



Industrial Relationships in the International Environment
The case of Polish firms exporting to Russia

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Dedicated to our parents who see their future in our Success.....

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Abstract

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The overall aim of this research is to explore the business relationships among Russian and Polish firms. The research performed is based on the selected literature area of industrial relationships, relationship quality, negotiations, international environment. With exploratory purpose, the embedded single case study strategy is applied in this research. The empirical data is gathered through focus group discussion among five participants and seven interviews.

The findings indicate that the nature of relationships among the Polish and the Russian companies is positive, fruitful and beneficial for both sides. Companies are mainly satisfied with cooperation and overall activities are managed at expected level. Problematic issues are solved successfully with the help of negotiations. The environmental factors which are identified as the main barriers and obstacles are the political climate, legal issues and infrastructure. As the Russian market and its law are complex and difficult, the Polish companies are aware of these factors and are trying to follow all demands given by the Russian companies. Finally, negotiations are provided as the measures to strengthen their relationships and to cope with all the factors, which can have negative impact, by mutual agreements and decisions.

Based on our analysis and conclusions, the companies are recommended to ensure better code of business practices and to reveal more confidence among each others.

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List of Abbreviations

RQ	Relationship Quality
Q	Question
PESTL.....	Political, Economic, Social, Technological and Legal
B2b.....	Business to Business
IMP.....	Industrial Marketing and Purchasing Group
ISO.....	International Organization for Standardization
EU.....	European Union
MRA	Marketing Research Association
DIY.....	Do-it-yourself
FDI.....	Foreign direct investment

Keywords

International markets, Business relationships, Buyer-seller relationships, Relationship Quality, Environmental factors, Relationship management,

Chapter 1. Introduction

The chapter contains Background, Problem discussion, Research problem, Research purpose and Limitations.

1.1 Background

Due to increased competition from both domestic and global competitors, shrinking market size, and declining market growth rates, companies seek opportunities in global markets. Most of the companies try to peruse their profit across borders from home markets by using different strategies (Karakaya and Yannopoulos, 2010). There are number of reasons described by different authors that why firms need to internationalize their operations? These are may be due to competition, low-costs, more profit margins, innovative technology etc. At present, “one more important reason is that firms tend to move to other markets, i.e. market development strategy to extend product life cycle, when products reach maturity stage”, which is mentioned in Hasegawa and Noronha (2009,p.81).

With slow pace of growth rate in the developed markets and opportunities in the underdeveloped economies, international companies have been seeking underdeveloped markets for new business expansion. Many scholars stated that the future markets for international business would not be developed countries but transition economies; one of them is Russia (Arnold and Quelch, 1998; Prahalad and Lieberthal, 2003; Palepu and Sinha, 2005 cited in Darkow, et al., 2008). Naumov, McCarthy and Puffer (2000) by studying the four stages of Russian economy, concluded that Russia has entered the 21st century as a mixed economy but it can still be an attractive investment place for the western companies. But for the success of firms it is necessary to have enough knowledge of the markets which firms are intended to target. The reason of failure in markets abroad is lack of knowledge about how to conduct business in foreign markets and other factors involved in the internationalization process (Carlson, 1975 cited in Forsgren and Hagstrom, 2007).

The research of IMP group in business to business marketing, starting from Interaction approach to Network Approach, showed the importance of relationships as the key element for all marketing activities (Håkansson, 1982; Ford et al, 2006). Foster (1992, p.239) states that, “in internationalization, relationships are perhaps most important aspect to be considered and it is not easy to build a strong relationship”. The importance of relationships in international business creates a need of managing them which seems to be the core for operations in domestic and foreign markets. Our research seeks to examine such relationships

between suppliers and customers in international markets and specifically focuses on transition economy of Russia.

Lages et al. (2005) mentioned that the quality of relationships is central to export marketing practice and there is no specific scale how to measure the relationship quality between importing and exporting firms. They also stated that relationships developed with partners in foreign markets are influenced to a higher degree by dissimilar cultural, economic and other environmental factors.

Moreover, Powers and Reagan (2007) suggested investigating factors which influence buyer – seller relationship in the scope of the relationship quality. In the light of cross border relationships, there is a need to examine the impact of culture and people behavior on the relationship quality in the international environment (Athanasopoulou, 2009). Obadia and Vida (2011) emphasized the need for investigating the linkage between relationships, broader in the scope of export performance.

Previous research indicates that relations between Russian firms and their suppliers are complicated to be realized and understood due to imperfect markets and incoherent regulatory system. Studies based on concepts in connection to western textbook or best practices do not fully help to understand what is going on in Russia with respect to relationship management (Popova and Sorensen, 2001).

Russian managers do not follow a single and simple way in their operations and this is hard to categorize the Russian firms in order to understand their way of doing business with foreign suppliers (Huber and Worgotter, 1998 cited in Popova and Sorensen, 2001). Moreover, previous researches have proved that due to unstable and fluctuating business environment in Russia, strong interconnectedness and high complementarities among network partners' capabilities is very crucial for a firm's success (Hitt et al, 2004 ; Gorovaia, 2005 cited in Darkow et al., 2008). There are number of barriers and factors that can affect the entry or existence of foreign companies in relation to Russian firms such as regulatory uncertainty, unfair playing field through corruption and networks and lack of enforcement (Aidis and Adachi, 2007). Feng, Sun and Joshua (2009) studied the history, trends, geographical and sectoral preferences and policy issues of foreign direct investment in Russia. They concluded that most of the barriers are institutional which includes, government restrictions, trade related measures, custom duties, labour issues, taxation and further crime and corruption. Further, Andersson (2007) also identified the main obstacles in the Russian markets which includes

political risks, legal barriers, infra structure, bureaucracy, supply of raw material and lack of skilled labour.

Earlier studies have investigated the nature of buyer – seller relationships to some extent. Lages et al. (2005) studied the relationship quality among export and import firms. The purpose of the article was to develop a new measurement to access the degree of relationship quality with the help of some relationship quality components between the exporting firms and the importers.

In the scope of relationship quality, Alhassan (2002) examined industrial buyers' satisfaction and commitment to long term relationships with the suppliers. The determinants of trust in international business environment was investigated by Chu and Dyer (2011). The quantitative study was conducted by Powers and Reagan (2007) to identify what factors are of the greatest importance in each stage of buyer–seller relationships. They measured some components of relationship quality, such as: performance satisfaction, bonds, power, adaptation, commitment and cooperation. The quantitative study of Barnes, Leonidou and Talias (2006) investigates the impact of conflict on the key elements comprising the quality of the relationship between U.S. industrial importers and their overseas customers. The study of Maurel (2009) aims to examine which factors are the most important for small- and medium-sized enterprises to focus on improving their export performance. Further, Ural (2009) examined in his study the effects of the relationship quality between exporter and importer on export performance in Turkish firms. The longitudinal study conducted by Haugland (1999) examines the factors which influence the duration of international relationships among Norwegian exporters and their importers in the United States and Japan.

Henningsson and Rudén (2007) deal with study of seeking new partners globally and establishing business relationships with them. The main purpose was to analyze how small Swedish B2B companies find downstream international partners. One of the research areas focused on international relationship at initial stage. The authors came up with finding and recommendations for further research that there is a need to study how companies can manage their relationship in international markets by looking at positive and negative aspects which affect these relations.

After understanding the importance of relationships in international industrial markets and their need for successful operations across border (Foster, 1992), understanding the quality of relationships (Lages et al, 2005), impact of environmental factors on the buyer – seller

relationship (Powers and Reagan, 2007), the way of Russians to manage these relationships (Popova and Sorensen, 2001) and different factors in Russia causing barriers to FDI (Feng, Sun and Joshua, 2009 and Andersson, 2007) provide us a clear area to be investigated. As mentioned above by a number of authors, there is a need to study the impact of environmental factors on these relationships in order to manage them in an effective way. Thus, to understand the nature of business relationships it is necessary to look in to the factors that pose direct or indirect influence on relationship among Russian firms and foreign suppliers. Further, the above mentioned studies (Chu and Dyer, 2011; Lages et al., 2005; Powers and Reagan, 2007; and Alhassan, 2002) examined the RQ components, such as trust, satisfaction, bonds, power, adaptation, export performance, commitment and cooperation, but none of them combined these components together for a specific market. With the help of certain components of relationship quality, this study conducted as qualitative, contributes to further advancement by combining the components of RQ i.e. trust, commitment, adaptation, satisfaction, cooperation, power and conflicts, in the field of export and relationship marketing among Polish and Russian firms.

Moreover, (Henningsson and Rudén, 2007) recommended for further research about how relationships among customer and supplier firms in international markets can be managed. Thus, this study will make a step forward to scrutinize the international business relationships between Russian and Polish companies to fill the knowledge gap of managing the relationships among them by combining the relationship quality components and examining the influence of environmental factors on these relationships in the light of country conditions of Russia, for instance: political, economic, legal, social and technological factors.

1.2 Problem Discussion

In the previous section, the importance of relationships has been identified that how they facilitate internationalization process by building strong knowledge base and as crucial element for all marketing activities in business to business markets. The relationships among customer and supplier firms, in cross cultural environment, need to be analyzed and to be managed in a way that provide a long term benefit for both firms. Further, the business market in Russia for foreign firms is complicated when it comes to building strong relationship with Russian firms. The reasons, as indicated in previous section, for these complications are the barriers such as strict government regulations, lack of enforcement, high level of corruption and other environmental factors. Thus considering the barriers involved in maintaining strong relationships specifically with Russian firms, it is necessary to identify factors that may have

influence on building or maintaining such relations for both the Polish and the Russian firms and there is a need to figure out that how such relationships can be managed by the Polish firms.

To fill the identified gap of managing buyer-seller relationships in the previous section, our research is focused to analyze the nature of business relationships among the Russian and the Polish firms by looking in to their quality and identify major environmental factors in Russian markets that have compelling force to affect relationships among them. Additionally, it would help to provide recommendations for the Polish firms to manage such relationships that would result in long term cooperation.

1.3 Research Problem

In short, the research based on literature review and scientific methods would help to provide solutions to the following questions:

- Q1. What is the nature of buyer-seller business relationships among Russian and Polish firms?
- Q2. What are the factors that challenge and influence buyer-seller relationships among Russian and Polish firms?
- Q3. What are the appropriate measures, to handle these challenges, for the relationships to function properly?

1.4 Research Purpose

The aim of this research is to investigate the nature of buyer-seller relationships among the Russian and the Polish firms by looking in to their quality, angles, stages and way of negotiations, and to identify the factors that affect these relationships. Further, there might be some hurdles that cause challenges to these relationships and thus there is need to identify approaches to overcome these challenges. To achieve the purpose of the research, case study design had been chosen to gain insight to the phenomenon of relationships, the influence of factors affecting business relationships of the Polish companies exporting in Russian market and to the measures of dealing with them.

1.5 Limitations

The research deals with buyer-seller relationships among the Polish suppliers and the Russian customer firms where seller firms have chosen export as international entry mode. Due to time constraint i.e. five months, the research was conducted by relying on single case study based on two Polish and one Russian firm. The study is also done by describing limited part of buyer-seller relationships in specific industries only. The thesis is also limited to selected case and to generalize the conclusions more data is needed from different sources

Chapter 2. Theoretical Framework

This chapter consists of the theoretical concepts used in the research for collection of data, its analysis and to conclude the results.

2.1 The Outline of Theoretical Concepts

The figure 2.1 below provides the summary of the main theoretical concepts applied in this research. These concepts have been selected to study the industrial relationships in international business markets and provide help to assess them and to find out how these relationships can be well managed.

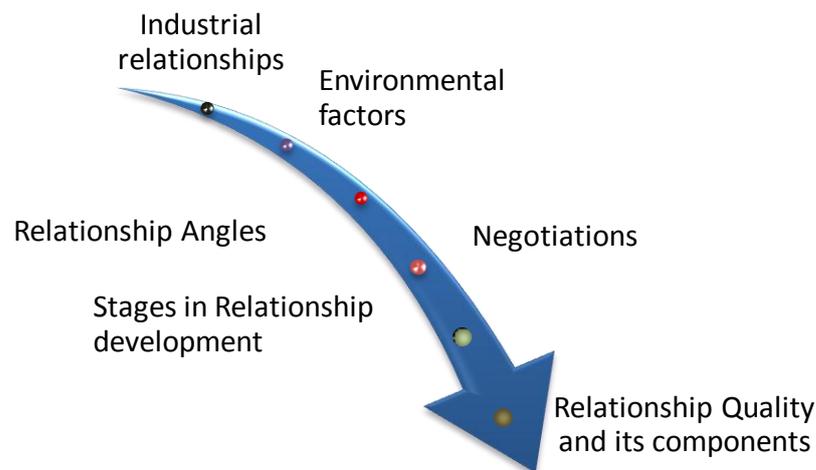


Figure 2.1: Applied Theoretical Concepts

Source: Authors

2.2 Industrial Relationships

Doing business is not only matter of selling and purchasing, it also covers establishing and developing relationships, for instance with suppliers and customers. In building business relationships, time and effort play a crucial role. Meanwhile, interaction between two parties and further developing of relationship is based on the mutuality in the light of commitment, trust, dependence and knowledge (Forsgren, Holm and Johansson, 2005, p.15). Through interaction the parties gradually, on one hand, learn about each other's needs, capabilities and strategies and come to trust in each other and on the other hand adapt to each other's way of performing operations and commit resources to the relationships (Forsgren and Johanson 1992, p.3). These major components of relationship are crucial while discussing about the quality of relationship, which will be presented in the next section.

In the international context, firms access resources and information on the global scale. Thus, building up their relationships across country borders, enable them to operate with foreign

partners. The internationalization of business firm results in developing business relationships with partner firms in other countries. Forsgren, Holm and Johansson (2005, pp.74-77) have assumed that internationalization is based on the business context of the firm, that is to say its major business relationships.

In the business marketing, “the interaction between buyer and seller is a major significance”. Since 1970s researches have noticed that the way of managing these interactions has huge impact on the purchasing behavior of customers (Gronroos 2007, p.24). The Industrial Marketing and Purchasing Group (IMP) have examined buyer – seller relations in the light of the interaction approach. These approaches have considered that active parties take the initiative in seeking a partner. Furthermore, companies are likely to be involved in adaptations to their own process or product technologies to accommodate each other (Ford 1997, p.40).

The development and maintenance of relationships between buying and selling organizations is pivotal to success. Commitment and involvement of human and capital costs are indispensable elements in developing the relationships. Both companies may obtain benefits by tailoring their resources in order to reduce cost or increase revenue (Ford, 1997, p.42). Hence, interdependence and collaboration over the development, supply, and support of products and services, is considered a core element of B2B marketing’ (Baines, Fill, Page, 2008, p.632).

In the international context, business relationships between buyer and seller are challenging for managers. Foreign market brings both attractive opportunities and high risks which cover differences among countries (Baines, Fill and Page, 2008, p.268), for instance: many languages, multicultural, frequently unstable environment and exchange rate problems.

2.3 Environmental Factors in International Markets

Baines, Fill and Page (2008, p.631) stated that in comparison to consumer marketing, B2B marketing is much easier to conduct in international environment. On these grounds, the needs for businesses around the world are far more similar to one another than the needs of consumers, whose preferences, tastes, and resources vary. Consequently, an increasing number of B2B organizations are moving into international markets.

In order to develop relationship among two foreign countries successfully, it is necessary for firms to understand the complexity and diversity of international markets. Firms face

challenges in the scope of direct and indirect factors which may influence their relationship (Baines, Fill and Page, 2008, p.632).

The firms have to consider and analyze the major components of international marketing environment, which might have an impact on their relationship. The PESTL analysis is a helpful framework in order to examine the external environment. The discussion covers political and legal, economic, technological and social/cultural factors of the marketing environment (Doole and Lowe, 2008, p. 7), as show in figure 2.2 edited.



Figure 2.2: The Environmental Influences in International Markets

Source: Doole and Lowe (2008, p. 7)

2.3.1 Political and Legal environment

Baines, Fill and Page (2008, p.51) stated that the political environment stands for “the period of interaction between business, society, and government before those laws are enacted, when they are still being formed, or are in dispute”. Meanwhile, legal factors cover the laws and regulations related to business practitioners and consumers (Baines, Fill and Page, 2008). By following Czinkota and Ronkainen (2010, p.127), the political – legal environment can be analyzed interdependently, because the law is generated and influenced by political and governments decisions.

Czinkota and Ronkainen (2010, p.127) have stated that laws and regulations of the host country cannot be avoided by international companies. Moreover, they may have major impact on business opportunities in specific country. Further, they have distinguished four areas of governmental activities which are crucial from international perspective:

- i) *Embargoes or Trade Sanctions*: the limitations amended by governments in order to distort the free flow of goods and services.
- ii) *Export controls*: The extent to which companies can export their products or services in terms of quota systems or other laws to prohibit export of certain goods.

iii) *Import Controls*: The main terms are tariffs (tax on imports good, raise the price), non tariff barriers and quota systems (limited volume of imports approved by country) (Czinkota and Ronkainen, 2010, p.131).

iv) *Regulation of International Business Behavior*: It covers the laws and regulations to control the international business form the legal, moral and ethical perspectives (Czinkota and Ronkainen, 2010, p.132).

Companies prefer to conduct their business in country with stable and friendly government, but the nature of many countries is dynamic and they have to continually control the situation in certain country (Czinkota and Ronkainen, 2010, pp.125-143).

2.3.2 Economic Environment

In the scope of international expansion, economic conditions widely determine the opportunities in foreign country: size of population, economic growth, income, consumption and purchasing power (Jain 1993 cited in Kouznetsov, p.379). Czinkota and Ronkainen (2010, p. 88) added to these characteristics: infrastructure, geographical feature of the environment and foreign involvement in the economy. These determinants have to be analyzed in the light of company's interest. Marketers need to understand the impact of the economic environment on social development.

According to Doole and Lowe (2008, p.14), in the scope of emerging economies like Russia, Brazil, India and China, the level of demand for products and services is higher which indicates that the market in these countries have growth opportunities for companies. These opportunities are further supported by government-directed economic reforms, lowering of restrictions on foreign investments and increasing privatization of state owned monopolies. Some emerging markets seem to have "dual economy" where income distribution is at high extent and difference among wealthy professional urban class and poor rural areas is higher. Moreover, currency risks in terms of exchange rates and currency movements are also worth to be considered important by companies for international transactions.

