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**STROI-NETWORK**  
**BUSINESS NETWORKS IN RUSSIA**  
**FINAL REPORT 2009**  
**PART 2: ACADEMIC ARTICLES**

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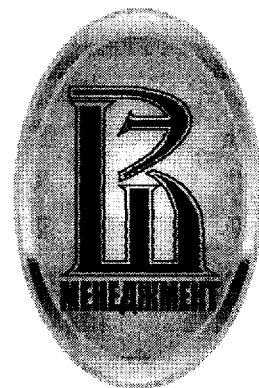


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Tretyak, O. A., M. Weck, E. V. Buzulukova, A. G. Rozhkov, N. I. Popov (2009) "Developing marketing for the STROI-network. Report for Perspective 5: Marketing"

#### **4.2 Strategic Process of Finnish Construction Companies, Building Networks in Russia (Bek, Vladimirova)**

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#### **ABSTRACT**

Globalization and growing competition force companies to look for new markets for their business. International operations give companies an opportunity to use their resources more efficiently and simultaneously the internationalization processes increase a firm's risks and strategic problems. The choice of an international strategy defines a company's priorities on partnership development, which are necessary for a quicker understanding of new markets' features, and also for decreasing strategic and commercial business risks. The strategic process is influenced by a number of factors, such as institutional and socio-political, and also business-sector specifics and national culture. Strategy development and implementation together with stable network relations define company's success in a new market. The paper presents the main results of an empirical research, devoted to analyses of international companies' strategies and factors, affecting strategic choice and implementation process in the Russian market.

#### **INTRODUCTION**

The processes of globalization and information technologies development erase borders between different national markets. In these conditions strategy development and implementation require account of new factors reflecting character of interaction with partners in a network, branch features, distinctions in parameters of business culture and the strategic management on national and foreign markets.

The problem of adjusting the firm-level strategy while entering a foreign market to the cultural peculiarities of the company's home and foreign cultures has been extensively studied (Barlett and Ghoshal 1995, Ohmae 1990, Prahalad and Hart 2002, Ghemawat 2001). The finding of this research was that international expansion strategy depends on several factors, both pertaining to the international context and company specifics.

Another research question that has been studied is "what occurs after the international strategy has been chosen and a company has already entered a new market?" A number of factors, which influence behavior of companies after entering foreign markets have been identified (Ghoshal and Nohria 1993, Harzing and Noorderhaven 2006; Soledad and Mody 2004, Morrison, Ricks and Roth 1991). At the same time, the problem of strategic choice in response to interdependence of different business-cultures has not received appropriate attention in the literature.

One of the basic features of the "new" economy based on knowledge is network relations. These features not only change economic roles, rates, directions and mechanisms of strategic processes implementation. Changes also concern interaction forms between companies.

International inter-firm communications and network relations still, despite its importance, remain behind frameworks of traditional models of strategic and international management. Meanwhile the recent research in this area (Enright 2000, Ricart et al 2004, Hadjikhani et al 2008) gives grounds to assume that the account of socio-cultural and organizational and administrative factors, in particular, informal relations between companies, can have a critical value during strategic decision-making, concerning development and business dealing in foreign markets, geographical position of investment objects, suppliers and clients, creation innovative products, forms of partner agreements.

This article is devoted to the research of strategic processes features (decisions and actions) during business expansion outside national borders. The factors affecting strategic choice of internationalization strategy and organizational forms of its realization, establishment and development partner relations on markets, and also decisions regarding strategic control of international divisions (affiliated companies), are pointed out with respect to strategic context. National, regional, industry and intra-organizational conditions of business are considered as contextual factors.

The main objectives of the research are:

1. To define group of factors, influencing network-level strategy and doing business outside national market
2. To select forms of strategic control used in international companies for management their subsidiaries
3. To determine, what factors affect choice of strategic control form during business expansion on new markets

Objects of the research are Finnish companies, operating in Russia in the construction sector. Mainly they are the diversified companies, running one or several businesses in the Russian market.

## **LITERATURE REVIEW**

### **Strategic Processes in International Companies**

A company involved in global expansion overcomes borders of growth in its domestic country, realizing its competitive advantages abroad, expanding international cooperation and increasing volumes of company's foreign economic activity. Decisions about internationalization influence all management levels of the company – network, corporate, business – and functional levels (de Witt and Meyer 2005). Two sets of decisions are the most important from a strategic point of view: choice about degree of business operations standardization on foreign markets and organizational form of its international divisions (affiliated companies). Both decisions predetermine the necessary level of centralization, degree of independence of its affiliated companies, including the decision about participation in different networks.

Proceeding from the definition of network as models of mutual relations of firms and institutes, network structure is not only the result of companies' choice between market, hierarchy or hybrid forms of joint management. It is also rules that drive decisions of firms about cooperation in the certain competitive markets (Kogut 2000). These rules, in turn, are defined by industry features, social norms and institutional factors.

Two basic factors influencing the choice of a company's international strategy can be defined: the possibility of standardization on the global market and gaining advantages from economy of scope (Yip and Tallman 2009). There are two main alternatives at the ends of the spectrum (with a number of intermediate options in-between) may be examined from the perspective of standardization of company's operations:

1. Multinational strategy, based on accounting and using of peculiar national features of particular segments of the world market on which the company operates;

2. Globalization Strategy, based on application of standardized approach towards particular segments of the world market on which the company operates with only minor changes in products, services, policies and procedures.

