a breach of the network’s rules is always a painful incident, leading to social isolation and, in some cases, loss of access to resources, and emotional support, and acquiring a bad reputation.
Practical suggestions

In establishing organisational and interpersonal relations, Western practitioners should realise the influence of the Russian mentality
The Russian market has seen significant growth over the last decade and is becoming a more important player in the world’s economy. The number of Western organisations dealing with Russia is increasing, yet these organisations have little or no knowledge about success strategies for this region. Western organisations need to remember that Russia still remains ‘mysterious’ in terms of its business etiquette. Recent studies have confirmed that undertaking business in Russia is difficult, remaining 120th out of 183 in the World Bank’s rate (2012) on the ease of doing business. Russia is not Europe, not Asia, not Eurasia, it is Russia and business conducted in Russia must adopt unique business practices, as outlined in this book.

Any organisation considering entering the Russian market should think very hard about how to present and position itself. Establishing and developing trust in an organisational context is the key; it should not be institutional trust, which is not highly regarded in Russia but relational trust, which is much more valued.

Our aim is to offer two types of knowledge to help
Western businesses and managers develop longstanding and meaningful relations. The first is to provide an understanding of ‘how things work’ in Russia. The second is to provide advice that can be used for legitimate organisational decision-making and actions. Using our suggestions, practitioners can establish effective relations with Russian partners, customers, and colleagues in a relatively short period of time.

Whilst there is no single scenario regarding trust development for organisations, our research presents, for the first time, an approach which can help develop trust and relations. For instance, we could imagine the scenario where a Western organisation enters the Russian market. In this case the following steps should be followed:

1. An organisation enters the market and is not known to local customers/suppliers. The level of trust is a deterrence-based degree, as no trust exists.

2. Current best practice to establish trustful relations with Russian partners takes considerable time and practitioners trying to build long-lasting relations often face significant barriers. Unfortunately, very often in organisations, establishing trust is not on the agenda, and so the best case scenario is the development of some level of loyalty, crossing it with a calculus-based degree of trust.

3. Organisational products are offered and at this stage, reflecting a calculus-based degree of trust. Customers are looking at the organisation’s product or service by purely calculating whether it would be profitable for them to buy or not. This has little to do with the age or brand of the organisation but how the organisation is willing to develop relations with customers/suppliers further.
4. With the broad array of similar products being presented on the market organisations offer different loyalty cards and discounts which do not support trust but enable customers to cherry-pick the cheapest product offer, enabling an understanding of the product advantages. At the same time, competitors are offering similar discounts, which reflect a ‘competition of discounts’.

5. If organisations take the effort to develop relations with customers and suppliers, then the opportunity to gain a knowledge-based degree of trust presents itself. At this stage people want to know not just about product characteristics but what is behind the organisation, for example, its history, product development technologies, authentic implications, level of expertise, etc. Also, customers want to see the people behind the product, which develops a positive experience when using a product or service.

6. At this stage we may assume that an organisation has managed to survive, proving to the customers a willingness to develop trust and develop a certain positive reputation. Then, organisations must prove their ability to deliver constant product or service quality and prove their declared level of expertise. Paying full attention to the customer’s needs, organisations could prove benevolence.

7. Integrity could be reflected in the mutual sharing of the locally accepted values, norms of support and so on. Having developed trust at this level, organisations can spend less but must put some effort where results are rewarded in line with higher profits, reputation, and brand recognition.
Practical tips:

- Think of developing trustful relations with local stake-holders as the creation of strong competitive advantage and compulsory feature of contemporary business.

- Develop inner organisational trust which will make it easier to develop trust with external stakeholders.

- Nominate ‘trust consuls’ from your staff who will promote organisational policy and approach.

- Create and implement a long-term programme on trust development which embraces both customers and staff.

Western practitioners should adopt the Russian mentality when establishing organisational and interpersonal relations in Russia. Mutual understanding of partner’s business needs and context always helps in establishing partnership relations, but it does not mean that the business should forget about their own goals and aims.

Whilst establishing relations practitioners should show their commitment to developing long-term relations. Weak ties are not all that rewarding.

Organisational leaders should think carefully about their existing organisational structure and interactions with internal and external relations prior to any planned entry into the Russian market. For instance, when introducing an outsider to the organisation’s team, business leaders should take into consideration possible collective resistance. They should also think about any existing organisational atmosphere and forms of personal relations within their organisation.

Managers and investors are able to merge into the Russian business environment with less costly friction, particularly when strong relations have been established.
Adjusting networking strategies and tactics in Russia enables a smoother transition; using the Russian society approach, organisations can dramatically decrease their transactional and governance costs.

**Practical tips:**

- Learn as much as possible about your contacts and allow them to learn about you and your organisation. It will strengthen your local relations.
- Conduct regular evaluations of relations and take appropriate actions if needed.
- Don’t ignore weak relations as they may grow into something more valuable. If you can’t see a tendency for relations to develop then consider them random choice relations.
- The nature of strong relations goes beyond the rational choice and is only a means of proper support if you or your organisation is in trouble.
- Remember the Russian proverb – ‘Tell me who your friend is and I will tell you who you are’

Meyer and Skak (2002, p. 186) underlines that “country or region-specific knowledge is important for business with transition economies, in addition to general expertise on international business”. Having direct access inside personal networks or using local intermediaries as referrals for access to personal networks, Western practitioners are able to access local information.

Access to local information is a matter of survival in the Russian market. This relates to all kinds of information, such as certification procedures, changes in tax regulations, and competitors’ actions and intentions. The effective transfer of knowledge and information becomes the key to business success these days. Knowledge transfer strongly
influences staff training procedures in its effectiveness and cost. We have found that the most effective knowledge transfer is provided through horizontal organizational ties.