The economic factors should be analyzed significantly by the companies to find out possibilities and opportunities as well as threats to their establishment in these countries.

2.3.3 Technological Environment

Technology is a crucial element in all the processes involved in establishing and managing business in both local and international market places. Doole and Lowe (2008, p. 17) mentioned that technology enables electronic communication and transactions.

Technology like satellite communications, the internet and world wide web, intra and extra nets, ISDN and cable as well as email, faxes, telephone lines and advanced wireless networks have great power in all the operations taking place overseas. The flow of information is not possible or time consuming without these equipments and networks. The information is needed 24 hrs a day to know the present situation of the markets for instance; business news channels provide information about live share prices which help the firms to know immediately the present situation of their competitors. These technological factors have impact on the operations of firms working across borders and availability of these resources is crucial to be inspected before a company tends to move to a certain country.

2.3.4 Social /Cultural Environment

Understanding social and cultural aspects of targeted foreign market is of high importance for the firms to understand the behavior of their customers. According to Doole and Lowe (2008, p. 7) the social and cultural factors have immense impact on the firms operations in international markets. Each society has their own learned behavior patterns shaped by dynamic variables such as: language (verbal, non-verbal), Religion values and attitudes, manners and customs, material elements, aesthetics, education and social institutions

The theoretical concept of environmental factors as described above by number of authors has helped authors to investigate and find out the factors which can have direct or indirect influence on buyer-seller relationships.

2.4 Relationship Angles in Business Markets

Ford et al. (2003, p.42) have distinguished three facets of relationships among buyer and seller firms as shown in figure 2.3.

2.4.1 Relationship as a Device

In the relationship which is seen as a device, organization is not just longer perceived as a set of people, routines and expectations (Ford et al., 2003, p.42). “The suppliers’ abilities complement the buyer’s needs and uncertainties and vice versa. Consequently, the relationship might be a way to increase efficiency, assist innovation, or be used to influence the way others companies operate” (Biggeman, 2010 cited in Woodside, 2010, p. 196).

2.4.2 Relationship as an Asset

The relationship is defined by Ford et al. (2003, p.49) as “a company’s most important assets, because without them it cannot gain access to the resources of others, acquire the supplier needs, or to solve its customers’ problems and thus generate revenue”.

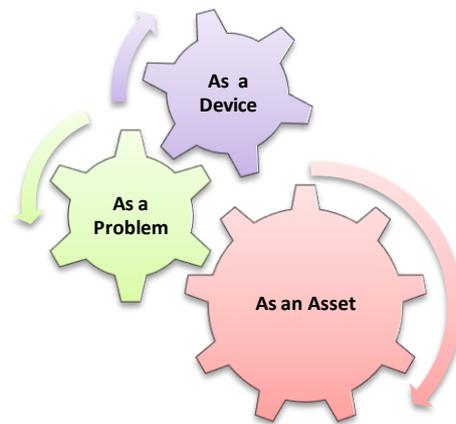


Figure 2.3: Relationship Angles

Source: Ford et al (2003, p. 42)

In the scope of international environment, the social entities have become the major issue in the light of difference of culture, language and social background etc. Thus, the long term relationship must be build through “a process of incremental investment” which consists of engagement, time consuming, commitment and knowledge sharing for both buyers and suppliers.

2.4.3 Relationship as a Problem

The relationship can also be seen as a problem. Hakansson and Snehota (1998 cited in Woodside, 2010, p. 197) mentioned several drawbacks which companies may face: a) relationship cannot be controlled; b) the future of relationship is unclear; c) relationship demands time and effort. Moreover, Ford et al. (2003, p.59) added hurdles such as cost of production, service delivery as well as differences in expectations of the purpose of the relationship or the effects of other relationships. They have characterized the main aspects of relationships such as unruly, undetermined, demanding, exclusive and sticky.

In the scope of our research, understanding and managing the relationship as an asset is the major component of building the long term relationship. This may involve many purchases or continuous delivery. In the relation between buyer and seller, we may observe the low level of interaction form the buyer side, because the company buys only a small portion of its

requirements from the supplier and being one of many customers for the supplier makes a little effort to develop business. From this point of view, building a long term relationships is more important for the supplier, who does not want to lose his main customer. Meanwhile, we cannot avoid the other facets of the relationship such as device and problem and thus also need to look in to the relationships deeper, how they create problems among the actors involved or how they work as device for their operations?

2.5 The Outline of International Business Negotiations

Negotiation (Ghauri, 2003, p.3) is “the process which we undertake to manage our relationships in everyday activities, such as between employers and employees, buyer and seller”. For some of these negotiations, pre-plan and additional preparations are not needed. Negotiation refers to the interaction between two involved parties, with the aim to reach mutual agreements to provide terms, conditions, and guidelines for future behavior (Ghauri and Fang, 2001, cited in Malshe et al., 2010, p.176).

In the scope of business negotiations, the stake is high and we have to prepare, plan and negotiate carefully. Business negotiations are defined as a voluntary and problem solving process, where parties negotiate in order to get better deal or to find the best solution for each party, with the possibility to quit the process at any time (Ghauri, 2003, p.3). While McCall and Warrington (cited in Bradley, 2005, p.349) present the nature of negotiations as “any sequence of written and or verbal communication processes among parties of both common and conflicting commercial interests and of different cultural backgrounds consider the form of any joint action they might take in pursuit of their individual objectives which will define or redefine the terms of their interdependence”.

Bradley (2005, p. 348) stated that international negotiations combined the cross-border exchange activities with the matter how they are established and managed. Buyer and seller participate actively in the process of negotiation, which may lead to create deep and long lasting relationship. In order to handle international negotiations successfully, companies should gather sufficient information, “including information how to cope with cultural differences, how to access management processes and styles, and how to understand the political economy of the target country” (Marshall et al., cited in Bradley, 2005, pp.349).

2.5.1 The Negotiation Process

The process of international business negotiation defined by Ghauri (2003, pp.8-13) is divided into three main stages, as shown in figure 2.4, are described below. Each stage covers communication process along with actions. The negotiation process can be a short one, with the stages collapsing into one session on prolonged endeavor taking weeks. The length of the overall process will vary dramatically by culture (Czinkota and Ronkainen, 2007, p.389). Moreover, Ghauri (2003, p.8) noted that these stages are supported by other significant dimensions: strategic and cultural factors which affect the process evidently.



Figure 2.4: Process of Negotiations

Source: Authors (Based on Ghauri, 2003,pp. 8-13)

Stage I: Pre - Negotiations

The first contact between companies takes place. The common interest in doing business is noticed in explicit way. The great importance of information sharing and informal social meetings may affect the further negotiation in positive way (Ghauri, 2003, p.8). As information is power, the more information company can obtain about the other side, the better. Companies prepare strategies and tactics for face-to-face negotiations and pre-offers (Hendon and Herbig, 1996, p.4).

Stage II: Face - to - Face Negotiations

At this stage, both parties realized that they can work together. The ability to share experiences and ideas has the great importance. It is crucial for companies to be aware of solutions, which other part suggest (Czinkota and Ronkainen, 2007, p.389). Companies should evaluate and analyze the alternative criteria in understandable and coherent way. Ghauri (2003, p. 12) suggested that negotiator should not accept directly the “final offer” at once, because it might be the disadvantage, especially in the cultural and business context of foreign country. Moreover, at this stage discussion about differences should take place in order to avoid further misunderstanding. The creditability and the flexibility along with

building the convince atmosphere for parties play crucial role. So far, companies gain an ability to read the signals sent by each other to move forward.

Stage III: Post - Negotiations

At this stage, all activities have been argued and the contract is ready to sign by both parties. If there is a negative feedback from background or the atmosphere, negotiations have to be restarted. In order to conclude arrangements successfully, there is a need to summarize all aspects which were discussed. Companies have to perceive and understand precisely the involved issues and their implementation in the same way (Ghauri, 2003, p.13). Parties should agree to the same solution for entirely different reasons. Ratification of agreement must be performed by necessary powers on both sides (Hendon and Herbig, 1996, p.6).

The negotiations play important role in routine dealings among supplier and partner firms. They can also provide solutions to manage relationships. In this study it is examined that to how much extent the Polish and the Russian firms use negotiations in their routine business to manage relationships among them.

2.6 Stages in Relationship Development

The process of relationship changes and develops, and highlights the management tasks involved by considering the different “stages” that a relationship can be in and how it moves between these stages (Ford, 1980 cited in Ford et al, 2003, p.50). It is not said that all relationships go through all stages, some may fail at the beginning or in the middle. It is not a linear process that moves company from one stage to other. It is about managing in various situations in the scope of time where company may have different purposes, expectations and business missions. Managing relationships with customers is challenging for many firms because they engage in many different types of transactions and their customers vary considerably as to their wants and needs (Fichman and Goodman, 1996 cited in Arnett and Badrinarayanan, 2005).

The five main stages in developing the buyer - seller relationships in the business markets have been evaluated by Ford (2003, p.67) as shown in figure 2.5 reformulated:

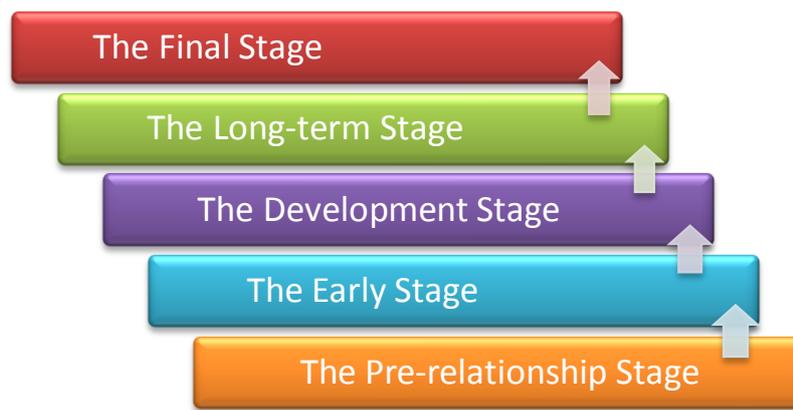


Figure 2.5: Five Main Stages in Relationship Development

Source: Ford (2002, p. 67)

2.6.1 The Pre - relationship Stage

There are many pre- existing situations, for instance searching for new supplier or customers that absorb great deal of time and effort. Identifying an appropriate partner (Powers and Reagan, 2007, p. 1235) is a critical step in this stage which is characterized by high inertia among parties (Ford et al., 2003, p.51).

In the pre - relationship stage, there are several questions related to variables which define a relationship. A company needs to find out reasons for seeking new supplier or new customer. These reasons may be what do they want to get, how much do they have to invest, how do they have to adapt and what do they have to learn? The relations between these questions acquire the two way communication between parties. At this stage, there is low level of trust and commitment but the expectations and requirements have to be well understood and pre - prepared in order to make a next step forward (Ford et al., 2003, p.42).

Meanwhile, the distance which is perceived to exist between buyers and sellers has several dimensions that each party has to deal with: social distance, cultural distance, technological distance, time distance and geographical distance (Ford 1997, p.43).

2.6.2 The Early Stage

This stage occurs when the companies start to negotiate about first possible purchase, service and delivery etc. The low level of working experience and the great amount of learning are main variables which take place at this stage. In order to reduce the considerable “distance” companies should adapt to new way of working, and this is costly and time consuming process. The formal discussions and negotiations are crucial to make fundamentals of this business, thus there is no time to demonstrate the commitment and earn the trust (Ford et al., 2003, p.53). Moreover, the early stage is characterized by high uncertainty and little

opportunity to reduce distance (Ford 2002, p.69). The parties still act in isolation in their attempts to move forward in developing the relationship (Biggeman, 2010 cited in Woodside, 2010, p.186).

2.6.3 The Development Stage

A relationship at this stage is growing up. Both parties gain benefits, meanwhile the interdependence among partners has increased (Biggeman, 2010 cited in Woodside 2010, p.187). The new contracts and purchases have been signed. The uncertainty is reduced and the role of actors, ties and resources has increased. The process of learning deals more with specific investments towards relationship and adaptations. Ford (2002, p.71) divided these adaptations into *formal*, which are contractually agreed between companies and *informal*, which may be arranged subsequently, to cope with particular issues. The social interaction between companies developed. The mutual learning intensively increased in building trust and commitment among both parties (Ford et al., 2003, p.54).

2.6.4 The Long - Term Stage

At this stage, both companies reached certain stability in learning about each other (Ford et al., 2003, p.55). The trust of its partners is high, and it can come to expect the same commitment in return. The investments are managed in positive way; it becomes a routine when it comes to purchases and services. The uncertainty is low and the managing relationship is not costly. Additionally, establishment of operating procedures and norms of conduct enable to handle routines quick with low level of managerial involvement.

Apart from several advantages of this stage, it may also lead to problems, for instance the process of institutionalization. It refers to low cost operations with low level of company's control and engagement. It may cause less commitment to the relationship (Ford et al., 2003, p.55).

2.6.5 The Final Stage

This stage is reached in stable markets. The extension of the institutionalization process has taken place along with the conduct of business based on codes of practice (Ford 2002, p.73).

The above mentioned stages of relationship should be understood before assessing the relationships. With the help of this theory, the relationships between the Polish and the

Russian firms have been understood that at which stage their relationships are? This theory has helped to understand the nature of their relationships more clearly.

2.7 The Scope of Relationship Quality

The importance of relationship quality in business to business markets has increased remarkably. Due to global competition, companies try to reduce their suppliers to the most trustable ones. Thus, it has been observed that the trend toward closer relationships with key buyers and suppliers, building and maintaining these relationships has become a paramount feature in order to achieve success in the business environment (Eggert and Ulaga, 2006, pp.311-327).

The studies in the area of relationship quality have emerged in the early 1980s, with the pioneering work of the Industrial Marketing and Purchasing (IMP) group (Hakansson, 1982 cited in Ural, 2008). The researchers emphasized that relationship in the export settings, not only includes economic transitions, but also “complex behavioral interactions, involving exchanges of social, information, and other intangibles” (Hallen and Sandstrom, 1991 cited in Ural, 2008). Furthermore, researchers have provided many insights into the nature and mechanism of buyer-supplier relationships with the help of conceptual frameworks and integrated models of business to business integration (Dwyer et al., 1987; Wilson, 1997 cited in Ural, 2008).

Relationship quality represents a general evaluation of relationship strength and the extent to which relationship meet the needs and expectations of the parties involved, based on history of successful and unsuccessful encounters or events (Crosby et al. 1990 cited in Ural, 2008). Meanwhile, it plays a crucial role in the maintenance of relationship (Finn, 2005 cited in Bergeron and Rajaobelina, 2009) and cannot be duplicated by competitors because of its intangible nature (Wong et al. 2007 cited in Bergeron and Rajaobelina, 2009).

Ford et al. (2003) have stated that “no single type of relationship is right for either buyer or supplier in all circumstances”. Thus, there is no specified model of measuring relationship quality, which would guarantee success in the business markets. Each company has to develop its own business strategy of how to manage their relationship in efficient and effective way.

2.7.1 Relationship Quality- A Conceptual Framework

In the study of Athanasopoulou (2009, p. 604), he critically reviewed the literature of relationship quality and sketched the conceptual framework of the interrelated variables which may have impact on the quality of relationships (as shown in Figure 2.6). The author highlighted that these variables can be selected and analyzed differently in the global business markets. As author mentioned, this framework can provide a better solution in RQ related studies and that's why this framework has been used in the research to study the impact of environmental factors on relationship among customer and supplier firms in International context.

a) Dimensions of RQ

The dimensions shown in middle of figure 2.6 consist of following components:

i) Trust: Gemunden and Walter (1997, p.188) have characterized the trust as the confidence that the partner will fulfill the expectations. Trust facilitates the cooperation and coordination (Anderson and Narus, 1990, Ring and Van de Ven, 1994, cited in Gemunden and Walter, 1997, p.188). Additionally, trust is related to act and negotiate fairly with other partner (Zaheer et al., 1998 cited in Payan, 2009).

ii) Commitment: A crucial variable in developing relationships. Companies put their effort in searching solutions to gain long term mutual profits for both parties (Ford, 2003). Gemunden and Walter (1999, p.83) have defined commitment as the strengths of the relationship which is connected to the degree of willingness to adapt to a partner. It results in desire to maintain stable relationship and ability to scarify in order to strength relationships (Anderson and Weitz , 1992 cited in Payamn, 2009).