A multinational strategy is based on studying, accounting for and using distinctions of different national markets in consumer preferences, competition, and also specifics of political, legal and social systems and structures. An efficient multinational strategy implementation depends on the level of decentralization providing delegation the rights to make strategic and operative decisions to national enterprises. It allows for accounting for local features in a company's activity in a more flexible manner. However, growth of various businesses can lead to the loss of the advantages connected with usage economy of scale. A distinctive feature of global strategy is a high level of centralization and interdependence between foreign subdivisions when they implement production and competitive strategies.

In the choice of implementation one of these strategies is based on the company's decision concerning the degree of core competences' centralization. This requires the consideration of opportunities for the coordination and management of administrative costs (Morrison, Ricks and Roth 1991).

On the one hand, the strategy of the parent company can be focused on centralization of basic functions in a head office, while delegating some authority to foreign subsidiaries. This approach requires accurate specification, what areas of responsibility need to be delegated to foreign subsidiaries.

On the other hand, the head office can distribute functional areas of responsibility between various countries in such a way that the competitive advantages of each subsidiary can be used in the most effective way. This approach involves the highest administrative costs. Moreover, it requires a high level of complex integration mechanisms and also the sharing and supporting of the same organizational culture in all international divisions of a company.

The international behaviour of companies in the 20<sup>th</sup> century moves from globalization strategies towards multinational. The fact that now a significant number of companies still uses a globalization strategy can be explained. Globalization processes in the world economy promote a higher level of uniformity of different national markets, which have made economies of scale a more important factor.

The choice of an organizational form of market entry is one of the key strategic decisions within the process of internationalization. In the literature two basic forms of market entry are considered: the creation of a new enterprise (greenfield) or company purchase (acquisition) (Meyer and Estrin 2001). However the transitive form, Brownfield, has also been examined. In this case the parent company buys an operating firm, but then almost completely replaces equipment, personnel and all business processes. After the transformation period material and non-material resources of the absorbed firm, such as brand or organizational culture, are aligned with the corporate strategy of the Head office. The basic difference between Brownfield and acquisition lies in deep re-structuring planned initially and realized according to the general strategy of the company. It is chosen by firms with core competence based on combination of firm-specific international resources with specific local assets.

The choice and realization of an international strategy on a new national market are carried out under the influence of external factors. According to Enright (2002) different levels of factor analysis can be determined: subnational-, national-, clusters-, industry- and firm-level. In this research, we have examined the following factors on the firm-level: strategies, activities, governance structures of firms. Micro- or industry-level drivers include the nature of competition and cooperation in the given industry, policies that are specific to the industry, and skills and capabilities that are specific to an industry. Meso- or cluster-level drivers include inputs such as the linkages between suppliers and buyers; the nature of local demand; Macro- or national-level drivers include macroeconomic conditions, government policies at the national and regional levels, and aspects of society, including goals, interest groups, agendas, and social issues. Meta- or supranational level drivers include

links with other economies outside the nation, the strategies of foreign multinational firms, and (supranational) regional linkages (Enright 2002).

The context reflects not only institutional and cultural features of the country, but also behavior model of players – actors (Ford 1997, Hakansson and Johanson 1992) who are potential participants of a business network of the company. At national level, together with the direct participants – consumer and suppliers, institutes (the financially-credit organizations, trade unions, religious and social institutes, etc.) and state bodies can be referred to actors. Activities of such actors as the World Bank, IMF and European Union, in the field of creation, growing, or in contrast, reductions of integration processes in the world directly influence possibilities to operate abroad.

As a whole strategic choice concerning business operating in a new foreign market, is defined by corporate international strategy of the parent company and its participation in various networks. However, if the company is diversified, it can participate in different business networks, realizing different kinds of international strategy, proceeding from specificity of a certain business. Business expansion assumes an obligatory knowledge and best practice exchange between divisions (affiliated companies) in different countries. It predetermines development of internal networks within the company where constant interaction and resources and information exchange are taking place (Bartlett and Doz 1990, Kogut 1990). An internal network is a set of positions and interactions between subdivisions within one corporation. An external network should be analyzed from a perspective of separate division on foreign market as it is a link between internal and external networks (Figure 4.2.1).