Organisations are investing millions of dollars in staff training; usually training is provided to top and middle managers who are not transferring their knowledge and information down to their subordinates or colleagues. This happens because senior managers want to preserve advanced knowledge for themselves and show their superiority to the lower rank managers.

Managers can spot business opportunities in Russia, if they position themselves correctly and gain access to local knowledge and information, where in the vast majority of cases is of tacit in nature. Burt (2004, p. 349) suggests that, “people who stand near the ‘holes’ in a social structure are at higher risk of having good ideas”.

Information and knowledge are mainly transferred horizontally, through personal networks and activities which lead to networks being shared among members. Using their local personal connections managers can have a greater chance of spotting opportunities or giving advice on business possibilities through their local connections.

**Practical tips:**

- Don’t be afraid to share information within an appropriate relationship context as you will get a lot in return
- Think about how you are getting informal local information
- Get involved in active information sharing with your local partners and customers, particularly in an informal way, and check how this could be improved
- Encourage horizontal information flows that work for the organisation’s purposes
• Staff will share knowledge and information, if motivated appropriately
• Implement appropriate organisational learning and training procedures, making sure that these are not being withheld by a small group of managers and therefore wasted

It is not easy for Russian people to adapt to the corporate culture of global organisations which demand more formal and precise procedures and protocols. The knowledge of Russian culture and society must be reflected in the corporate culture and procedures.

By gaining multiple category memberships Western practitioners should enjoy the advantage of having access to resources allocated in different and often remote networks, which is particularly important for the development of business in Russia. It enhances the understanding of the local social norms and codes influencing the inter-personal relations that affect business conduct in Russia, and identifies potential steps in defining how to enter Russian markets through networks.

Social norms existing in personal networks might be viewed as optimal in the uncertain and unpredictable environment of Russia, securing the survival of networks’ members and organisations. Practitioners should facilitate networking training, particularly for the growing number of foreign expatriates arriving in Russia. This should be on how to conduct customer relations in a more effective and appropriate for the Russian market manner, how to manage stakeholders’ relations, how to manage powerful organisational opponents and supporters in Russian business, and how to effectively use the organisational market position.
Practical tips:

- Local social norms and codes carry wisdom which helps survival in the turbulent Russian environment. Knowledge and adoption of these norms will make the organisation stronger in the local market.

- Social norms and codes are local and could be interpreted slightly differently in different areas of Russia.

- Avoid the breach of locally accepted social norms and codes, as no one can predict the penalties for such fault.

- Russia represents a high-contextual culture where the most important factors are hidden from outsiders, but strongly influence the way business is conducted.

- Cultural sensitivity is particularly crucial when dealing in Russia. This aspect also relates to the applicability of Western definitions and meanings of the Russian cultural milieu.

Russia has changed enormously over the last twenty years. We can see the ultimate changes everywhere, in the economy, in the state system, in laws and regulations. But not much has changed in personal networks where traditions, reciprocity rules, inner social norms and codes remain fairly stable. In the words of McCarthy and Puffer (2008, p. 17) “for the foreseeable future, traditional values and norms will remain important in Russian business, and they are supported by the extensive use of networks.” Having a deeper understanding of certain rules in the Russian marketplace practitioners could ease the difficulty of entering and succeeding in Russia’s business world.

As Russia becomes a more important player in the world economy, the number of Western participants
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dealing with Russia will rise, increasing the demand for more detailed and deeper knowledge of Russian society and business. To think differently will be a mistake, particularly when considering Russia’s important role in energy resources, so vital in these times.

In presenting our findings in this book we have made an attempt to discuss the complicated, colourful and multidimensional world of personal networks existing in Russian business, fully realising that only the top of the iceberg was touched. It still hides a lot of unknowns.

However, we believe that some of the issues like trust development, knowledge and information sharing, relations development and organisational integrity discussed in this book are applicable in different cultural and organisational contexts, where some adjustments to the local peculiarities must be made.

We hope that this book will help practitioners to develop a better understanding of the almost invisible personal networks in Russia.
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Notes
“This is an important book that will interest practitioners and scholars seeking to understand the “riddle, wrapped in a mystery inside an enigma “as Winston Churchill described Russia. The authors show with very cogent analysis that it is necessary to get behind the calculus of management into the deep cultures and contexts of business.”

Prof David Weir, Head of School of Business, Leadership and Enterprise, University Campus, Suffolk, UK

“Attention catching reading, full of valuable insights and clear comments. Probably, a reader comes across the first book that clearly explains the inner relations of Russian people, the facets and nature of some of these close relationships.”

Prof Fatima Mirzoeva, Diplomatic Academy of Russian Ministry of Foreign Affairs, Russia

“An insightful perspective on the critical role of relationship and network ties in the Russian society, and how these play out even in the business environment. This book is a must-have roadmap for business practitioners looking to explore the Russian market.”

Dr Ekpos Waritimi, Strategy Consultant, Nigeria

“This is a very interesting book about Russian culture with great insights about the types of different networks or groups, the mechanics of relationships between them and a means to create trust with Russian people and companies.”

Stefan Kramberg, Professional, Aviation and Aerospace, France

“Probably, one of the best books so far, thoughtfully explaining inner processes of Russian society and business and reveals such ultimately important issues as trust, emotional, functional and cultural aspects of business relations. It must to have book for all practitioners dealing with Russia.”

Andrey Vovchenko, VP at SB Bank, Russia