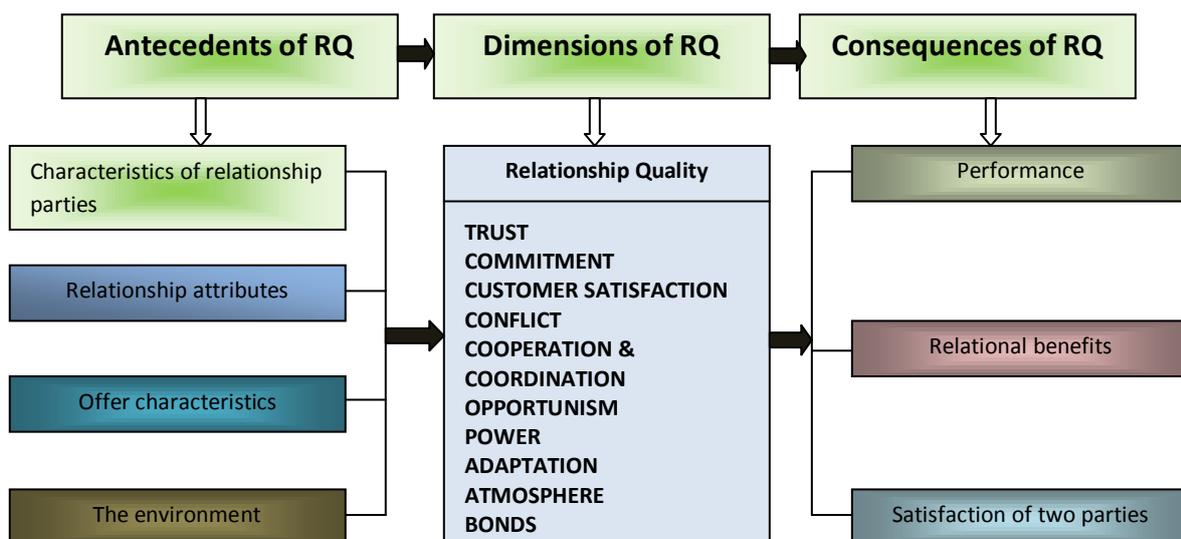


Figure 2.6: A Conceptual Framework of RQ

Source: Athanasopoulou (2009, p. 604)

iii) Satisfaction: Anderson and Narus (1990 cited in Ural, 2008) defined satisfaction as the fulfillment of achieving the desired outcomes leads to satisfaction with the partnership. Gyeskens et al (1999 cited in Payan et al., 2009, p. 548) characterized “satisfaction as the positive state resulting from appraisal of all aspects of an organization’s working relationship with other organization”.

iv) Conflict: In high involvement relationships, conflict tends to appear often rather than in low involvement ones (Ford et al., 2003, p.116). Leonidou (2004 cited in Leonidou, Barnes and Talias, 2006, p. 579) stated that disagreements between exporter and its foreign customer may be caused by “offering competitive prices, securing reliable representation, granting credit facilities, delivering products on time etc”. These disagreements are identified as the causes of conflict, such as competing goals, domain differences and perception on reality among parties (Baines, Fill and Page, 2008, p.705).

v) Cooperation and Coordination: It defines combined activities among both organizations. Cooperation is a working orientation in nature (Mysen and Svensson, 2010). It is related to coordination; a specific structure, process or an outcome between organizations. Evidence of coordination is not always caused by a spirit of coordination. Thus, following Day and Klein (1987 cited in Mysen and Svensson, 2010, p.120) that coordination can occur without cooperation. These two variables will be analyzed separately.

vi) Opportunism: Dorsh et al. (1998 cited in Rasila, 2010, p.82) defined that “whether the organizational level conduct is to strive for personal benefits at the cost of others. The absence of opportunism is one attribute leading to high relationship quality”.

vii) Power: Baines, Fill and Page (2008, p. 702) have identified the power as an “ability to get other (individuals or organization) to do what they would not normally have done”. It is not equally distributed among parties. Thus, some of them might have more control and resources than others. Consequently, the level of dependency is varied (Emerson, 1962 cited in Baines, Fill and Page, 2008, p.702), for instance: “the more dependent company A is on B, the greater power B has over A”. Power has two dimensions: building relationship or destroying its performance.

viii) Adaptation: Both parties should invest in maintain long term relationship. It may stand for improvements in procurement, information exchange and staff trainings. These specific activities refer to adaptation, which creates mutual dependence to tie resources within cost reduction (Ford et al, 2003, p.116).

ix) Atmosphere: Ford et al. (2003, p.117) have defined the relationship atmosphere as the simultaneous occurrence of conflict and cooperation.

x) *Bonds*: The relationship is build up with people which interact with each other among organizations. The actors bonds may affect development and communication between parties by their sentiments, attitudes, norms and values (Ford et al., 2003, p.30).

b) Antecedents of RQ

The variables on the left side have direct affect on the relationship quality dimensions which can be seen in figure 2.6 and described below:

i) *Characteristics of two Relationship Parties (buyer and seller)*: include variables such as similarity, seller expertise, ethical behavior and orientation, manufacturer strengths, service provider attributes and the reputation and size of supplier etc.

ii) *Relationship Attributes*: can be length or duration of relationship, structural or social bonds, dependence and power, relationship benefits, communication barriers and relationship investment etc.

iii) *Offer Characteristics*: Product or service including product performance and after sales service, and service quality.

iv) *Environment*: Role of environment in affecting the relationship quality: such as economical, Political, legal, technological, and social and cultural factors.

c) Consequences of RQ

The variables which are described by the author as consequences of RQ can be divided in three categories as described below:

i) *Business or Service or Channel Performance*: can be purchasing efficiency, supply chain performance, export performance, increase in sales etc.

ii) *Relational Benefits*: includes anticipation of future interaction, relationship strengths and longevity, relationship enhancements and continuity and perceived value of the relationship by both parties.

iii) *Satisfaction*: including salesperson satisfaction, economic and non-economic satisfaction and buyer's satisfaction with supplier.

In this research, this conceptual framework has supported to measure and analyze the relationship quality among international partners. Accordingly, some variables are ignored from this framework, which were not necessary to measure the relationship quality among the Russian and the Polish firms.

2.8 Business Relationships in Russia

Russia as the world's largest country has its considerable amount of influence in the global community (Adachi and Aidis 2007, p. 391). Up to this time, the excesses of political interests, criminal elements and high level of corruption seriously injured the Russian economy. Hence, companies which are willing to invest/ cooperate should be aware of risks included in these relations. Meanwhile, concerning the unpredictability of Russia, "only companies willing and able to deal with substantial risk are likely to have the staying power to face the inevitable turbulence" (Naumov, McCarthy and Puffer, 2000, p.273). Furthermore, Russia's unique, challenging, and sometimes difficult to understand business environment can be an advantage, as it serves as an entry barrier helping those who enter and learn how to operate effectively reap higher returns (Fey and Shekshnia, 2011).

After the accession of Vladimir Putin to power, business and state in Russia's regions formed an increasingly symbiotic, interdependent and mutually beneficial relationship. By the end of his first term in 2004, Putin had decided to put the brakes on these developments and make the relationship between the two actors more formal and institutional (Chebankova, 2010, p.25). In order to control business activities and to maintain transparency between industrial partners, the system of taxation and licensing was introduced. Moreover, the high degree of institutional uncertainty and strong emphasis on personal relationships are still noticed (Darkow et al., 2008).

Building long term relationships is crucial for success in Russia. "If Russians engage in business without first establishing personal relationships, proceed with great caution. They may be looking to take unfair advantage of you if they get a chance. Generally, it is best to give your counterparts time to become comfortable with you". Furthermore, establishing relationships commonly occur both at the individual and company level. Building relationships is a slow process, because Russian people do like being in rush, moreover patience is of critical importance in the country (Katz 2008, p.1).

In the light of business negotiations, the primary approach to negotiating in Russia is employing distributive and contingency bargaining. It means that the buyer is often in a strongly favorable position and may try to push the responsibility to reach agreement to the seller. The reason for that may be unstable political and economic environment where negotiators might focus on short term benefits (Katz 2008, p.3).

The study of Ashnai et al.(2009) investigated the relationship quality in four business to business markets: Russia, Iran, United Kingdom and China. Based on the cultural and

institutional factors, the authors developed the understanding which components are seen to be important in assessing relationships and how they vary in importance among countries. Discussed above, we propose that future research investigates closely those factors influencing the behavior of partner firm, and assesses the potential drivers of short vs long-term orientations and priorities in defining relationship outcomes. The results revealed that Russia with a high context culture is the only one country where profit attribute dominates and leads to serious decrease in relative importance of other intangible attributes of relationship quality. Thus, it showed highly low perception of intangible quality drivers and low tendency of being long oriented which may be resulted by the fact that Russian culture is focused on outcome (Robertson et al., 2003).

By looking into business relations among American and Russian managers, the study of Robertson, et al. (2009) examined the relationship between these two countries in the light of ethics and firm practices. The authors deduced from the findings that Russian and American employees differed significantly on relativism and the profit/ethics tradeoff, Russian managers were found to be more relativistic than their American colleagues which is indicative of a stronger belief in Russia about situational ethics.

The study of two large Swedish industrial manufacturers in Russia conducted by Dodourova and Zineldin (2005) examined the factors for failure in business relationships. The obtained results indicated that cultural and language barriers, often mentioned as significant factors, seem to be unimportant in this case. It was revealed that giving promises to do things without actually doing them later and lack of confidence appeared to be the most critical factors of business relationship failure for Swedish manufacturers. Moreover, trust, commitment and communication turned to be crucial components in managing relationships successfully.

2.9 The Applied Model

With the help of the applied model, clarification and summary of the applied theoretical concepts is provided in figure 2.7. It helps to understand that the theoretical concepts taken for this study are interconnected with each other and are appropriate to the research problems and the purpose of the study. The figure 2.7 shows that the theoretical concepts are interconnected with each other as to find out how to manage the buyer-seller relationships, it is necessary first to look in to the nature of such relationships by looking in to relationship quality components, relationship angles, stages in relationships and negotiations then assessing the factors having direct or indirect affect on them and finally recommending measures to manage

and carry on long term business relationships. These all concepts have been selected in the light of the purpose of study to understand and overcome the hurdles in managing buyer-seller relationships.

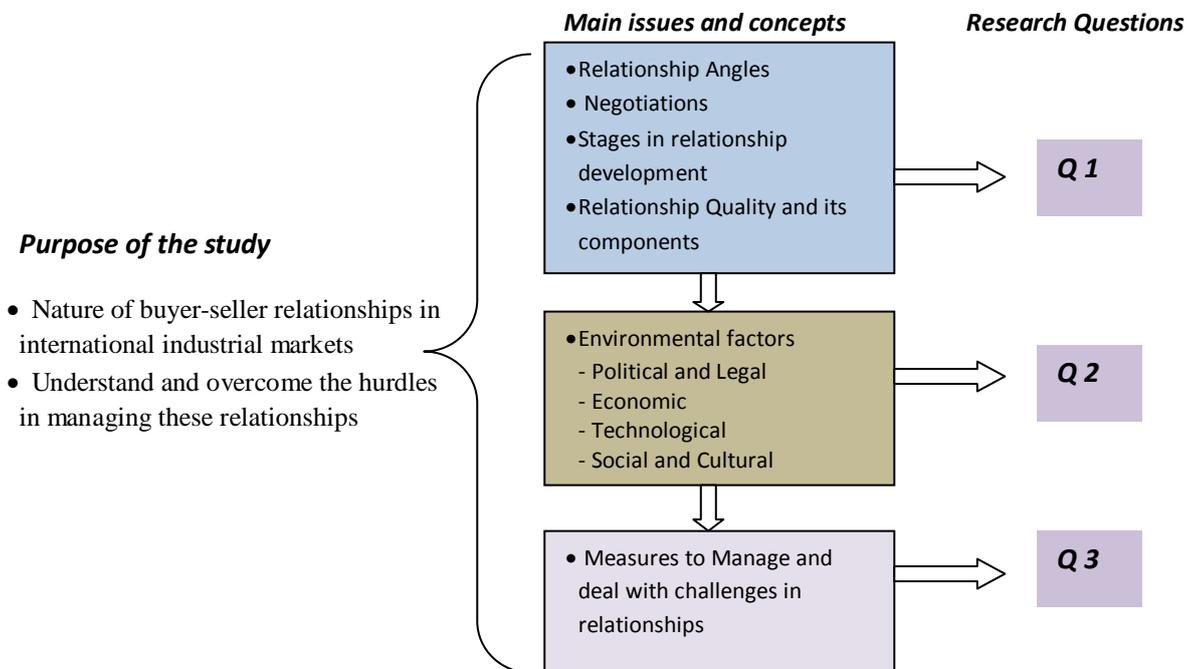


Figure 2.7: The Applied Model

Source: Authors

Q 1 What is the nature of buyer-seller business relationships among Russian and Polish firms?

Q 2 What are the factors that challenge and influence buyer-seller relationships among Russian and Polish firms?

Q 3 What are the appropriate measures to handle these challenges, for the relationships to function properly

Chapter 3. Methodology

This chapter discusses the methodology used in this study i.e. research purpose, research strategy, research methods, research design, research approach, data collection and quality.

3.1 The Scope of Business Research

The management research is the process which combines theoretical knowledge with its implementation in practice. Bryman and Bell (2007, p.5) stated that “the management research can be understood only as an applied field because it is concerned not only with understanding the nature of organizations but also with solving problems that are related to managerial practice”.

3.2 Purpose of the Research

Saunders, Lewis and Thornhill (2009, p.139) classified the purpose of research into the three main categories: exploratory, descriptive and explanatory study. According to Robson (2002 cited in Saunders, Lewis and Thornhill, 2009, p.139), “exploratory study is a valuable means of finding out “what is happening; to seek new insights; to ask questions and to assess phenomena in a new light”.

This research can be placed in the first category: exploratory study. The purpose of this study is to identify how relations among customers and suppliers look like in international business environment, what factors cause challenges and problems and how to manage these relationships in effective and efficient way. It further aims to explore the specific problems related to the general issues of supplier-customer relationship in international business environment. It has helped to find out the problems more clearly and clarify concepts more precisely. Thus, we think it is appropriate to classify this research as exploratory based on its purpose and its nature.

3.2.1 Development of the Research Problem

Bryman and Bell (2007, p.84) mentioned some sources from where research problem can be derived. These sources include personal interest/experience, theory, research literature etc. Further, the authors suggested a criteria for evaluation of research question including; clarity of the research question, researchable issues, connection with established theory and contribution to knowledge.

In this thesis, the research problem is derived from the authors’ personal experience and interest of issues related to international business markets. In the process of developing the

research questions, the researchers focused down progressively: starting from International markets to buyer – seller relationships, relationship quality, environmental factors and measures to manage these relationships. There is a connection between the research question and the previous established theory. The three research questions are linked with each other and organized in sequential order.

3.3 Research Strategy

Saunders, Lewis and Thornhill (2009, p.138) provided different strategies which can be used for a research. These strategies include experiment, survey, case study, action research, grounded theory, ethnography and archival research. Robson (2002, p.178 cited in Saunders, Lewis and Thornhill, 2009, p. 145) defined case study as, “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”. Further, Yin (2003, p.40) categorize different designs of case study in to four types i.e. single-case (holistic) design, single-case (embedded) design, multiple-case (holistic) design and multiple-case (embedded) design.

Case study strategy has been used for this research based on the phenomenon of relationships of two Polish firms with their Russian customer firms. The case deals mainly with the Polish perspective of managing and strengthening the relationship with the Russian firms. Further, embedded single-case design has been selected based on the following grounds: Firstly, there were multiple sources of evidence i.e. three companies participated in the research and data was collected from them. Secondly, different levels of analysis are used i.e. individuals (interviews with managers and employers), organizations (relationships between selected Polish suppliers and their customers in Russia) and society (the impact of environmental factors on relationships in international business context).

The selection of case was based on the use of case i.e. the data gathered from the selected sources may also be applicable to other similar situations under investigation. Further, convenience to gather data in terms of easy access to informants, least travel and other expense considerations, personal experience of one of the author in one of the firms and interest in international markets provide justification for the selection of this case.

3.4 Research Philosophy

There are two ways of discussing about research philosophy i.e. epistemology and ontology. Epistemology concerns the acceptable knowledge in the field of study. In epistemology, positivism and interpretivism are important philosophical positions. An

interpretive perspective enables to interpret and give meaning of functions and behavior of actors in society (Saunders, Lewis and Thornhill, 2009, pp.112-117). In terms of ontological orientation concerning the nature of social entities, there are two philosophical aspects i.e. objectivism and constructionism. Constructionism refers to social phenomenon and their meanings which are continually being accomplished by social actors (Bell and Bryman, 2007, pp. 22-23). Additionally, axiology is a philosophical branch that studies the judgment about values. It gives the researcher's view of the role of values in research (Saunders, Lewis and Thornhill, 2009, p.116).

In the scope of epistemological orientation, this study attempts to examine and understand the role of actors in the society, in this case exporter and importer relationships in the international environment. Further, the authors interpret the relations among buyer and sellers where interpretivism enables to give meaning of functions and behaviors of parties in international business environment. While looking at ontological orientation, social constructionism helps in order to explore the subjective meanings motivating the actions of buyer and seller firms to understand the reality or reality working behind them. By interpreting their interaction and impact of surrounding environment, in the light of the subjective reality the authors try to understand actors, their actions and motives in a meaningful way. On the grounds of axiology, the authors judged the research, its problem, process, analysis and conclusion with regards to their values. Personal participation in conducting interviews and focus group may have subjective nature. The reason is the authors' values and believes, which play a crucial role in perceiving the reality and then interpreting findings.

3.5 Research Approach

Three types of research approaches have been defined by number of authors, i.e. deductive, inductive and abductive approach. Lancaster (2005, p. 22) defines deductive research as testing theory or hypothesis with the help of quantitative data. According to author, the deductive approach is widely used in natural sciences. On the other hand inductive research is approach in which researcher develops hypothesis and theories with a view to explain empirical observations of the real world. Blaikie (2009, p.156) describes abduction as a process by means of which the researcher assembles lay accounts of the phenomenon in question, with all their gaps and deficiencies, and, in an iterative manner, begins to construct her or his own account. In abductive research, the starting point is the social world of the

social actors being investigated. The aim is to discover their constructions of reality, their ways of conceptualizing and giving meaning to their social world.

The abductive research approach has been used in this study. This research approach has been chosen because the authors aim was to discover the constructions of social actors i.e. the Polish and the Russian firms, about the phenomenon under investigation. To achieve this aim the authors had access to the knowledge of these actors in interpreting their activities with respect to the phenomenon of relationships among them. Further, the focus group discussion was conducted before the selection of theories to be used for further exploration, to know the deep insight and construct ideas of the issues under investigation.

3.6 Research Methods

Research methods involved specific techniques for collecting data. In this study, the employed methods are structured interviews and focus group. Focus group was selected to explore the hidden issues about relationship among firms and then further interviews were used to gather data concerning these identified issues. In total, 12 respondents took part in providing the data for this research. The reason behind selection of these methods is the relevance to research problem and the objectives as the research is qualitative in nature.

3.6.1 Focus Group Discussion

The focus group is a technique of interviewing that involves more than one, usually at least four, interviewees. The focus group is mainly characterized by its unstructured format. Focus group is used to generate data on group's own experience of a certain issue to explore their views about their operations (Bryman and Bell, 2007, p.510).

In this study, focus group was used as research method to gather data. The reason to select focus group for this study was to generate data based on participants own experience and how they look at the relationships among their firm and its customers. The focus group was conducted among five participants in presence of one of the authors as moderator. First permission was taken from the owner and an email was sent to him to decide the time, place and issues to be discussed. It took place in Bobicki Company located in Cracow, Poland, on 18th February, 2011. The participants selected by the owner of the company represented specific professions from different departments responsible for dealing in different ways with their foreign customers in Russia. The focus group moderator put emphasis on issues which seem to be most important for employees in daily relations, how they discuss them with

others. The moderator stated general questions to guide participants in order to make discussion relevant, dynamic and fruitful. The main agenda of conducted focus group is presented below in the table 3.1. The focus group session was one hour long lasting from 10:00 AM to 11:00 AM and was transcribed by moderator at the same time (See Appendix A). In few days later, the combined transcript was sent to participants in order to ensure validity.