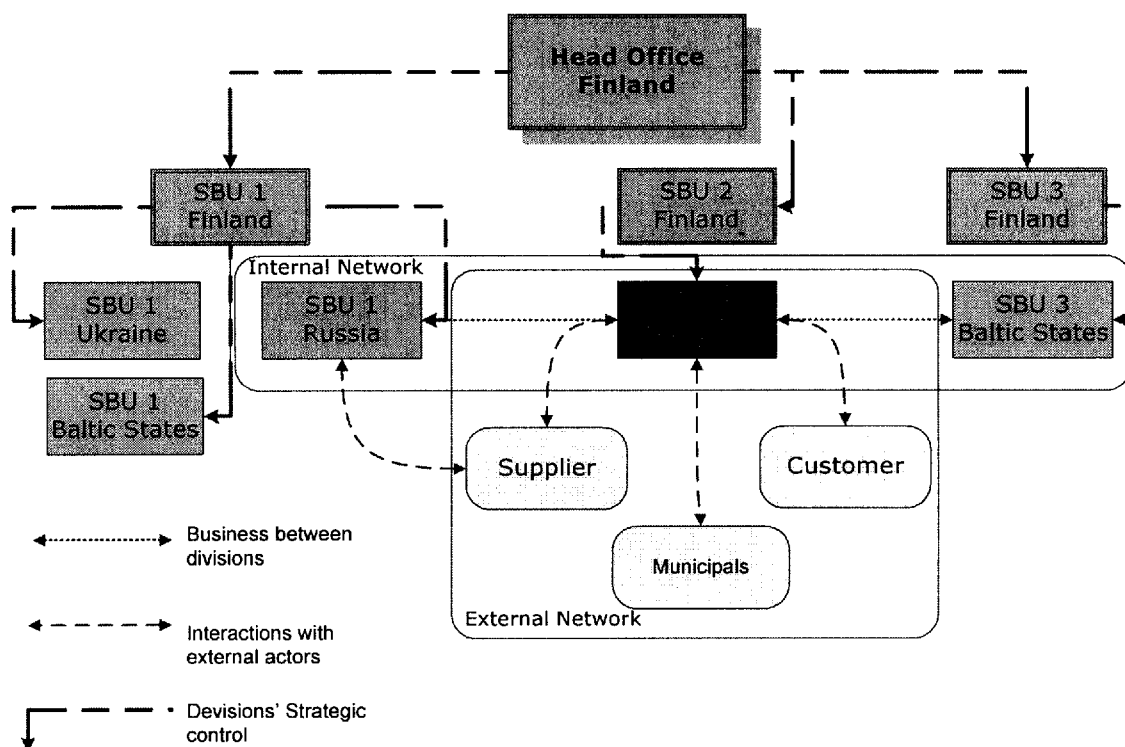


Figure 4.2.1. Interconnections between Internal and External Networks

Network development in a new national market depends on many aspects of strategy (corporate, business and functional) of a parent company. Network level strategy is an integrating link (de Witt, Meyer, 2005) that co-ordinates separate elements of strategic process (Figure 4.2.2).

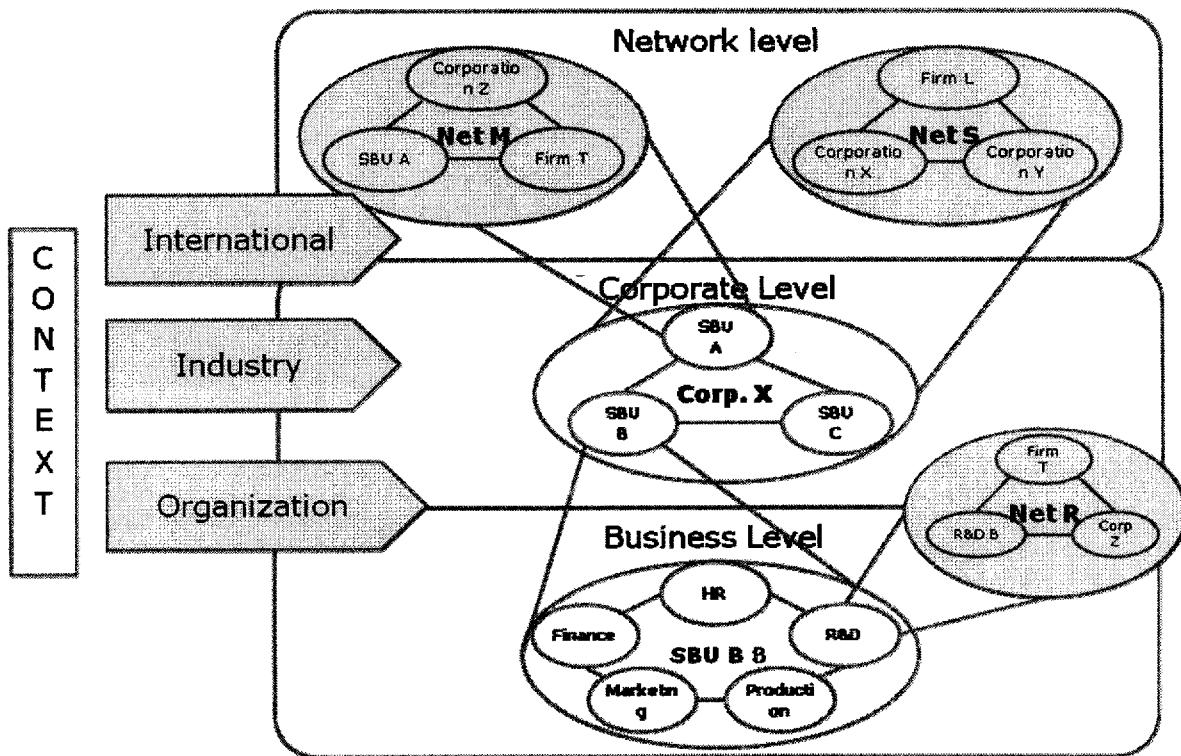


Figure 4.2.2. Network level strategy.

Within one organization it is possible to allocate several networks where it participates. Decisions connected with interaction in a certain network, can be accepted at different levels of management. So, the company as a whole can be a part of one or often more networks. If the organization is diversified, each of its strategic business unit (SBU) can participate in another network. And, at last, some divisions, for example, research and development or marketing departments can develop relations with research institutes or consulting agencies. Therefore network level strategy uniting various networks, has a difficult mobile structure, and communications between external and internal networks influence strategy implementation of all managerial levels.

### Strategic control of subsidiaries out of the national bounds

There is a strategic contradiction between necessity to have more freedom and flexibility for adaptation to the various national markets conditions and provision of common vision and development of the parent company. It leads to difficulties in coordination and strategic control of foreign divisions.