AGENDA	
Introduction	Presentation of the aim of focus group (Relationship issues with Russian customer firms), description of the conduct of focus group (open debate, everybody's views).
Discussion Topic	How relationships look like with your customer firms in Russia (issues of initiation, discussion, development, termination), which factors have you experienced can impact these relationships and what challenges have you experienced in managing these relationships.
Summing up	Thanks for participation and asked if written data can be sent back to them for confirmation.

Table 3.1: The Agenda of Conducted Focus group

Source: Bryman and Bell (2007, p. 521)

3.6.2 Interviews

The structured interview is highly formalized and uses standardized set of questions for each respondent (Saunders, Lewis and Thornhill, 2003, p.320). The structured interview ensures cross – case comparability among each participant (Bryman and Bell, 2007, p.480). Grønhaug and Ghauri (2002, p. 101) mentioned three techniques of conducting interviews i.e. personal interviews, interviews by email and interviews by telephone.

In this research, structured interviews were used to collect data as the questionnaires were based on predetermined and standardized questions i.e. identical set of questions to the different companies. First the information about interview was sent to make respondents aware of the main issues included in interviews. The questionnaire was consisted of 15 open ended questions to let the interviewees describe in detail their own ideas about the selected issues (see appendix I). The questionnaires sent to the Polish companies were translated in Polish language where as to the Russian sources they were sent in English language. The Polish translation was made by one of the author, because it is her native language. It had impact on validity, because some information might have been lost.

There were seven interviews conducted in total out of which five were conducted with the Polish firms and two were successfully responded by sources from the Russian company. Of these seven interviews four were received through email from the respondents and three interviews were conducted face to face. The transcripts of face to face interviews were sent back after editing to the respondents to check validations.

3.7 Research Quality

The quality of any design should be judged in order to represent a set of logical statements. To establish the quality of case studies, concepts such as trustworthiness, credibility, conformability and data dependability are used (U.S. General Accounting Office cited in Yin 2003, p.33).

- *Construct Validity*: In order to increase this measure, firstly the authors used various sources of evidence: documentation, archival records (lists of names, service, organizational and personal records), interviews and focus group. Secondly, the authors established the chain of evidence i.e. the reader can trace the derivation of evidence from the research questions to conclusion and from conclusion to the research questions. To ensure this principle sufficient citation is provided for the interviews and documents used and further time and place of the interview and focus group is provided. Finally, having reviewed draft case study report from informant. To ensure this, proposal of thesis was sent to the owner of Bobicki Company. Conducted interviews and notes from focus group were sent to participants in this case study in order to have their agreement. Hence, credibility was strengthened by a technique named respondent validation.
- *Internal Validity*: means whether or not there is a good match between researchers' observations and the theoretical ideas they develop (Bryman and Bell, 2003, p. 410). In this research certain degree of internal validity can be observed as the theoretical ideas developed are based on the authors' participation in focus group and interviews. By participating in the data collection methods it was ensured by the authors that the data collected was from valid sources and the collection was made without mistakes. The internal validity was enhanced by using multiple methods of data collection (primary: interviews and focus group and secondary data), thus the triangulation was achieved. High internal validity was ensured by the logical consistent of the theoretical framework and the empirical findings and its analysis on which they are based.
- *External Validity*: By following Bryman and Bell (2003, p.410), the generalization of findings in the qualitative study is hard due to the tendency of small sample size. In order to

strengthen the degree of external validity, the authors implemented embedded single case design in which data was collected from more than one source.

- *Reliability*: The aim of this measure is to minimize the errors and biases in this study Bryman and Bell (2003, p.414). In the scope of internal reliability, both authors agreed what they heard and read. In order to develop case study database, the authors kept notes from focus group, interviews transcripts which have been enclosed in appendixes.

Bryman and Bell (2003, p.423) mentioned some critiques of qualitative research, which have been recognized in this study:

- *Too subjective and difficult to replicate*: Focus group and some interviews were conducted personally. Thus is not possible to conduct the same valid replication. The authors interpreted some information what is important according to their values and beliefs. Due to unsystematic and subjective view, a true replication is almost impossible.

3.8 Data Collection

3.8.1 Primary Data

According to Kotler (2006, p.104) “primary data is data freshly gathered for a specific purpose or for specific research project”. The primary data was collected by the researches using structured interviews and focus group. It was gathered in relation to the purpose of this study. The collected primary data was qualitative in nature and further analyzed by first summarizing from the transcripts and then categorizing in headings according to specific issue in relation to theory.

3.8.2 Secondary Data

Secondary data is data which is already been collected from some other purpose (Grønhaug and Ghauri 2005, p.91). In this thesis secondary data was used to explain and understand the problem of this study, while having discussion in the background. Data collection began with literature review which contains books and scientific article in order to set our problem in accordance to previous studies. Afterwards, the main theoretical concepts were discussed in relevance to research purpose and problem of this study. In this study, different types of secondary data have been used and can be divided in two categories: First category is documentary consisting of data from organizations’ websites, reports, and journals. And second category is multiple sources: Government publications, books and scientific articles.

Selection of Literature

The secondary data was acquired from academic, government and commercial sources. Mainly, gathered data was located in the university library and on the internet. While selecting the searched literature the focus was mainly on the concepts of industrial relationships among firms, which helped to find out relevant material for this research. In the light of validity, collected secondary data provided information to answer the research question and referenced sources deals with building and managing relationships in the international business markets in the scope of Russian market. The authority of sources was assessed and the organization / person responsible for data were identified, hence the degree of reliability increased

3.9 Analysis Procedure

Saunders, Lewis and Thornhill (2009, p.490) has given three types of qualitative data analysis processes i.e. summarizing, categorizing and structuring the meanings of data. In this research all these three types have been used. First, the data collected through focus group discussion and interviews was summarized and transcribed to understand and point out the main issues related to this study. Secondly, during presentation and analysis of findings, the data was categorized in to headings based on the selected theory and further these headings were structured according to the meanings based on the research questions i.e. Firstly, the nature of relationships among the Polish and the Russian firms, then the factors affecting these relationships and finally the measure to strengthen these relationships.

3.10 Ethical Issues in the Research

Business ethics is relevant to business researchers, because many ethical issues occur in many phases of the research process. There are professional codes of ethics that govern behavior. The principal aims of the Marketing Research Association (MRA) are to increase professionalism and promote confidence in the market research (Hair, et al. 2011, pp. 52-76). In this research, the crucial key ethical issues have been taken into consideration during the process of writing this project. The authors were aware of the responsibility toward the society and information was exchanged truly, thus the research was written with a great care and professional involvement of both authors. The appropriate respect, fairness and interests towards teachers were ensured. Good communication, the exchange of information and attitudes were established among other students. The honesty and accuracy was involved in the whole duration of the research. The privacy was concerned, the collected data was treated

confidentially and used only for the purpose of this study. The primary data was collected by taking permission of participated companies. The secondary data was properly referenced and all sources were given. The respondents agreed to participate faithfully in this research, they were fully informed about the research objectives. They ensured to respond honestly and follow all given instructions. When it came to the sensitive data, the researchers' obligations were reduced due to limited access to some pieces of information.

3.11 Summary of Methodology

Methodology Issues	Applied in this study
Research Category based on Purpose	Exploratory study
Research Strategy	Embedded single case study
Epistemological Orientation	Interpretivism
Ontological Orientation	Social constructionism
Research Approach	Abductive
Research Methods	Structured interviews and focus group

Table 3.2: Summary of Methodology

Source: Authors

Chapter 4. Presentation of Findings

The chapter includes the presentation of the companies and data collected with the help of focus group discussion and Interviews.

4.1 Presentation of the Polish Companies

“Firma Bobicki” is located in Cracow, in the southern part of Poland. The company was established in 1987. The wide ranges of activities are focused mainly on:

- production of wrought iron items
- metal elements for construction industries
- decorations and garden furniture
- fence systems
- locksmith services
- CNC tooling services
- stainless steel and systems products

Moreover, the company offers services in branch of art smith and metalwork. It realized different projects in the scope of renovation and conservation of historical monuments in Poland. High qualified staff and modern production hall enable to manufacture high quality goods and services. In March of 2004 company introduced quality management system according to norm DIN EN ISO 9001: 2000 in order to continuously provide products that meets customer expectations and standard regulatory requirements of quality management systems. Company operates particularly on business to business market, but individual customers’ orders are also fulfilled. Firma Bobicki is a private company owned by Roman Bobicki, who has many prizes and distinctions in the area of business and social activity, such as: Gold Cross for Contributions granted in 2002 by President of Republic of Poland.

Products of Firma Bobicki are sold on domestic market in chains of building stores Praktiker and OBI. Moreover, goods are exported to German, Russian (OBI store) and Swedish markets. Firma Bobicki takes part in very important World Fair in branch of building constructions in order to become a crucial competitor on the global market. The company’s webpage is presented in four different languages: Polish, English, German and Russian. It provides a complex presentation of products with their detailed information and current promotions. The online shop is in progress. (Bobicki Firma, 2010)

The second Polish company which participated in this study is “Bauplast”. The company is a private partnership, was found in 2001 and it is located in Cracow, Poland. They offer

buckets, mortar containers and other building containers. The products are manufactured with state-of-the-art machines feature high quality, confirmed with ISO 9001 and 14001 certificates. Bauplast has its customers both in domestic and foreign markets. They supply to customers in other countries, such as Russia, Estonia, Hungary, Germany, Netherlands, Czech Republic, Latvia and Estonia.

Being a relatively young and fast growing company, they achieved the strong position in the market. They are characterized by European high quality and the best prices. They ensure reliability, flexibility and deliveries on time. (Bauplast, 2011)

4.2 Presentation of the Russian Company

OBI is one of the leading European DIY (Do-It-Yourself) brands. Basically German company and operates more than 500 stores, thereof more than 330 in Germany and more than 200 in 13 Central and Eastern European countries. OBI stores generate total sales of more than EUR 5 billion, employing more than 38000 staff. Stores offer a broad and comprehensive product range, which, on average, includes 40 to 60000 articles per store. The professional product range covers gardening, building material and elements, tools, sanitary and interior decoration. Attracted from within an extensive catchment area customers will find all they need to improve their homes. OBI's customers are primarily private individuals, e.g., families, do-it-yourselfers and semi-professionals. OBI's business activities are founded on the following values: performance, respect, openness and responsibility. These apply to all their stakeholders.

OBI has aggressively pushed its international expansion, focusing efforts on Russia, Poland, Italy, the Czech Republic, Hungary and the Balkans. Since 2003 OBI opened 13 stores in Russia in accordance to dynamic growth of this market and OBI's expansion strategy. (OBI, 2010)

4.3 Findings from Focus Group Discussion

As mentioned earlier in chapter 3, the focus group was conducted with five employees of one of the Polish companies to know the nature of relationship with their Russian customer firm and to identify the impact of environmental factors that may challenge their relationship. The findings are presented in form of headings according to different theoretical issues and as identified in the focus group.

4.3.1 Nature of Relationship

In focus group discussion, many issues were revealed regarding the nature of relationship among the Polish and the Russian firms. While discussing about nature of relationship, one discussant said that, *“In the beginning of the cooperation the Russian customer prefers to change from formal to informal (You instead of Mr.). The Russians are nice, neat, friendly and open in what they say”* (Appendix A). It means that the Russian firm prefers more informal communication and instead of only relying on business communication they like to strengthen personal relations as well. They are frank and straightforward to communicate with even new people. At the same time, one of the discussant also said that, *“The Russians are very stubborn and hard to communicate in some cases. They do not want to work so much, they are quite lazy. They postpone for further dates. They usually do not respond to emails quickly, sometimes we need to wait few weeks for their response”* (Appendix A). Further, it was found that the Polish company has to push and remind for day to day business and routine work which can have an impact on their relationship.

Some focus group participants also agreed that, *“The Russians speak English very well (top management of the company). Russian customer prefer e-mail contacts, rarely by telephone”* (Appendix A). The Russian firm prefers to communicate through email rather than using telephone. The reason is that they like to communicate in English and by using emails they can give time to their supplier to translate in their own language and then reply back in English. On the telephone there are complications for Russians to speak due to difference in language because the Polish firm employees are weak in English language.

While discussing about adaptation to changes, participant mentioned that, *“The Russian customer is unwilling to changes, even when we offer new or promotional goods. They still prefer the same old one, even when there is something better to offer”* (Appendix A). From this discussion it can be revealed that the Russian firm avoids changes in their routine dealings.

While discussing about the reason behind delay of response it was revealed from the participants that, *“All business meetings are conducted with assistant director, because director is usually not present. To directors, we are sending just formal letters and agreements. All appendices and daily communication just take place with assistant director. They are not well informed what is happening in other departments such as in sales and accounting departments. Every employer is doing only his job, without full commitment. They usually want to fix their issues and what they want determination, but if our company wants*

something, they will postpone with answering and they are not so willing to fix it quickly” (Appendix A). It means that the management of the Russian firm is not involved in day to day businesses dealings. The control of management seems to be weak on other departments and the employees are involved in dealings but with less motivation and their desire to do work is just to earn salary for the job done. The employees work without full commitment to their work and less control of management on them which seem to be the reasons in the delay of responding to an inquiry from a foreign firm.

4.3.2 Factors affecting Relationship

The other part of focus group discussion was focused on the factors that can have impact on relationship among the Polish and the Russian firms and to find out that what can be seen as challenging for them to manage their relationship with each other. The main issue of this discussion was centered on the environmental factors of Russia for the Polish exporting companies. The discussants responded to this issue by focusing on political, economic, legal, technological and social factors. The participants said that, *“The economy is dependent on political issues, which has dominant role. Policy affects the economy. Politics also create barriers, because politics shape the economy. Politicians make decisions concerning duties, law, taxes, and quotas. This has a huge influence on relationships with international companies”* (Appendix A). From the above discussion, it was revealed that the Polish firms understand the affect of Politics on the economy and then the affect of both factors on the relationship and performance of business with the importing firms in Russia. Further, participants highlighted some difficulties concerning these factors such as: visa requirements to travel, customs clearance which extend the time of delivery of goods and fees and duties which increase the final price of the goods sold.

While discussing about legal requirements, participants highlighted that, *“There is restriction on specific, limited amount of trucks that may enter Russia. When we use transport provided by Russian company, we can enter easily and limited amount of trucks in not in force. There are two customs clearance. First at the border and the second is final clearance”* (Appendix A). From this discussion it was found that the legal requirements in Russia are tight. The foreign firms need to understand the regulations in order to do business in Russian markets. The customs duties, taxes, using Russian transportation for delivery, requirements of large number of legal documents such as 10 copies of same invoices for different legal departments and 4 to 7 stamps on each document are the complications which Polish firms

have to face. The discussants also highlighted the high level of corruption in Russia which can affect the relationship of foreign firms with the Russian companies.

Providing comments on social factors the participants mentioned that, *“There are difficulties in direct contact, especially with managers of shops, because they do not speak English. There is no sense of social duty among employees, frequent failures of staff and inadequate storage of goods. The Russians like informal than being formal in business relations. They like personal relations in business and consider it important”* (Appendix A). It explains that Russians like to be informal and like personal relations in business, as mentioned before. The only problem is the direct contact and the communication is not proper which is only at internet through email. Further, employees show carelessness upon arrival of goods which shows less social responsibility in them. The discussants also focused on technological factors and pointed out that for production the technology is outdated and that is why the Russian firms import high quality products from other countries which they cannot produce due to unavailability of technology.

These all issues discussed with the help of focus group discussion helped to identify the problems and challenges which may have negative impact on the relationship among the Russian and the Polish firms. These identified issues were then inquired from these firms in detail with the help of interviews from different sources, which are presented in the next section.

4.4 Findings from Interviews

The data was collected with the help of five interviews from the Polish exporting firms and two interviews from the Russian importing firm who has established its relationship since 2003 with one of the Polish firms. The data was gathered to know detailed information about the issues focused in this study from the companys’ point of view. The empirical findings are presented in shape of headings based on selected theory for this study.

4.4.1 Relationship Angles for the Polish and the Russian firms

In the interviews two questions were asked to know that how the Polish and the Russian companies see their relationship with each other. In most of the interviews, it was found that the relationship among these firms work as asset and device i.e. it is beneficial for both parties involved. But sometimes, it includes problems like conflicts on delivery time or price issues. During interviews with Polish firms, the joint owner of Bauplast company said that,

“Relationship with the Russian company is very good for my company. They order the goods and make pre-payments” (Appendix B). The selling specialist from Bobicki company stated that, *“Relationships with the Russian customer are good and positive in nature”* (Appendix C). The export manager of Bobicki company mentioned that, *“There is no problem to exchange information and data via e-mail and telephone. This relationship is beneficial for both sides in the sense that we are making money”* (Appendix D).

Some source also mentioned that payment is not problem for them as prepayment is the condition for business. But export manager and the owner of Bobicki company also replied that, *“Russian customer firm is characterized as not stable, sometimes with ignorance, each case to fix takes so much time, monitoring and checking several times, generally the relationship is not so perfect. Some problems occur at the stage of products’ delivery to central warehouse. These problems arise from time to time on a monthly basis. The frequent destruction of the packaging of the products during transport”* (Appendix E). *“The problems arise from the Russian side. I have noticed that they cannot maintain order in their documents which are not sorted out”* (Appendix D).

In reply to similar questions from the Russian customer firm of Bobicki company, assistant product manager mentioned that, *“We see relationship with Bobicki company long term beneficial as we have been taking supplies from them since 2003. In this case, high demand products for us and money for them. Sometimes, we face problems but truthfully saying these problems are solved by quick reaction of the Polish firm. For example, sometimes products were damaged on delivery but after experiencing it the supplier firm started packing our items carefully”* (Appendix G). Moreover, product manager added that, *“the relationship with our supplier in Poland is strong and beneficial for us. May be sometimes we face some problems of on-time delivery or price matters. But usually these issues are discussed with them and we do not face much difficulty in these issues”* (Appendix H). From these replies, it was confirmed that the Russian customer firm also look at these relationships beneficial for them. And like the Polish firm they face problems in these relationships but not serious one to discontinue the business with each other. The Russian firm looks in to these problems as part of their routine and thinks that these problems can be solved by discussion.

4.4.2 Relationship Stages

To understand the relationship among the Polish and the Russian firms, questions were asked in the interviews to know at which stage their relationship lies with each other. Responding to the question related to this issue, selling specialist from Bobicki company mentioned that, *“All activities related to export after so many years of cooperation are rather routine operations and act according to certain conditions, contracts and procedures”* (Appendix C). Further, sales manager from Bobicki company said that, *“Relationship is stable and durable. At the beginning of relationship, all agreements were arranged smoothly but impulsively. But later it becomes routine”* (Appendix F). Finally, joint owner of Bauplast company confirmed that, *“They are stable but we have to take care of our Russian customer continuously”* (Appendix B). From the sources it was also revealed that the contracts with the Russian firm also include to be notified a few months before termination. It was also found that stability is limited to the routine activities containing pre-payment, order and then delivery of products. The replies from Russian source also provided us with the same evidence that relationship with their Polish supplier firm is stable to some extent for them. They pay the price and receive the goods in return and everything is in routine.

4.4.3 The Investment level in Relationship

To investigate the relationship quality among the Polish and Russian firms in more detail, questions were asked from the sources. First question was asked which was focused on the investment level made by both parties to establish and manage their relationship. The sources from Polish companies mentioned their views as follow, owner of Bobicki company stated that, *“The period between 2007 and 2009 was characterized by the highest level of investment. We needed to invest in machines. They work on introducing new products and technologies to improve quality and decreasing prices. There is a stable number of people involved in doing business with the Russian customer. It is a matter of quality and their knowledge of the requirements which are demanded by Russian customer. There are four employees have constant contact with Russian customer, especially with trade department and logistics who are responsible for preparing and sending deliveries”* (Appendix E). Further, joint owner of Bauplast company said that, *“Cooperation with Russian market since 2005, we do not invest in anything except for New Year’s gift. 2 Persons, plus Russian language translator if necessary”* (Appendix B). These findings show that the Polish companies have been investing in their operations to carry on business with the Russian market. It was also revealed that one firm invested heavily on production machinery and

technology when the demanded quality of goods was changed. Further, firms have also been investing in manpower to manage the relationships and each employee assigned for this market is qualified to deal with the Russian firms.

Assistant product manager from OBI Russia also replied that, *“The level of investment is not much higher from our side what I think. Because usually the responsibility of finished product is of our Polish supplier and this is the benefit to us due to more suppliers in the market. Packaging, custom duties, transportation is all paid by the supplier. We just have to bear labour to take off the products from truck on arrival and of course some expenses to manage the ordering of our products”* (Appendix G). At the same time, product manager of OBI Russia added that, *“We just have to order and receive the products. Only some people are involved to manage orders and negotiate with the Polish supplier and we do not have much investment in this relationship in terms of manpower”* (Appendix H). It shows that the Russian customer firm has not been making much investment to establish or manage their relationship. They do not see it important and only investment made by the Russian firm is the manpower to communicate with the Polish supplier, price paid for the products and labour used to take off the goods on arrival. It seems that nothing has been done by the Russian firm to manage and create long term relationship with their Polish supplier and everything is depending on the willingness of the Polish firm to do business with them.

4.4.4 Trust, Commitment and Adaptation

To understand the nature of relationship by looking in to the quality of relationship between the Russian and Polish firms, the level of trust, commitment and adaptation was inquired in the interviews. While replying to question related to these issues, owner of Bobicki company mentioned that, *“Trust and mutual honesty, we do not supply the same products to same areas in Russia and the Russian customer does not introduce the same products as ours, hence the level of trust is high. Expectations are high from both sides”* (Appendix E). Further, sales manager of Bobicki company stated that, *“The high degree of confidence exists along with close cooperation due to procedural changes. At the same we need to be careful with payments in this case, credibility and trust are limited”* (Appendix F). Joint owner of Bauplast company said that, *“The trust is limited because you cannot trust your customer in 100 %. We are trying to fill all documents as they want. We are adapting to them”* (Appendix B).

The assistant product manager from OBI Russia stated that *“we have a good confidence level on each other. With the help of previous discussion in the beginning on issues of price and product quality we have everything in routine now. Commitment and willingness can be seen in terms of price paid and the availability of products what they provide. So it is also at a good level”* (Appendix G). Product manager of OBI Russia continued that, *“If we need something we ask our supplier and they also try their best to provide us what we need. From routine work, it seems that our supplier is willing to do business because the complications to do business in Russia are not easy to be faced if you are not willing to do”* (Appendix H).

4.4.5 Satisfaction and Cooperation in Relationship

While conducting interviews, two questions related to satisfaction and cooperation were asked in order to know if the Polish companies are satisfied with overall activities and what efforts they make to satisfy demands of the Russian customer. Firstly, owner of Bobicki company stated that, *“Generally we are satisfied with cooperation with the Russian customer because there are continually challenges and it forces us to be fully engaged in developing new technologies”*(Appendix E). Secondly, sales manager from Bobicki company mentioned that, *“In general, overall activities meet the expected results and income. The Russian customer cooperates at expected level”*(Appendix F). Thirdly, export manager from Bobicki company said that, *“We are satisfied with overall activities. There is no problem with communication”* (Appendix D). Finally, joint owner of Bauplast company stated that, *“We are satisfied, the cooperation is fine. Phones, the question of business, send catalogs, invitations to visit our company”* (Appendix B). All of participants said that they are satisfied with the cooperation with Russian customer. They feel comfortable about their relationship and overall activities are managed in positive way. One of the respondent mentioned that it could be a greater flexibility with managing some activities, for instance promotional campaigns, because the cooperation with top management is limited in some cases. Further, it was also revealed from one source that the Polish supplier is mainly satisfied with the level of cooperation from the Russian side. There is no problem with provision of information and payment issues. The overall activities performed by the Polish suppliers are coordinated with the activities of the customer.

The sources continued about the efforts which the Polish companies make to satisfy the demands of their Russian customer firm and it was disclosed that all duties related to order and delivery are performed as the Russian company wants. Moreover, in order to manage this relationship in positive way, owner of Bobicki company said that *“we are sending a few*

qualified workers to Russia to conduct some staff trainings” (Appendix E). Further, “We travel often for business meetings to the Russian customer, and we sent them gifts or cards, for instance for Christmas in order to strengthen this relationship” which was mentioned by joint owner of Bauplast company (Appendix B).

On the other hand, while talking about satisfaction and cooperation with the Assistant product manager from OBI Russia it was pointed out that, *“Yes, we are satisfied with overall activities. We pay a good price and they deliver the products on time. They cooperate by fulfilling our demands and it is understandable due to high competition and availability of other suppliers that suppose if they do not fulfill our demands we would change our supplier. But until now the cooperation is at level what we want”*(Appendix G). Moreover, product manager of OBI Russia explained further that *“We try to cooperate by offering the Polish supplier right price what is good for both of us. Our supplier also makes efforts to provide us demanded items at right price. All this happens with mutual interest and benefits”* (Appendix H). The Russian customer firm seems satisfied with the cooperation of the Polish supplier firm. According to the sources, if there no cooperation exists from both sides there will be no reason to do business with each other.

4.4.6 Conflicts in Relationship

A question was asked to get information about the conflicts which the Polish firms have ever experienced and how they were solved. Export manager from Bobicki company explained that, *“Some problems appear when it is necessary to renew the documents, signed additional appendixes to contract. Problems with damage of products and their guarantee”* (Appendix D). Further, sales manager of Bobicki company added that some conflicts arise with regard to *“the issue of payment (the Russian customer usually postpone to pay, often money does not appear on the account) The way how to solve this conflict: as money is not transferred in to account, the goods are not sent. Conditions: Prepayment”* (Appendix F). Further, Joint owner of Bauplast company mentioned that, *“for damages of products, we offer financial compensation or the Russian customer sells the damaged product as the second category good”* (Appendix B). Moreover, conflicts may appear while renewing or signing documents, one of respondents said that the Russian customer usually does not sign properly or give wrong signature, which create problems in accounting department.

Adding the Russian firm’s perspective on conflicts, assistant product manager of OBI Russia mentioned that *“According to his knowledge we haven’t seen any serious conflicts with our*

supplier from Poland. And if we find conflicts of course there would be some way to solve that” (Appendix G). Further, product manager of OBI Russia exemplified *“Just minor conflicts about price decision or delivery of products. These conflicts are part of business but not so serious not to be solved. We always solve such conflicts with discussion and mutual decisions”* (Appendix H).

The conflicts are part of business relationship, according to the Russian sources. These conflicts arise time to time mostly about payment or delivery of products. But it was also found that there are always possibilities to handle these conflicts through discussion with their supplier. Further, no serious conflicts have been noticed by the Russian firm which could affect their relationship with their Polish supplier.

4.4.7 Power in Relationship

The next question was asked about the control and power dimensions, which may predict how the relationship can undergo, which partner has more influence on the development of the relationship and is the power equally distributed among parties. Selling specialist from Bobicki company stated that, *“the greater control and power have Russian customer”* (Appendix C). Export manager of the same company confirmed that statement and added that, *“we are just the one of many companies which supplies to the Russian customer. If they did not like us or our products, they would change because there are many similar companies like we are”* (Appendix D). Further, joint owner of Bauplast company shared the same opinion by saying that, *“The Russian customer has more power and control. This is dictated by the fact that we depend on the Russian customer and we want them to buy from us”* (Appendix B).

Most of the interviewees responded that the Russian customer has more power and control on their business relationship. On the contrary, owner of Bobicki company mentioned that, *“both have same roles, because all duties and responsibilities are assigned in the contract” It is written in equitable manner”* (Appendix E). Due to strong competition on the market and similar prices, personal relations play important role. The Polish companies are aware of the fact that they are dependent on the Russian customer, because if they do not accept their goods, they can be ignored.

On the other hand assistant product manager from OBI Russia mentioned that *“The Power always seems to be in favour of the Russian customer firm. In this case, we do not have some binding contracts to have power on our Polish suppliers but the routine of doing business*

with international supplier has always given power to customer firms in Russia. We can change suppliers if any of them do not fulfill our requirements or demands” (Appendix G). Product manager of OBI Russia explained further that, “Power is usually in our hand as we can anytime stop buying products from them. Such power is not by agreement but may be because we have more suppliers available to fulfill our demands. Such power is in routine and just created by the activities performed before” (Appendix H). It means that the Russian firms have more power due to availability of more suppliers ready to fulfill their orders and due to the fact that the Polish firms are willing to work with them.

4.4.8 Political and Legal environment in Russia

To evaluate the impact of political and legal factors in Russia on the Polish firms, some questions were asked in the interview from the Polish and the Russian firms. The sources from Polish firms pointed out importance of political and legal environment and mentioned the impact of some factors involved in their dealings with Russian firms. Sales manager of Bobicki company stated that, *“These issues have huge impact on relationships and are the key elements in cooperation with the Russian customer. In the light of legal situation, laws are complex and complicated. For instance: when a new permit at the border was introduced without earlier information, trucks were stopped and consequently trade as well” (Appendix F). Owner of Bobicki company explained that, “Particularly administrative activities affect negatively the time of delivery to the Russian customer. The customs procedure lengthens time from departure to arrival. Law: hygiene certificate affect the increase of price because they must be constantly renewed and we have to pay for them extra” (Appendix E). Further, joint owner of Bauplast company added that, “She has not noticed any negative aspects and barriers. Generally, the law and regulations in Russia are complex and it is difficult to trade. By comparison, in the EU is of course better” (Appendix B).*

These findings show that Political and legal environment in Russia is complicated for the foreign firms and have impact in different ways which would further be analyzed in the analysis section.

Assistant of product manager from OBI Russia mentioned that, *“All companies trading with Russian firms know that political and legal requirements are complicated in Russia. These requirements may have affect on new suppliers to come to Russia but in case of existing firms, I do not think they can affect our relationship. Our Polish supplier is aware of these regulations and they are willing to do business in these conditions. Thus, according to my*

knowledge these regulations may create complications for them but does not affect relationship seriously” (Appendix G). Product manager of OBI Russia explained further that, “Political and legal environment is complex in Russia. It has effect on our relationship. Our Polish supplier usually has to pay custom duties at their own, and also have to understand the regulations in Russia. It can create complications for them and may change their minds to do business in Russia” (Appendix H). From the Russian firm’s point of view, the regulations are strict for all of the firms exporting to Russia. They consider these factors important to be considered by the foreign firms supplying their products to Russia. It was also found that their supplier firm from Poland is aware of these complications and they are willing to do business in these conditions at present but these conditions can change their mind at any time.

4.4.9 Economic and Technological environment in Russia

There were questions in the interviews related to the impact of technological and economical factors on the relationship among the Polish and Russian firms. Owner from Bobicki company responded to these questions as follow, *“The economic situation affects the relationship between supplier and customer in international market. Euro currency- we are dependent on the daily level of currency, if there is devaluation of Ruble, goods become more expensive for individual clients in Russian market. This country is characterized by large contrasts: huge cities such Moscow and Saint Petersburg with comparison to the cities closer to Asia, are drastically different. Russia is a market of great opportunities, where it was not yet the peak development, therefore continually investing in this market can bring benefits”*(Appendix E). Sales manager of Bobicki company added that, *“these factors have influence: Euro currency, road infrastructure is important because all deliveries are transported on roads”* (Appendix F). Further, export manager of Bobicki company stated that, *“We are in twenty first century and these issues are clear. Electronic communication is good, on one sends post letters. All is done in electronic way but there is problem with delivery issues because we cannot check on GPS the location of the package/shipment”* (Appendix D). These findings provide with the most important economic and technological factors from the Polish firms perspective and shows the impact of these factors on the Polish firms.

The respondents from the Russian firm also responded in somewhat similar way. Assistant of product manager form OBI Russian stated that *“Currency rates are different, infrastructure, in this case roads can be seen complication creating a delay for both us and can lead to have problems in relationship. Economy does not have any affect on our relationship with supplier.*

Only threats what I feel can be currency difference affecting price and other expenses plus infrastructure i.e. transportation means which can affect little on our relationship” (Appendix G). Meanwhile, product manager of OBI Russia mentioned that, *“Technological factors have no affect on our relationship. Every think is of high standard to communicate to our suppliers. Internet and fax are used to order the products and usually other communication is also on the email due to language difference. But it has no serious affect on our relationship with the Polish supplier”* (Appendix H).

4.4.10 Social and Cultural factors in Russia

The Polish sources were asked to provide information about the social and cultural aspects in Russia to know how they can affect their relationship with Russian firms. The respondents highlighted some issues where owner of Bobicki company said that, *“these factors are of little importance, we have common roots. Religion and language do not influence”* (Appendix E). Moreover, sales manager of Bobicki company added that *“Slavic nation has a positive effect, warm attitude towards the poles. Russians are well educated, well-spoken foreign languages: English, German. The huge role of informal relations which are helpful and fruitful cooperation cannot be managed without them”*(Appendix F). Further, joint owner of Bauplast company stated that *“there is simple, human kindness and honesty in relationship with the Russian customer”* (Appendix B).

On the other hand, product manager from OBI Russia mentioned that, *“Due to language difference we like to contact the Polish customer through email as most of employees in our supplier firm cannot speak English. By using email, they find time to translate and to reply in time. Language may have little effect on delaying the process of communication. We like to indulge with the Polish customer soon and be informal in meetings”* (Appendix H). Assistant product manager form OBI Russia reckoned that, *“Values and attitudes may have effect during meetings with the Polish customer. About being social, we usually try to have informal relations with representatives who visit us because we think it creates an opportunity to work together in easy environment but not under pressure”* (Appendix G). These findings provide with the Russian perspective of looking in to the effect of social and cultural effect on their relationship with the Polish firms.

4.4.11 Role of Negotiations

A question was asked in the interview about the role of negotiations in managing the relationship among Russian and Polish firms. The respondents mentioned their views as below. Owner of Bobicki company stated that, *“Negotiations play crucial role. There is need to use a good argument to convince a partner about prices and new goods. Openness for changes is a difficult subject and all issues take so much time to fix”* (Appendix E). Sales manager of Bobicki company explained that, *“During the negotiations, the Russian customer wants to negotiate the lowest prices by saying that they are developing and promising market for international investment. The Russians mention this issue often which usually leads to negotiate the best prices”* (Appendix F). On the contrary, assistant product manager from OBI Russia mentioned that, *“We have not faced a situation at which we have to manage the relationship. It is already managed as our stability in relationship shows it. But the reason behind this stability is of course negotiations in the beginning. During negotiations, our main target is set right price and to set the terms of delivery and guarantee of the product”* (Appendix G). Further, product manager of OBI Russia said that *“Negotiations play important role in managing our relationship. From ordering to delivery everything depends on what was decided during negotiations. Sometimes it is hard to find the right price but acceptance depends on the willingness of both parties. Yes we negotiate with the Polish supplier but now it seems that everything is in routine and when we have to change something then negotiation will play important role”* (Appendix H). These findings show that negotiations are part of dealings among the Russian and the Polish firms. From beginning of the relationship, the terms and conditions including: price setting, time of delivery, guarantee, payment method and validity of contract etc. are decided by negotiating with each other. As the sources mentioned, for changes in the terms and conditions, negotiations can be seem important for them.

Chapter 5. Analysis

This chapter contains the analysis of findings to provide the results, in relation to the selected theory for this study.

The analysis of the findings is structured according to the applied model as shown in figure 2.7, which indicates three issues about relationships among the Polish and the Russian firms i.e. the nature of the relationship among the firms, the impact of environmental factors and the measures to strengthen these relationships.

5.1 Nature of Relationships among the Polish and the Russian firms

To understand the nature of relationship among the Polish and Russian firms, issues based on theories of relationship angles (Ford et al., 2003, p.42), stages in relationship development (Ford et al., 2002, p.67), negotiations (Ghauri, 2003, pp.8-13) and relationship quality components (Athanasopoulou, 2009, p.604) were inquired with the help of interviews and focus group discussion.

The theory of Ford et al (2003, p.42) about relationship states that relationships can be seen in three shapes which includes: relationships as asset, relationships as device and relationship as problem. The findings from focus group and interviews revealed similarly that the relationships among the Polish and Russian firms work like device and asset for both parties where sometimes these relationships take shape of problem for them. As assets, these relationships are more informal than being formal in routine which is due to the reason that Russians like to be informal in their dealings due to open, friendly and frank nature. In this scope, the major issue for them is making personal and social relations. It is also due to the fact that both sides are involved in these relationships for mutual benefits i.e. the Polish firms export to the Russian supplier for the price paid and the Russian customers buy these products due to the fact of high quality and advanced products which gives them benefit comparing to local producers. While focusing on incremental investment (Ford et al., 2003, p.49) the more contribution is observed from the Polish firms in managing these relationships stronger for instance: sometimes staff training by sending them to Russian supplier firm, which shows their commitment and involvement in their business with Russian firms and seems to be the reason to strengthen these relationships.