Strategic control can be implemented through Corporate Centers (CC), which in different markets play different roles. There are many publications, describing and analyzing roles of CC in international company relations. We are basing our further study on the work of Nathaniel Foote, David Hensley, Max Landsberg and Roger Morrison (2008). In their paper "Role of the corporate center" these authors have suggested a set of distinguished roles that CC may play in the international activity of companies. These roles constitute a certain continuum.

On one pole there is the "Financial holding" role. A "financial holding" type company consists of a set of independent business units that have weak communications with the corporate center. In this model the functions of the corporate centre include first of all of the financial control through the tasks of budgeting and careful profit and cash flows management. The role of the CC also includes hiring, performance evaluation and firing unit

managers. Thus a head office does not attempt to co-ordinate activity of business units or to attempt to create any synergism between units.

On the other pole we find so-called "Operator" who usually develops only one line of business, but has some profitable divisions that either work in different regions, or produce different goods. Between these poles there are "Strategic architect" (SA) and "Strategic controller" (SC). Corporate center as a «Strategic architect», realizes two basic functions. First, it generates the general strategy while business units have freedom for development of their own initiatives. Second, it monitors the subsidiaries businesses, periodically initiating discussions concerning general strategy of divisions. The head office as «Strategic controller» focuses on careful and often functional analysis of business units' strategy and undertakes more efforts in achieving a synergy effect.

The choice of form of strategic control is influenced by set of both internal and external factors (Figure 4.2.3).

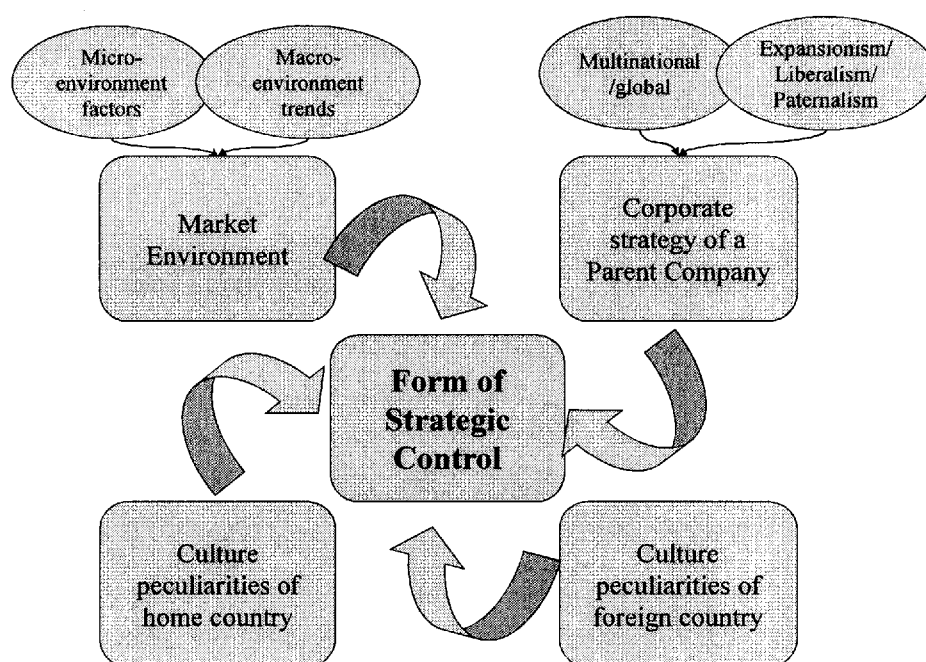


Figure 4.2.3. Factors, Influencing Strategic Control Form.

First of all, the company, making the decision on the form of strategic control, considering corporate international strategy as a vector of foreign subsidiaries' development. There are also other significant factors, such as market structure, power distribution between players, and general industry dynamics. However, it is necessary to consider cross-cultural issues as they influence control implementation directly. In practice, it is usually not easy to specify a company as one belonging to the certain type as combined forms are often used. Moreover, forms of strategic control differ across the set of subsidiaries (Filinov, Bek and Vladimirova 2009).

Besides, organizational form and mechanism of strategic control are defined by power and influence of division and its position in the whole business networks (Forsgren and Pahlberg 1992). Influence possibility is a question of possession the central position with access to resources and to important participants of a network. Both parent company and separate division can possess these resources (Figure 4.2.4).



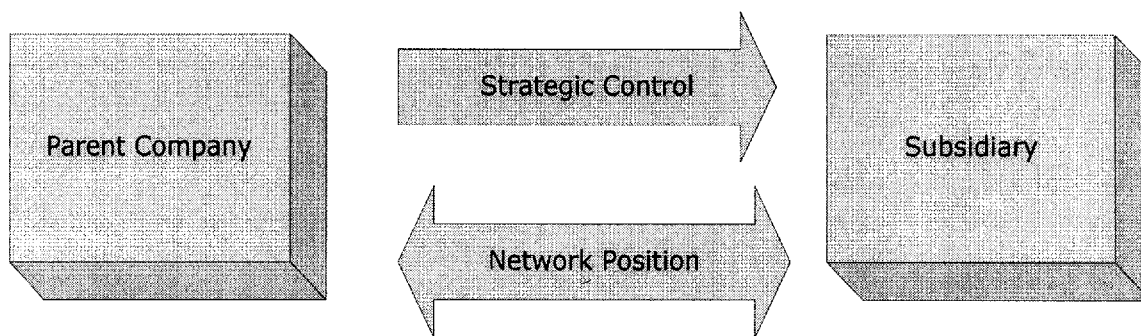


Figure 4.2.4. Interdependence of parent company and its subsidiary.

If the division possesses the possibility to control resources and takes the central position in a network on a new market, the possibility of its control through hierarchy is limited. Therefore, Head Office, implementing global strategies, can meet serious difficulties connected not only with an external context, but also with intra-organizational factors.

Divisions in different markets can vary their perception of parent company's strategy. One of the tools, allowing realizing strategic control, is Balanced Scorecard (BSC). BSC can provide control function in such mechanisms as Financial Holding, the Strategic Architect or the Controller.

## **RESEARCH PROJECT**

### **Project description and objectives**

The research was devoted to investigating strategic process specifics in Finnish companies, operating in the Russian market.

### **Research methodology**

The research is based on qualitative and quantitative data analysis methods. Qualitative tools included structured interviews with top and middle management, based on a list of 40 questions covering various aspects of companies' activities. Internal documents of companies and secondary information (company websites, WEF and WB materials) were used as addition to interview results.

## **RESEARCH RESULTS AND INDUSTRIAL IMPACT**

### **International strategies and forms of business ownership**

The majority of the investigated companies adhere to a multinational strategy. Regionally adapted products are the main characteristic for this type of strategy. The type of business, Russian legislation, and business practice support the choice of the given strategy. However, general quality assurance and following of shared standards are complicated because of the high degree of decentralization of decisions. It is difficult to copy initial partnership models in new national market due to various influences on the companies by industries actors.

According to the parent company strategy, several businesses can enter the same market. It influences the network structure. The researched companies have confirmed that if there is another affiliated company in the same market, it will be in most cases chosen for projects development. The research has shown that companies use typical legal organization forms of development on the Russian market. Some companies buy active businesses. However, the majority of the companies created new affiliated firms for business operations in Russia. Such organizational form as an acquisition was not examined in the considered

companies. Though this form could be the most suitable to form a partnership. On the one hand, there are already established relations with suppliers, consumers and the third parties, and on the other, the introduction of new rules and procedures from the parent company allows implementing global international strategy.

### Factors, influencing network-level strategy and doing business outside national market

Firstly, it is possible to define distinctions in the institutional and social environment in Finland and Russia among a group of factors influencing strategy choice of partnership. The economy of Russia and Finland differs in many parameters. Technological development, dynamical integration in global processes and preservation of national interests allow Finland to be considered as an information society. Key features of such a society are knowledge generation through information technologies, occurrence of network relations in various branches, development of infrastructure for effective network processes (Castells 2002). The Russian economy is still at the stage of industrial society. Traditional market mechanisms and more rigid organizational structures, are still strong within this economy.

Rules of the game within the market in many cases are defined by existing institutional mechanisms along with level of economic relations development. It is possible to make a conclusion that the most significant parameters of doing business in Russia and Finland differ. According to World Bank and IFC Finland is in 14<sup>th</sup> place in the rating "Doing Business" (<https://russian.doingbusiness.org>), while Russia is 120<sup>th</sup>. It is much easier to get permission to start a business in Finland than in Russia (43 place against 180). International trade possibilities in Russia are strongly limited in comparison with Finland (4 and 161 place respectively). (Figure 4.2.5)

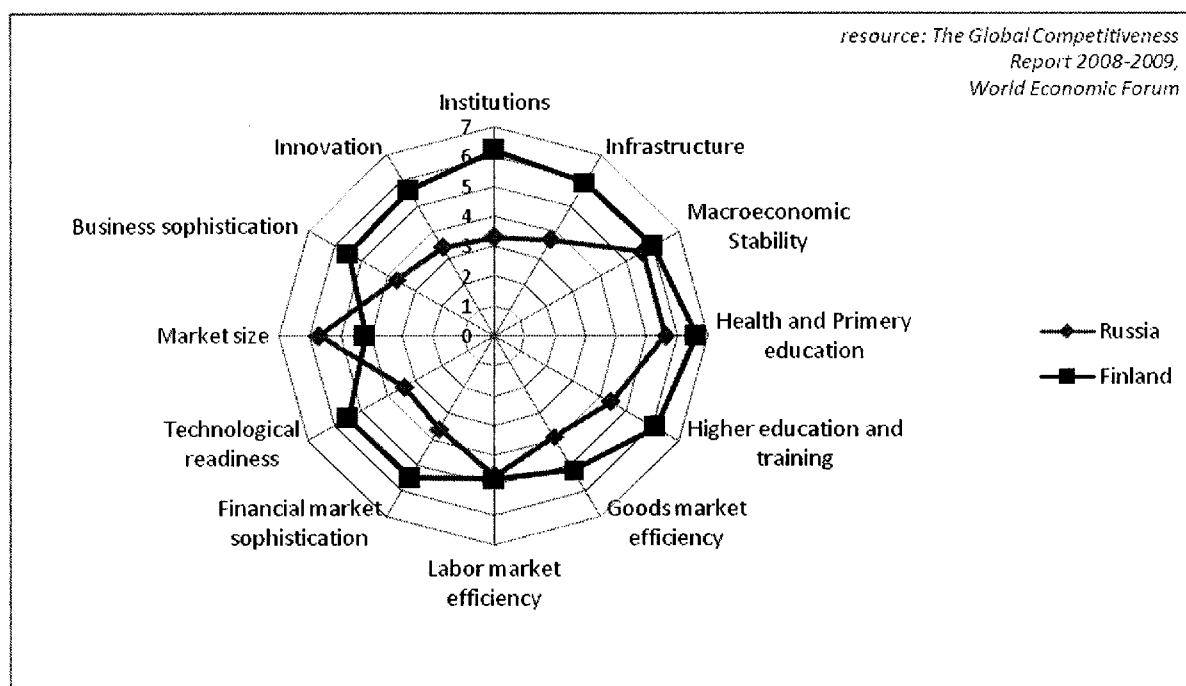


Figure 4.2.5. Macro factors in Finland and Russia.