These relationships work as device for both the firms to some extent. Biggerman (2010) as cited in Woodside (2010, p. 196) mentioned that relationships work as device to increase efficiency and to assist innovations. It was revealed from empirical findings that the Russian

firms sell high quality imported products to end customers which are not produced in their local markets and it creates a need for them to purchase these goods from the Polish or other foreign firms. The competition in market is another issue, but even at this level these relationships among the Polish and Russian firms work as device where the Russian firms receive high quality products in return to price paid to the Polish suppliers for their abilities.

Hakansson and Snehota (1998) as cited in Woodside (2010, p.197) suggests that relationships can also be seen as problem for the firms including less control, future of relationship and more demand of time and effort. It was revealed from the findings, consistent with this theory, that sometimes the firms from both countries face minor conflicts like delivery time, price issues etc. and the future of these relationships is not clear for both of them. Moreover, relationships with the Russian firms require more time and effort from the Polish firms and sometimes there is no control on these relationships by them. These relationships work sometimes as problem for the Polish firms due to the complex requirements, undetermined nature and more demanding situations. While discussion about the Russian side, it does not seem that these relationships are problems for them due to availability of more similar suppliers and looking in to the conflicts as part of their business routine.

Concerning the stages of relationship development, (Ford et al., 2003, p.50) provides theory which describes five main stages. From the interviews it was revealed that certain level of stability in routine work and in learning about each other can be noticed in relationships among the Polish and the Russian firms. It was also found that the relationships among these Polish and the Russian firms are limited to routine work for both parties involved. The uncertainty is somewhat low but the relationship is based on binding contracts and mutual learning is also limited to routine work of just order and delivery of goods but no further investment at managerial level is needed in these relationships for routine work. Thus it is right to say that the companies chosen for this case have long-term relationship stage where the relationships are not costly for both of the firms and no further investment is needed specifically for routine work.

Relationship quality was further investigated with the help of quality components of trust, commitment, adaptation, satisfaction, cooperation, conflicts and power (Athanasopoulou, 2009, p. 604). It was revealed from the findings that the Russian customer firm has not been making much investment to establish or manage their relationship. They do not see it important and main reason behind can be the competition in the market and availability of more suppliers which are always willing to incur expenses and investment cost related to

export products to the customer firms. Further, the level of trust from the Polish firms is limited. The Polish firms trust the Russian customers just to extent of actions and expectation negotiated and binding in contracts. From these findings, it is found that the level of trust is somewhat limited to act fairly in their dealings. These dealings are actions and expectations from both sides which are negotiated by both parties (Zaheer et al., 1998 cited in Payan, 2009). The trust is not at that level where goods can be sent to the Russian firms on credit and prepayment is one of the conditions of trade. It creates a need for the firms to focus on building trust in their relationship which would yield positive results for both of them.

From findings it was found that the level of commitment and adaptation seems to be higher from the Polish firms which can be observed from their willingness to export their products to Russian markets despite of the fact of facing many complications involved. This high level of adaptation and commitment is due to the fact that the Polish firms are adapting to the requirements of the Russian firms such as: product delivery, packaging, description in Russian language, price in Russian currency, preparation and protection of goods until delivery and all expenses related to legal documentation and duties to be paid. On the other hand, level of adaptation from the Russian firms is less as they are not willing to change whereas commitment is also limited due to availability of similar suppliers. The level of commitment and willingness is at level where the Russian firms pay the discussed price and their supplier provides them what they need.

The satisfaction and cooperation level among the Russian and Polish firms was revealed at positive level. Based on theory stated by Anderson and Narus (1990) cited in Ural (2008), satisfaction is understood by companies as fulfillment of achieving the desired outcomes which leads to achieve the fruitful partnership. The firms seem satisfied with the benefits from their relationships and it is because of the fact that in absence of cooperation and satisfaction among both parties, there would be no reason to continue these business relationships. Cooperation and satisfaction of both parties seems to be the core of this relationship. It was also found that where firms from both countries are satisfied with their partners, there the Polish firms are cooperating at higher level which can be observed from their day to day dealings and sometimes sending staff to Russia for training.

The findings also disclosed that both the firms face conflicts time to time but these conflicts are not so serious which would lead to termination of contracts. These conflicts are minor and can be solved with discussion and mutual coordination. It can be observed that no serious conflicts in the relationship have been experienced by the Polish companies. Some

misunderstandings and problematic issues appeared quite often, but they are solved quickly and without harming any of partners. The conflicts are part of business relationship, according to the Russian sources. These conflicts arise mostly about payment or delivery of products like Leonidou (2004 cited in Leoidou, Barnes and Talias, 2006, p.579) mentioned as the most common disagreements between exporter and foreign customer.

From findings it can be revealed that the greater power is on the Russian side as customer, but the Polish companies do not perceive it in negative way and are willing to do business with them even in strict conditions. The power is not given or decided by contracts but this control is generated form routine business. This power is held by the Russian firms due to the willingness of the Polish firms to do business with them and also to face hurdles involved in trading in Russian markets. The Russian firm also confirmed that the more power is held by them as customers. They have more power due to the reason of availability of more similar suppliers. This power is not taken by them through contract or as a legal requirement but the conditions in the market among the Russian and the Polish firms are the reasons behind it. They have the power to terminate the contract any time with previous notice. Due to this reason, the Polish firm has to be careful in fulfilling their requirements and accepting the conditions of business which can have negative impact on the relationship of both parties.

It was revealed that despite of all the complications in their relationships, the Russian and the Polish firms are successful in managing a long term relationship due to negotiations. The role of negotiations seems crucial for them in solving routine conflicts and makes their relationship stable from beginning up to this stage. These negotiations were hard for them in the beginning i.e. pre-negotiations stage, but for now both parties participate actively face to face in discussing and finding solution for their problems and even small matter like price setting and delivery time are decided with the help of negotiations.

5.2 Impact of Environmental Factors

According to Baines, Fill and Page (2008, p.631), the relationship among firms in international environment face complications and diversity caused due to direct or indirect environmental factors of the countries. In this case, the Polish companies are aware of the environmental factors influencing their relationship with the Russian firms. The findings from the Polish sources revealed that the Polish companies face complications in doing routine business with their customers in Russia. These complications are due to political, legal, economic, technological and social factors which create barriers for their trade with the

Russian customers, to some extent. Among these environmental factors, the political and legal factors directly impact Polish firms and indirectly Russian firms to some extent. The Polish firms face complex regulations which are made by the government which includes: custom duties, different transportation permits/certifications, requirement of large number of legal documents and approval from more than one department. Further, these regulations and rules are strict due to political influence of the Russian government which creates barrier for the foreign firms to trade at limited scale in Russian markets. These factors directly affect the Polish firms by increasing the cost they have to incur. Such raise in price also indirectly affect the Russian firm as they may have to face increase in prices for the goods. Thus it is right to say that Political and Legal factors have direct influence on the relationship among the Polish and Russian firms which can cause barriers for future trade among them and may lead the Polish firms to stop trade in Russian markets.

While discussing about economic factors, it was disclosed that the economic factors has direct affect on the Polish firms as the payment from Russian customers is done in Euro i.e. if the value of Euro changes after the price has been set it can have effect on both, payment to be made by Russian customer and the profit for the supplier firm. Further, it was revealed that the infrastructure, in this case roads are not so good which is main medium of transport to deliver goods and cause delays in delivery. On the other hand, the Russian firms confirmed the effect of economic factors on their relationship with their Polish supplier. The sources highlighted same economic factors like the Polish firms that currency risks in terms of exchange rates and currency movements are important to be considered by companies (Doole and Lowe, 2008, p.14) and infrastructure (Czinkota and Ronkainen, 2010, p.88) specially roads are the complications which can be seen challenging for both firms. The transportation facilities and roads are seems to be a cause for delay which can give birth to conflicts among both firms.

From findings it was found that the technological factors do not seem to be much important in this case. The technology used for communication is similar like other EU countries and thus create no barrier for routine work for the Russian and the Polish firms. Following the theory of Doole and Lowe (2008, p.17) technology enables electronic communication and transactions. The communication mediums used are advanced such as: high speed internet, fax, websites, telephones etc. But new technologies, as mentioned by one source, like GPS system is not yet introduced in routine work. Such factors having direct effect on the Polish firms and indirect effect on the Russian firms result in effect on the relationship among them

directly. Further, it is important to note that the technological factors in Russia is the reason why the Russian firms import goods from the Polish firms i.e. due to less production facilities of such goods and less innovative technology and in this case they have positive influence on the trade among these firms. But considering the technology used for communication in their routine work is of same standard like EU countries.

The findings from the Polish and Russian sources disclosed that the social and cultural influence on relationship among the Polish and the Russian firms is little but direct. Such little influence is due to similarity in cultural values. The difference in language does not seem to be problem for them in communication as English is used for inquiry or order. Honesty and kindness in dealings by the Russian firms make it easy for the Polish firms to have better personal and business relationships. The Russians like to be social with the people from the Polish firms i.e. their meetings are usually informal. Thus, the effect of social factors on relationship among the Polish and the Russian firms is positive which does not create barrier for the Polish firms but results in motivating them to do business with the Russian firms.

5.3 Measures to Manage and Strengthen Relationships

From the findings it was found that the Polish firms are more willing to do business with the Russian customer firms and struggle to maintain and strengthen their relationship with them. It was also found that trust, commitment, adaptation, satisfaction and cooperation play important role in relationship among these firms where the Polish firms are more committed to their relationship with their Russian customer and struggle to adapt their requirements by cooperation to satisfy them. The power is held by the Russian firms as customers and nothing can be done to lessen this power due to the fact that this power is not given by legal measures or binding contracts. The lack here is the level of trust which is observed as limited and needed to be built more.

The theory of business negotiations by Ghauri (2003, p.3) states that negotiation is a problem solving process, where parties negotiate in order to get deal and to find the best solution for each party. From the findings, it was found that the negotiations are crucial part of the relationship among the Polish and Russian firms. From beginning of the relationship, the terms and conditions including: price setting, time of delivery, guarantee, payment method and validity of contract etc. are decided by negotiating with each other. As the sources mentioned, for changes in the terms and conditions, negotiations can be seen important for them. Further, negotiations are considered beneficial at the time of conflicts by discussion and

mutual decisions. The Polish and the Russian firms confirm the importance of negotiations as part of their relationships that help in managing their day to day business activities. It was found that both the firms understand the need of negotiations in their dealings to solve conflicts. Thus, the challenges associated with their dealings can be handled by mutual discussion and agreeing on conditions which are beneficial for both parties which would result through negotiations.

Chapter 6. Conclusion and Recommendations

This chapter contains the results of the analysis, recommendations for the companies and for further research in this area , and theoretical and practical implications of this study.

6.1 Conclusion

The study has been undertaken to analyze the business relationships among the Polish and the Russian companies and identify the major factors that challenge and influence these relationships. Further, to clarify the appropriate measures to handle these challenges. The study was carried out with the help of the applied model adapted by authors in order to link up the theoretical concepts to the research problems and the purpose of the study. Next, by summarizing and discussing the analyzed data, the three research questions formulated in the beginning of this study were answered in relation to the selected theory.

After the analysis of the findings from focus group and interviews conducted with the Russian and the Polish firms, the results were presented in headings to understand each issue individually. According to the first research questions, it was revealed that relationship among the Polish and the Russian companies can be seen as an asset due to the importance of informal, open and social nature of relations. Relationships can work as a device as the Polish companies deliver high quality products which are highly demanded in Russian market and thus fulfilling the requirements of their customer firm in Russian. Interestingly, it was observed that the relationship might cause some problems for the Polish companies, such as complex requirements from the Russian side, less control, delivery time and price issues. In terms of the stages of relationship development, the investigated companies have long – term relationships with regards to the certain level of stability and routine procedures carried by the Polish and the Russian companies.

Based upon the relationship quality of the relationships among the Polish and Russian companies, it was revealed that the level of investment is higher from the Polish side and the trust is limited to act fairly among the companies. The Polish companies are characterized by high level of commitment and adaptation due to requirements caused by the complexity of the Russian market. The satisfaction and cooperation among the Polish and the Russian companies was observed as positive and beneficial for both sides. Some minor conflicts were identified among these companies, such as packaging, but they do not harm seriously their relationships. Further, the investigated companies claimed that the Russian customer has greater power, but it is not understood by the Polish companies in negative way. Further, it

was revealed that negotiations are part of their routine business with each other and to mutually decide for solutions in case of conflicts.

According to the second research question, the major factors that challenge and influence the relationship among the Polish and the Russian companies have been identified. These factors have greater importance for the Polish companies as they export their products in the Russian market. The political and legal factors have direct impact on the Polish companies, law regulations within customs duties and different transportation permits/certifications have been pointed out as significantly important. It was also revealed that the trade law is based on the political policies and thus is influenced by the acts of the Russian government. Based on economic factors, the Polish companies revealed that exchange rates, currency movements and infrastructure are challenging and influence the relationships by creating problems in shape of losing profit or late delivery of goods to their customer. The technological factors do not seem important due to the advanced medium of communication in Russia and when it comes to production technology, the reason to import from the Polish suppliers is the lack of advanced technology to produce such products in Russia thus having a positive influence. Further, social and cultural factors have not been identified as barriers. It is due to the similarity of the Polish and the Russian culture to some extent and thus such factors have a positive impact on their relationships.

In the light of the third research question, the empirical grounds provided that the negotiations could be seen an appropriate measure to handle challenges which appear in the relationship development. In order to solve conflict and discuss dealing, negotiations are noticed to be the golden medium to reach mutual agreements and benefits.

To sum up, the relationship among the Polish and the Russian companies are positive in nature and mutually profitable for both parties. The Polish companies struggle a lot to manage and maintain the relationship with the Russian partner. Despite that the Russian market is difficult within its complex law, political and economic system but the Polish companies are aware of the risks included in these relations and they cope with the relationship in effective way. The reason behind routine work and focusing on strengthening the relationship with the Russian customer is due to willingness of the Polish firms to do business with them.

6.2 Recommendations

The study has shown that the Polish companies feel really positive in doing business with the Russians. Thus, the given recommendations are centered on improving and maintaining these relationships. Some problems appeared according to the damages of products. Thus it is recommended to improve continuously the way of packaging in order to make them resistant to mechanical damages. Moreover, improvements in the terms of guarantee should be implemented to reserve a number of complaints. It was revealed that the Russian customer is not willing for changes and they are not focused on the final customer. Hence, we recommend the greater openness and flexibility from the Russian side in order to carry our promotional campaigns and launch new products. In order to reach the final stage of the relationship development, companies should improve the order and the delivery routines along with coherent and clear communication to ensure the conduct of business based on codes of practice. The trust among the Polish and Russian companies was seen as limited, hence it is recommended to reveal more confidence that the partner will fulfill the expectations.

Moreover, we recommend the potential companies to investigate the Russian market deepen, especially political and legal factors. It would be good to have an opportunity to contact companies which are already exporting to Russia. Potential companies have to adequately access their possibilities and capabilities to start doing business with Russian companies

6.3 Recommendation for Further Research

During the process of writing this research, a few additional questions took birth, and it would be interesting to develop the possible future research related to the investigated topic. Firstly, it could be really interesting to collect a large amount of primary data by collecting more interviews. Thus, the broader scope of the study, would give a wider picture of these relationships.

Secondly, as the negotiations were pointed out as the measure to handle the buyer - seller relationships, it could be also valuable direction to focus deeply on the process of international negotiations, as participants confirmed that these work as an important measure in managing these relations. Thirdly, it was revealed that the ordering and delivering mechanism became the routine after many years of cooperation. It could also be interesting to investigate the supply chain management and distribution network among the Polish and the Russian firms.

6.4 Theoretical and Practical Implications

This study corresponds with the theory of industrial relationships, relationship quality, international business negotiations and environmental factors in international markets. A number of articles recently published in academic journals and some of them also discussed in this study show that relationship among firms has been under focus by the researchers. This thesis provides with a contribution towards these theories by understanding the relationships among firms at international level i.e. among Polish and Russian firm and provides with something that would help in further research in this field. First of all, relationships angles in business markets (Ford et al., 2003, p42), such as asset, device and problem, whereas relationship as an asset has been seen as the most important and relationship as a problem has been at less importance. This study investigates these three facets by emphasizing the great important of relationship as a problem that relation among companies can create many conflicts and more time and effort is needed to handle them. Secondly, earlier researchers examined the relationship quality among exporting and importing firms (Lages et al., 2005, pp.1040- 1048), satisfaction and commitment (Alhassan, 2002, pp.637-651) and conflicts (Barnes, Leonidou and Talias 2006, pp.576-588). The findings support that these components are measures to access the degree of relationship quality. Moreover, the authors combined the major components of relationship quality, such as trust, commitment, satisfaction, adaptation, cooperation, conflict and power in the scope of the relationship among the Polish supplier and the Russian customer. Thirdly, this study also explores which factors influence buyer – seller relationships among companies in relation to the theory of environmental factors (Baines, Fill and Page, 2008, p.631; Czinkota and Ronkainen, 2010). It was proved that environmental factors in Russia have impact on the relationship between international partners, mostly political, legal and economic factors. The social and cultural environment has minor influence due to the similarity of the Polish and the Russian culture. Finally, the negotiations are described by Ghauri (2003, p.3) as a process to manage relationships in everyday activities which was found consistently in this research and concluded as measures to overcome and manage the hurdles involved in relationships among the Polish and the Russian firms.

While discussion about practical implications, this study would help the managers and firms working at international level, to understand the importance of relationships in their operations across borders, to increase efficiency in managing industrial relationships and the need to build and maintain them for long term benefits.

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Appendices

A) Focus Group

Employees of Bobicki firm, 2011. *Relationship issues with Russian customer firms*. Interviewed by: Bobicka, Julia. [face-to face focus group discussion] Krakow, Poland. 18th February, 2011. 10:AM.

They are good in protecting all documents and goods which enter Russia, for instance: customs clearance, the customs office requires 10 copies of the same invoice (impact of bureaucracy), so that everyone has one copy. Russian customer prefers e-mail contact, rarely by telephone, Languages: English and Russian. There are no problems with payments.