Thus, the economies of Finland and Russia represent different economic models. This means that companies entering the Russian market need to change strategic management and adapt it to new conditions of doing business. However, the research has shown that not all companies are ready for radical changes of already developed business processes and management mechanisms.

Partnership strategies are defined not only by political and cultural features of the whole country, but also of a certain region. Complexity of defining unique dimensions for

one country according to the model of Hofstede (Individualism, Power Distance, Masculinity, and Uncertainty Avoidance) is shown in the latest research. Different regions in Russia are characterised by essential distinctions of business culture parameters, which are defined by level of social and economic development. For example, considering PDI and IDV parameters, Stavropol is close to culture of India, Tula to Argentina and Japan, and Tyumen to Canada and to the Netherlands (Latov, Latova 2007).

Distinctions in economic values involve differences in partner's behaviour in the market. Finnish companies are in a greater degree focused on the business mutual relations based on trust without drawing up detailed contracts in the beginning of joint activity. Russian firms aspire to the maximum detailed elaboration of possible parameters and regulation of joint activity before a project begins. Probably, it is the consequences of negative experience of cooperation at an the original stage of market development in Russia. All investigated companies stated that they put essential accent on relations with governance, developing partnership strategy. A high level of corruption and economic crimes, especially in the building sector, cramp the development of normal partner relations. This aspect is represented in much foreign and domestic research, and was marked by respondents. Prevalence of shadow operations is largely caused by parameters of national culture of the country. As Latov and Latova (2007) have shown prevalence of corruption relations positively depends on an individualism index and negative on power distance index.

A low standard of living and considerable social inequality are characteristics of many Russian regions. Big cities in the European part of the country grow at a fast rate due to the low standard of living of rural population. It can be considered as the positive tendency for construction sector as demand for real estate, both residential and commercial, is growing. It is especially appreciable in cities-millionaires (St.Petersburg, Nizhni Novgorod, Ekaterinburg) though the crisis has slowed down this growth approximately for 3 years, according to the experts. At the same time, similar stratification of the society complicates market segmentation. It especially affects the companies focused on residential building in the middle-segment.

Thus, the choice of partnership strategy in a new market depends not only on the national context, but also on specific characteristics of regions. It means that business rules should correspond to specific institutional and socio-cultural factors of the concrete region. However, research has shown that almost no respondents consider specificity of separate cities when speaking about cultural features.

It is difficult to copy the Finnish model of partnership relations on Russian market also due to legislative factors. If clients are unitary enterprises, business operations get under legislation concerning state purchases (Federal Law from July, 12th, 2005 94-FZ «About orders placing for deliveries of goods, works and services performance for state and municipal needs»). Besides, municipal authorities participate in process of acceptance the important decisions concerning subcontractors. Therefore, the range of partners' choice in this case is limited at the first stage of relations.

Business specifics influence development of partner relations and business dealing outside of the national market along with socio-cultural and institutional contextual factors. The investigated companies operate in construction sector. They can be divided to four market segments, proceeding from features of the business: industrial and ecological services, lifting equipment, construction materials retail and residential construction.

#### Environmental and industrial services

The Russian market may be described in the following terms. While in the US and Western Europe the interest of enterprises and organizations in environmental certification is high, as it is a tool for gaining leadership in markets, Russian companies do not have a significant stimulus to acquire environmental certification of their production systems. The environmental legislation in Russia differs substantially from that in EU countries. In Russia, the business of environment protection is concentrated basically in big cities and there are different rules in each region.

Consumers are often municipal authorities, housing companies, and large construction companies. Subcontractors (suppliers) influence the quality of providing services. It is difficult in comparison with Finland to find private businessmen rendering ecological quality services in Russia. That is why the network configuration changes. The companies in the given market are forced to join subcontractors in the structure. Input barriers on the market are in personal contacts with municipal authorities. Therefore, partnership strategy is directed on the creation of stable relations with clients. The existing competition occurs basically with the state (unitary) enterprises or their affiliated organizations.

#### Lifting equipment

It is the Business-to-Business sector where each client makes certain demands, proceeding from specificity of its business. The number of suppliers, influencing terms and quality of work, is also limited. Basically, suppliers are other branches of a parent company. High initial investments protect the market from new competitors, and competition intensity is affected by the parent company brand. Consumers possess major market force. Therefore, the companies aspire to assist consumers in technical project designing, and also to support communication with them after services rendering. Accordingly, partnership strategy is focused on client development and on joint projects creation.

#### Construction

Customers of companies specializing in residential construction are basically large Russian and foreign companies. It is possible to allocate companies selling construction materials as suppliers and subcontractors, performing design work. The Russian sector of residential construction is strongly fragmented and approximately 100 000 companies operate in it. As diversification of the companies in other business is complicated, the branch has a strategic character for many players. In spite of the fact that officially input barriers on the market are not too high, companies need to establish communication with various municipals to start business in this segment in Russia.

#### Construction retail

This segment is characterized by suppliers who offer wide assortment of goods along with weak segmentation between them. The scale effect is an input barrier on the market, but it cannot constrain growing competition. Therefore, there is a tough competitive struggle between existing players, in spite of the significant amount of consumers. Contracts make the basis of market relations in such conditions. The retail companies are not ready, as the research has shown, to build long-term partner relations neither with clients, nor with suppliers

We have defined the key factors influencing the companies, operating on these markets, using expert estimations added with materials of DATAMonitor group. The diagram reflects key differences of segments within the limits of the construction sector (Figure 4.2.6).

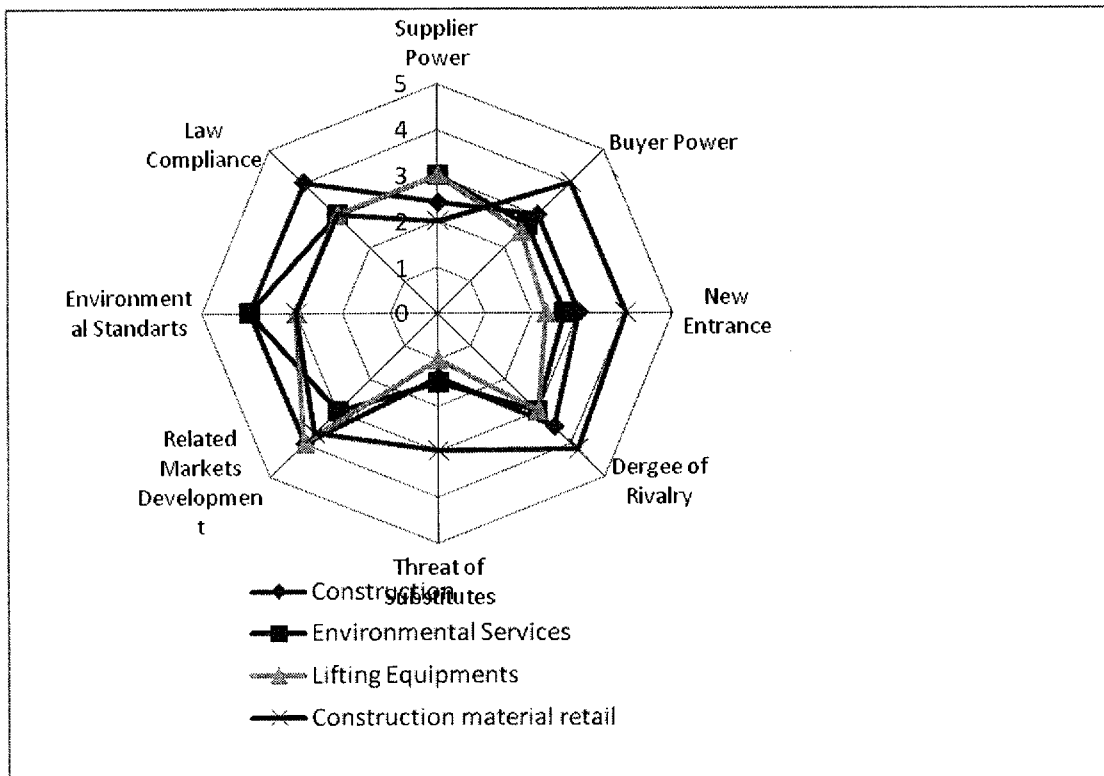


Figure 4.2.6. Competitive profile of the market segments within construction industry.

There is a common feature for the construction sector – business processes management within different projects. Alliances of companies in the construction sector have more likely short-term character and change depending on number of simultaneously realized projects and stage of the concrete project. Developing the project companies are limited by the project purposes, its resources and interests of their stakeholders. The system of tenders regulates various aspects of agreements between partners. Within the limits of one project, not only partners from current network can be involved, but also time-basis participants. The process of interaction between participants can be divided into two stages: project development and realization. The choice of participants in a certain project, including partners from the existing network, occurs at the first stage. And it is extremely difficult to change the structure of participants in the project at the second stage.

Not all participants need to be involved in solving problems of the specific project even though there are stable relations with them. Connection between possible actors, network and projects is presented in Figure 4.2.7.