Characteristics of Russia: They are very stubborn and hard to communicate in some cases otherwise they are frank and straightforward in communication. They usually do not respond to e-mails. They are unwilling to change, even when we offer new or promotional goods, for them it is a problem with change, even when goods are cheaper for the final customer. They still prefer the same old one, even when there is something better to offer. In the beginning they prefer to change formal to informal (You instead of Mr). Russia as a country outside the European Union, applies another law. There are limits, borders, customs, there is no free market. This is related to communism and the economic situation, which are in people's mentality and minds all the time. The opening of production in Russia is difficult, because of differences in people's mentality. The Russian employee does not integrate with the company, does not indulge in it. He does not care of the company's turnover, he just wants his salary by doing his job done. Many companies have tried to open a production in Russia, but many of them failed. In Russia generally there is no good quality of products, technology and equipment.

Nature of relationship and negotiations: They speak English very well (top management of the company). They are nice, neat, friendly and open in what they say, but they do not want to work so much, they are quite lazy. Everything they postpone for further dates. They work because they have to, they do not work with motivation to have a long term relationship with other companies but just fulfill their needs. They prefer when companies come to them for business meeting, rather than they go somewhere abroad. They want all documents in large quantities, and all stamped. They send the same order 2 times : one by fax and one by mail. They prefer informal than formal relationship. All business meetings are conducted with assistant of director, because director is usually not present. To directors, we are sending just formal letters and agreements. All appendixes and daily communication just with assistant director.

There are not well informed what is happening in other departments such as in sales or accounting department. Every employer is doing only his job, without fully commitment. They usually want to fix their issues and what they want with determination, but if our company wants something, they will postpone with answering and they are not so willing to fix it quickly.

Environmental factors

Economic factors: The economy is dependent on political issues, which has dominant role. Politics affects the economy (conservatives, liberals which prefer free-trade policies and greater openness.). It would be the best if politics have no effect on the economy, but that is

not possible. The economy is paramount in establishing contact with international partner. The level of corruption is very high. **Political factors:** Politics create barriers, because politics shape the economy. Politicians make decisions concerning duties: law, taxes, quotas. This has a huge influence on relationships with international companies, traders and other countries. In Russia there is need while travelling to have an entry visas, thus freedom of movement is limited (it makes it difficult to stay there, to estimate time and place). In Russia, you have to have booked in advance your arrival, hotel, and you need to check in the region where you will stay. Another difficulty is customs clearance, which extend drastically the time of arrival of goods to the Russian customer. What's more, they are connected with the fees and duties that increase the price of the product sold in Russia.

Social Factors: Difficulties in direct contact, in this case shop, because they do not speak English. There is no sense of social duty among employees, frequent failures of staff and inadequate storage of goods. The Russians like informal than being formal in business relations. They like personal relations in business and consider it important. **Technological factors:** They have influence on relationship. In Russia you cannot buy certain goods, and therefore they are imported. Problems with technology that is already outdated and the lack of training of staff. **Legal factors:** Legal protection is in force: a registered trademark. There is no connection with this factor to our company because our products are in common use and there is no possibility of reserving patterns..They need from 4 to 7 stamps on each document, and this is related to the lack of personal responsibility, there is only the group responsibility. Staff turnover is very high. It is related mainly to corruption. There is the lack of adequately trained staff at the high and medium level of management. There is restriction on specific, limited amount of trucks that may enter Russia. Russia in this way protects their markets, promotes its own transport. When we use transport provided by Russian company, we can enter easily and the limited amount of trucks is not in force.

There are two clearance customs:

1. First at the border (goods are not checked, just truck receives documents allowing him to enter the territory of Russia)
2. The second is final clearance (you have to tell the time of delivery), then the fees are paid.

These required documents may be understood as barriers for the foreign company.

B. Interview One

Anna Daigneault, 2011. *Relationship among the Polish and Russian firms*. Interviewed by: Bobicka, J. And Shahzad, U. [Email]. 4th May, 2011.

Introduction of Interviewee

Joint owner of Bauplast Company, Krakow, Contact with Russian firm approx. 3 times in a month

Question 1 Relationship with the Russian company are very good for my company. They order the goods and they make prepayment.

Question 2 One time we had a complaint because of the damage caused by the conditions of transport but we offered financial compensation (we have sold this product as a second category of product), and the problem disappeared.

Question 3 Yes, they are stable. But we have to take care of our customer continuously.

Question 4 cooperation with the Russian market since 2005, we do not invest in anything except for New Year's gifts. 2 persons, plus Russian-language translator if necessary.

Question 5 The trust is limited because you cannot trust your customer in 100% percent. We are trying to fill all documents as they want. We are adapting to them.

Question 6 I am satisfied. The cooperation is fine.

Question 7 phones, the question of business, send catalogs, invitations to visit our company.

Question 8 No

Question 9 The power and control has the Russian customer. This is dictated by the fact that we depend on them and we want them to buy from us. In Poland there are a lot of competitions, prices of similar quality. The most important are purely human/personal relations.

Question 10 I have not noticed any negative aspects and barriers. Generally , the law and regulations in Russia are complex and it is difficult to trade (tariffs) and road transport is not so good. Sometimes it is cheaper for them to import anything from China because governments have in good agreement. By comparison, in the EU is of course better.

Question 11 They have an influence. 2, 3 years ago, as the economic crisis was, a trade with the East almost disappeared.

Question 12 The same as anywhere else. I do not see the difference.

Question 13 No

Question 14 The negotiations with Russians are really hard. Sometimes you have to make some tricks/ trap.

Question 15 Simple, human kindness and honesty relationship.

C. Interview Two

Agnieszka Szewczyk, 2011. *Relationship among the Polish and Russian firms*. Interviewed by: Bobicka, J. And Shahzad, U. [Email]. 28th May, 2011.

Introduction of Interviewee

Position: Selling Specialist Bobicki Firm, Krakow. Realization of orders a few times in a month.

Question 1 Relationships are good, positive in nature.

Question 2 Rather none, I do not remember such problematic issues.

Question 3 All activities related to export after so many years of cooperation are rather routine operation and act according to certain conditions, contracts and procedures.

Question 4 Cooperation is from 2003. There are 4 people involved in managing this relationship in the company. Investments are not known to me, the question to the owner of the company.

Question 5 Good.

Question 6 Please contact the owner of the company

Question 7 I perform reliably my duties and obligations related to procurement.

Question 8 I do not remember such situations.

Question 9 I think Russian customer has more power and control.

Question 10 Please contact the owner of the company

Question 11 Please contact the owner of the company

Question 12 YES, via e-mail I can quickly contact with the Russian customer, so I realize the orders.

Question 13 No response

Question 14 Negotiations with the Russian customer are only conducted by the owner of the company.

Question 15 No response

D. Interview three

Marcel Bobicki, 2011. *Relationship among the Polish and Russian firms*. Interviewed by: Bobicka, J. [Face to face]. 22nd April, 2011.

Introduction of Interviewee Export Manager Bobicki Firm, for the Eastern Market, Contacting Russian firm almost every week, but usually it depends on orders or some problems.

Question 1 The relationship with the Russian customer I perceive positively. There is no problem to exchange information and data via e-mail and telephone. This relationship is beneficial for both sides in the sense that we are making money. In 90% of all communication with Russian customer we call them firstly (we make the first step).

Question 2 The problems arise mostly from the Russian's side. I have noticed that they cannot maintain an order in their documents, which are not sorted out. They do not know what they have and where do they place something. They send a couple of times the same documents. Moreover, they do not explain exactly and carefully what they mean and want.

Question 3 When I came to the company, the relationship was already in progress, the relations are stable relations. All orders are fixed.

Question 4 They have cooperated since 2003. Ask the owner of the company.

Question 5 Limited confidence in the implementation of the tasks and commands, and requests from our side. Not all of our ideas and request go to the top management in the Russian company. Some of our offers they do not consider such as promotions, new products

Question 6 I am satisfied with overall activities. There is no problem with communication.

Question 7 We are visiting them in the Moscow (headquarters' office): business meeting. We are sending them wishes for Christmas.

Question 8 When I am talking with them on phone everything is fine, there is no problem. Some problems appear when it is necessary to renew the documents, signed additional appendixes to contract (they do not stamp and do not sign properly, wrong signature). Problems with damages of product and their the guarantees.

Question 9 I think that the Russian customer has more power and control, because we are just the one of many companies which supplier to them. if they did not like us and our products , they would change because there are many similar companies like we are. In the light of our mutual contract, it is written in an equitable manner. We only offer the products which they accept, we cannot dictate the prices.

Question 10 These issues are not related to my duties. I do not feel influence of these factors on my responsibilities and daily activities.

Question 11 These issues are not related to my duties. I do not feel influence of these factors on my responsibilities and daily activities.

Question 12 We are in twenty-first century, and these issues are clear. Electronic communication is good, no one sends post letters.

All is done in electronic way. But there is problem with delivery issues, because we cannot check on GPS the location of the package / shipment. Everything is the way of electronic. Only invoices plus contracts are sent in a traditional form (A4 paper).

Question 13 I do not feel any negative emotions. All is fine.

Question 14 Yes, they have influence.

Question 15 Informal meetings. More successful and profitable exchange, higher wages, and demand for our products, improvement of customs cases, more simplicity and speed of delivery of goods.

E. Interview Four

Roman Bobicki, 2011. *Relationship among the Polish and Russian firms*. Interviewed by: Bobicka, J. [Face to face]. 22nd April, 2011.

Introduction of Interviewee Position: Owner Bobicki Firm, strategic decisions, assigning responsibilities to each department, contract terms, the supply (circulation of documents).

Question 1 The relationships with Russian customer differ from relationship with German customer. For instance, with German customer, the cooperation has stable outline, permanent orders. On the other hand, the relationship with the Russian customer is characterized by not stable, sometimes with ignorance, each case to fix takes so much time, monitoring and checking several times, generally the relationship is not so perfect. A relationship related to the payment issues is not a problem what is written in contract is done. In the light of implementing new products within new prices, it takes time to accept because nobody wants to take full responsibility. But later, realization of new conditions in the contract is carried out in a proper manner. There is no direct cooperation with certain shops, because the Russian company is centralized. We have contact just with the managerial level. It is related to law in force and centralized systems in Russia. It is a drawback, because sometimes it stops some urgent activities, problem with fast response. By comparison, in Poland it is not the problem, we have direct contact with shops. Benefits: Russia is a developing country, which is growing out of the Communist. It is receptive market, and it is beneficial for the company, which is tied with the high demand.

Question 2 Some problems occur at the stage of product's delivery to central warehouse in Russia. These problems arise from time to time on a monthly basis. They are repeatable, and the Russian side does not draw from its consequences. Each delivery has its detailed description of the product in the Russian language. Mistakes happen when delivery is sent to certain shops. Because the distance between shops is about 2000 km. The frequent destruction of the packaging of the product during transport (logistics platform in Warsaw, post-clearance in the central warehouse) during delivery, some goods are damaged or partly, and these problems often appear. The other problem is the high staff turnover at the high level of management. It is a weakness of Russian customer, which mainly leads to delays and misunderstanding in the relationship.

Question 3 Since 2003, cooperation during this time we have developed mutual trust and we have generated stable delivery mechanisms, the marking of packages and classified groups of

goods. The permanent model of documents have been developed and adopted, which facilitates rapid flow of documents at the border and in the Russia (certificates, invoices). Some difficulties: it is required from the Russian side to send the certificates of origin in quantities of 10 sets. They are sent to the accounting department at headquarters and two sets of documents are sent to Warsaw for customs clearance. It is a lot of work and courier charges we incur. An order is an invoice, regardless of the amount on it. There is no stability in the relationship, because the contract provides the notice of termination for a few months. The stability is strictly related what is written in the contract. Greater stability can be ensured by introducing new products rather than by conditions in contract, because they might be changed. The stability is greater when there is growth in demand for products. After 8 years some routine mechanisms have been implemented such as routine shipments and deliveries. The weight of each product must be increased by the weight of packaging is the unique issue due to the Russian law. Moreover, certificates must be renewed every two years, the fees associated with it, are included in price.

Question 4 The period between 2007 and 2009 was characterized by the highest level of investment. We needed to invest in machines (machinery and industrial technology, prototyping department associated with the technical department). They work on introducing new products and technologies to improve quality and decreasing prices.

There is stable number of people, everything is computerized, it is a matter of quality and their knowledge of the requirements which are demanded by Russian customer. 4 employers have constant contact with Russian customer, especially with trade department and logistics who are responsible for preparing and sending deliveries.

Question 5 The degree of confidence is related to mutual agreements, terms in contracts which are bounded up with the level of prices, supply conditions, premiums, bonuses, fees. Confidence is essential that some confident information do not come out. Trust and mutual honesty, we do not supply the same products to the same area in Russia, and Russian customer does not introduce the same products as ours, hence the level of trust is high.

Expectations are high from both sides. We as supplier must comply with the requirements of the Russian market: product delivery, packing, description in Russian language, price in the currency of the country, preparation and protection of goods for delivery. All documents have to adapt to Russian customer if we want to cooperate.

Question 6 Yes, we are satisfied with long-term relationship. Every year our customer opens new stores in Russia and this increases the number of potential customers. It could be greater flexibility, and greater openness to carry out promotional campaigns, because there is a little flexibility, and many decisions require approval of top-down management which make some transactions very slow, especially in spring and autumn season. Suggestions: decision-making process should be moved to a lower management. The implementation of terms included in contract is good. We are satisfied with activities of our Russian partner, he fulfills conditions of contract properly. On the other hand, we would like to have this cooperation to be more focused on final customers, for instance outdoor advertising, billboards, ads. The Russian customer is not at the stage of making investments in advertising, he does not see the need of advertising but it would be really good and beneficial. Generally we are satisfied with

this cooperation because there are continually challenges and it forces us to be fully engaged in developing new technologies.

Question 7 There has been developed a special position in the company which is responsible just for contacts with Russian customer. The employer stays permanently in Russia, and takes care of shops. He gathers useful information, controls deliveries, arranges goods on shelves in shops.

Question 8 We do not have problems with payments. The goods are arranged in all shops in the same way by our employers. Moreover, our workers conducted the first training for Russian staff and their technical department

Question 9 Any side has a dominant role, because in the contract are assigned all duties and responsibilities. Each party has its own specific obligations, for instance: shipment of goods, necessary documents. Equal rights for each party, because everything is fixed in the contract. We are trying to achieve shorten payment's deadlines because they are too long (but all deliveries to Russian customer have so long payment period. We do not perceive a dominant role from our Russian partner. All conflict issues are solved in nice and partnership nature. We do not feel any pressure.

Question 10 Particularly administrative activities affect negatively time for delivery to the Russian customer. The customs procedure lengthen time from departure to arrival (an average 4-6 weeks, which could be to minimize to a few days if the number of barriers like tariffs are abolished), transport regulations and quantity regulations. Law: hygiene certificates affect the increase of price because they must be constantly renewed, and we have to pay for them extra. Trade sanctions (Russian company helps and provides transportation). Major obstacle is the need for an entry visa which involves extra fees: hotel and transport.

Question 11 The economic situation affects the relationship between supplier and customer on the international market, sometime.. Euro currency – the daily level of this currency we are dependent, if there is devaluation of the Ruble, goods become more expensive for individual clients in the Russian market. Russia with a very large contrasts: huge cities such as Moscow Saint Petersburg with comparison to the cities closer to Asia, are drastically different. Russia is a market of great opportunities, where there was not yet the peak development, therefore, continually investing in this market can bring benefits. The development of housing, infrastructure and technology - is not at the level of industrial technology development like in European Union. Thus, we can use the technical deficiencies of this market, which forces the import of goods from outside Russia.

Question 12 Communication is at the European level, no problem with communication. For instance, there is distance approx 30-40 km from Moscow to shop and they provide very professional transportation for clients; free shuttle to shopping, extended opening hours to 12p.m. shops are open.

Question 13 These are of little importance, we have common roots. Religion and language do not influence. The market reacts and forces to offer such products. Mass media has a great

role, because it shows advertising of foreign goods, which Russian customer wants to purchase as well.

Question 14 Negotiations play crucial role. There is need to use a good argument to convince a partner about prices and new goods. Openness for changes is a difficult subject and all issues take so much time to fix. For instance, in Poland and in Germany it takes 2-3 months to arrange and negotiate, but in Russia 5-12 months. Opportunism is in Russia. Negotiation process lasts very long time.

Question 15 Administration, legislation, regulations make slow all activities. When it comes to relationships, the biggest problem is lack of stability in the management staff at the level of decision-making. It has influence on the stability of these relations, it is quite negative factor, which does not help to improve the development and flexibility. No specific responsibility and centralization are huge problem. Downtime in trade-related with the periods of Christmas and in January for shop inventory. Sometimes they stop orders for 30 days, but it is the impact of the Russian mentality, and the residue after communism, where trade was on a different basis. Personal and business relations are really good. The issues related with payment are good as well.

F. Interview Five

Grzegorz.Stępowski, 2011. *Relationship among the Polish and Russian firms*. Interviewed by:Bobicka, J. [Face to face]. 20th April, 2011.

Introduction of Interviewee Sales Manager Bobicki Firm

Question 1 I really enjoy working with Russia because it is a Slavic nation, which can easily make contacts and they combine both interpersonal and business communication, which together make relationships really nice and friendly.

Question 2 There are many problematic issues in this relationship, mainly due to continuously changing procedures, such as rules and regulations, but they do not depend on the company.

Question 3 Relationship is stable and durable. At the beginning of the relationship, all agreements are arranged smoothly but impulsively, but later it becomes routine.

Question 4 Cooperation with Russia has been going on for eight years. Investments: the market is difficult. 2 - 3 persons involved in contacts (because it's a difficult market, it must always be someone to replace the person in case of illness, you need to be fully familiar with certain and current issues. The employee is specialized in this market rather than spontaneously taken from another department, because it is a lot of detail and nuance in the duration of cooperation.

Question 5 The high degree of confidence along with the close co-operation due to procedural changes. At the same time, we need to be careful with payments in this case credibility and trust are limited

Question 6 In general, overall activities meet the expected results and income. Russian customer cooperates at expected level.

Question 7 A wide range of activities taken in the accounting issues (deep cooperation must be). A specific invoice format is required by Russian customer. Moreover, a number of accounting documents especially for the storage is needed. These additional documents only exist on Russian market within the European union they are not required.