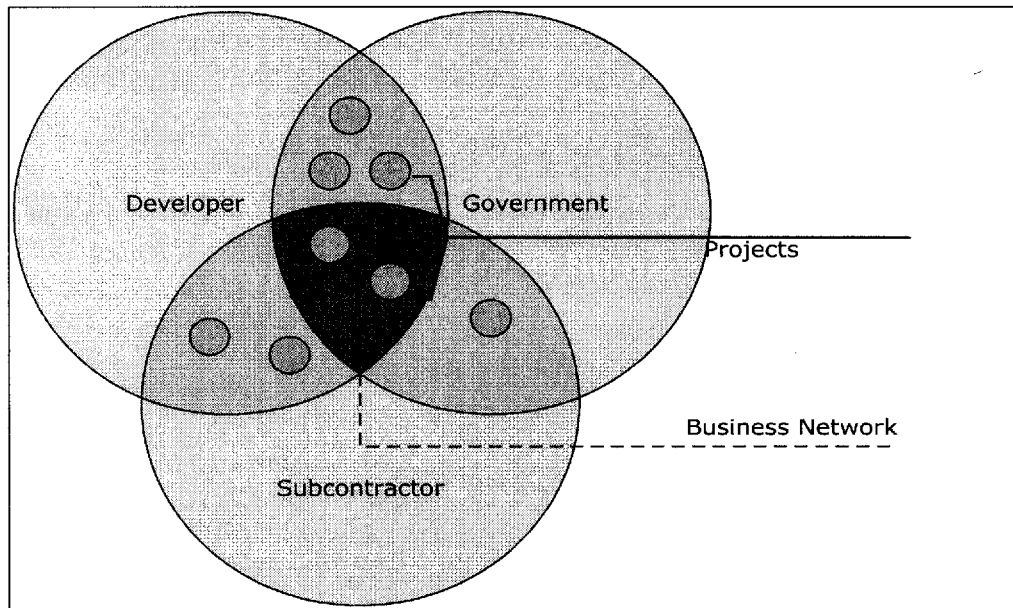


Figure 4.2.7. Network relations within project business

### Forms of strategic control

International strategy of a Finnish parent company and its organizational form influence the strategic control of Russian subsidiaries, and the CC takes some of the roles in line with them. On the one side, there is a Financial holding, which consists of separate business entities with very weak links to their parent company. Functions of the corporate center include financial control over budgeting, strict audit of profit and cash flow development. At the same time the head office does not try to control the activities of business units or search for synergetic effects.

On the other side, there is the Operator who usually develops only one business line, but has several profitable departments, which either work in different regions, or produce different products. The Operator heads the development and realization of strategies in departments.

Analysis of forms and mechanisms of strategic control indicates that the observed companies do not use such forms as Financial holding or Operator. Corporate centers of the companies act in line with models Strategic architect and Strategic controller. Interestingly, almost all the companies show the presence of mixed form of strategic control, which includes features of both models, where Corporate Centers are responsible for the following functions:

- Define strategic vision of corporation and direction for business units to act
- Approve key strategic decisions, based on synergy principles
- Approve offered investment decisions after their functional and commercial value analysis (in two companies)
- Periodically (in most companies - quarterly) analyses key financial, operational and strategic indicators.
- Establishes the main principles of financial and HR policies and business processes
- Maintains shared purchase centers, which allow gaining economies of scale.

However, typical models of corporate centers do not allow the consideration of the specifics of strategic control in project oriented organizations. Strategic control in such organizations contains more than defining the centralization\decentralization degree, but also includes specifics of controls over joint development projects.

The Balanced Scorecard represents one of solutions to this issue

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

In Russian practice, BSC is considered not as a complex managerial technology, but only as a tool of strategy implementation, which will be effective under certain circumstances. That is why BSC, developed by the Finnish company, can work incorrectly and inefficiently when projected on Russian business. Among key characteristics of Russian business, the following factors can be pointed out:

- Business-processes non-transparency
- Lower, rather than in the West, environment predictability
- Low (in comparison with the West) liquidity of non-material assets. Insufficient development of laws in the field of intellectual property protection
- Low opportunity and desire of top-managers to delegate authority in a company.
- It was found that among the observed companies only one has been using BSC, but only for defining goals and control measures of those goals achievement.

### Implementation and exploitation

Major features of strategic process in Finnish development industry companies, active at Russian market, can be highlighted, based on the research results (Figure 4.2.8).

	Company A		Company B		Company C		Company D	
International strategy	Multinational		Multinational		Multinational		Global	
Control systems and control	Strategic controller	Con-	Strategic Architect	Ar-	Strategic Controller	Strategic Controller		
Partnership relations	GR and relations with subcontractors		GR and consumers		Joint projects, customers' development		With suppliers	

Figure 4.2.8. Characteristics of the companies' strategic processes.

During the research critical external factor, affecting the partnership building tendencies, were found. Analysis of strategic context has shown that Russian market provides the mix of great opportunities and great sufficient risks. That is why it is crucial to establish strong relations with local government structures, subcontractors and corporate clients at the stage of Russian market penetration. These ideas were supported by interview results. These companies named consumers, suppliers and subcontractors among potential network participants. However, we consider several other actors to be important: research centers, major influential nonprofit organizations. Many respondents emphasized their parent companies as the network members. Its influence on the network position of subsidiaries contains access to financial resources and corporate brand.

Analysis of companies' strategic processes has revealed that decisions about network relations had a tactical characteristic, and these decisions were not always aligned with corporate strategies of parent companies. The Finnish companies are focused mostly on dual relations but are not ready to develop a network. Some companies aspire to being a part of clients' processes, developing their own business. But in most cases, such claims are not considered in corporate company strategy.

## **CONCLUSIONS**

This research allows us to draw the following conclusions about the strategic process of the Finnish construction companies, building networks in Russia. Specific regional characteristics (infrastructure development, business-culture) and experience of partnering relations affect the choice and realization of business strategies at new foreign markets as well as common institutional and cultural features of a country.

The network structure in foreign markets depends on context factors as well as on the fact if other business units of the company enter this market. Affiliated companies, composing internal network, influence priorities in business relations.

Many companies agreed that stable partnerships within development projects support partners in times of financial instabilities. But almost none of them give any help in case of partners' problems.

Project orientation of business of the studied companies limits the choice of clients and suppliers after project launch. Moreover, partner choice at new national markets depends on chosen form of strategic control. Strategic control of researched companies is carried out according to models Strategic Architect and Strategic Controller. Models of Financial holding and operator were not found among them. Forms of strategic control are specific for a project-oriented organization and expand its functions above the limits of strategic control typical models. Strategic control of such companies is defined by specifics of a control organization within joint development projects.

Thus, strategic decisions about different aspect of company' internationalization depend on various factors. But none of them is taken into account while entering Russian market. Moreover, network relations are in the initial stage. But it could be the most applicable form of doing business in the context of rapid changes in the Russian economy.

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