Question 8 The issue of payment (they usually postpone to pay, often money does not appear on the account.). They way how to solve this conflict: as money is not transferred on the account, the goods are not sent. Condition: prepayment.

Question 9 We have more control, for example, if money is not transferred on our account, the goods are not sent. Control is required in order to observe how these relationships look like.

Question 10 These issues have a huge impact on relationships, this is a key element in cooperation with Russia. On the light of legal situation, laws are complex and complicated, hence they have an impact on building long-term relationships. For instance, when a new permit at the border were introduced without earlier information, trucks were stopped and consequently trade as well.

Question 11 Yes, it has an influence: Euro currency, road infrastructure is important because all deliveries are transported on roads.

Question 12 Communication is good, on European level. We did not face any problems.

Question 13 Slavic nation has a positive effect, warm attitudes towards the Poles. Russian - well-educated, well-spoken foreign languages: English, German.

Question 14 They are tough and stormy. By comparison they are easier for me rather than having relationships , for example, with Germany, because Russian understand a lot of things which might depend on circumstances. Example: if we send a truck to the Netherlands and due to traffic jams, there are two hours late Dutchman sends an extra invoice to pay for delay. At the same time, when truck in Russia is 1 day late, Russian customer understand that they are bad roads, borders, road checks. Russian customer understands that the legal, economic, political and other environment factors have influence on cooperation. They understand long waiting on the border, road checking, accident and traffic jams.

During the negotiations, they want to negotiate the lowest prices by saying that they are developing and promising market for international investments. They mention this issue often, which usually leads to negotiate the best prices.

Question 15 The huge role of informal relations, which are helpful and the fruitful cooperation cannot be managed without them.

G. Interview Six

Roman Bilan, 2011. *Relationship among the Polish and Russian firms*. Interviewed by: Bobicka, J and Shahzad, U. [Email]. 17th April, 2011.

Introduction of Interviewee: Assistant product manager OBI. Responsibilities: Procurement, import activities.

Question 1 We see relationship with Bobicki Firma long term beneficial as we have been taking supplies from them since 2003. It is beneficial for us in way that they provide us metal items which are not usually produced in Russia and there is demand of these items which gives both of us benefits. In this case, high demand products for us and money for them.

Question 2 Yes, sometimes we face some problems but truthfully saying these problems are usually solved by quick reaction of Polish firm. For example, sometimes products were damaged on delivery but after experiencing it the supplier firm started packing our items carefully and a decrease in such complaints has been noted. The price and guarantee is also negotiated with our supplier so no problem has been faced since long about other issues.

Question 3 The level of stability can be noted from the time period we have been working together. Ofcourse, we have contracts for all activities like all other companies. All activities are discussed with them before now it is in routine to get our supplies easily i.e. just order and get your products.

Question 4 As already mentioned since 2003 we have been working together. The level of investment is not much higher from our side what I think. Because usually the responsibility of finished product is of our supplier and this is the benefit to us due to more suppliers in the market. Packaging, custom duties, transportation is all paid by the supplier. We just have to bear labour to take off the products from truck on arrival and ofcourse some expenses to manage the ordering of our products.

Question 5 I think we have a good confidence level on each other. With the help of previous discussion in the beginning on issues of price and product quality we have everything in routine now. Commitment and willingness can be seen in terms of price paid and the availability of products what they provide. So it is also at a good level.

Question 6 Yes, we are satisfied with overall activities. We pay a good price and they deliver the products on time. They cooperate by fulfilling our demands and it is understandable due to high competition and availability of other suppliers that suppose if they do not fulfill our demands we would change our supplier. But until now the cooperation is at level what we want.

Question 7 Yes, we cooperate with them. We try to do what we both like. We pay the price what we together negotiate by discussion and ofcourse managing relationship is such way would be beneficial for both companies.

Question 8 According my knowledge we haven't seen any serious conflicts with our supplier from Poland. And if we find conflicts ofcourse there would be some way to solve that.

Question 9 The Power is always seems to be in favour of customer firm. In this case, we do not have some binding contracts to have power on our suppliers but the routine of doing business with international supplier has always given power to customer firms in Russia. We can change suppliers if any of them do not fulfill our requirements or demands.

Question 10 All companies trading with Russian firms know that political and legal requirements are complicated in Russia. These requirements may have affect on new suppliers to come to Russia but in case of existing firms, I do not think they can affect our relationship. Our supplier is aware of these regulations and they are willing to do business in these conditions. Thus, according to my knowledge these regulations may create complications for them but does not affect relationship seriously.

Question 11 Currency rates are different, infrastructure: in this case roads can be seen complication creating a delay for both us and can lead to have problems in relationship. Economy does not have any effect on our relationship with supplier. Only threats what I feel can be currency difference affecting price and other expenses plus infrastructure i.e. transportation means which can affect little on our relationship.

Question 12 The technology used in Russia for communication is almost same like EU countries and for our routine work it does not have affect in our relationship with suppliers. But, some suppliers are introducing digital invoices and online procurement for which we may need to change our routine work to order in future. But at this stage we do not think technology is a problem for both us.

Question 13 Language is different but the communication takes place in English. The final products usually have description on it in Russian for the customer. Language does not affect. But values and attitudes may have affect during meetings with them. About being social, we usually try to have informal relations with representatives who visit us because we think it creates an opportunity to work together in easy environment but not under pressure.

Question 14 We have not faced a situation at which we have to manage the relationship. It is already managed as our stability in relationship shows it. But the reason behind this stability is ofcourse negotiations in the beginning. During negotiations, our main target is set right price and to set the terms of delivery and guarantee of the product.

Question 15 Delay in delivery of products, unwillingness of our supplier to provide the products at the price we ask, strict requirements of border control and customs, transportation conditions.

H. Interview Seven

Timur Kurbanov, 2011. *Relationship among the Polish and Russian firms*. Interviewed by: Bobicka, J and Shahzad, U. [Email]. 20th April, 2011.

Introduction of Interviewee: Product manager OBI, Import related and purchasing responsibilities.

Question 1 The relationship with our supplier in Poland is strong and beneficial for us. We get the products what are necessary for us to sell it to end customers and these products are provided by these suppliers at right price.

Question 2 May be sometimes we face some problems of on-time delivery or price matters. But usually these issues are discussed with them and we do not face much difficulty in these issues.

Question 3 Our relationship with our present supplier from Poland is stable. We have been working with them for almost 8 to 9 years and now we do not see any difficulty in doing business together. We just order, pay the money and receive the products from them. So there is not problem at all in routine work.

Question 4 Our company started working with them in 2003 and we just have to order and receive the products. Only some people are involved to manage orders and negotiate with them and we do not have much investment in this relationship in terms of manpower. We just pay the price what reach us.

Question 5 We have good confidence on each other. If we need something we ask our supplier and they also try their best to provide us what we need. From routine work, it seems that our supplier are willing to do business because the complications to do business in Russia are not easy to be faced if you are not willing to do.

Question 6 Yes they cooperate with us in proper manner and the overall activities are satisfactory. If we need some product change or special product, it is not hard to order them and get it in time.

Question 7 We try to cooperate by offering them right price what is good for both of us. Our supplier also makes efforts to provide us demanded items at right price. All this happens with mutual interest and benefits.

Question 8 Just minor conflicts about price decision or delivery of products. These conflicts are part of business but not so serious not to be solved. We always solve such conflicts with discussion and mutual decisions.

Question 9 Power is usually in our hand as we can anytime stop buying products from them. Such power is not by agreement but may be because we have more suppliers available to fulfill our demands. Such power is in routine and just created by the activities performed before.

Question 10 Political and legal environment is complex in Russia. It have affect on our relationship. Our supplier usually has to pay custom duties at their own, and also have to understand the regulations in Russia. It can create complications for them and may change their minds to do business in Russia.

Question 11 Exchange rates are different and may have impact on pricing issues. Thus, if supplier is not happy with the affect of exchange difference on final profit, he may change his mind to stop doing business with us. Roads are sometimes the reason for delay of delivery of our products, but we are aware of these problems and do not take it serious to affect our relationship.

Question 12 Technological factors have no affect on our relationship. Every think is of high standard to communicate to our suppliers. Internet and fax are used to order the products and usually other communication is also on the email due to language difference. But it has no serious affect on our relationship.

Question 13 Due to language difference we like to contact them through email as most of employees in our supplier firm cannot speak English. By using email, they find time to translate and to reply in time. Language may have little effect on delaying the process of communication. We like to indulge with them soon and be informal in meetings.

Question 14 Negotiations play important role in managing our relationship. From ordering to delivery everything depends on what was decided during negotiations. Sometimes it is hard to find the right price but acceptance depends on the willingness of both parties. Yes we negotiate with them but now it seems that everything is in routine and when we have to change something then negotiation will play important role.

Question 15 All factors we have discussed already may have little effect on our relationship. But everything depends on the willingness of supplier to do business with us. And this together we can cope with these influences to exist in the market.

I. Interview Questionnaire



School of Technology and Society

Interview

We are Master's Students attending Marketing Program at University of Skövde and writing thesis entitled "Industrial Relationships in the International Environment. A case of Polish firms in Russia". The main purpose is to investigate the nature of buyer – seller relationships in Russian transition economy and to deeply understand and overcome hurdles in managing these relationships.

This interview includes 15 questions. Interview is divided into parts which are related to scrutinized theoretical areas of this study. Please allow us time to receive your ideas about the questions below. Your contribution is very significant for the quality of this research.

Regards

Julia Bobicka

Umer Shahzad.

Name of Interviewee:

Time and date:

Introduction of Interviewee

Please tell us about your designation in the company and how often you are in contact with your supplier firm in Poland?

Question 1

How do you see your relationship with your supplier/customer firm in Poland/Russia and why? In which way is it expensive or beneficial for you?

Question 2

Have you ever faced some problematic issues in your relationship with your Polish supplier/Russian customer firm? If yes which problems have you faced and how did you solved them successfully?

Question 3

How much stability you think exists in your relationship with Polish supplier/Russian customer firm? Do you have certain contracts with them and is it in routine now to perform activities for each other comparing to when you started business with them?

Question 4

How long have you been working with Polish supplier/ Russian customer firm? How many people are involved in managing the relationship and what kind of other investments have you made to keep this relationship working?

Question 5

To how much extent confidence exist between you and your Polish supplier/Russian customer to fulfill each other's expectations? And what is the level of commitment and willingness to adapt to each other's requirements?

Question 6

Are you satisfied with overall activities of your Polish supplier/Russian customer i.e. do they fulfill your desired outcomes? Do they cooperate with you to the level what you want? If yes how?

Question 7

Do you cooperate with them to manage your relationship? What efforts you think you make to satisfy their needs and demands?

Question 8

Have you ever experienced conflicts in your relationship with your supplier/customer firm? If yes, what was that conflict and how you solved that?

Question 9

In your relationship with supplier/customer firm, who you think have more control and power. Is this power given by agreement or one just has it because of the activities performed and importance for business.

Question 10

What you think, how political and legal environment in Russia affects your relationship with your Polish supplier/Russian customer? For example: Embargoes, trade sanctions, import-export controls, other laws and regulations etc. Is it important for you to be considered to build strong relationship?

Question 11

What is the influence of Russian economic factors on your relationship with your Polish supplier/Russian customer? For instance: currency and exchange rates, infrastructure, economy growth, consumption and purchasing power etc. Which opportunities and threats does it bring?

Question 12

Do you think technological factors of Russia like electronic communication, transactions, internet, faxes and telephones, affects your operations with your customer/supplier? If yes, how?

Question 13

How social and cultural aspects directly or indirectly influence relationship with your Polish supplier/Russian customer? For instance: Language, religion, values, attitudes, social institutions etc.

Question 14

How you manage these relationships with your Polish supplier/Russian customer? Does negotiation provides strength to overcome the challenges associated with managing these relationships? If yes, how do you negotiate with your customers?

Question 15

What other factors you think can affect your relationship?

J. Reflection on Learning by Authors

1. Julia Bobicka

I have learned a lot while writing this master's thesis. The learning process started at the first stage of the development of this thesis when the investigated topic was selected entitled "Industrial relationships in the International Environment. The case of Polish firms in Russia". I was searching for some related thesis with my partner, for instance on essays.se in order to investigate if the same topic was not evaluated before. I was reading many projects which deal with business relationships in the international market. I can say that the main idea of the chosen topic emerged when I participated in the course named International business in emerging markets conducted by Peter Hulten (Ph.D.) My interests mainly focused on the impact of environmental factors on the business relations, thus I decided to direct this thesis toward these issues.

The next stage of writing this thesis was aimed at literature review. My knowledge has increased while searching for related marketing literature in the scope of industrial relationship, relationship quality, negotiations and international environment etc. It helped a lot in formulating the proper purpose and research questions of this study. Next task in the development of thesis was to search for companies which would agree to participate in this research. It was really demanding and time consuming task to complete. I gained more experience in work practice and I had to demonstrate proficiency in writing the cover letter to companies and communicating with them in a proper manner. Finally, the research for companies ended with results of three companies which were willing to participate in this study.

Moreover, the process of collection of data was also challenging, because it was my first time when I conducted the focus group discussion. The advanced level of this project and the interest in a chosen topic, encouraged me to work every day with full commitment. While reading many textbooks and scientific journals, I enquired deepen knowledge related to international marketing and research methods and how they have to be properly applied. My ability to evaluate gained knowledge and analyze data in relation to the theory has increased.

The process of gathering data required my punctuality and ability to talk in clear and understandable way in order to give instructions to participants how to answer the given questions in focus group. Further, my ability to talk with business people in coherent and relevant way while interviewing them to obtain the most reliable and valid information has increased.

The entire qualitative analysis of the findings was really demanding. It was the first time when I conducted the research just with qualitative data. Before starting I read a number of others theses and research books in order to analyze the data in a proper manner. While analyzing I made link between theoretical concepts and findings, because it is a crucial aspect in the evaluation of thesis. Due to the case study design, the empirical data were sufficient to draw relevant conclusion, because the findings were not generalized. The focus group and interviews were firstly analyzed separately and later the conclusion was drawn based on both methods. It was really time consuming process, me and my partner took a great effort to merge all issues and ideas into a coherent research.

The conclusion combined together all the main points in this research and the results were based on findings and its analysis. While writing the conclusion, I referred back to the problem and research questions stated at the beginning of this thesis. Recommendations were included because there were appropriate in the scope of this dissertation.

I am really glad that I could write this thesis with my partner. The cooperation and the process of writing was really smoothly conducted, because of the same way of thinking. Having worked with my partner, I gained more experience and improvements in the style of writing. We shared our observations and tried to draw form them conclusions. The group project helped me how to be a part of the group. Further, this ability will be very helpful in my future career. The brainstorming sessions and mutual communication were really fruitful and beneficial for work progressing. Moreover, while participating in seminars, I have learned a lot from the teacher and other students. My skills enhanced by cooperating with different people All comments and suggestions were really helpful and increase the quality of this research.

While writing the thesis, I had opportunity to apply theoretical knowledge into practical way. I have learned that discussion is the key issues in solving problems and disagreements, thus I have learned how to present my views in more diligent manner with high respect to opinion from other people.

Generally, I really enjoyed writing this thesis. I have used my previous experienced and at the same time I gained new knowledge and better understanding of literature related issues and

research methods with ethical reflections. According to time constraints, I was trying to work efficiently and effectively in order to follow the given schedule. Due to limited time frame, I gained ability to organize the time and work in effective and efficient way. I tried to work every day in order to reach the assigned goals. My communication skills have increased, both verbal and written. I became more confident, committed to work and goal – oriented person. The obtained knowledge and valuable skills will have a great contribution to my future projects and work.

2.Umer Shahzad

During this study I have experienced new perspectives not only in my study carrier but also for future practical carrier. Such new perspectives were experienced by identifying and exploring the problems and findings out their solutions in a scientific way. The exploration was started from deciding the topic to be studied with my partner as Master's thesis. The topic was based on our decision which was emerged from our participation in course "International business in emerging markets". The topic selected was of my interest which led me to broaden my knowledge with punctuality, discipline and responsibility. I had a new experience of research related to international markets i.e. Polish and Russian firms. After selection and decision of topic to be studied, literature review was performed by searching for relevant articles and theories in different academic journals and books. The relevant material was collected by searching on the internet and in university library.

After reading the relevant literature, the problem background was formulated which led me to provide a research problem along with my partner. These steps taught me how to discuss and introduce a study topic before proceeding to evaluate other issues in the study. The next step was to find out the willing companies to participate in this thesis which were found with my partner by sending them emails and contacting them directly. Three companies were agreed to be part of this thesis. It added to my confidence and ability to work in practical life.

After availability of cases to be studied the next task was to select relevant theories to gather data and for its analysis, which was performed along with my partner. The methodological issues were written down and taught me to understand scientific research issues while writing a research paper. The data collection methods, research strategy, research approach and philosophical considerations etc. were all discussed in this part which were done by mutual work by me and my partner. Further, collection of data from the Polish and the Russian firms has built my confidence and abilities to work in practical life. The preparation of

questionnaire for interviews taught how to cover different issues and be prepared to conduct interviews in efficient way. The analysis of the findings provided me with knowledge of summarizing and categorizing the collected data to draw conclusions. By coming up to solutions in scientific way and using different resources have extended my ability of project management. It taught me to make connections among all chapters in a research paper by practicing it in this research.

Further, thesis writing has pushed me to express myself to be fluent and confident in communication which would help me in future carrier. The seminar discussions including defending and opposition with other groups have enlightened my skills of presentation and discussion. It helped me to be receptive, listen to others and gather new ideas. Following the schedule and time frame of thesis also created punctuality in me. These abilities to participate in seminars would be part of my future carrier at work field. I really appreciate the valuable comments and tips from our supervisor Associate Professor Desalegn Abraha, which led us to successfully achieve our goals. The supervision and examination also taught me to be receptive and also provided me with abilities to make changes for quality in research paper.

Moreover, working in a group with my partner has also taught me how to work at work place in groups and teams. Our commitment to complete our task and working together enabled us to achieve our final project of Master's degree successfully. The search for companies and translation of questionnaire for interviews would be hard for me alone without my partner. All issues in the paper were mutually discussed and agreed before writing. Her interest and willingness to complete our research helped me a lot for which I am really thankful to her. At last, I am thankful to all of those who have helped us in accomplishing our project in any means.